

# *The Retained Function*

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# *Introduction*

## **Who am I & relevant experience**

Agenda:

Alternative Service Delivery

Why outsourcing fails + Case Study

Role of today's IT function

Sourcing decisions

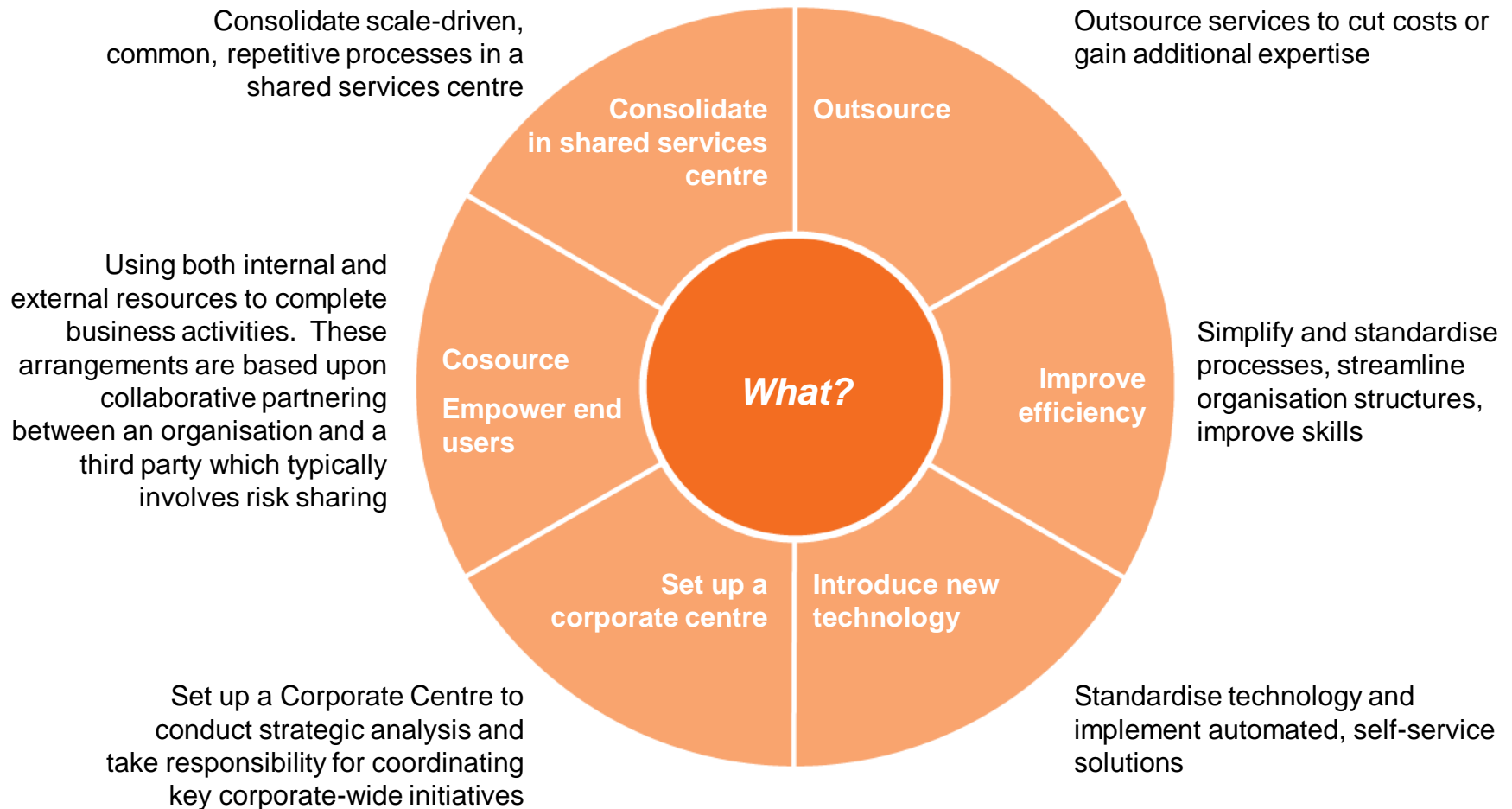
Building blocks for the retained function

Retained function in action – managing demand, managing change

Performance measures

# Alternative Service Delivery

**(Corporate spending on public cloud is growing six times faster than in-house IT -- IDC)**



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# *Why outsourcing fails*

## **Contracts fail for numerous reasons including:**

- the ability of the Outsource Provider to properly execute the deal and deliver contracted service levels at the agreed price
- changes in the commercial environment and failure to adequately forecast variations in the business
- customers seek alternative solutions
- Adversarial relationships created by lack of communication
- lack of clarity in contracts about what is expected of all parties including commercial objectives
- contract has inadequate KPIs specified in the service level agreements
- contract does not include the right mix of incentives and penalties for the Outsource Provider
- clarity over responsibility for customer relationships
- Lack of suitable governance arrangements
- Strong relationships do not built up between the Outsource Provider and the Retained Organisation

**the most common cause is the lack of work at the beginning of the deal to establish a robust and credible retained organisation.**

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## ***Case Study***

UK Mobile Telecoms provider

### **Outsource of IT Application development and maintenance services**

A great business case

Intelligent people

Fantastic reputation of the service provider

What could possibly go wrong????

# Role of today's IT function

"The Client" ITO will have to perform two different roles

## Running the "Utility"

### Objectives

- Build a reliable, high throughput and common infrastructure
- Low cost
- Scalability
- Rapid and effective help
- Ease of plug and play

### Metrics

- Processing costs
- Throughput and reliability
- Commonality in the enterprise
- Help Desk response and service
- Desktop support service levels

### Organisation logic

- Ultimate central authority
- Locally deployed resources only for support needs and implement group standards
- Business units and sites serve as customers

Scalable, homogeneous

## Delivering & Maintaining Business Applications

- Deliver strategic solutions
- Understand the business
- Provide technology awareness
- Partner with the business

- Business value created
- Milestones actuals vs. planned

- "Business-unit" reporting for business-unit solutions
- Central organisation for enterprise-wide solutions

Business impact and solutions

# *What else is needed?*

## A shift in mindset, culture, behaviours

### **IT Delivery Function**

- Strong technical delivery skills
- Project management skills
- Supplier management
- Focused on “getting it done”
- Good at managing business as usual
- Inconsistent application of process to get things done
- Seek answers to problems from line manager
- Reactive to issues
- Performance management reliant on HR processes
- Managers – directing, controlling mindset
- Open to requests from multiple channels

*“I deliver value for business customers through effective partnering with our supplier”*

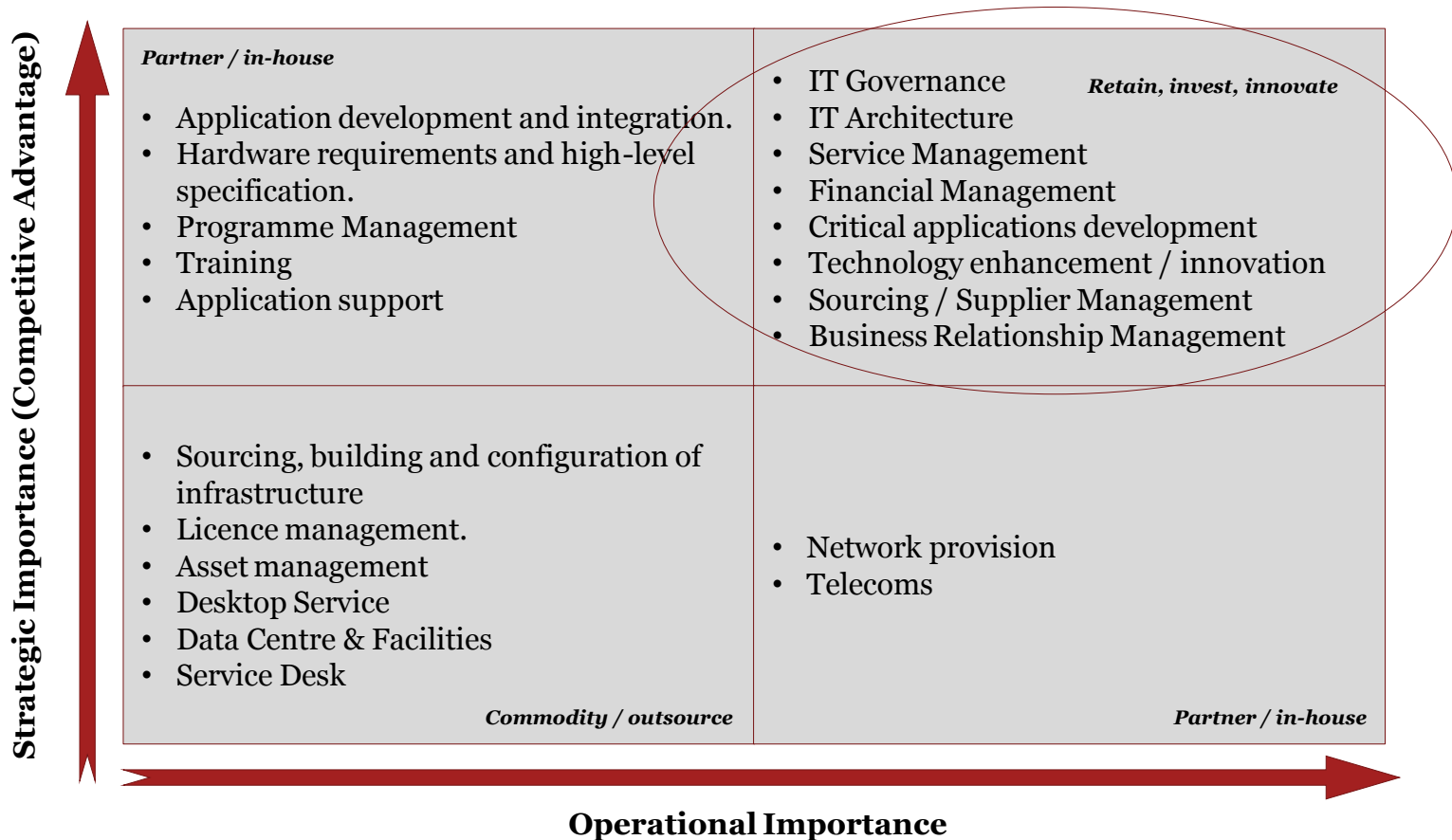
*“I am a hero when I get the business out of trouble by delivering above and beyond what could be reasonably expected”*

### **Intelligent Customer Function**

- Strong assurance skills
- Business Partnering skills (e.g. influencing skills, negotiating win-win, conflict resolution)
- Focused on “getting it right first time”
- Able to deal effectively with change
- Positive mindset towards process compliance
- Able to manage in a matrix organisation
- Proactive and forward looking
- Finance and commercial management skills
- Culture of accountability, development and feedback
- Leaders – influencing / enabling
- Customer requests directed through demand management channel

# Sourcing decisions

What is the focus of the Retained function?



# Requirements for the retained function

## Key building blocks

IT Leadership

"The Client" IT Strategy Function

"The Client" IT Demand Management

Change & Programme Management

Service & Supplier Delivery

Outsourcing Partner/s (?)

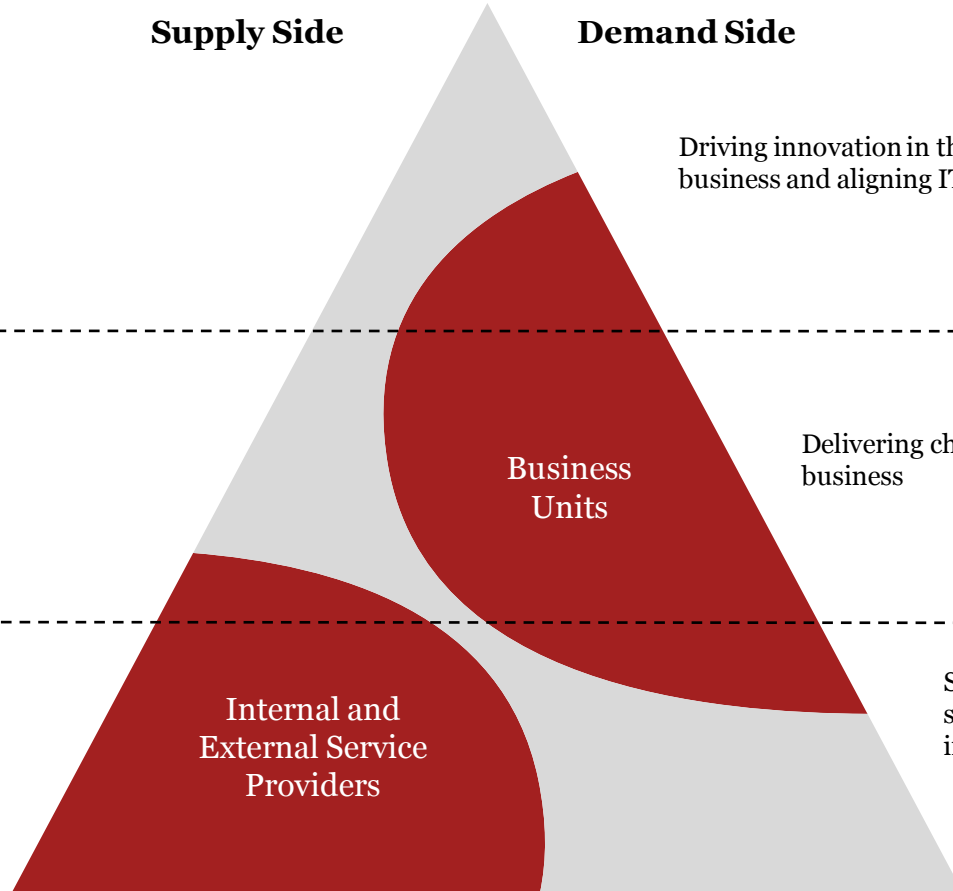
Supply Side

Demand Side

Driving innovation in the business and aligning IT strategy

Delivering change to the business

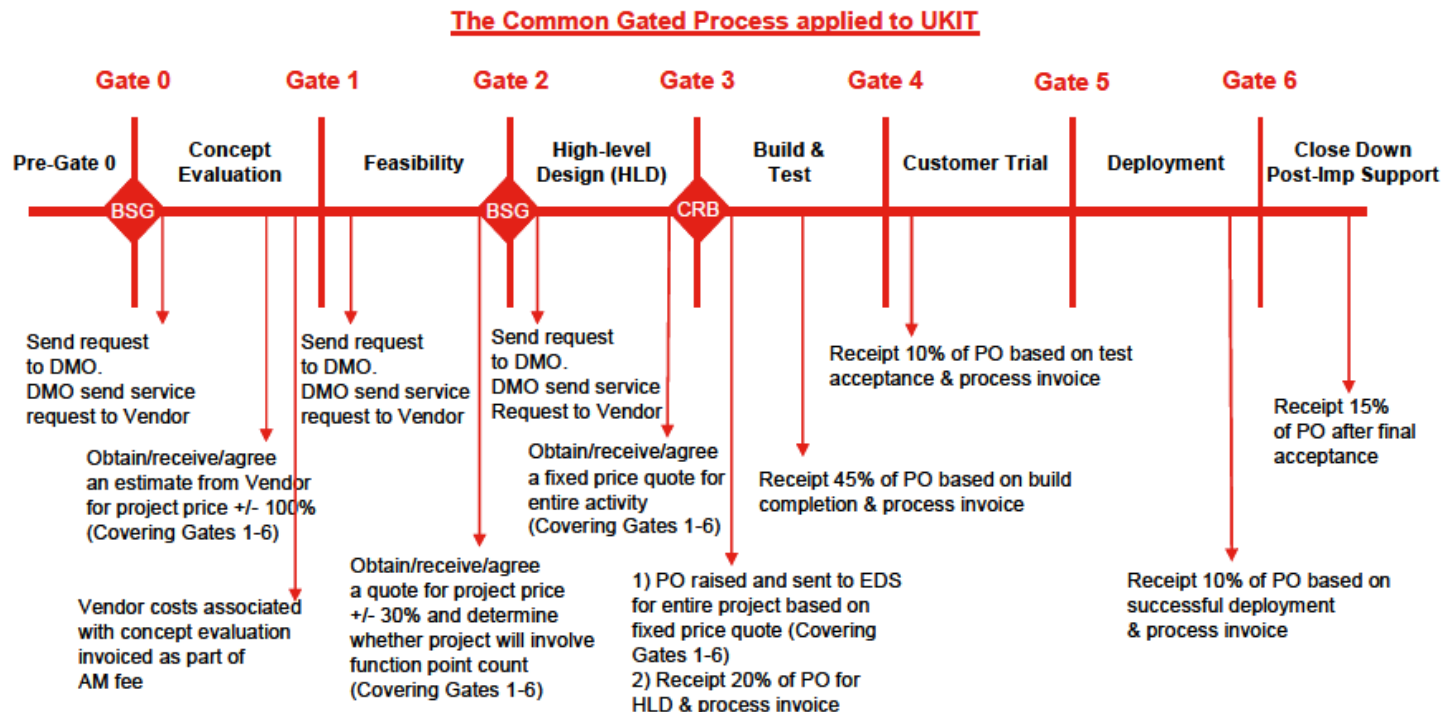
Supplying and supporting infrastructure



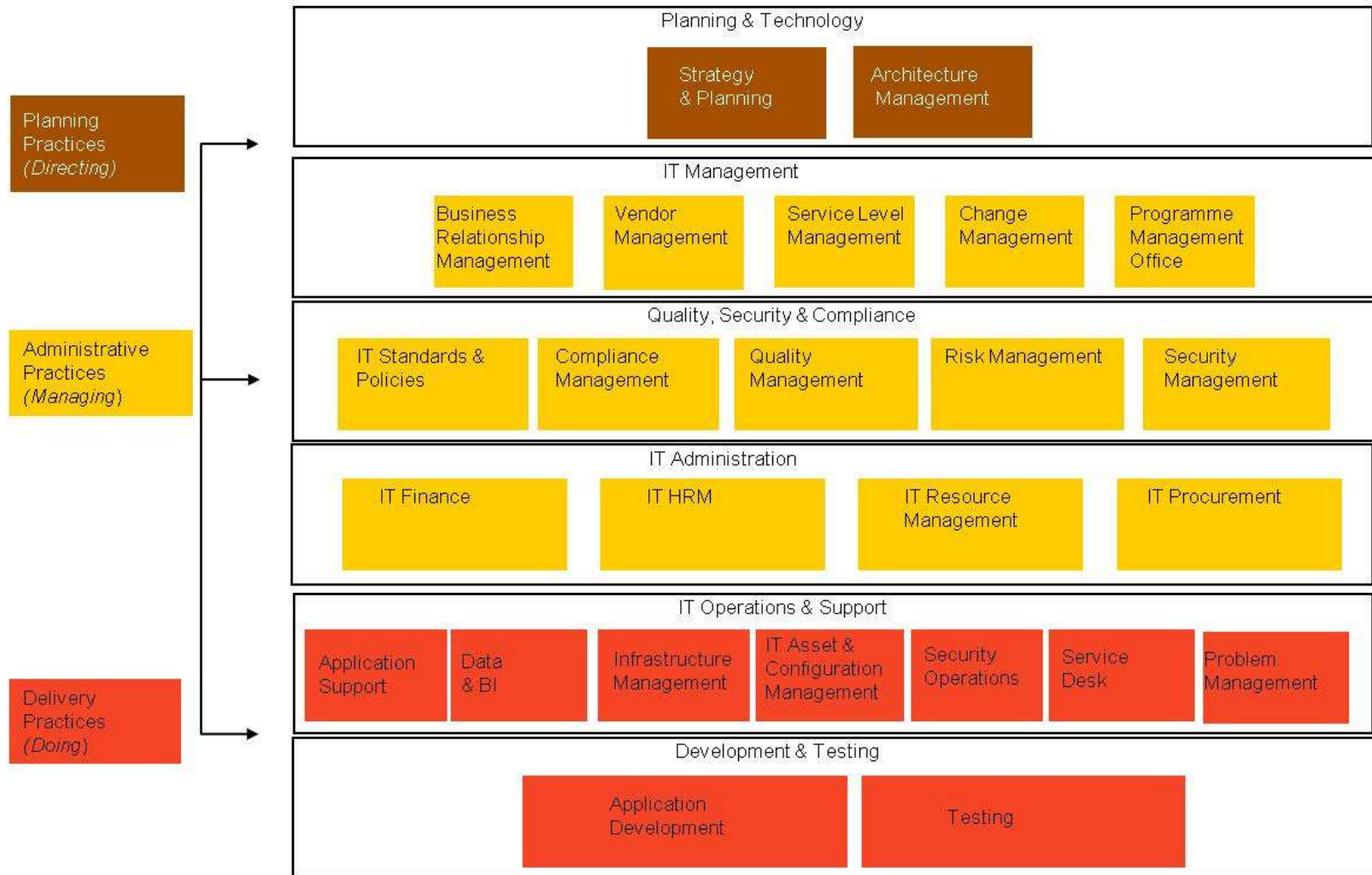
# Managing demand, delivering change

This change, whether process, system, data or training will generally follow the same stages;

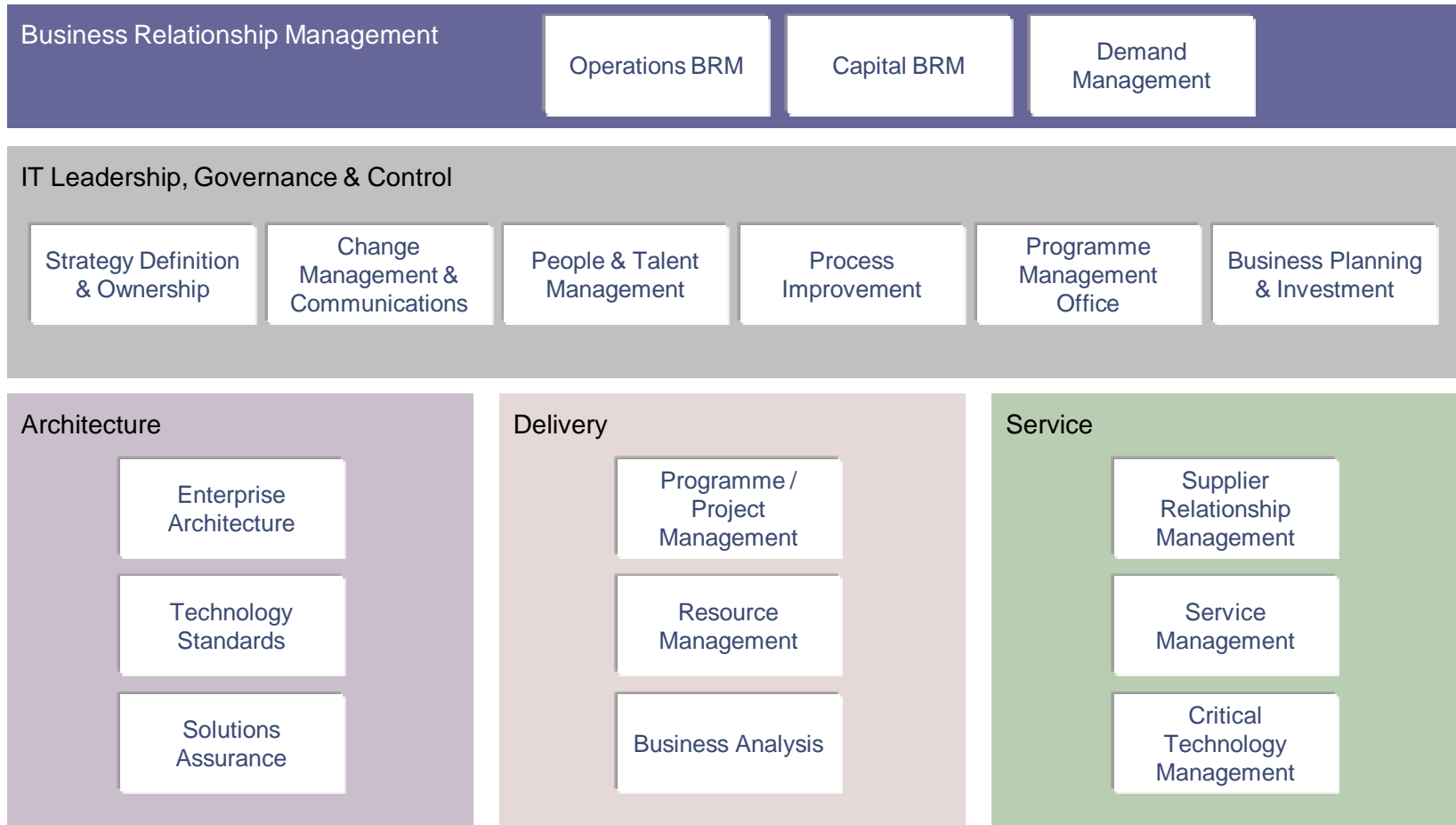
- Justify the Change
- Develop it
- Deploy & embed it



# Functions of a Retained Organisation



# Example Retained Organisation



NB: Finance, HR, Sourcing and Contract Management Functions received as business partnership from Supply Chain

# Performance Measurement

## IT Delivery ●

|                                                     | Actual | Target | Status |
|-----------------------------------------------------|--------|--------|--------|
| <b>Business As Usual</b>                            |        |        |        |
| % of Severity 1 incidents restored within SLA       | 45%    | 65%    | ●      |
| % of HW/SW under Inventory Mgt                      | *      | 95%    | ●      |
| % of Network availability against SLAs              | *      |        | ●      |
| Number of critical systems outages per month        | 3      | 0      | ●      |
| % of maintenance against IT Cost                    | *      | 20%    | ●      |
| <b>Transformation (Major Projects)</b>              |        |        |        |
| % of projects delivered on budget                   | *      | 97%    | ●      |
| Cost of projects not delivered on time              | *      | *      | ●      |
| % of IT projects with accountable Bus. Owners       | *      | 75%    | ●      |
| % of projects completing post imp review (benefits) | *      | 100%   | ●      |

## Business Controls ●

|                                               | Actual | Target | Status |
|-----------------------------------------------|--------|--------|--------|
| <b>Risk Management</b>                        |        |        |        |
| % of projects with formal RM process in place | *      | *      | ●      |
| <b>Disaster Recovery Planning</b>             |        |        |        |
| % of services covered by DRP                  | *      | 100%   | ●      |
| <b>IT Security</b>                            |        |        |        |
| % services protected by IT Security           | *      | 100%   | ●      |
| <b>Legal and Regulatory Compliance</b>        |        |        |        |
| % of projects through L&R review              | *      | *      | ●      |

## Strategic Alignment ●

|                                         | Actual | Target | Status |
|-----------------------------------------|--------|--------|--------|
| <b>Strategic Leadership</b>             |        |        |        |
| % of IT enabled business programmes     | 21%    | 75%    | ●      |
| % of IT enabled core business processes | *      | 80%    | ●      |
| % of IT Budget / Training               | *      | *      | ●      |
| <b>Financial Management</b>             |        |        |        |
| % of IT Cost / Revenue                  | *      | *      | ●      |
| % of IT Staff / Employees               | 3%     | 2%     | ●      |
| % of IT Costs recharged                 | *      | 95%    | ●      |
| <b>Demand Management</b>                |        |        |        |
| Number IT Budget restatements per year  | *      | *      | ●      |
| Number of unscheduled projects per year | *      | *      | ●      |
| % of services with business owner       | *      | *      | ●      |

## Relationship Management ●

|                                          | Actual | Target | Status |
|------------------------------------------|--------|--------|--------|
| <b>Internal Relationship Management</b>  |        |        |        |
| % of services under SLA                  | *      | 100%   | ●      |
| Employee satisfaction in IT              | *      | *      | ●      |
| <b>External Relationship Management</b>  |        |        |        |
| % of external services under SLA         | *      | 100%   | ●      |
| Number of strategic suppliers / partners | *      | *      | ●      |
| % of IT Cost with strategic suppliers    | *      | *      | ●      |

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# Questions?

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