



Solvay Brussels School
Economics & Management

IT SOURCING 101

Definitions & fundamentals

Philippe Bardyn
Group Partnership Management
BNP Paribas Fortis



Objectives

At the end of this 2 hours session you will be able

To understand the scope of action of IT Sourcing

To understand the different terms used in this domain

To understand the value chain of IT sourcing and be able to identify the adequate steps required to setup an adequate sourcing mix

Buzzwords & Misconceptions

IS IT SOURCING ONLY ABOUT
COST CUTTING BY OUTSOURCING ?

Is it possible to build trusted
relation with suppliers ?

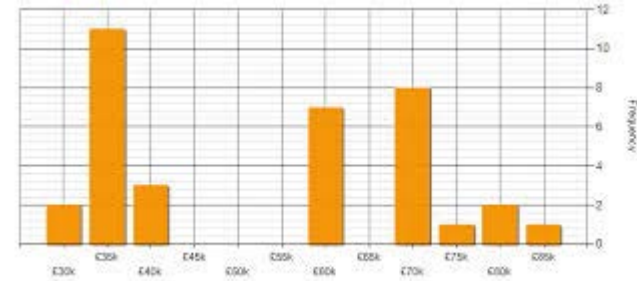
Fixed Price
What about employees ?
Managed Service
Bodyshoppers ?

Challenges of the CIO

(some of many that sourcing can help solving)



Productivity Pressure



Peak Handling

Marketing Technology Landscape



Skill Management in complex world

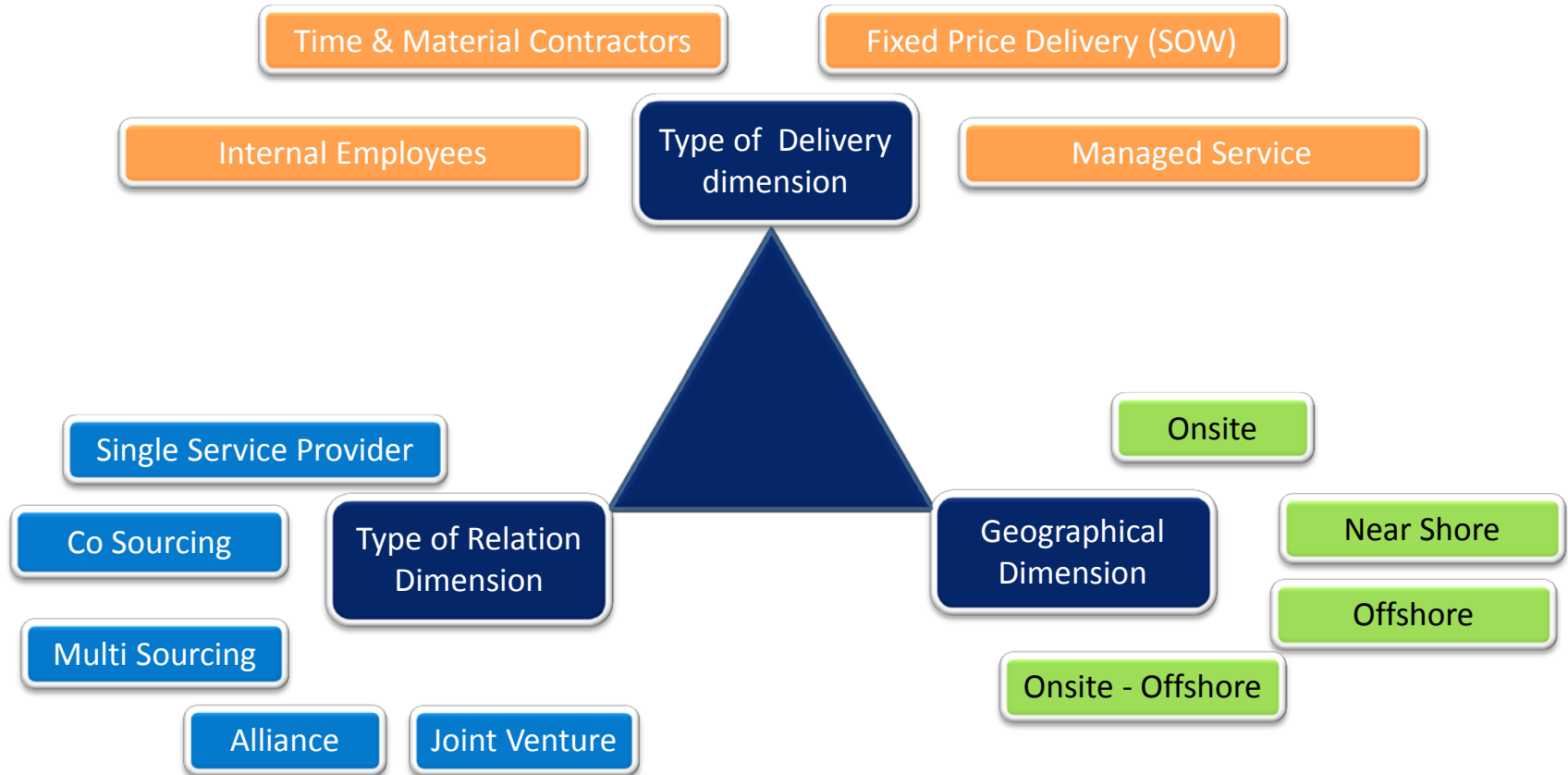


Aging Population

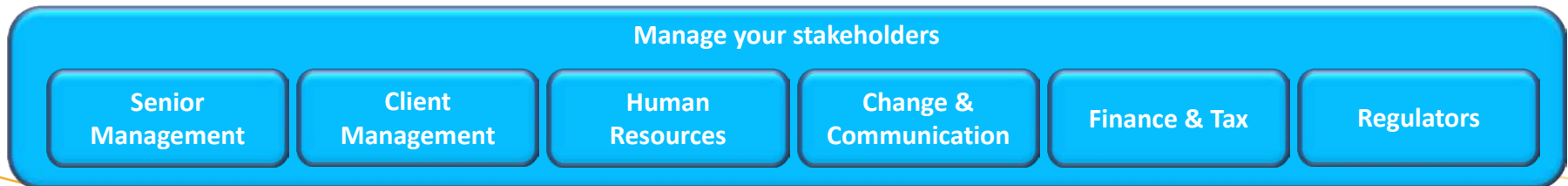
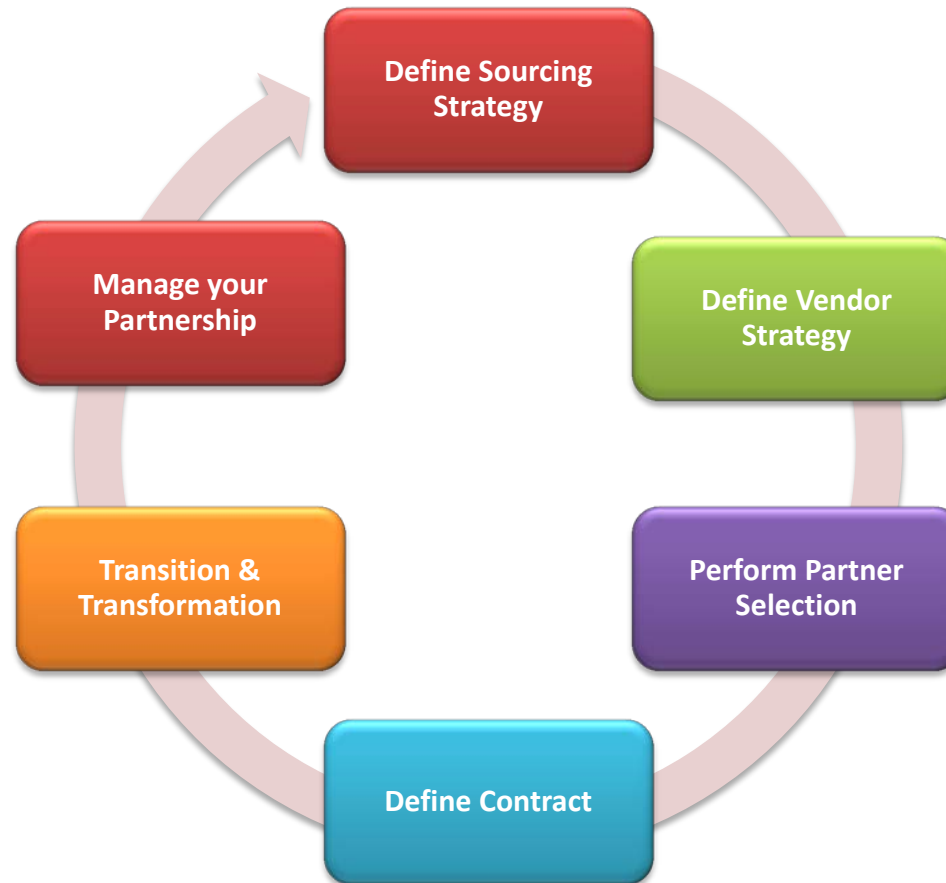
What is IT Sourcing ?

- **IT Strategic sourcing** is an activity to match **pro-actively and in the long term** the **supply** of **resource capacity** towards the **business demand and evolution**
- It concerns all type all goods and services, even if, “resource based” sourcing is commonly understood; but it can integrates components like hardware, software.
- Developing the **sourcing strategy** of your IT organization is a **complex long-term process** that needs to be then declined **in tactical plans** and permanently looped back based on :
 - **Alignment with company strategy core drivers and its evolution**
 - **Regular Business Requirement Analysis**

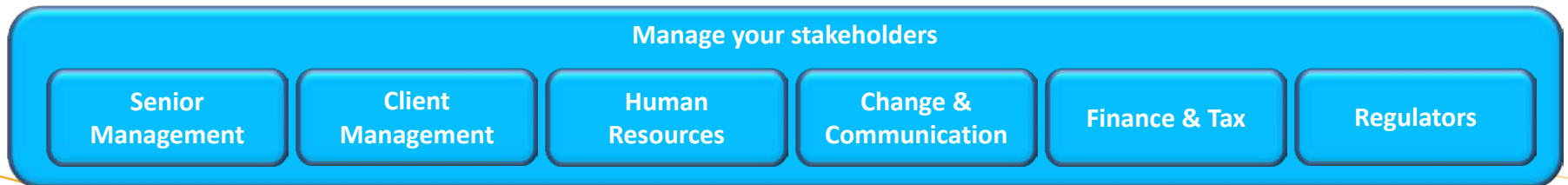
Dimensions & Definitions



IT Sourcing Value Chain



IT Sourcing Value Chain



How to build your strategy

Know where you are and defined where you go

- Cartography of the actual sourcing mix situation both qualitatively and Quantitatively
 - Internal Resources : Skills, Age, Turnover (HR exercise)
 - External Resources : Type, Vendors, Skills, Spend, Turn over
 - Other Expenses : Software, hardware, maintenance, telco lines
- Predict the 5Y+ potential evolution of your sourcing mix on the same structure

Agree on analysis criteria at Senior Management Level

- How will my sourcing mix positively support the company strategy / business objectives
- Avoid looking only at the cost saving perspective : Starts first by quality, flexibility, sustainability and then... cost saving
- What is the company internal capability to integrate new sourcing model
- What is the market capability to answer your company specificities

Know your sourcing mix

Define Sourcing
Strategy



Capacity
view



Capability
View



Financial
View



Supplier
View



Asset
View



Process
Maturity
View



From Strategy to Implementation

Define Sourcing
Strategy

Principles

- Systematic
- Predictive
- Longterm
- Holistic

- Measurable Results
- Short Term / Transition
- Reactive
- Niche Domain

- Manage daily reality during implementation

Strategic Level

Tactical Level

Operational Level

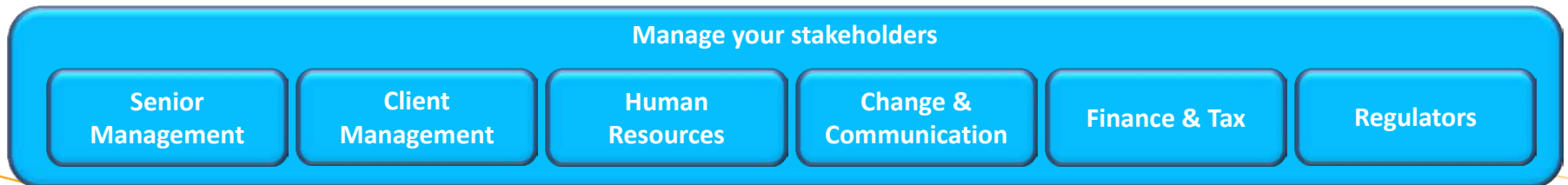
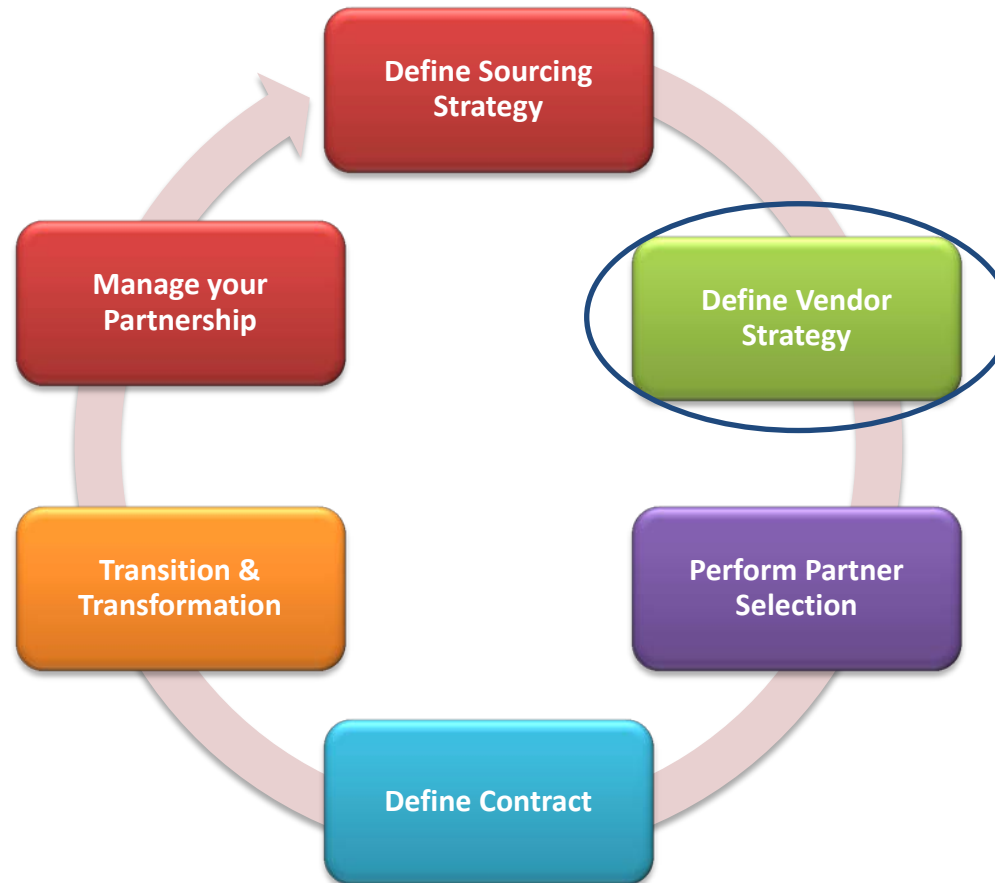
Deliverables

- Multi Year Sourcing Plan
- Stakeholder Principles
- Expected Benefits
- Non Negotiable

- Project List
- Principles Charters
- Measurement Plans
- Setup Governance

- Operational Governance
- Quick wins/ Patches

IT Sourcing Value Chain

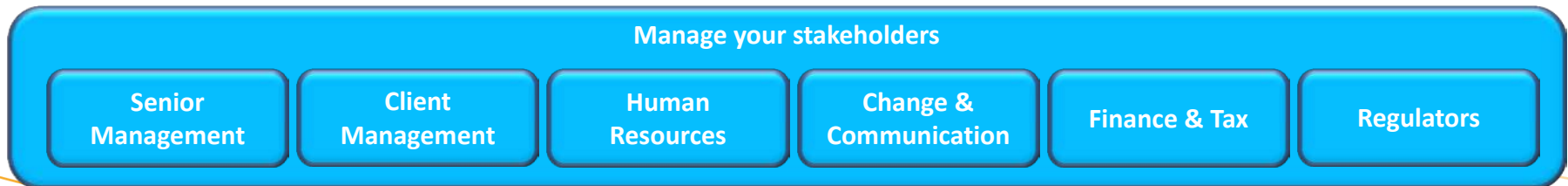
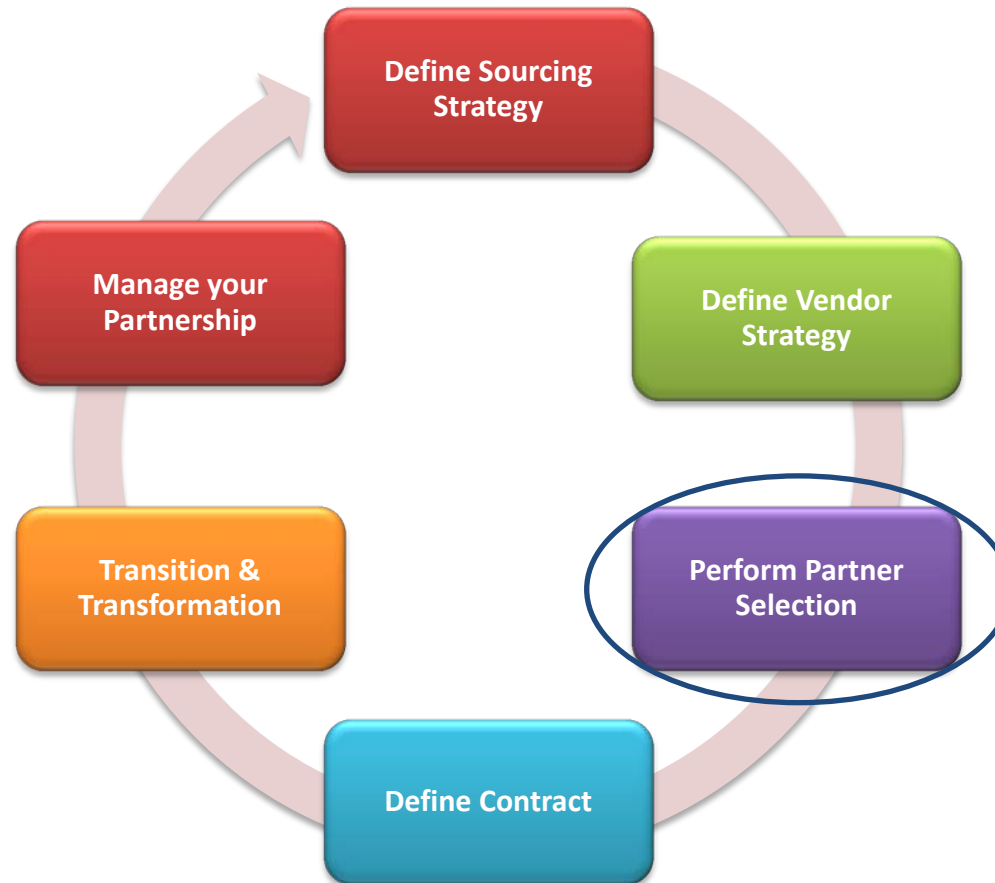


Which kind of partnership ?

Define Vendor
Strategy

- Is the Sourcing Strategy leading your Vendor Strategy or vice-versa
- From multi sourcing to joint venture : Lot of models... none is the best
- Risk based approach when thinking about outsourcing model
 - Political
 - Economical
 - Social
 - Technological
- You can dissociate your vendor strategy depending on the sourcing type

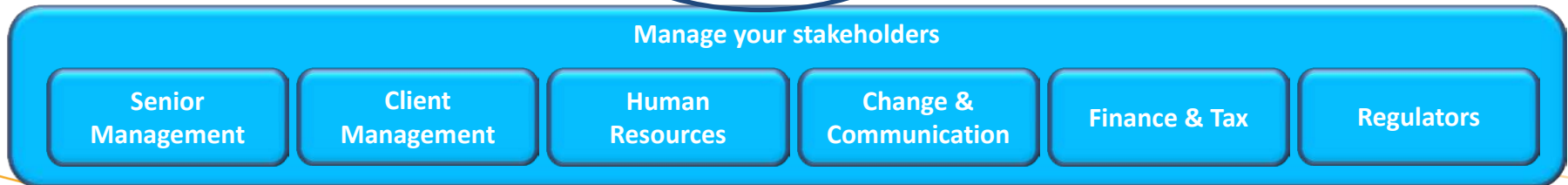
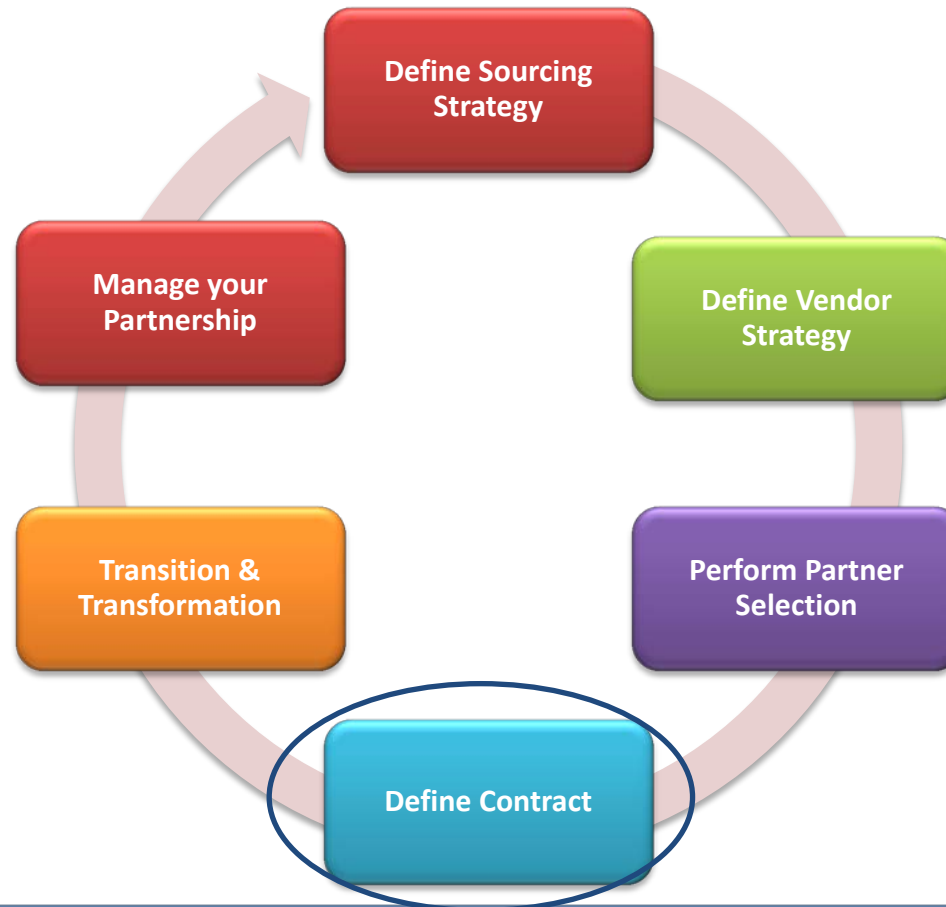
IT Sourcing Value Chain



Supplier Selection

- Implement a formal procurement cycle
- Request for Information / Request for Proposal
- Propose your Framework contract / statement of work / statement of resources augmentation during Supplier Selection
- Good balance between formalism of the process and flexibility
- Importance of upfront proper requirement definition
- Formal Scoring card
- Multi year Base Case to estimate the real business case (how should my costs progress if I don't do the deal vs the price received from the supplier -

IT Sourcing Value Chain



Efficiency or exhaustivity ?

MASTER FRAMEWORK AGREEMENT

SERVICE APPLICATION CONTRACT

LEGAL SPEC + GOVERNANCE

SERVICE DESCRIPTION / RACI

SERVICE LEVEL AGREEMENT

PRICING STRUCTURE

CONTRAT TRANSFER

KNOWLEDGE TRANSFER

SECURITY

PROCESS ALIGNEMENT

MANAGED SERVICE

STATEMENT OF WORK

LEGAL SPEC + GOVERNANCE

SPECIFICATIONS / PROBLEM ST.

DELIVERABLES/DOCUMENTATION

ACCEPTATION CRITERIA

PROJECT APPROACH

KNOWLEDGE TRANSFER

SECURITY

PROCESS ALIGNEMENT

FIXED PRICE

STATEMENT OF RESOURCE AUGMENTATION

REQUIRED SKILL ROLE

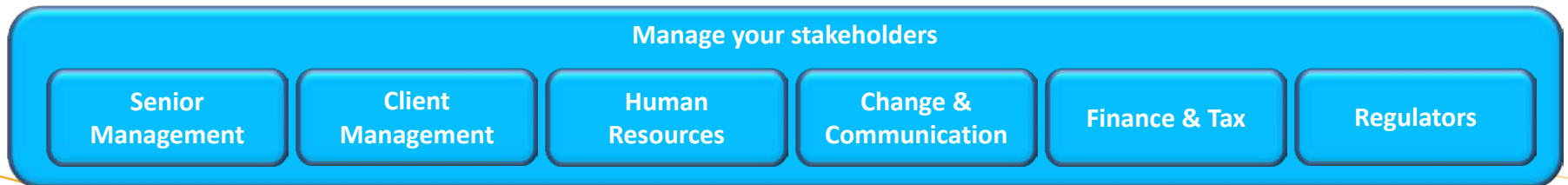
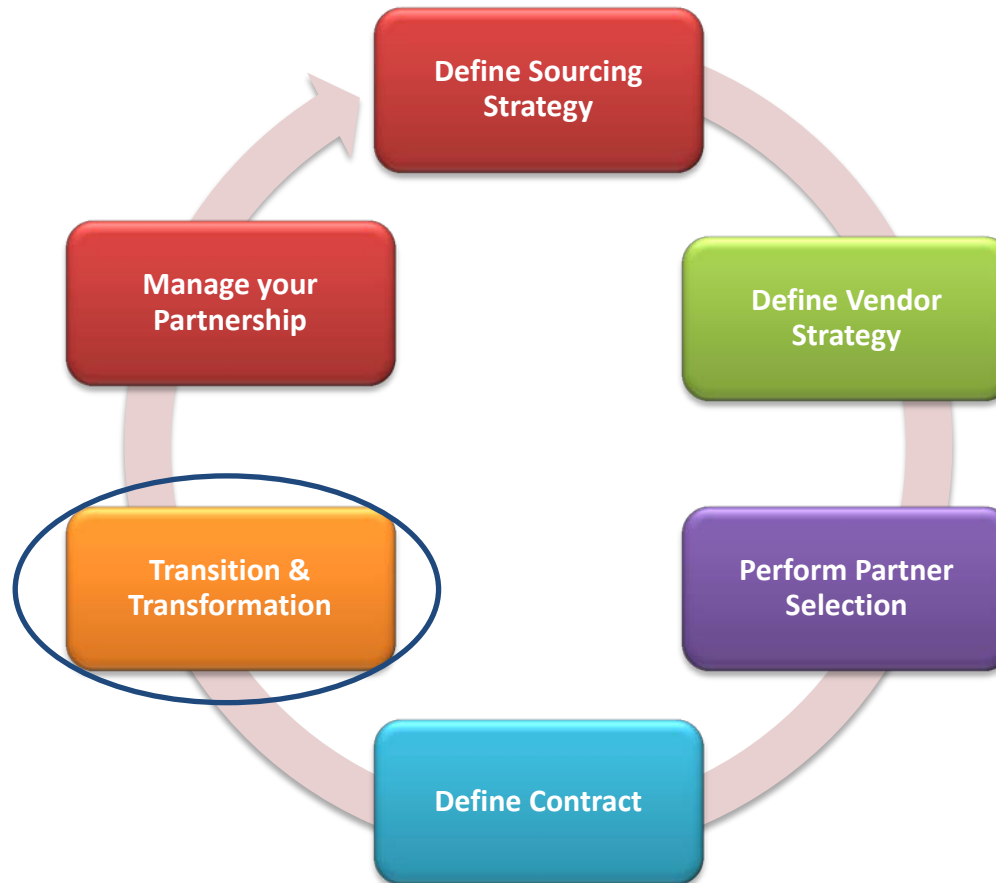
DURATION

PRICE STRUCTURE

"PREMISES & TIMING

CONSULTING AGREEMENT

IT Sourcing Value Chain



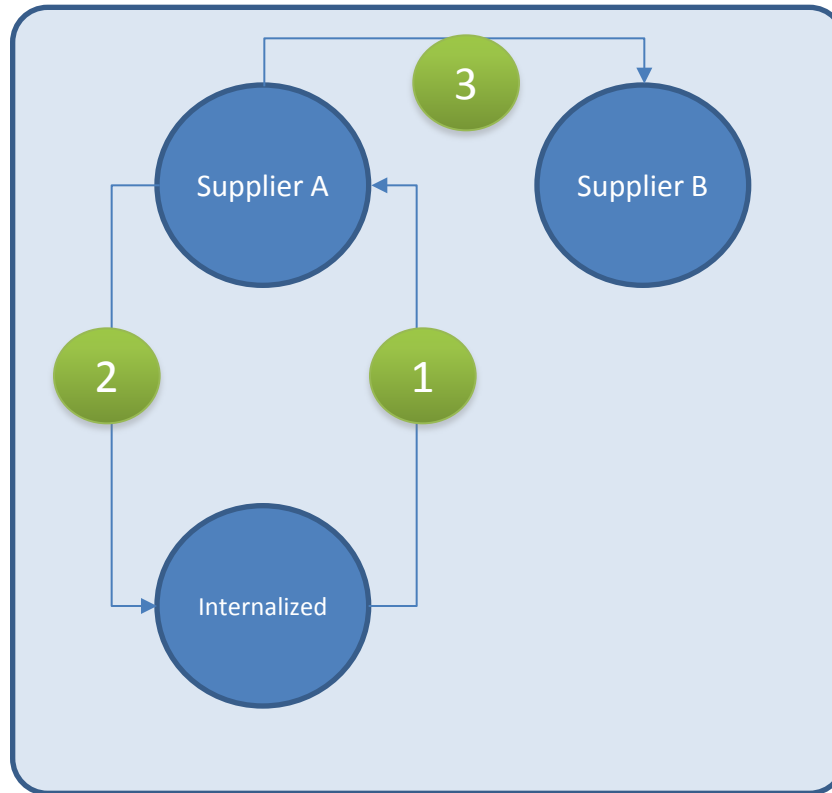
Introduction & Fundamentals

- Transition management practitioners have suggested that over two thirds of failed outsourcing relationships are due to transition-related challenges (Beulen, Tiwari, & van Heck, 2011). A transition can affect nearly every key aspect of the business.
- Within an IT outsourcing (ITO) relationship, transition represents the phase, which starts immediately after contract commencement and finishes with service acceptance. In order to address the challenges of ITO transitions, most ITO providers have now defined transition management as a profession with associated specific methodologies.

Source: Stéphane Chalvin Project Management Institute Virtual Library

Introduction & Fundamentals

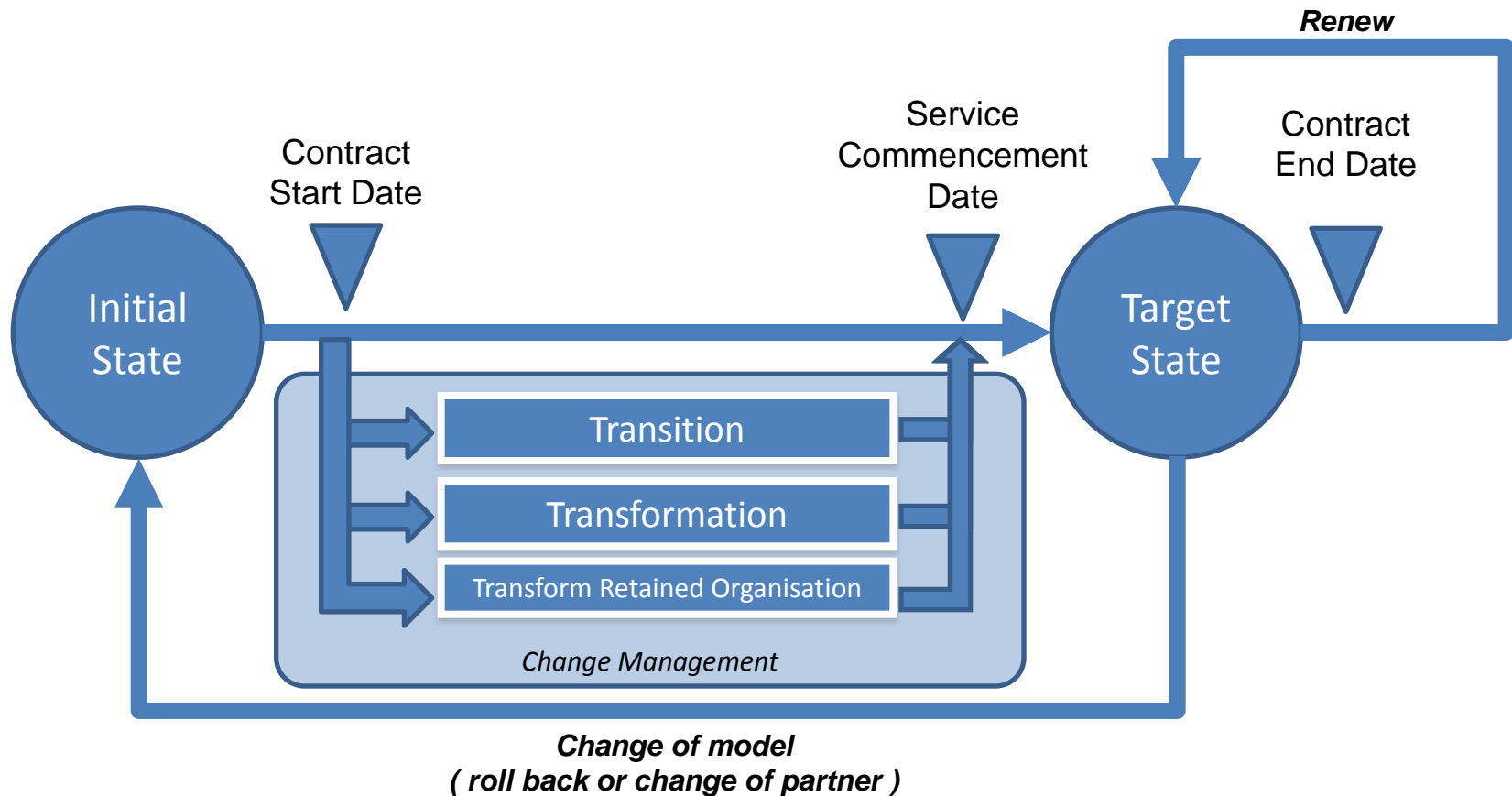
Different Flavour of T&T



- 1 Internal → Supplier Externalization
- 2 Supplier → Internal Internalization
- 3 Supplier → Supplier Change of Supplier(s)

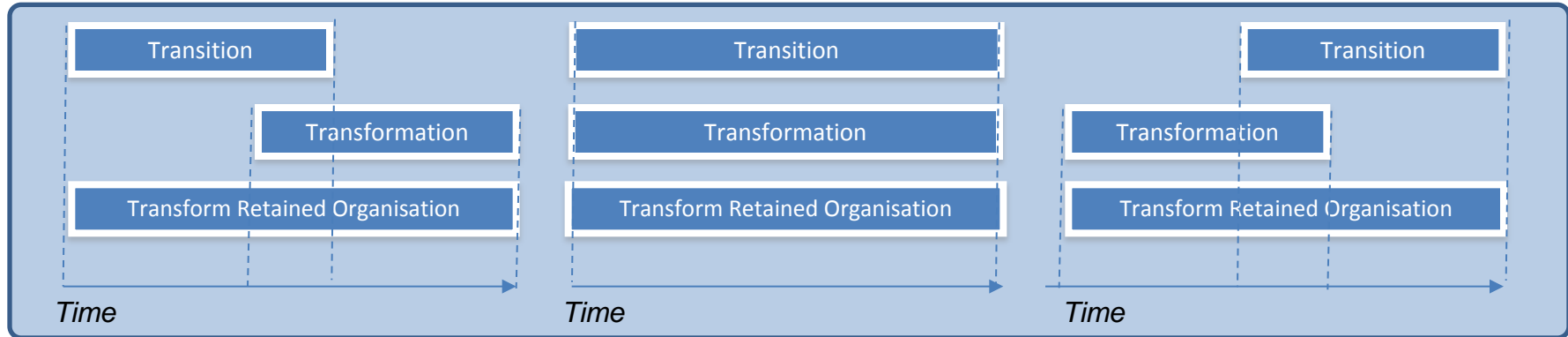
Introduction & Fundamentals

T&T is to be managed as a project



Introduction & Fundamentals

Sequence Consideration



Ship & Fix

- Supplier maturity allows to transform the contemplated perimeter after transition by fixing according to his own practice (doing better)
- Supplier is willing to take the responsibility to run the activities based on your historical situation.
- Service Commencement Date will be faster and supplier take the lead to adapt your historical situation
- More expensive, risk of underestimation by supplier of capacity to solve issues

Ship while you fix

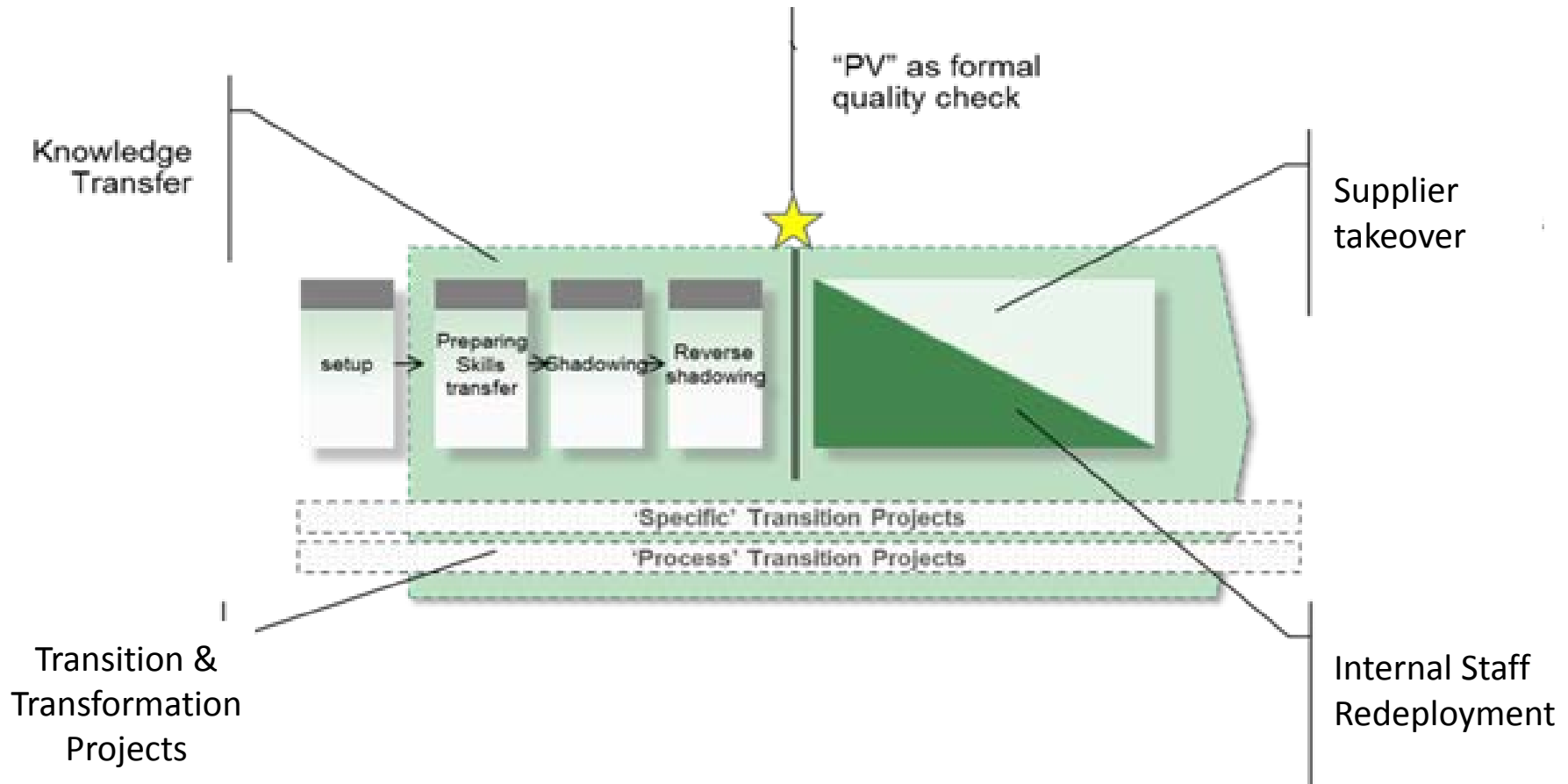
- Joint exercise to perform transformation as you do the transition. Mostly Applicable on big programs where wave approach is selected
- Granular approach adapted to complex situation
- Attention on dependencies

Ship & Fix

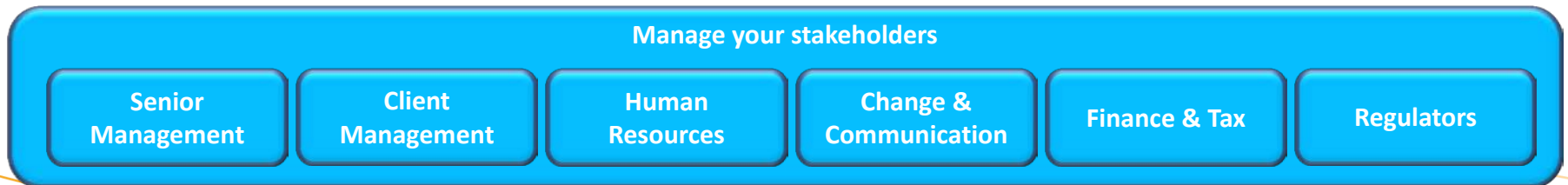
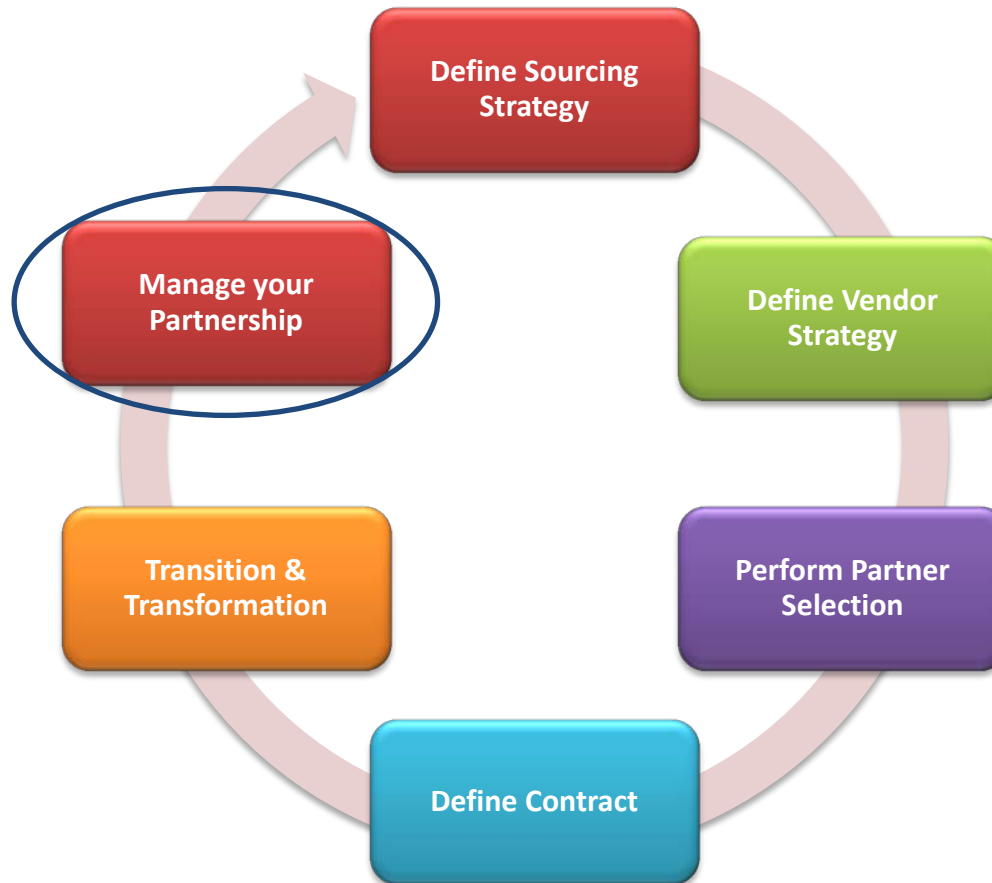
- You first adapt, fix and align your asset before transferring to the supplier
- Applicable in “industrialized” situation where supplier have to integrate your asset in a more complex system and cannot accept to take an unstable asset
- You need to have the capacity to stab

Implement your
contracts

Transition & Transformation



IT Sourcing Value Chain



Supplier Management

- Operational vs tactical vs strategic governance
- Good SLA are not always financially driven
- Monitor the quality of the service
- Benchmark the « do better » vs « do more or do less » to remain in control of the real gain
- Feedback loop during contractual revision

Wrap Up

