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Outsourcing

Perspectives on achieving high performance through Infrastructure Outsourcing

Driving IT value in a multisourced environment

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Businesses are continually raising their expectations of the benefits to be achieved by using IT to drive performance improvements and generate business value, while reducing cost. Increasingly, C-suite executives look to use IT outsourcing as a tool to enable and drive their businesses across multiple functions. While seeking these benefits over the decades, CIOs have continued to evolve their outsourcing strategy:

1960s - 1980s

Organizations often used a sole outsourcing provider that was focused on reducing costs in their existing environment (the value proposition of "your mess, for less"). However, this approach did not assure the agility and flexibility necessary to meet the business's changing demands.

1990 - 2005

These evolving demands led to the erosion of single-provider dominance. In its place, multisourcing emerged, first as a result of procurement-driven cost-reduction programs, then due to organizations' deliberate adoption of multi-vendor sourcing as a strategy enabling them to capture the advantages offered by best-of-breed technology providers.

Challenges to effective management of multisourcing

Multisourcing, the current de facto standard, requires the IT organization to manage a greater number of service providers. This complex "supply chain" brings with it widely varying policies, processes and approaches that affect governance, service management, and the use of rules and tools across time zones and cultures. If left unchecked, the resulting fragmentation of the IT operating model can add cost, reduce service quality and impede the efficiency of end-to-end service delivery. Adding to these potential challenges are complexities being introduced by other current trends, including:

- **The disruptive convergence of consumer and enterprise technologies**, such as Blackberry smartphones and PDAs, that are changing the way the world works—imposing new requirements for the management of voice, data and other types of content.
- **Added pressure for differentiated service levels based on clear business priorities**, such as the mission-critical needs of revenue-generating parts of the business versus the relatively routine requirements of internal cost centers.
- **The advent of other new technology approaches** that Accenture's research shows are being adopted by high performers, including virtualization, service oriented architecture (SOA) and software as a service (SaaS).¹

"A key challenge is to convert the selected 'team of champion providers' into a 'champion team'."

Gartner, Inc., "Q&A on Multisourcing," by Rolf Jester and Jim Longwood, October 11, 2007.



Meeting the challenges: The role of the service integrator

Managing the complexity added by these developments, while focusing the IT organization on the task of delivering business benefits, is a challenging task that is rarely handled well in isolation.

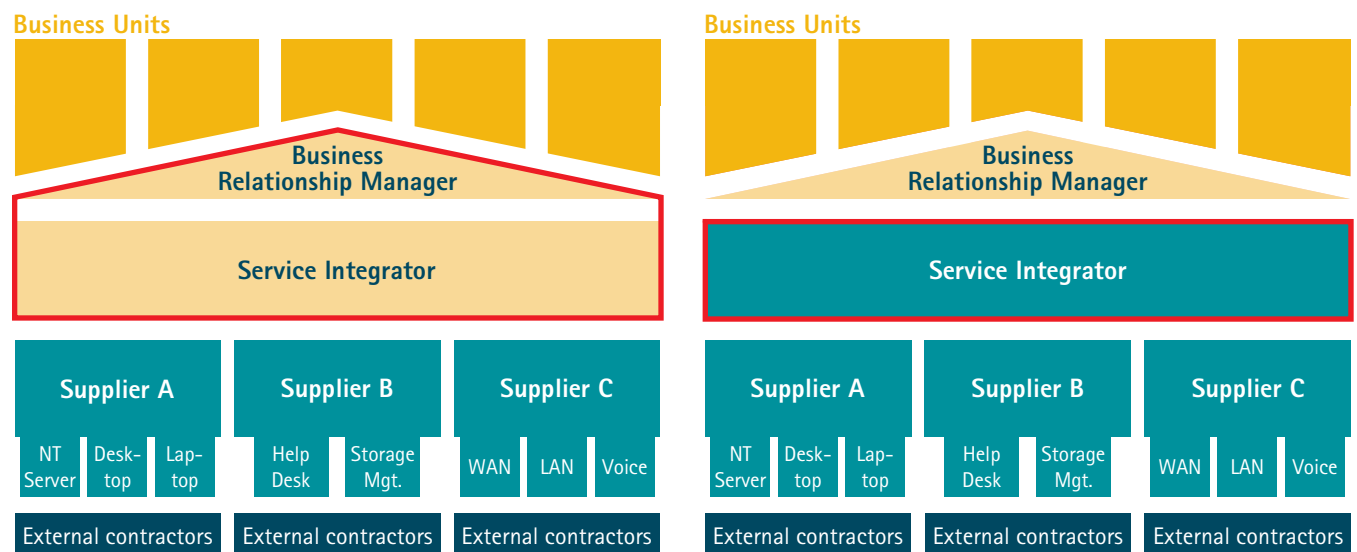
To avoid ending up with an IT operating model that is essentially just a patchwork of individual deals, IT organizations must move away from the accidental architecture that is fostered by serial, unplanned sourcing strategies. In order to make the most of "best of breed" suppliers, high-

performance businesses also need a "recommended integration" approach—one that has been strategically designed to manage the complexities of the multisourcing process.

In the last three years, the marketplace has seen a potential answer to these issues in the emerging concept of multivendor sourcing that is enabled by a single vendor acting as the service integrator. There are, theoretically, two main options for implementation of the service integrator role:

- **For the organization to handle this role internally** by dividing the retained organization between two main roles: a) service integrator and b) business relationship manager, with the latter interfacing with the organization's business units.
- **To outsource the service integrator role** with the retained organization focusing on business relationship management.

Figure 1: Two options for service integrator implementation



In practice, organizations are increasingly looking for the role of service integrator to be handled externally. As Forrester Research states, "Buyers are trying to balance the need for innovation with the desire to manage fewer suppliers. CIOs can't have both unless a trusted intermediary is added to the mix." And as Forrester also notes, "In a recent survey, 43 percent of CIOs professed a preference for service providers to assemble best-of-breed solutions for them, up from 32 percent the previous year."²

A qualified service integrator is much more than an IT outsourcing vendor manager, however. Instead, the service integrator plays an important role in an organization's future success—a role that involves trusted collaboration.

Optimizing the intersection between the IT organization and multiple suppliers, the service integrator provides the discipline required to manage the increasing complexity of multisourcing. The service integrator's role includes identifying common practices, establishing a blueprint for their execution, and imposing the day-to-day discipline required to carry them out.

Making beneficial use of multiple world-class vendors requires enhanced skills. As C-level executives increasingly insist that IT services be aligned with defined business goals, managed rigorously and governed effectively, the role of a qualified service integrator that possesses these skills becomes more and more crucial.

As Forrester Research states, "In a multiprovider environment for a given client, someone needs to pull the strings to ensure that the client gets consistent service across the different parties involved."³

Figure 2: The evolution of IT outsourcing

Timeframe	1963–1980s	1990–2005	2005–today
Outsourcing model	"Your mess, for less"	"Multisourcing"	"Infrastructure outsourcing with a service integrator"
Description of approach	Full outsource to single provider	Multivendor sourcing; best vendor in each area	Multivendor sourcing enabled by the service integrator
Benefit sought/level of benefit gained:			
Increased capability	Low	High	High
Improved service	Low	Low	High
Reduced cost	Low/Medium	Medium	High
Increased agility and innovation	Low	Medium	Medium
Impact on retained organization	Low	Low	High

Source: Accenture research, 2008.

Who is qualified to perform the role of service integrator?

Ideally, the service integrator possesses several qualifications: it must a) provide one or more of the outsourced services, b) possess an integrated framework of methodologies and tools for industrializing processes and c) have a track record of successful implementation. Specifically, the service integrator must have experience in using advanced outsourcing capabilities and services to help organizations continue to be high-performance businesses.

The service integrator begins by working with the organization to define clearly its desired business outcomes, then puts in place precise and objective performance metrics and governance mechanisms to track organizational performance against those goals. At the same time, the service integrator collaborates with the organization to assist it in anticipating its long-term needs and to structure an approach to IT integration that can help it to drive innovation and market leadership. One goal is to help the client organization increase and improve the client's control over IT and individual service providers.

Through effective collaboration, the service integrator can exploit tested delivery methods and platforms that can help to deliver cost reductions and performance enhancements. If the contract and service level agreements (SLAs) are structured appropriately, clients can have a trusted outsourcing provider delivering quality service and also, in the role of service integrator, objectively requiring the same from other providers.

"Buyers are trying to balance the need for innovation with the desire to manage fewer suppliers. CIOs can't have both unless a trusted intermediary is added to the mix."

Forrester Research, "Service Providers: Are You Ready for the New IT Ecosystem?" by Julie Giera, February 4, 2008.



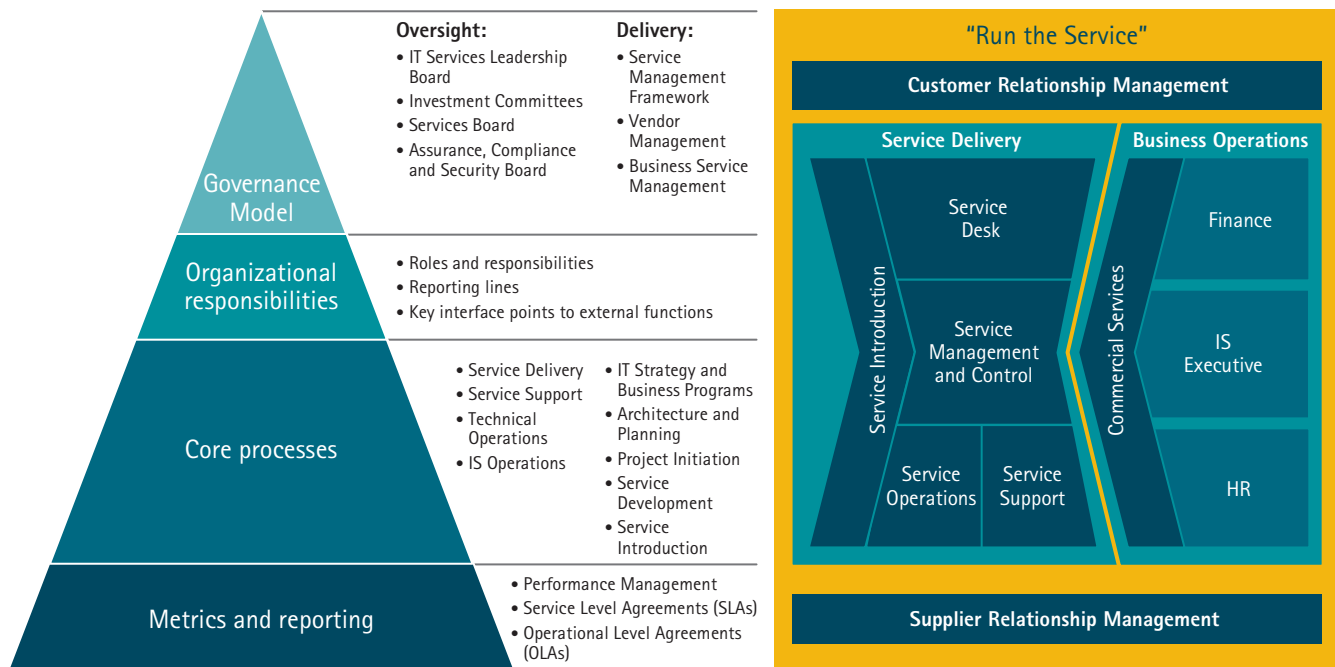
Service management capabilities are key

The service integrator will ideally be able to bridge the different components of IT outsourcing through an integrated delivery framework that is inclusive of application, infrastructure and business process outsourcing across multiple business processes. This larger framework is critical, because IT infrastructure is, of course, always engaged in support of applications and business processes; and an incident in one component of the IT network has the potential to affect others.

Within that framework, the service integrator must deliver an efficiently organized IT service management capability that is:

- **Consistent with the requirements of an integrated IT operating model.** This IT operating model must be set up within a broad “run-the-service” framework that encompasses both customer relationship management and supplier relationship management.
- **Managed through a comprehensive set of governance structures.** At the oversight/governance level, a service integrator replaces separate, vendor-specific delivery models with a comprehensive approach that consolidates service management and metrics reporting across all service providers.
- **Executed in accordance with a standardized set of roles and responsibilities.** This includes key reporting lines and defined interfaces with external functions.
- **Held to the executional standards of service level agreements (SLAs) and other metrics.** Metrics and reporting information that was once dispersed, non-standard and of mixed quality is now concentrated in the hands of an integration specialist.
- **Executed through a balanced scorecard to drive change.** This approach reinforces accountability for results, changes behavior, and focuses attention on areas that drive value.

Figure 3: An integrated IT operating model



- **Built on a set of standard, industrialized IT processes, utilizing a core set of standard tools and IT service management (ITSM) practices to drive transformation that delivers operational excellence.** Industrialization and automation are key tenets of delivering multisourcing. The service integrator will be responsible for removing manual IT interaction and driving efficiency into a global delivery network that utilizes a "service factory" approach. This approach is based on highly industrialized, automated global delivery processes that are built to high industry standards. The biggest challenge is not just interfacing between individual systems, but

achieving process integration so that the IT processes can talk to each other.

To this end, service integration builds on recognized practice models such as IT Infrastructure Library (ITIL®), which can help to yield reduced costs and streamlined operations, among other benefits, and Control Objectives for Information and related Technology (COBIT®), which can yield improved control in line with client stated objectives. These tools and processes need to be consistent across a global delivery network to ensure that services will be integrated, mobile and responsive to the needs of the client, as well as to external factors.

"Those who would suggest that services are by their nature less susceptible to industrialization are forgetting the lessons of the hyper-productivity revolution in manufacturing, which drove geometric rates of decrease in unit cost alongside parallel increases in quality, speed and market impact."

IT Investing for High Performance: A Global Survey of CIOs
by Accenture

Driving systematic integration and innovation

Within this service factory model, the service integrator has visibility across the entire IT network, and is accountable for end-to-end incident, problem, change and request management, executed against the ITIL-based standards. The service factory is the vehicle that moves integrated service delivery from merely a service desk to a full command and control function.

By using advanced workflow and process techniques, coupled with automation, rigorous service management and training, the service integrator places a clear focus on root cause analysis, supported by highly customized reporting and metrics, so that the number of duplicated and

poor quality problem reports can be reduced. This, in turn, can reduce the workload processed by the "factory," and can reduce time to fix so that staff can focus on continuous improvement.

Without visibility across the end-to-end IT network, a change in the environment can lead to multiple calls to the service desk that could have been forestalled through the visibility gained from better integration. By adhering to a rigorous, industrialized model, however, the service integrator avoids becoming a glorified help desk, merely reacting and addressing incidents as they arise. Its focus instead is not just on repairing the incident, but on removing the problem; and its

"recommended integration" approach identifies potential issues before they have a chance to affect multiple vendors.

In addition to systematically addressing problems, the service integrator can play a key role in driving innovation, which is a key priority in all high-performance businesses, regardless of current economic conditions. And high-quality information is key to driving innovation. By engaging the talents and perspective of the service integrator, who has end-to-end visibility into the IT environment, organizations can implement better approaches to measuring performance and capture the information and knowledge needed to support business change.

"In a multiprovider environment for a given client, someone needs to pull the strings to ensure that the client gets consistent service across the different parties involved."

Forrester Research, Inc., "Outsourcing Providers Need A Strategy Rethink to Address Buyers' Shift to Multisourcing," by Andrew Parker, July 5, 2007

Benefits to be expected from service integration

It is not possible to drive different results by doing the same things; only changed inputs will result in improved outcomes. Delivery models adopted in the 1990s need to evolve via a transformation program that moves beyond repetitive efforts to reduce costs and toward creating a genuine step change in IT. By treating the service integrator as having a distinct role in a multisourced environment, organizations can achieve numerous potential benefits that can translate to improved outcomes:

- **More consistent service at higher service levels**, due to an increased focus on service management. The emphasis is no longer on quick resolution of incidents, but on

reduction of incidents through improved integration and smoother interface.

- **Lower operating costs**, reflecting both reduced run costs that can be achieved through lessened need for field support and reduced compliance costs made possible by integrated reporting and improved benchmarking of unit costs.
- **Lower switching costs and greater flexibility in the supply base**, due to increased independence from suppliers.
- **Enhanced innovation**, made possible by improved integration, the opportunity to facilitate new technology approaches, and better alignment with business objectives.

Given the increasingly high expectations being placed on IT organizations, multisourcing—which captures benefit from the capabilities of the best players—has emerged to become the de facto standard model for infrastructure outsourcing. The role of the service integrator has, in turn, emerged as a way of managing the increasing complexity of today's IT environment, while providing the discipline required to help deliver on multisourcing's inherent promise.

This role is itself evolutionary: A good relationship between a service integrator and client is one that is able to adapt to changing conditions—and keep the client on the road high performance.

Notes

1. Accenture, "High Performance 2008: There's No Substitute for Substitution," Executive Summary Results from Accenture's Second Global IT Performance Research.

2. Forrester Research, Inc., "Service Providers: Are You Ready for the New IT Ecosystem?" by Julie Giera, February 4, 2008.

3. Forrester Research, Inc., "Outsourcing Providers Need A Strategy Rethink to Address Buyers' Shift to Multisourcing," by Andrew Parker, July 5, 2007.



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