



Service Management in a Multi-Sourcing Environment

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A common problem statement: The Question

Imagine you are the new CIO of a large organisation. You have lots of Suppliers, some retained IT but no one seems to really know how the overall organisation works or who is accountable.

Projects take too long, there are gaps between the contracts in the "accidental multi sourcing" which means there are regular unbudgeted costs, operational performance is lower than expected. Again no one seems to be accountable.

Worse, the organisation seems to have lost all the skills to manage this over the last few years with the rounds of outsourcing. You know you are responsible to fix it, the solution has to be "owned" within your organisation but you just don't have the staff.

What do you do?

A common problem statement: Answer Options

- a) Replace all of your direct reports with people you trust from previous roles
- b) Conduct a review and cogitate at length on the findings
- c) Engage a specialist to conduct data gathering and analysis and produce a solution roadmap
- d) See if it's not too late to go back to your old job

Our Clients' Viewpoint

- Many of our clients implementing or investigating operational integration capabilities are in a second or third generation of outsourcing. Some common themes are:
 - They have a multi-sourced environment – often arrived at in an unplanned way. (“Accidental Multi-sourcing”)
 - They have complex management relationships with their suppliers and poor coordination between them – leaving gaps in end to end delivery
 - Internal/Retained services are managed inconsistently
- Often the issues have been described in terms of governance:
 - Lack of clarity of roles and responsibilities
 - Lack of consistent measurement
 - Unclear and ineffective escalation and resolution capability
 - Absence of outcome based reviews
 - Lack of separation of duties between the management and “perform” functions
- The net effect is that despite the efforts of the “IT towers” the business does not get the support or value they need

The Ascent of Sourcing

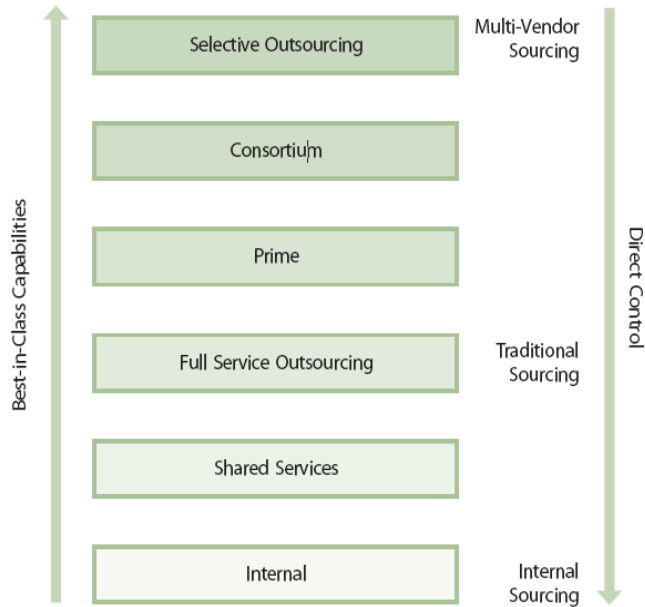


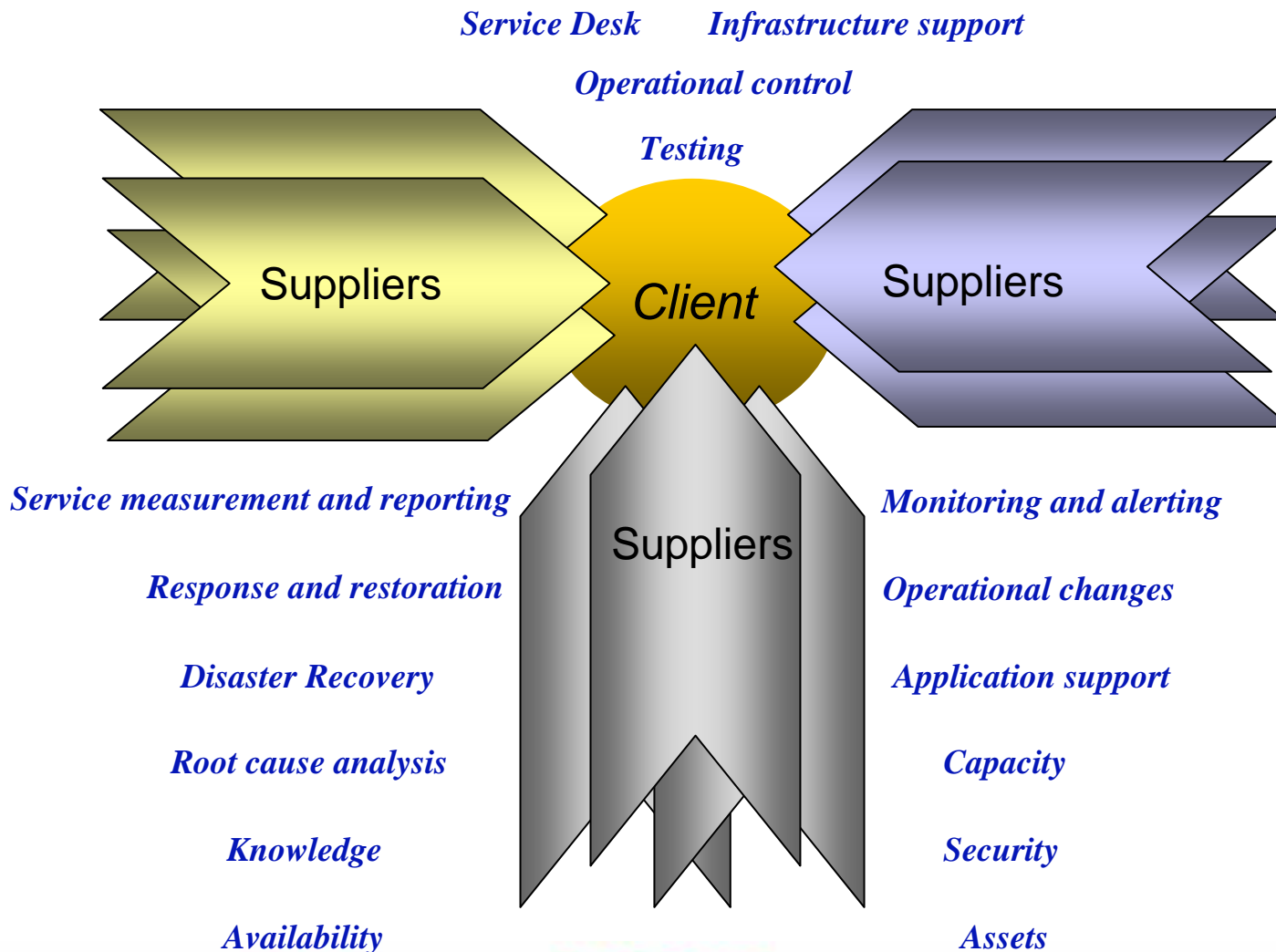
Figure 6.12 Service sourcing structures

‘The next layers of value creation – whether in technology, marketing, biomedicine or manufacturing – are becoming so complex that no single firm or department is going to be able to master them alone.’

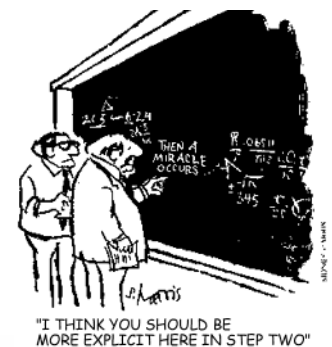
Thomas L. Friedman, *The World is Flat*
and

Quoted in *ITIL Service Strategy*, Section 6.5, Sourcing Strategy

Delivery issues inevitably arise when there is a lack of clarity of responsibility between providers. Domains of management responsibility must be jointly agreed at macro and micro layers



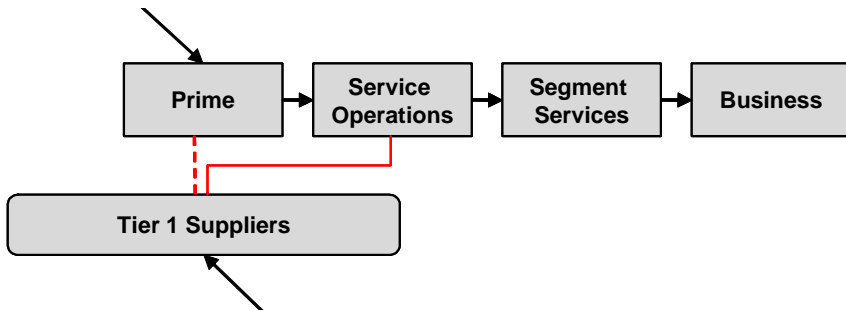
- Who has prime responsibility?
- What role do other providers play?
- What is not required?
- Where is it written?
- Does everyone clearly understand the domains of responsibility?
- Does everyone understand at macro and micro levels?



The complexities of a multi-Supplier environment involving multiple Tier 1 Suppliers creates a vicious circle between the organisation and its Suppliers...

A supplier is given the lead role for Change, Incident and Problem Management ...

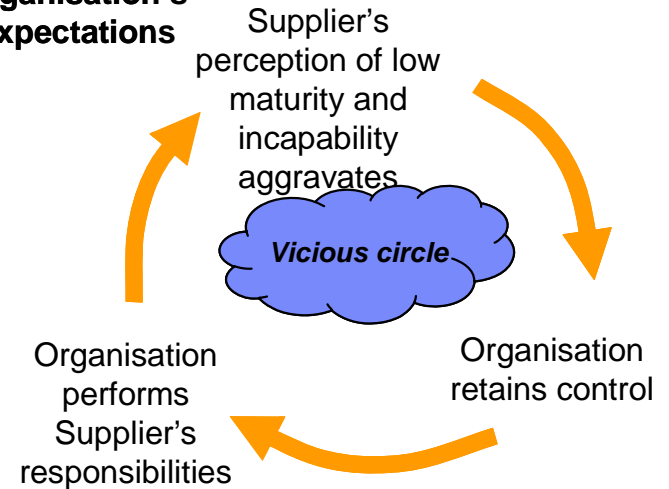
...but contractual agreements between the organisation and other Suppliers do not effectively recognise the Prime's lead role...



...which resulted in instances where the Tier 1 Suppliers were managed by Service Operations...

...resulting in Service Operations performing some roles and responsibilities originally contracted to the Prime

Contractual arrangements limit Supplier ability to perform as per organisation's expectations



Question: How many Suppliers?

How many Tier 1, Tier 2 and other significant suppliers does your organisation have?

A common problem statement: Answer Options

- a) None – completely internal
- b) 1-3
- c) 4-7
- d) >7

Multi-Supplier Management provides an organisational construct and a common framework

- Gartner refers to this type of offering as Multi Sourcing Integrator (MSI)
- We tend to use the term Multi Supplier Management (MSM) as the problem being addressed is not necessarily integration – it is the management of multiple providers in the form of the outsourced Office of the CIO
- Can be either a “layer” beneath the OCIO or it can be a full integrated part of the OCIO
- Based explicitly on ITIL Service Management (but not synonymous with ITSM)
 - Common language / meaning / reference point
 - Should result in minimal translation / interpretation issues – assuming it is commonly understood and applied with commonsense!
 - Provides an organisational management construct
- Leverages a range of frameworks, standards and models to provide an independent but common understanding and aligned activity
 - ISO/IEC-20000, ISO27001, COBIT, PRINCE2, eSCM, Val IT, SABSA

Multi-Supplier Management is an enabler

- “A big part of successful service transformation with multiple suppliers is “to get the service integration piece right and have suppliers sign up to responsibility.”
CIO Connect, Delivering Service Transformation, RSA Insurance Group Case Study, January 2010

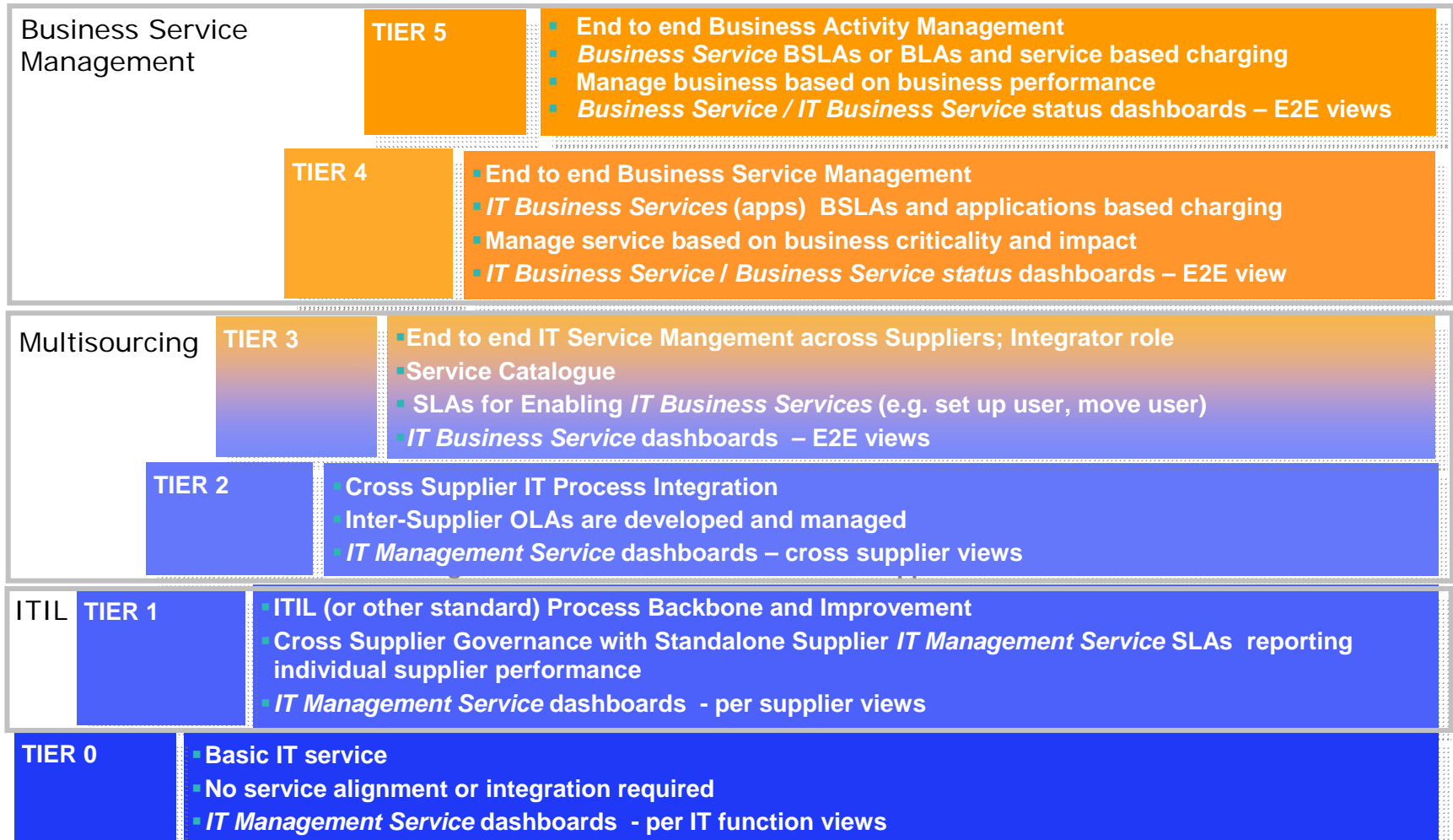
Service Management is the premier framework able to be leveraged as an agreed common terminology and frame of reference – very little time or effort required to debate what is intended. It complements other frameworks such as project management, security, governance. It provides a practical basis for the management of multiple suppliers

Business Impact: When well-scoped and executed, the MSI role will have a big impact on breaking down provider services' silos; supporting seamless, integrated, end-to-end service delivery; and reporting to the client organization. This will, in turn, reduce the costs of resolving problems arising from poor process handoffs between the various providers.

Gartner Hype Cycle for IT Outsourcing, 2009

Multi-Supplier Management is required for effective management of Multi-Supplier/multisourcing arrangements

Business



Key areas of focus for successful Multi-Supplier Management

- Clearly defined and agreed boundaries of organisational and process responsibilities (RASCI)
- Demonstrable independence
- Contractual/legal flexibility
- Commercial sensitivities – achieving collegiate conduct in a commercial/legal construct
- Sub-contractors - gaining visibility / determining how to manage / agreement on being bound by unrelated contracts
- Number and type of suppliers (Tier 1, Tier 2, SBS)
- Effective mechanism to resolve issues across multiple suppliers - Governance is critical
- Creating an homogenous IT environment from non-homogenous components
 - People (cultures, behaviours and relationships), tools and processes / procedures

General benefits of a Multi-Supplier Management construct

- More effective Supplier interactions that lead to better quality delivery at competitive prices
- Transparency of Supplier pricing
- Choice and Flexibility
- Suppliers focused on what's good for the client
- Suppliers who play as a team with other, sometimes competing, Suppliers, to provide the best possible outcome for the client
- Suppliers who are well integrated with the client– both philosophically and operationally
- Flexibility in dealing with changing client demands
- Progressive maturation of the client technology capability within an agreed Service Management architecture

An example of how a Multi-Supplier Management construct can be translated into something real and showing how common organisation issues can be transformed

Services have been meaningfully described in a Business Service Catalogue. They can be measured to determine successful performance from an end-user perspective

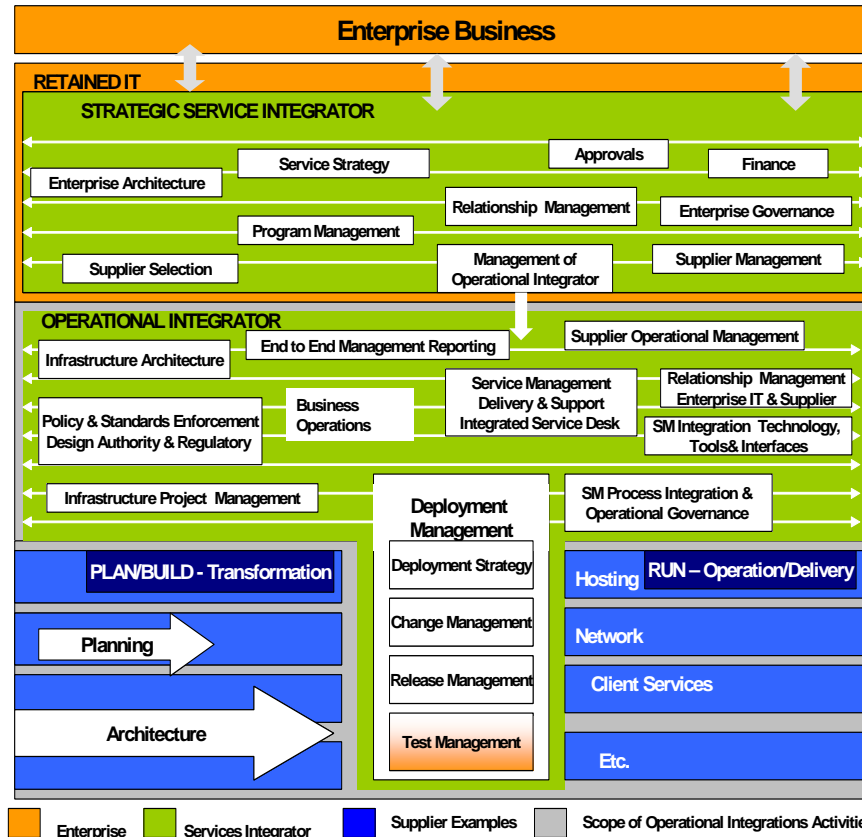
Availability is designed, implemented and measured end-to-end as experienced by end-users

Services are described from a technology perspective and can be viewed upwards to a business perspective and downwards to a component perspective

Availability is managed by Suppliers as partners in an integrated delivery of end-to-end availability. Unavailability is examined closely and corrective actions taken across all Suppliers

Services are understood as components within an end-to-end service. There is a clear grasp of the business impact of a failure to meet agreed performance levels

Availability is measured for every significant component and data provided as part of an integrated assessment of availability targets. There is a strong understanding of the impact of unavailability



Reporting is meaningful, accurate and provides the basis for sound business decision-making

Root Cause Analysis is understood for highest impact issues. Sound decisions are made to prevent/predict future occurrence

Reporting is service-oriented, provides visibility of operational performance and seamlessly integrates Supplier components

Root Cause Analysis is service-oriented. Effort is coordinated across Suppliers with priority directed to reduce largest impact issues. Emphasis is placed on predictive techniques

Reporting is component-oriented, principally for Suppliers to manage their own environments but within the context of defined, integrated and agreed services

Root Cause Analysis is component focussed. Detailed ongoing analysis is conducted using structured techniques beginning with prevention of re-occurrence then prevention of occurrence

Example functional groups within an MSM organisation

Organisations need to determine which elements of the Strategic, Tactical and Operational layers they wish to directly control, and those they wish to delegate to a Strategic Partner

Sample Multi-Supplier Management responsibilities include...

- **Service Strategy** – Technology, process and sourcing strategies; policies, risk
- **Enterprise Architecture** – Security, compliance and overall technical direction setting; architecture standards for business units that will be supported by Suppliers; tooling strategy and lifecycle policy
- **Enterprise Governance** – Overarching IT governance and integration with internal governance structure; management system framework for integrated operations. Governance and communications across the whole IT environment including resourcing and executing internal and strategic supplier communications
- **Policies and Standards** – Set, validate and enforce policies and standards. Drive Supplier integration, technology, tools and Interfaces
- **Finance** – Budgets, invoicing and chargeback
- **Approvals** – Approve process backbone standards and cross-Supplier procedures, also approve spending and authorisations for Request Fulfilment
- **Relationship Management** – Strategic level, including agreeing service requirements, monitoring and reporting on the service received. Approve changes, manage escalations and architect integration with internal bodies
- **Supplier Management** – Contractual and financial management of Suppliers includes executing changes, opening and terminating contracts, paying invoices, Management of persistent supplier non-compliance – where the buck stops if the OI is unable to secure supplier conformance to CSPs.
- **Supplier Selection** – Determining what Suppliers to have in the environment. The OI can make recommendations but the SSI maintains decision rights.
- **Management of Supplier operations** – Objective setting and performance tracking of Supplier operations
- **Program Management** – Program Level project management across the IT environment
- **Innovation Management** – Drive Continual Service Improvement through working with Suppliers and the business to find ways to provide additional value to the business

Conclusion: A successful Multi-Supplier Management has the following key outcomes...

- ✓ Accountability and auditability of outcomes based on clarity of roles and responsibilities
- ✓ Domains of management responsibility jointly agreed at macro and micro layers
- ✓ Effective end to end governance with Suppliers
- ✓ Well managed relationships fostering a partnership culture
- ✓ Provide a foundation for increased business / IT integration (and then partnership)
- ✓ End to end visibility of cost, performance, user satisfaction, business impact of IT service
- ✓ More agile management of Suppliers and services, better quality delivery
- ✓ Enhanced Supplier interactions and commercial success
- ✓ End-to-end operational integration across Suppliers to create a coherent service model which delivers the collective service result required by the client
- ✓ Appropriately resourced IT client with skill sets that enable effective governance

Conclusion: Operational governance requires a management model and governing or guiding principles

- Operational governance requires a management model and governing or guiding principles which include:
 - Who makes directing, controlling, and executing decisions, and defines the ultimate authority (final arbiter)
 - How the decisions will be made, and the procedures for escalation and arbitration
 - What information will be required to make the decisions
 - The frequency of decision making which must be executed or revisited
 - The required decision making mechanisms
 - How exceptions will be handled
 - How decisions will be communicated to concerned parties
 - How the results of the implemented governance should be reviewed and improved
- The governance framework adopts a different approach to conventional IT governance and management systems due to the focus on managing outcomes from Suppliers whilst allowing flexibility and encouraging innovation from those Suppliers

A Good Governance Model defines a structure of relationships and processes to direct and control the IT undertaking. These processes must establish the capability to achieve the information technology (IT) goals. The governance and management system must add value by balancing risk versus return across IT and all processes

Caution: Avoid focus on individual roles. Focus on functional groupings that show whether business/IT processes are directed/controlled/executed and how well

Consider focusing on process activities / responsibilities before identifying individual roles so as to avoid individual concerns / agendas

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