Project Management in IT Consulting

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Outsourcing Project

Client: L'Oréal

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1. Introduction of the Outsourcing Client Company

1.1 Company Overview

L'Oréal is the world's leading beauty and cosmetics company, renowned for its commitment to innovation, sustainability, and digital transformation. Founded in 1909 and headquartered in Clichy, France, L'Oréal operates in over 150 countries with 36 international brands, serving millions of consumers globally. The company's mission is to create beauty that moves the world, guided by values such as passion, innovation, entrepreneurial spirit, open-mindedness, and responsibility.

With a strong focus on research and development, L'Oréal invests heavily in cutting-edge technologies, including artificial intelligence (AI), data analytics, and digital marketing, to enhance its customer experience and operational efficiency. The company's business model is structured around four primary divisions:

- **L'Oréal Luxe** – Premium beauty products for a luxury market.
- **Dermatological Beauty** – Scientific skincare solutions with dermatology expertise.
- **Consumer Products** – Mass-market beauty products for everyday consumers.
- **Professional Products** – Salon-grade products tailored for beauty professionals.

L'Oréal continues to shape the beauty industry by integrating sustainability, AI-driven beauty tech, and digital innovation into its business strategy.

1.2 Core Business Processes and IT Support

As a global leader in beauty, L'Oréal relies on a robust IT infrastructure to support its core business operations, which include:

- **Research & Development (R&D)** – L'Oréal invests over €1 billion annually in R&D, leveraging AI and big data to develop innovative and sustainable beauty products. IT systems such as **SAP ERP** and **AI-powered analytics platforms** support research and formulation processes.
- **Manufacturing & Supply Chain Management** – L'Oréal operates **40+ manufacturing plants** worldwide, integrating **SAP Supply Chain Management (SCM), warehouse automation, and IoT solutions** to optimize production and logistics.
- **Marketing & E-Commerce** – With a strong digital presence, L'Oréal's marketing strategies rely on **AI-powered personalization tools, CRM systems (Salesforce, Microsoft Dynamics 365), and big data analytics** to enhance customer engagement. The company also operates multiple e-commerce platforms.
- **Retail & Customer Experience** – L'Oréal integrates AI and augmented reality (AR) to provide virtual product try-ons (**ModiFace**) and personalized skincare recommendations through its mobile applications. IT-driven customer insights help improve the shopping experience.

The IT backbone of these core business processes includes **cloud-based applications, AI-driven analytics, and cybersecurity measures** to ensure seamless operations and data security.

1.3 Non-Core Business Processes and IT Support

In addition to its core operations, L'Oréal relies on IT to support various essential but non-core business functions, including:

- **Human Resources & Payroll** – L'Oréal utilizes **Workday HRMS** for global talent management, payroll, and employee engagement. AI-driven recruitment tools streamline hiring processes.
- **Customer Support & IT Helpdesk** – The company manages **100,000–170,000 IT support tickets per month** across 150+ countries. IT service management tools like **ServiceNow** and AI chatbots enhance IT helpdesk efficiency.
- **Finance & Accounting** – **SAP Finance** and other financial ERP tools support global accounting, compliance, and budgeting.
- **Cybersecurity & Compliance** – With increasing digital threats, L'Oréal maintains a **Global Data Privacy Office**, adheres to **GDPR and ISO 27001/27002** standards, and employs **AI-driven threat detection systems** to safeguard its IT environment.

Through a combination of in-house IT teams and strategic outsourcing, L'Oréal ensures operational efficiency while focusing on innovation and customer experience.

2. Outsourcing Decision

2.1 Outsourcing Drivers and Benefits

IT-service to be outsourced & Business process affected	Business goal(s) of outsourcing this IT-service	Outsourcing approach	Demonstrate how the stated business goal(s) will be reached	Risks associated with outsourcing this IT-service
IT Helpdesk Support (includes Level 1 - 4 technical support, incident management, and service requests) **Business process affected:** IT Support & Service Management for L'Oréal	**1. Cost Reduction** - Lower labor costs by outsourcing to a vendor with global delivery centers - Reduce IT infrastructure costs by leveraging vendor-hosted solutions **2. 24/7 Service Availability** - Ensure continuous	**Hybrid Nearshore & Offshore Model:** - **Nearshore:** European locations (for better support alignment with HQ) - **Offshore:** Asia or Latin America (cost efficiency for routine tasks) - **Managed IT**	- **Cost Savings**: Cheaper labor rates in offshore locations, and automation reduces manual workload - **Service Availability**: A global workforce ensures continuous support - **Improved Service**	- **Loss of Direct Control:** Reduced oversight over vendor operations - **Quality Variability:** Risks of inconsistent service levels if SLAs are not strictly enforced - **Security & Compliance Risks:**

employees worldwide	support across multiple time zones **3. Improved Service Quality & Faster Resolution** - Use AI-driven automation for faster response times - Implement ITIL-based best practices for ticket handling **4. Focus on Core Business** - Internal IT team can focus on high-value initiatives like developing AI platforms to improve products and customer engagement	**Service Model:** The vendor fully operates the IT Helpdesk with SLAs - **Automation & AI-driven Self-Service:** Reduces ticket volume and costs	**Quality**: ITIL-based SLAs improve resolution times, and AI-driven ticketing improves efficiency - **Operational Focus**: Internal IT team freed from routine troubleshooting	Outsourcing IT support could expose L'Oréal to GDPR or data security issues - **Transition Risks:** Temporary service disruption during vendor onboarding - **Cultural & Language Barriers:** Possible miscommunication in offshore teams affecting service quality

2.2 SWOT Analysis

L'Oréal's IT outsourcing project presents a strategic opportunity to enhance operational efficiency, reduce costs, and improve service delivery. However, it also comes with potential risks and challenges that need to be addressed. The following SWOT analysis provides a comprehensive assessment of the strengths, weaknesses, opportunities, and threats associated with outsourcing IT support services.

Strengths

- **Cost Efficiency** – Outsourcing IT helpdesk services significantly reduces labor and operational expenses by leveraging offshore and nearshore locations with lower wage rates.
- **24/7 Global Support** – Continuous IT support ensures round-the-clock service availability, reducing downtime and improving issue resolution across L'Oréal's global operations.
- **Access to Advanced Technologies** – Partnering with experienced vendors enables L'Oréal to leverage AI-powered automation, predictive analytics, and IT service management best practices.
- **Scalability & Flexibility** – The outsourced model allows L'Oréal to adjust support capacity dynamically, accommodating seasonal peaks and evolving business demands without increasing permanent headcount.

- **Focus on Core Business** – By outsourcing routine IT support functions, internal teams can concentrate on high-impact strategic initiatives, innovation, and digital transformation.

Weaknesses

- **Loss of Direct Oversight** – Reduced control over daily IT operations and service quality may lead to inefficiencies or service gaps.
- **Integration Challenges** – Ensuring seamless alignment between vendor-provided services and L'Oréal's internal IT infrastructure (SAP, CRM, cybersecurity policies) can be complex.
- **Vendor Dependence** – Over-reliance on an external provider introduces risks if the vendor fails to meet performance expectations or experiences operational instability.
- **Communication Barriers** – Differences in time zones, language, and corporate culture may hinder coordination and effective issue resolution.

Opportunities

- **Process Innovation** – Outsourcing partners introduce industry best practices and AI-driven automation to enhance efficiency and streamline IT service delivery.
- **Enhanced User Experience** – AI-powered chatbots, self-service portals, and predictive analytics can improve IT support, resulting in faster resolution times and higher employee satisfaction.
- **Strategic Vendor Partnerships** – A strong collaboration with outsourcing partners can open doors for joint innovation initiatives, knowledge sharing, and enhanced IT capabilities.
- **Global Expansion Support** – Reliable 24/7 IT support strengthens L'Oréal's ability to scale operations in new and existing markets while maintaining consistent service levels.

Threats

- **Security & Compliance Risks** – Outsourcing IT services introduces potential risks related to data security, privacy (GDPR compliance), and regulatory adherence.
- **Market Volatility** – Changes in labor costs, outsourcing regulations, and geopolitical factors may impact the financial viability of outsourcing agreements.
- **Service Transition Disruptions** – The migration phase to an outsourced model may lead to temporary service disruptions, impacting employee productivity.
- **Employee Resistance** – Internal staff may resist the outsourcing transition due to concerns about job security, workflow changes, or cultural shifts within the organization.

3. Request for Proposals (RFP)

3.1 RFP Document

The RFP Document can be found here: RFP Document.pdf

3.2 Down-Selection Process

Each vendor's proposal will be scored using weighted evaluation criteria to ensure the selected Managed Service Provider (MSP) aligns with L'Oréal's goals. The evaluation will occur in three phases:

Phase 1: Initial Screening aims to confirm that vendors meet basic requirements. Key factors include the completeness of the proposal, compliance with required services like 24/7 Helpdesk, relevant industry experience, and the fit of proposed solutions with L'Oréal's IT systems. Vendors failing to meet these basic requirements or provide an incomplete response will be eliminated.

Phase 2: Scoring & Weighted Evaluation will evaluate qualified proposals based on a scoring matrix

Evaluation Criteria	Weight (%)	Description
Service Offering & Capabilities	30%	Ability to provide 24/7 IT Helpdesk support, automation, on-site services, ticketing system integration, and scalability.
Experience & Industry Fit	20%	Prior experience supporting large enterprises in the cosmetics/retail sector or similar industries.
Service Level Agreements (SLAs)	15%	Commitment to response and resolution times, escalation paths, and incident management efficiency.
Innovation & Automation	10%	AI-driven self-service tools, automated ticket routing, predictive maintenance capabilities.
Compliance & Security	10%	Adherence to GDPR, ISO 27001, and data protection standards.
Cost & Pricing Model	10%	Cost competitiveness while ensuring high-quality service.
Governance & Reporting	5%	Ability to provide real-time performance tracking, reports, and governance meetings.

Each vendor will be scored (1-5) per criterion, and weighted scores will be calculated. The top-scoring vendors (3-5 candidates) will move forward to the next phase.Next, the top vendor candidates will undergo closer inspection, which includes live presentations, reference checks, and potential on-site visits. Presentations will showcase the Helpdesk system, escalation strategy, AI features, similar case studies, and cultural fit. Reference checks will gather feedback on service quality from existing clients.

Phase 3: Due Diligence Check Before Final Selection

Once we have identified the top 2 vendors, we will perform a detailed risk assessment to validate their operational, legal, and financial stability.

A. Financial & Business Stability
Review financial statements (profitability, liquidity). Assess growth trends and business sustainability. Check for any history of financial instability or legal disputes.

B. Compliance & Legal Risks
Review the vendor's data security policies (e.g., GDPR, ISO 27001, SOC 2). Assess their ability to comply with L'Oréal's industry-specific regulations. Ensure contractual transparency, including liability and termination clauses.

C. Technical & Performance Validation
Ensure the vendor's helpdesk platform integrates seamlessly with L'Oréal's IT ecosystem. Validate performance claims using historical SLA compliance reports. If required, conduct penetration testing or security audits.

4. Bidding for an Outsourcing Project

4.1 Bid Strategy

Development of a Winning Bid Strategy

A well-defined bid strategy is essential to securing contracts in the competitive outsourcing market. The process involves understanding the client's needs, differentiating from competitors, and ensuring operational feasibility while delivering value. The CGI lecture slides outline a structured approach to bid development and solution design that maximizes the probability of success.

Step 1: Understanding L'Oréal's Business Needs & Challenges

L'Oréal is seeking to optimize its IT services while ensuring high service quality and compliance with industry standards. The key challenges include:

- Cost Efficiency – Reducing IT operational costs while maintaining top-tier service quality.
- 24/7 Multilingual Support – The requirement for IT helpdesk support that operates around the clock in multiple languages to serve a global workforce.
- AI & Automation Integration – The growing demand for AI-driven automation to minimize ticket volumes, streamline IT operations, and improve end-user experience.
- Seamless Transition – The expectation that the transition from the existing IT service provider to the new MSP will be smooth, with minimal disruption to business operations.
- Data Security & Compliance – Ensuring strict adherence to GDPR and other industry-standard security regulations to protect sensitive company and customer data.

Vendor Differentiation Approach:

To stand out in the competitive bidding process, the vendor must demonstrate:

- Extensive Industry Experience – A proven track record of managing global IT outsourcing for enterprises of L'Oréal's scale, ensuring a deep understanding of enterprise IT environments.
- AI-Powered Support Solutions – The deployment of AI-driven chatbots and predictive analytics to increase first-call resolution rates and reduce service ticket volumes.
- Transparent Cost Model & Savings Approach – Providing a structured approach to cost savings through automation, workforce optimization, and cloud integration.
- Comprehensive Cybersecurity Framework – Ensuring compliance with GDPR, ISO 27001, SOC 2, and other relevant data protection laws.
- Customized IT Service Solutions – Offering tailored IT support models that align with L'Oréal's specific business and operational needs.
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Step 2: Developing a Competitive Pricing Model

Bid Pricing Strategy:

- Hybrid Onshore-Nearshore-Offshore Model – A structured transition strategy where experienced onshore engineers lead the initial implementation, gradually transitioning to a cost-efficient offshore team for ongoing support.
- Tiered SLA Model – Providing multiple service tiers that allow L'Oréal to choose response and resolution times that align with their priorities and budget.
- Outcome-Based Pricing Model – Payment structure tied directly to performance metrics, including:
    - First-Call Resolution Rate (FCRR)
    - Average Ticket Closure Time
    - End-User Satisfaction Scores (CSAT & NPS)
    - System Uptime and Performance Metrics
- Flexible & Scalable Costing Approach – Adaptive pricing models to allow L'Oréal to scale IT support up or down based on seasonal business demands.

Step 3: Differentiating with Value-Added Services

Key Differentiators in the Proposal:

- AI-Powered Chatbot for Level 1 Support – Reducing workload on human agents by automating common issues, improving efficiency and reducing costs.
- Self-Service IT Portal – Enabling employees to track tickets, troubleshoot minor issues, and access an extensive knowledge base.
- Real-Time Performance Dashboards – Providing L'Oréal's IT team with full visibility into system health, service uptime, and helpdesk efficiency.
- Flexible & Scalable Workforce Model – Ability to dynamically adjust IT support personnel based on seasonal or market-driven business changes.
- Comprehensive Mobile Device Management (MDM) – Securely provisioning, tracking, and wiping corporate mobile devices remotely, ensuring compliance and data security.
- Proactive IT Monitoring & Incident Prevention – Using predictive analytics and machine learning to detect and resolve IT incidents before they impact business operations.

Step 4: Strong Transition & Risk Mitigation Plan

Seamless Transition Strategy:

- Structured Phase-Wise Transition
    - Phase 1: Parallel operations to ensure knowledge transfer and service benchmarking before the handover.
    - Phase 2: Gradual transition of Level 1, Level 2, and Level 3 IT support functions.
    - Phase 3: Full transition, followed by performance review and optimization adjustments.
- Parallel Operations Model – Running the current and new IT systems simultaneously to ensure a smooth and risk-free handover.
- Comprehensive Knowledge Retention Plan – Ensuring process continuity through structured documentation, knowledge transfer workshops, and key personnel onboarding.

Risk Mitigation Strategies:

- Business Continuity & Disaster Recovery (BCP & DRP) – Ensuring uninterrupted service delivery through a well-documented continuity plan, including backup and redundancy measures.
- Redundancy & Failover Mechanisms – Dual-site data center setups with automated failover protocols to guarantee system availability.
- Advanced Security & Compliance Audits – Regular vulnerability assessments, penetration testing, and adherence to regulatory standards to ensure data protection.
- Stakeholder Communication & Reporting Plan – Continuous updates and alignment with L'Oréal IT leadership to address risks and mitigation measures in real time.

Step 5: Proposal Submission & Finalization

- Develop a solution with detailed technical, financial, and operational aspects.
- Ensure all RFP requirements are met or exceeded.
- Emphasize key win themes that demonstrate value to the client.
- Present a comprehensive SLA structure ensuring commitment to service levels.
- Conduct final assessments on pricing, risk, and contract terms.
- Ensure alignment with compliance and security standards.

4.2 Solution Planning

Solution Planning Activities

The ten activities for solution planning are 1. General 2. Baseline scope 3. Capability and Constraint Assessment 4. Solution strategy 5. Technical Solution design 6. Schedule 7. Transition 8. Transformation 9. HR Solution 10. Commercial Solution and Legal

Solution Planning Activities

Activity	Description	Motivation	Details

General	Research detail of L'Oréal's profile. Number of delivery sites. Governance forums and decision making. Service Levels Regulatory Demands	This activity is important as it will enable the vendor to align their solution with the client's mission and goals. The vendor will get more information on the effort and complexity of the project. The vendor gets to know of any industry specific regulatory needs.	A general The Buyer, L'Oréal Paris is looking to outsource its global IT Help desk. The IT Help Desk and Support (includes Level 1 to 4 technical support, incident management, and service requests). L'oreal is a global leading cosmetic brand that is growing rapidly and has recently made advances in the use of AI in its supply chain and customer engagement. Delivery Sites L'oreal has offices in 156 countries. With multiple offices in Europe, North America, North Asia, SAPMENA – SSA and Latin America. Governance Sixteen-member Board of Directors. Has an executive team Led by the CEO. L'Oréal Global IT Department Given that the Head office in in France L'Oréal is subject to French and EU laws and regulation

Service scope or Baseline Scope	What services are included and not included in the RFP? Locations Other service suppliers Limitations	This activity is important as it allows the vendor to have a clear idea of the scope of the project. How complex the project is and the amount of effort that will be needed to be able deliver on the requirements of the project.	The project is to provide outsourced IT help desk services to L'Oréal's global team in 156 countries. It includes the development of automated IT help desk platforms. It will include integrating services with different suppliers. There is no need to develop non help desk It services
Capability and Constraint Assessment	Understand L'Oréal's current IT, infrastructure and business capabilities Understand any constraints imposed by L'Oréal	To be able to develop a solution for delivery one needs to understand the different IT platforms, applications, software and hardware that L'Oréal is using. Find the current solutions that are being used for the IT Help desk	L'Oréal has a centralised IT Global office that provides IT support to its employees throughout the world. This support includes general IT consultancy, SAP implementation and support, Infrastructure and application rollout. Currently L'Oréal has 1500 IT experts worldwide.
Solution strategy	What are the business values and objectives?	A well-defined strategy ensures that outsourcing aligns with business	To deliver a Global IT help desk service that is

	List of deliverables L'Oréal's needs and constraints Cost and benefit of Assets, tools, best Practices and automation.	objectives, cost reduction goals, and service improvement plans	reliable, fast and automated. **Solution Overview** Global Delivery Model Four Main Offices for IT Help Desk will be able to cover all the time zones and provide 24/7 coverage. Each L'Oréal office will have an onsite team. The size of the team will be dependent on the size of the L'Oréal office One Team for Development and Maintenance of Virtual IT Help Desk App.
Technical Solution	Service Integration Application Development and Application Maintenance Tools and Processes	It is important to plan on how the project services will be integrated with existing platforms and workflows. Ensuring a scalable, secure, and efficient technical solution is critical for maintaining business continuity and optimizing service delivery.	The solution will consist of a traditional help desk platform as well as an automated Help Desk App. The app will be able to resolve level 1 and level 2 IT issues. This will be in the form of a chatbot that can take text, audio, pictures and videos as input and give a solution in the form of text, pictures and videos. Four Main Offices for IT Help Desk will be able to cover all the time zones

			and provide 24/7 coverage. Each L'Oréal office will have an onsite team. The size of the team will be dependent on the size of the L'Oréal office One Team for Development and Maintenance of Virtual IT Help Desk App
Risk Identification and Management	Identify potential risks (e.g., service disruptions, financial risks, compliance issues) and define mitigation strategies, fallback plans, and incident response protocols. Solution Risks Regulatory requirements	A proactive risk management strategy ensures resilience against disruptions, safeguarding business continuity.	
Transition	Plans for the transition phase, including knowledge transfer, process handovers, and change management. Defines timelines and resource requirements.	Effective transition planning ensures minimal disruption to business operations and seamless knowledge transfer from incumbent teams to the new provider.	
Transformation	Establishes a roadmap for ongoing improvements, innovation, automation, and process enhancements beyond the initial outsourcing transition.	Continuous improvement ensures that the outsourcing arrangement delivers long-term value, keeping the business competitive and adaptable.	

H Strong legal and commercial agreements protect both parties, ensuring service quality, financial viability, and compliance with regulations. R Solution	Staff Transfer Training Redundancy Premises	It is vital to understand the current staff that is involved in providing IT help desk services. Their expertise, workload and location. This gives an indication of the potential workload and complexity of the project. Understanding current staff helps design a transition.	
Commercial Solution	Price Modeling Contingency Risks Inflation Currency handling Terms and conditions		

4.3 Principles of an Outsourcing Project Cost Estimation

Principles of Price Estimation
Purpose

1. Estimation is tied to the scope of the project.
   To make an estimate of the cost of the project we need a detailed understanding of the scope. In this outsourcing project L'Oréal will outsource its IT help Desk services Level 1 to Level 4. If the level of the Help Desk services changes this is going to impact the cost as the personnel that is needed to resolve the different issues at each level is dependent on the level of the ticket. More experienced staff is needed to

resolve level 4 tickets compared to level 1. The location, hours of service and language needed to support will also impact the cost as part of the scope.

Estimation Lifecycle

2. Follow a lifecycle
   IT is crucial to follow a lifecycle to ensure that no part of the project is missed out. The estimate must include all phases. That is the client from receiving the RFP, making the proposal, due diligence, contract, transition, transformation, steady state and end of the contract.

3. Estimates need to be formulated by an experienced expert.
   Experts in the area will have domain knowledge. In this project we will need an experienced IT Help desk manager and an IT Help desk automation Expert. This ensures that all costs are included, that the estimates are realistic and are bench marked according to the market.

4. Metrics from previous or current engagement should be used as a guide and yardstick.
   Historical data from similar IT help desk outsourcing engagements should be leveraged to benchmark costs and effort. IT Help Desk logs from L'Oréal will be very helpful to highlight the volume of the tickets as well as identify the proportion of each Level.

5. Each estimate provided should be associated with a description of its uncertainty.
   The uncertainties include the number of IT help desk per month. If L'Oréal grows (or shrinks) as an organisation the number of IT help desk tickets is likely to increase. Future regulations may change due to geopolitics. This might impact the use of AI platforms, access to data and ability to have global delivery of IT services.

6. Assumption made when making an estimate and the conditions with which it is valid should be documented.
   In our case if an estimate is made based on the assumed ticket volume and complexity this will be indicated. Since the volume is an assumption, if it changes the estimate will also change.
7. Estimates are non-contingent and Contingency should be added based on the identified risk
8. Estimates must be based upon realistic delivery schedule for engagement Validation
9. Independent estimates are essential in assessing accuracy.
10. Estimate should be validated frequently. At every point in the project lifecycle the estimates will be validated

4.4 Top-Down and Bottom-Up Cost Estimations

Pricing Strategies

Top-Down vs. Bottom-Up Outsourcing Project Cost Estimations

When outsourcing a project, cost estimation is critical to budgeting and financial planning. There are two primary approaches: **Top-Down** and **Bottom-Up**.

Top-Down Cost Estimation

- **Purpose:** Provides a high-level estimate based on historical data, industry benchmarks, or expert judgment.
- **How it Works:** Senior management or consultants estimate the cost based on the overall project scope, goals, and constraints without going into specific task details.
- **Why It's Good:**
    - Quick and efficient for early-stage decision-making.
    - Helps set a preliminary budget before detailed planning.
    - Useful when historical data or comparable projects are available.
- **Limitations:** May overlook detailed cost drivers, leading to underestimation or overestimation.

Bottom-Up Cost Estimation

- **Purpose:** Builds the cost estimate by analyzing each component of the project individually.
- **How it Works:** Each task or service component is priced separately (e.g., labor, infrastructure, software, management costs), and the total cost is calculated by adding them together.
- **Why It's Good:**
    - Provides a more accurate and detailed budget.
    - Helps in identifying specific cost drivers.
    - Useful for negotiation with vendors and controlling expenses.
- **Limitations:** Time-consuming and complex; requires detailed project breakdown and resource estimates.

Why They Are Different

- **Top-Down** focuses on overall project goals and high-level budgeting, while **Bottom-Up** is detailed and granular.
- **Top-Down** is faster but less precise, whereas **Bottom-Up** takes longer but provides a more accurate estimate.
- **Top-Down** is useful in the early stages of a project, while **Bottom-Up** is better suited for detailed project planning and contract negotiations.

Pricing Strategies: Bottom-Up vs. Top-Down

- **Bottom-Up Pricing:** Based on detailed cost analysis of each component (e.g., salaries, infrastructure, support tools) and then summed to determine the final price.
- **Top-Down Pricing:** Based on industry standards, competitive pricing, or budget constraints, setting the price first and then distributing costs accordingly.

Solution Overview: Outsourcing L'Oréal's Help Desk Services

Global Delivery Model

- Establish **four main IT Help Desk offices** to provide **24/7 global support** across all time zones.
- Each **L'Oréal office** will have an **onsite support team** proportional to the office size.
- A **dedicated development team** will build and maintain a **Virtual IT Help Desk App** for remote assistance.

This model ensures continuous IT support for L'Oréal worldwide, balancing efficiency and localized support while leveraging economies of scale through outsourcing.

4.5 Expected Financial Gains

In this section, we analyze the expected financial gains from L'Oréal's IT outsourcing initiative. We break down the costs associated with both scenarios—an in-house IT management model (without outsourcing) and an outsourced IT service model (with outsourcing). The goal is to assess the financial impact of outsourcing in terms of both cost reduction and efficiency gains.

No Outsourcing Scenario (In-House IT Management)

The first step in estimating the financial impact is calculating the costs associated with maintaining an in-house IT operation. In this scenario, L'Oréal retains full control over all IT operations, requiring a large in-house team composed mostly of senior employees during the early stages of the project. These employees are involved in critical tasks such as major application enhancements, project governance, and infrastructure management. As the project progresses, these tasks begin to involve more junior employees, who are capable of managing routine tasks such as bug fixes, application operations, and bookkeeping.

The in-house IT team is based onshore, which means higher labor costs due to European wage rates. This scenario also includes higher infrastructure costs, as all resources and equipment are managed internally. Over the course of the three-year project, the company spends an estimated €2,246,400 on managing IT operations without outsourcing. The contingency budget adds an additional 4% to this cost, ensuring that L'Oréal has room for unexpected costs.

With Outsourcing Scenario

In the second scenario, L'Oréal outsources IT services to an external provider using a hybrid onshore-offshore model. This approach allows L'Oréal to reduce labor costs, as offshore teams are brought in to handle routine tasks, which are less dependent on proximity. This shift to offshore personnel results in substantial cost savings, as offshore teams are typically paid lower wages than their onshore counterparts.

Initially, senior employees are more involved in critical tasks, but as the outsourcing project progresses, junior employees from the offshore team are gradually brought in, particularly to handle lower-complexity tasks. Over time, the project sees a significant reduction in the

number of onshore personnel hours required, with more offshore hours gradually taking their place. This shift reduces the overall cost of the project while maintaining service quality.

Furthermore, L'Oréal expects an annual 5% reduction in outsourced IT costs due to improved operational efficiencies, optimization of the application portfolio, and cost-saving measures implemented by the outsourcing partner. This trend continues throughout the outsourcing contract, making the long-term financial benefits more pronounced.

By the end of the three-year period, L'Oréal's total outsourced IT costs are projected to be €1,425,000, including travel and communication expenses (4%) and a contingency budget (4%). The total cost savings from outsourcing amounts to €821,400, which represents a 36.6% reduction in overall IT costs compared to the in-house scenario.

Financial Savings and ROI

The financial comparison between the in-house and outsourced scenarios clearly demonstrates the significant cost-saving potential of IT outsourcing. Specifically, L'Oréal can expect to save €821,400 annually by outsourcing its IT operations. This translates into a 36.6% reduction in IT costs, with savings primarily driven by the shift to offshore labor, reduced infrastructure costs, and process optimization over time.

In addition to the direct cost savings, L'Oréal benefits from increased scalability, flexibility, and enhanced service availability through the outsourcing model. These improvements will allow the company to focus on its core business functions while ensuring that IT services remain efficient and cost-effective.

Overall, the financial analysis confirms that outsourcing IT services can provide substantial savings for L'Oréal, while also enabling the company to maintain high service levels and ensure the long-term sustainability of its IT operations.

Metric	Amount (€)	Calculation
Total In-House IT Costs	**€2,246,400**	From In-House IT Cost Table
Total Outsourced IT Costs	**€1,425,00**	From Outsourced IT Cost Table
Total Savings	**€821,400**	Difference between in-house and outsourced costs
% Reduction in IT Costs	**36.6%**	(Savings ÷ In-House Costs) × 100

5. Transition

5.1 Applications Find a New Home

This section examines the migration of IT applications, data, and support systems from L'Oréal's in-house environment to the vendor's managed platform, ensuring a seamless

transition with minimal disruption to operations.

Key Activities:

- **Data Migration & Integration:**
    - Move historical incidents and service request information from the existing ServiceNow system.
    - Integrate the vendor's IT service management (ITSM) platform with L'Oréal's existing infrastructure (Microsoft 365, SAP ERP).
    - Enable secure data transfer using secured networks in order to meet GDPR and ISO 27001 requirements.
- **Licensing Considerations:**
    - Transfer ServiceNow licensing from L'Oréal's internal management to the vendor, potentially reducing overhead costs.
    - Evaluate and possibly adopt a cloud-based ITSM solution that consolidates multiple tools for enhanced efficiency.
- **Security & Compliance:**
    - Implement stringent data access controls to protect sensitive data.
    - Adhere to GDPR, ISO 27001, and SOC2 standards through regular security audits and compliance checks.
    - Establish data retention policies in alignment with L'Oréal's system of governance.
- **Impact on End-Users:**
    - Maintain the same service interface (ServiceNow and Microsoft Teams) so that end-users experience minimal change.
    - Improve support efficiency through the implementation of AI-driven chatbots for initial ticket resolution.

5.2 Knowledge Transfer

The transfer of operational knowledge from L'Oréal's internal IT Helpdesk team to the vendor is a critical component of the transition. This section outlines a structured approach to ensure continuity of service.

Three-Phase Approach:

- **Shadowing (Observation Phase):**
    - Vendor staff observe L'Oréal's IT support team to learn workflows, service-level agreements (SLAs), and common troubleshooting practices.
    - Document standard operating procedures and recurring issues.

- **Reverse Shadowing (Supervised Execution Phase):**
    - Vendor personnel begin handling support tickets under the supervision of L'Oréal's IT team.
    - Conduct mock troubleshooting sessions and validate the resolution process to ensure consistency.
- **Independent Execution (Handover Phase):**
    - Vendor staff take over full responsibility for IT Helpdesk operations.
    - Ongoing performance assessments and continuous updates to a centralized knowledge repository are established.

Best Practices for Knowledge Transfer:

- Utilize AI-powered documentation tools to document and categorize troubleshooting steps automatically for future reference.
- Develop a structured, easily accessible knowledge base of SOPs, troubleshooting, and best practices for vendor personnel.
- Provide continuous training programs and periodic skill analyses in order to achieve continuous improvement and uphold service quality.

5.3 Cultural Intelligence

Cultural variation between L'Oréal's internal staff and the vendor's global employees may influence collaboration. This section considers significant issues and steps to offer effective communication and collaboration.

Challenges and Strategies:

- **Communication Styles:**
    - **Challenge:** L'Oréal's European teams typically use formal, structured communication, while offshore teams may use a more informal style.
    - **Strategy:** Implement standardized ITIL-based communication templates to ensure consistency.
- **Work Ethics and Hierarchical Structures:**
    - **Challenge:**Organizational hierarchies vary between some organizations preferring flat structures and others having strict reporting lines.
    - **Strategy:** Provide cross-cultural training to L'Oréal and vendor staff to align expectations and work patterns.
- **Time Zone and Language Barriers:**
    - **Challenge:** Operational challenges arise when teams are distributed across different time zones and language groups.

    - **Strategy:** Utilize nearshore teams for regions requiring local language support and arrange rotational shifts to cover critical periods.

5.4 Risks and Mitigation Plan

During the transition period, some risks may arise that can impact IT support services. The next section addresses the most significant risks and how to mitigate them.

Identified Risks and Mitigation Strategies:

- **Knowledge Retention Issues:**
    - **Risk:** Loss of critical operational knowledge during the handover.
    - **Mitigation:** Establish a structured knowledge transfer plan with detailed documentation and redundant training sessions.
- **Service Disruptions:**
    - **Risk:** Temporary service degradation during the transition.
    - **Mitigation:** Implement a parallel operations phase where both L'Oréal and vendor teams provide support until the vendor is fully capable.
- **Security and Data Breaches:**
    - **Risk:**Unauthorised access to confidential information in transit.
    - **Mitigation:** Adopt strong security controls, including data encryption, access control, and regular compliance audits.
- **Cultural Misalignment:**
    - **Risk:** Inefficiency in communication and processes due to cultural mismatch.
    - **Mitigation:** Enforce cross-cultural training and adopt standardized communication frameworks.
- **Vendor Underperformance:**
    - **Risk:** Failure to deliver SLAs, resulting in poor quality in services.
    - **Mitigation:** Enforce real-time measurement of KPIs and monthly reviews of governance to enforce adherence to performance levels.

5.5 Accenture Global Delivery Methodology

A structured approach is necessary to ensure a controlled, efficient transition with continuous validation at each phase. This section examines Accenture's Global Delivery Methodology (GDM) and the V-Model approach.

Accenture's Global Delivery Model (GDM) Principles:

- **Right-Shoring:**

    - Utilize a balanced mix of onshore, nearshore, and offshore teams to optimize cost and service quality.
- **Governance and SLAs:**
    - Establish clear performance metrics and regular reporting to monitor service quality.
- **Automation and AI Integration:**
    - Leverage AI-driven tools to enhance support efficiency and reduce manual workload.

V-Model Approach:

- **Phase 1: SLA and KPI Definition**
    - Set measurable performance standards and establish expected service levels.
- **Phase 2: Knowledge Transfer and Shadowing**
    - Ensure the vendor team fully understands operational workflows through shadowing and training.
- **Phase 3: Pilot Testing and Parallel Operations**
    - Conduct pilot tests and operate in parallel with the current IT Helpdesk to validate readiness.
- **Phase 4: Go-Live and Continuous Monitoring**
    - Transition fully to vendor operations, with ongoing performance audits and continuous improvement measures.

V-Model process guarantees a systematic approach that validates each stage of transition before proceeding to the subsequent step.Incremental validation minimizes risk, enhances the reliability of the services, and guarantees satisfaction of the outsourcing vendor to the performance requirements before complete deployment.

5.6 Profitability

In order to achieve long-term financial effectiveness and service quality, monitoring key performance indicators (KPIs) and simplifying financial plans is essential. This section details the relevant performance metrics and cost-saving approaches.

Key Performance Indicators (KPIs):

- **Service Level Compliance (SLA Adherence Rate):**
    - Monitors the vendor's adherence to response and resolution times.
- **Ticket Resolution Efficiency:**

    - Measures the percentage of tickets resolved within SLA parameters.
- **Cost Per Ticket:**
    - Assesses the financial efficiency of the outsourced IT support model.
- **Automation Utilization Rate:**
    - Evaluates the extent to which AI tools reduce manual workload.
- **Customer Satisfaction (CSAT) Scores:**
    - Captures end-user feedback to assess service quality.

Cost Optimization Strategies:

- Gradually transfer a greater proportion of the work offshore to save on labor.
- Leverage automation and AI in order to lower the need for human involvement.
- Use routine governance evaluations to ascertain cost savings and improvements in performance.

6. Transformation

The transformation phase of L'Oréal's IT outsourcing project is focused on improving service efficiency, reducing costs, and integrating innovative technologies. By optimizing the IT infrastructure and modernizing applications, L'Oréal aims to enhance performance, scalability, and security while aligning IT services with long-term business goals.

6.1 Application Portfolio Analysis

Application Portfolio Analysis (APA) is essential to ensure that L'Oréal's IT ecosystem is cost-effective, secure, and aligned with strategic business needs. The main objectives of APA in this outsourcing project include:

- **Cost Optimization** – Identifying applications with high maintenance costs and rationalizing IT expenses.
- **Application Rationalization** – Eliminating redundant or underutilized applications to improve operational efficiency.
- **Security & Compliance** – Ensuring that outdated applications do not pose security risks and comply with GDPR and ISO 27001 standards.
- **Technology Modernization** – Migrating legacy applications to cloud-based solutions for better performance, scalability, and integration with AI and automation technologies.

Key Steps in L'Oréal's Application Portfolio Analysis:

1. **Inventory Analysis** – A comprehensive assessment of all software applications, identifying business-critical and legacy systems.

2. **Business Value Assessment** – Evaluating each application's contribution to L'Oréal's business processes and customer engagement.
3. **Technical Evaluation** – Assessing application performance, integration capabilities, and security risks.
4. **Decision Making:**
    - **Retain** – Essential applications such as **SAP ERP** and **Salesforce CRM**.
    - **Retire** – Outdated or redundant applications with low usage.
    - **Replace** – Legacy systems that do not align with digital transformation goals.
    - **Reengineer** – Applications requiring modernization, migration to the cloud, or integration with AI-powered tools.

By streamlining the application portfolio, L'Oréal can enhance efficiency, reduce IT overhead, and improve user experience.

6.2 Managed Service Evolution Roadmap

L'Oréal's managed IT services will evolve through three key phases: **Service Transition, Service Transformation, and Innovation.**

1. Service Transition

During this phase, L'Oréal will:

- Migrate IT helpdesk support, cloud infrastructure, and cybersecurity management to the outsourcing vendor.
- Ensure knowledge transfer and training for the vendor's support teams.
- Implement service level agreements (SLAs) to maintain performance standards.

2. Service Transformation

After a stable transition, L'Oréal will focus on optimizing IT services through:

- **Automation & AI Implementation** – Enhancing IT service management with AI-powered chatbots, predictive analytics, and self-service portals.
- **Process Standardization** – Aligning IT processes with ITIL best practices to ensure consistent service delivery.
- **Scalability & Cost Efficiency** – Optimizing support operations based on real-time service demand, reducing operational costs.

3. Innovation

To maintain a competitive edge, L'Oréal's outsourcing strategy will embrace continuous innovation:

- **AI-Driven Insights** – Using data analytics for proactive IT support and business intelligence.
- **Cloud-First Strategy** – Expanding the adoption of cloud-based applications for improved agility.

- **Enhanced Cybersecurity** – Implementing advanced threat detection systems to protect sensitive data.

Through this **Managed Service Evolution Roadmap**, L'Oréal ensures long-term improvements in IT service efficiency, cost savings, and technological advancement.

7. Steady State

7.1 Two Organizations and Their Roles

1. Long-Term Business and IT Alignment:

- Periodic Reviews and Strategic Alignment: Periodic strategic review sessions will be held between L'Oréal and the vendor to align IT services with the business goals of L'Oréal. This includes redesigning IT services for new projects such as AI and customer engagement projects.
- Scalable Solutions: The nearshore-offshore model allows the vendor to scale IT support in tandem with L'Oréal's global needs, where delivery is flexible and responsive to business variability.
- AI & Automation Adaptation: The vendor will continue to provide more AI-driven tools and self-service options to further enhance cost savings and service quality in alignment with L'Oréal's focus on innovation and efficiency

2. Communication Between Client and Vendor:

- Account Management: L'Oréal would have an account manager with a local approach who would be the single point of contact for the vendor and ensure L'Oréal requirements are met and issues addressed on time.
- Meetings: There will be weekly, monthly, and quarterly meetings to discuss performance metrics, problems, and concur on upcoming business needs.
- Reporting: The vendor shall supply automated reports and real-time dashboards to L'Oréal's IT leadership to ensure transparency of service availability, ticket closure, and incident management.

3. Incident Management Procedures and Predictive Incident Management:

- ITIL Framework: Vendor shall adopt ITIL-based best practices for incident management so that issues get resolved in an efficient manner and SLAs are met. This will help in faster resolution and minimal operational disruption.
- Predictive Incident Management: The vendor will use AI-based tools and machine learning to anticipate possible issues, avoiding operations-impacting incidents beforehand.

- Escalation Process: An escalation process will handle the incidents that require higher-level attention so that any major disruptions are resolved immediately.

4.Relationship between the Vendor and Client

- Service Level Agreements (SLAs): There will be well-defined SLAs to establish expectations for service delivery, incident resolution time, and performance metrics. The SLAs will be tracked on a regular basis to ensure the vendor is meeting or exceeding expectations.
- Feedback Loops: The two organizations will create avenues of giving feedback to each other in a manner that allows the partnership and delivery of services to be improved continuously.
- Risk Management: There shall be a common risk management plan to counterbalance potential risks, including service outages or regulatory issues, and to intervene proactively in measures for mitigation.

5.Demonstrating How Business Goals Will Be Attained:

- Cost Savings: Offshoring redundant work to low-cost geographies, supplemented by AI automation, will assist in reducing labor and operation expenses.
- 24/7 Service Availability: L'Oréal can be assured of 24/7 multilingual service availability through the hybrid offshore-nearshore model.
- Improved Service Quality & Rapid Resolution: AI and ITIL-based best practice adoption and automation will improve efficiency and minimize ticket resolution time, thus leading to improved service quality and rapid resolution.
- Core Business Focus: With the day-to-day IT support being handled by the vendor, L'Oréal's in-house IT team can focus more on its core business like AI development and customer engagement.

6.Risk Management in the Steady-State Phase:

- While the outsourcing model will deliver business results, there are some risks that must be mitigated:
- Loss of Direct Control: L'Oréal will eliminate this risk by having a single account manager and strong SLAs for service quality and performance.
- Variability in Quality: By having strict SLAs, ongoing performance measurement, and making the vendor adhere to best practices, L'Oréal can prevent variable service levels.
- Security & Compliance Risks: The vendor will have strong security best practices and compliance policies (e.g., GDPR), with regular audits for assurance.
- Transition Risks: Parallel operation and knowledge transfer, as part of a general transition plan, will minimize disruptions at the vendor onboarding process.
- Cultural & Language Barriers: The vendor's nearshore locations will limit cultural and language problems, resulting in simpler communication and better service quality.

7.2 Service Level Agreement (SLA)

Between L'Oréal (Client) and [Vendor Name] (Service Provider)

Effective Date: [Insert Date]
Review Date: [Insert Date]

1. **Introduction**

This Service Level Agreement (SLA) outlines the IT services to be provided by [Vendor Name] to L'Oréal, the standards, performance criteria, and on what terms service delivery is to be measured. Why this SLA has been written is that both parties are aware of the level of service needed, KPIs included, and penalty or reward for service performance.

2. IT Services Covered

The following IT services will be encompassed within this SLA:

- IT Helpdesk Support (Level 1-4): Like incident management, service requests, and ticket support.
- 24/7 Multilingual Support: For supporting all time zones round the clock.
- AI-Driven Self-Service Portal: To reduce ticket numbers and automate repetitive processes.
- Incident Management: Resolution of technical issues for global geographies.
- Proactive Monitoring: Predictive IT incident management for ensuring uptime for services and best system operation

3. Service Standards

The service provider commits to meeting the following standards for the IT services delivered:

Service Description	Standard	Measurement Method
Service Availability	99.9% uptime per month	Monitored using automated uptime tracking tools.
Response Time (Level 1-2 Issues)	Within 30 minutes of ticket creation	Recorded by the ticketing system from ticket creation to first response.

Resolution Time (Level 1-2 Issues)	Within 4 hours	Time from ticket assignment to closure, tracked in the ticketing system.
Resolution Time (Level 3-4 Issues)	Within 24 hours	Time from ticket assignment to closure for complex issues.
First-Call Resolution Rate (FCRR)	85% or higher	Percentage of issues resolved on the first contact, tracked via the ticketing system.
Customer Satisfaction (CSAT)	85% or higher	Based on post-resolution feedback surveys.
Ticket Volume Reduction	10% reduction in 6 months	Number of tickets per month, tracked and reported by the vendor.

4. Key Performance Indicators (KPIs)

1. Service Availability
    - Target: 99.9% uptime.
    - Measurement: Automated monitoring systems will track uptime and generate monthly performance reports.
2. Response Time (Level 1-2 Issues)
    - Target: Initial response within 30 minutes.
    - Measurement: The ticketing system will track the time elapsed between ticket creation and the first response.
3. Resolution Time (Level 1-2 Issues)
    - Target: Resolution within 4 hours.
    - Measurement: Time from ticket assignment to ticket closure for Level 1 and Level 2 issues.
4. Resolution Time (Level 3-4 Issues)
    - Target: Resolution within 24 hours.
    - Measurement: Time from ticket assignment to ticket closure for Level 3 and Level 4 issues.

5. First-Call Resolution Rate (FCRR)
    - Target: 85% or higher.
    - Measurement: The percentage of tickets resolved during the first interaction, monitored via the ticketing system.
6. Customer Satisfaction (CSAT)
    - Target: 85% or higher.
    - Measurement: CSAT scores collected from post-resolution surveys.
7. Ticket Volume Reduction
    - Target: 10% reduction within 6 months.
    - Measurement: Tracking the number of helpdesk tickets before and after automation and the introduction of self-service tools.

5. Performance Levels & Penalties

Penalties for Underperformance:

- Service Availability: If uptime is less than 99.7% in a month, a penalty of 5% of the monthly service fee will be applied.
- Response Time (Level 1-2): When response time is greater than 30 minutes for more than 5% of the tickets within a month, there will be a 3% penalty on the service fee of the month.
- Resolution Time (Level 1-2): When resolution time is greater than 4 hours for more than 5% of Level 1-2 tickets, there will be a 4% penalty on the service fee of the month.
- First-Call Resolution Rate (FCRR): If FCRR is less than 80%, a monthly service fee charge of 5% will be imposed.
- Customer Satisfaction (CSAT): If CSAT dips below 80% in any quarter, a 3% monthly service fee charge will be incurred.

Rewards for Exceeding Performance:

- Service Availability: If uptime is more than 99.99% in a month, a credit of 3% of the monthly service charge will be provided.
- Resolution Time (Level 1-2): When resolution time is less than 3 hours for 95% or more of Level 1-2 tickets, a reward of 3% of the monthly service fee will be awarded.
- First-Call Resolution Rate (FCRR): If FCRR is > 90%, a 5% of monthly service charge incentive will be provided.
- Customer Satisfaction (CSAT): For CSAT of over 90% for a quarter, an incentive of 4% of monthly service fee will be given.

6. Monitoring and Reporting

- The service provider will continually monitor performance through the following mechanisms:
- Automated Monitoring Tools: To monitor uptime and availability of the service in real-time.
- Ticketing System Logs: To track resolution and response times, FCRR, and ticket volume decrease.

- Customer Surveys: To record customer satisfaction and comments on quality of service.
- Monthly Performance Reports: The service provider will deliver thorough monthly reports indicating performance against each KPI, including penalties or rewards due.

7. Review and Amendments

This SLA will be reviewed annually to ensure that it is still meeting L'Oréal's evolving needs. Any modifications to the agreement, including any alteration in performance standards, penalties, and rewards, shall be implemented in consultation between the two parties.

8. Agreement Signatures

Both signatories agree to the terms and conditions as laid out in this Service Level Agreement by signing below.

L'Oréal Representative:
Name: _____
Title: _____
Signature: _____
Date: _____

[Vendor Representative]:
Name: _____
Title: _____
Signature: _____
Date: _____

7.3 Accenture Delivery Metrics

1. % Critical Service Level Agreements (SLAs) Met:

- The measure determines the proportion of key SLAs that have been met within a given duration. SLAs typically define the minimum acceptable level of service, for example, response times, resolution times, and availability of the service.
- Achievement of SLA is one of the key metrics of the service provider's ability to deliver quality services. This is a straight reflection of whether the client is actually receiving the desired level of service or not. Non-achievement of SLAs can lead to dissatisfaction, vendor penalty, and a negative effect on the relationship overall.

2. Incident Response Time Performance

- This metric tracks the speed with which the service provider recognizes and begins to address the issues since the ticket was initiated.

- The faster the response time, the faster the issue can be resolved, lessening business interruption. This is crucial in measuring the effectiveness of the vendor and how responsive they are in dealing with key problems on a timely basis.

3. Incident/Problem Resolution Time Performance

- This measure indicates the speed at which problems and incidents are closed since they were submitted.
- Short resolution times are critical in order to minimize downtime and ensure business continuity. Slow resolution times will frustrate and be a waste of productivity, and thus this is one of the most important parameters to adopt while assessing overall incident management capability.

4. Backlog Processing Efficiency (Incidents/Problems)

- This is a measure of the efficiency with which the service provider is handling a backlog of issues and incidents.
- It can indicate inefficiency or under-resourcing by the vendor for a large backlog. High processing efficiency of the backlog indicates that issues are not pending for an extended period of time, and this impacts operation efficiency as well as service delivery in a direct way.

5. Average Age of Backlog (Incidents/Problems)

- This metric measures the number of average days incidents and issues remain in the backlog before they are resolved.
- The longer the issue stays open, the harder it is to business processes. By monitoring the mean age of the backlog, it is feasible that the possible process bottlenecks or the inefficiencies in resource utilization are discovered, which can be optimized for delivering higher overall service quality.

6. Percent Resolved Incidents Reopened (Incident Management Only)

- This measures the number of closed incidents which were subsequently reopened because the resolution was not completed or the problem recurred.
- High rates of reopened cases indicate poor quality of solutions and problem-solving inefficiencies. Low rate ensures that problems are solved for the first time, which reduces customer dissatisfaction and repetitive work.

7. % Work Effort on Schedule (Maintenance Control Metrics)

- This metric monitors the percentage of maintenance work tasks achieved to the agreed scheduled plan.
- On-time completion of scheduled work guarantees that scheduled activities, for example, software upgrades, system patches, or infrastructure updates, are finished without delay, averting possible security weaknesses or loss of performance. On-time completion is one of the most significant measures of operational effectiveness.

8. % Work Effort on Budget (Maintenance Control Metrics)

- This measure tracks the percentage of work on maintenance achieved in the dollars spent.
- Costs must be kept at budget to avoid excessive spending and overall profitability of IT services. Chronic over-spending beyond the budget occasionally may imply wasteful planning of resources or mis-execution, which would push the client into unnecessary cost overruns.

9. % Time Spent on Incidents (Resource Management Metrics)

- This metric establishes the percentage of time resources (manpower) that are devoting to incident management compared to other activities.
- Note how much of the IT team's time is devoted to reactive effort, i.e., incident resolution. A high percentage suggests that the team is probably overwhelmed with problems, which means more proactive management or better incident prevention is needed.

10. % Time Spent on Problem Requests (Resource Management Metrics)

- This metric estimates the percentage of time spent for problem management requests, often repeat requests to discover the underlying reason for repeated events.
- Problem solving is essential in preventing repeat incidents. If too much time is spent in solving incidents instead of solving problems, it means that problems are not fully addressed at the source level, leading to repeat problems and inefficiency.

7.4 ITIL Framework

1. Service Value System (SVS) vs. Service Lifecycle

- ITIL v3 is based on a Service Lifecycle with linear sequence through five stages: Service Strategy, Service Design, Service Transition, Service Operation, and Continual Service Improvement. These stages provided a structured approach to managing services but failed to depict the complexity of today's service environments.
- ITIL 4: Introduces the Service Value System (SVS), a more adaptable, end-to-end approach. The SVS integrates value streams, practices, and focus on co-creation of value. This allows for greater alignment of IT service management to business objectives throughout the organization and more agile, customer-focused service delivery.

2. Focus on Value Co-Creation

- ITIL v3: Mainly concentrated on value delivery to the customer through a formally defined process set. It was focused on efficiency, effectiveness, and quality of the IT service.
- ITIL 4: Value co-creation. It recognizes that not only is value being created by the service provider, but it is being co-created with the customer. The model highlights that customers and service providers must collaborate to provide desired outcomes and that outcomes are the determinants of success.

3. The 4 Ps of Service Management vs. the 4 Dimensions of Service Management

- ITIL v3: Devoted 4 Ps of Service Management: People, Process, Products (Technology), and Partners. All four were regarded as the building blocks that needed to be managed in order to ensure quality IT services were being delivered.
- ITIL 4: Extends this principle by incorporating the 4 Dimensions of Service Management: People and Organizations, Technology and Information, Partners and Suppliers, and Processes and Value Streams. The general framework addresses all aspects of service management in an integrated state of interdependence and has four dimensions, considering the influence the value and service delivery would take as an intertwined interconnection of these dimensions.

4. Processes vs. Practices

- ITIL v3: ITIL v3 was primarily process-centric for managing services. The processes were divided into the lifecycle's five phases and were handled and optimized individually as standalone blocks.
- ITIL 4: ITIL 4 departs from the rigid process-based approach to an adaptive, practice-based approach. It introduces 34 practices organized in three categories: General Management Practices, Service Management Practices, and Technical Management Practices. It is more adaptable and flexible in terms of how organizations can organize and carry out service management processes. Practices are considered ongoing, adaptive work, rather than rigid steps to be followed.

5. Agile, Lean, and DevOps Integration

- ITIL v3: While ITIL v3 recognized the merits of other models like Agile, Lean, and DevOps, they were not deeply embedded into the ITIL framework.
- ITIL 4: Comprehensively incorporates Agile, Lean, and DevOps methodologies into it, preparing for the needs of faster, more agile, and customer-centric service management. These models have now been incorporated into the SVS, and organizations are empowered to provide much better to modern fast-paced IT environments and design faster and more quality-oriented delivery of services.

6. Service Management Lifecycle vs. Service Value System

- ITIL v3: The Service Lifecycle was created on the basis of the service management phases, each with its own processes, activities, and results. It introduced a more structured, linear approach to managing services.
- ITIL 4: The Service Value System (SVS) is a more flexible and adaptive system that seeks to create value through the interaction of various elements (e.g., practices, governance, and continuous improvement). The SVS is centered on value streams that provide greater flexibility to organizations to align IT services with business objectives.

7. Change Management vs. Change Control

- ITIL v3: Change Management process was the central theme in IT change management. It required control of change to avoid disruption.
- ITIL 4: The Change Control supplants Change Management, and it is placed in the overall Service Management Practices. The change process itself is more flexible to enable faster, less disruptive changes, in alignment with Agile and DevOps practices.

8. Guiding Principles

- ITIL v3: In ITIL v3, guiding principles were there, but they were not as explicitly defined.
- ITIL 4: Defines 7 Guiding Principles, drawn from the previous ITIL editions, Lean, Agile, and DevOps, which will provide guidance to be applied in all service management. The principles address aspects such as collaboration, iteratively creating value, and considering value, allowing organizations to guide and continue to develop their IT service management practices in different contexts.

9. Continual Service Improvement (CSI)

- ITIL v3: CSI was an evangelist phase of the Service Lifecycle to improve service quality through controlled feedback and analysis.
- ITIL 4: Continual improvement is integrated into the Service Value System and is now taken into account as part of each phase of service delivery. Unlike a separate phase, continual improvement is treated as an ongoing process that enables all elements of service management.

10. Flexibility and Customization

- ITIL v3: ITIL v3 was comprehensive, but sometimes it was criticized for being too formulaic and rigid.
- ITIL 4: Offers more flexibility and customization to fit modern IT management practices like Agile, Lean, and DevOps. The flexibility allows organizations to adapt ITIL practices to their own needs, industry needs, and technology shifts.

8. Governance

1. Project Governance in Outsourcing (CGI's Approach) Applied to GIB-PV

CGI's outsourcing governance focuses on structured project management, risk control, and performance monitoring. These principles can be mapped onto the GIB-PV relationship:

Principle	**Application in GIB-PV Case**	**Example from Case Study**

Meeting of Minds	GIB emphasized that the team that was involved in the pre delivery phase was also the people that would be involved with delivery at the management level. This ensured that the team	To ensure that there was a clear set governance structure GIB utilised its Master Service Agreement which outlined how the vendor (PV) and GIB would relate and the obligations of each party. The MSA acted as an umbrella contract that provided a backbone of all the other contracts and projects.
Visibility	For CGI the principle of visibility ensures that there is constant and regular communication between the vendor and the client.	In the GIB - PV case they appointed account managers from both the vendor and the client side. They would then have regular meetings. This was set out as the communication obligation
Accountability	The agreement between PV and GIB clear highlighted the roles of the different parties. It set out obligations that include regulatory, reporting, process improvement, communication, infrastructure and disaster management. Establishes clear roles, responsibilities, and service-level expectations between GIB and PV.	The contract outlines specific response times and issue resolution expectations.
Risk Management	Identifies risks related to outsourcing, including cost overruns, security breaches, or performance failures.	GIB mitigates risks by implementing contingency plans for service disruptions.

Performance Monitoring & KPIs	Ensures service quality through continuous evaluation against Key Performance Indicators (KPIs).	PV is required to submit monthly performance reports to GIB.
Stakeholder Engagement	Encourages collaboration between internal and external stakeholders for better decision-making.	GIB holds regular governance meetings with PV to discuss improvements.
Continuous Improvement	Uses feedback and service audits to refine processes and enhance service delivery.	GIB revises SLAs annually based on PV's performance insights.

2. IT Service Management (ITSM) in GIB-PV (Accenture's Approach)

Accenture's ITSM approach, based on ITIL and COBIT frameworks, ensures that outsourced IT services align with business goals.

ITSM Principle	Application in GIB-PV	Example from Case Study
Incident Management	Defines processes for handling IT failures or disruptions.	PV has a dedicated support team handling GIB's IT issues.
Problem Management	Identifies recurring IT issues and implements solutions.	GIB conducts root-cause analysis to prevent repeated failures.
Change Management	Ensures smooth implementation of new IT services or system updates.	PV must obtain GIB's approval before making infrastructure changes.
Service Level Management	Aligns IT services with business needs through well-defined SLAs.	PV guarantees a 99.9% uptime for GIB's critical applications.
Compliance & Security	Ensures adherence to regulatory requirements and data security policies.	GIB enforces data encryption and regular security audits.

3. Most Influential Governance Principles in GIB-PV

Based on the case study, the following principles seem to have the greatest impact:

1. **Contract & SLA Management** – Clearly defining responsibilities helped set expectations and avoid conflicts.
2. **Performance Monitoring & KPIs** – Ensured accountability and provided data-driven insights into PV's service quality.
3. **Change Management** – Controlled IT system modifications, reducing operational disruptions.
4. **Compliance & Security** – Prevented data breaches and ensured regulatory compliance in outsourcing operations.

Subjective Judgment

Among these, **Contract & SLA Management** appears to be the most critical governance principle in the GIB-PV relationship. A well-structured contract laid the foundation for successful outsourcing by clearly defining service expectations, risk-sharing mechanisms, and escalation procedures. Without a strong SLA, performance monitoring and compliance would be ineffective.