

MOZAIIC

STEPS TO SUCCESSFUL DISAGGREGATION OF THE SUPPLY BASE

Mozaic Whitepaper

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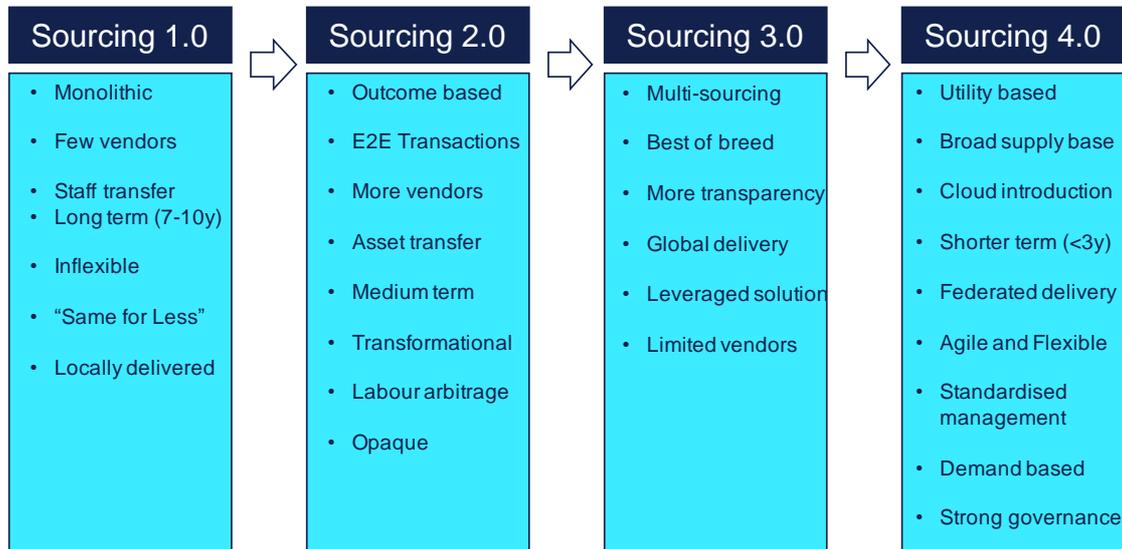
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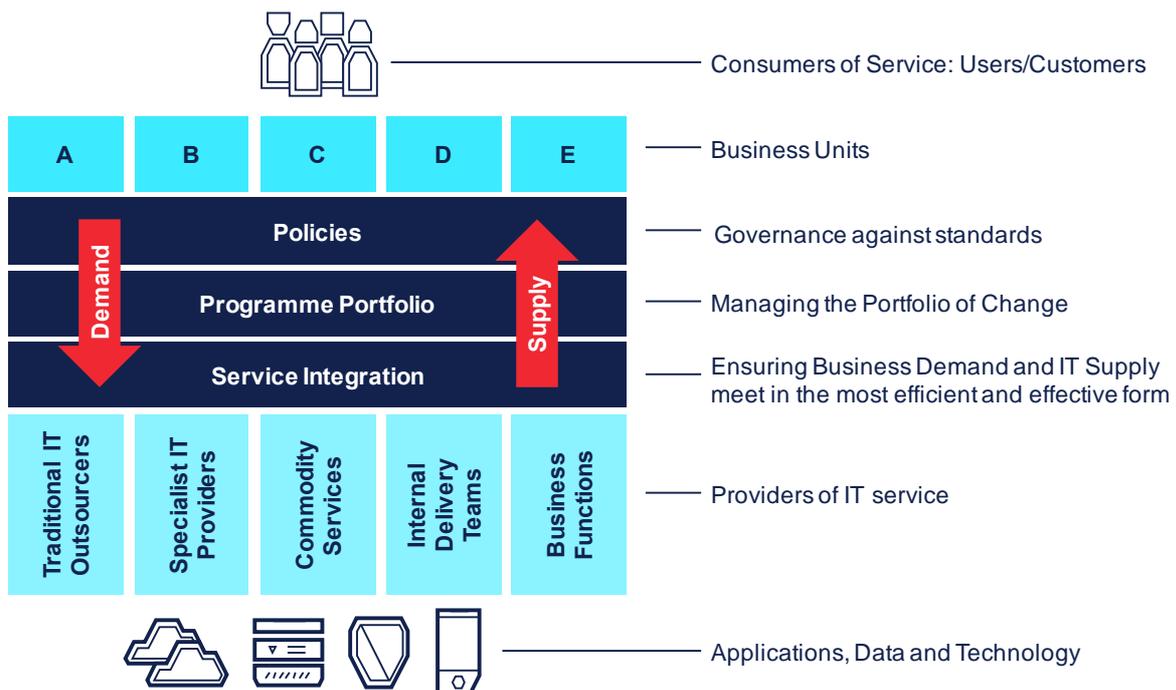
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Future Ready

The delivery of IT services is undergoing radical change. By moving from monolithic end to end contracts to disaggregated, multi-sourced, standard service outsourcing arrangements, businesses can drive significant benefits; better value for money, improved service, greater agility and ultimately better customer satisfaction. These benefits are delivered through the selection of a collaborative framework of suppliers, ensuring that there are clear bounds of responsibility between all parties and leveraging the best from the market.



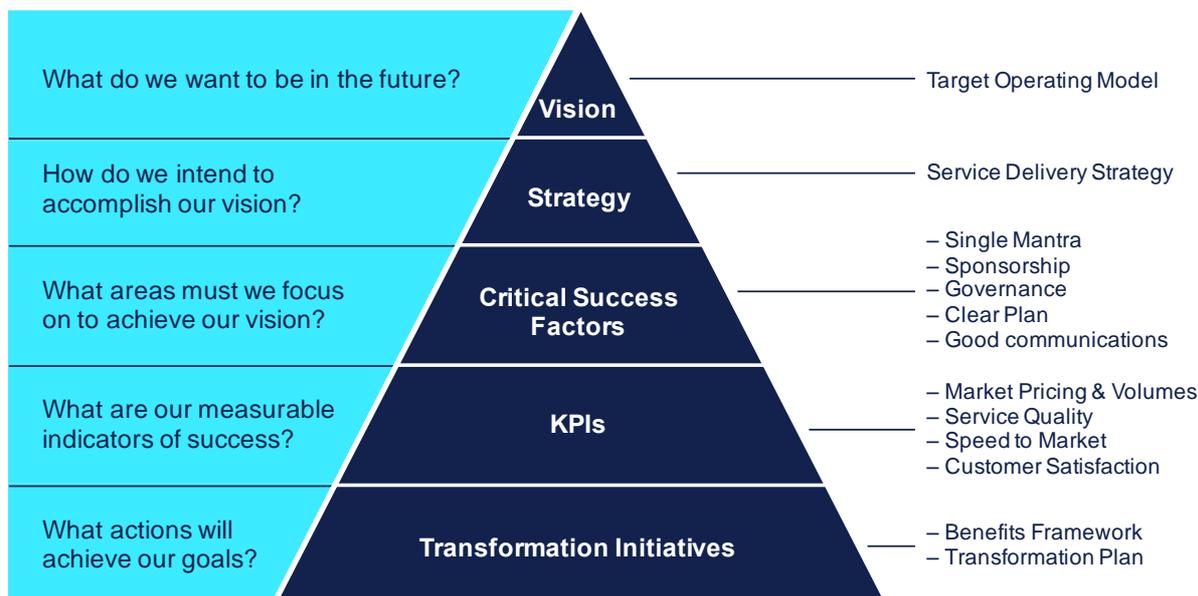
To sustain these benefits, strong service integration processes are essential to ensure that demands from a business are delivered in the most efficient and effective form by the selected supply base. The clear and discrete definition of these controls has become accepted as essential, and are often defined and governed by a single Service Integration function. Organisations are moving towards new operating models with Service Integration as a critical part of their future delivery team:



However, moving from an environment where unclear responsibilities and constrained solutions are found, to one where duplication of effort is eradicated and standardised delivery is strictly governed against architectural, security, regulatory and service management standards, often requires significant transformation. Service Integration based operating models are relatively new and case studies have shown that their adoption requires careful and well planned change of both the in-house IT organisation and the supply base. This white paper discusses the best approach to delivering and sustaining the expected benefit. It provides advice on how the supply base can be migrated in an ordered form, to one where true best of breed delivery is achieved, whilst balancing the inevitable transitional risk.

The early stages of Transformation

Transformation of the current IT organisation and its associated estate to a desired target operating model can take place only once a detailed design of the new model, including clear responsibilities of the supporting organisation is in place. Setting and maintaining this design is fundamental to success and should include a clear vision and delivery strategy for the build of the target operating model – this clear vision should become the “mantra” for all transformation activities. The vision should be supported by a road-map for the change from the current supply base to the future optimal estate to cover all of five main service areas of IT delivery (end user computing; hosting; networks; applications maintenance and support; and applications development) as well as the Service Integration and other retained organisation functions.



The phases of Transformation

“Big bang” approaches to a fully disaggregated model often have too high a transitional risk for it to be acceptable. Changing the retained organisation, building strong standards, implementing a discrete Service Integration function and breaking down the incumbent supply base needs a considered approach where the key structures are implemented first to

form a sound foundation for success. The change of embedded cultural norms within both client and supply organisations should not be underestimated. Mozaic recommends that the build of the new operating model should be phased as follows:

1. Build or reshape the Service Integration function early with governance and control over the most important parts of the legacy estate. Ensure:
 - a. Service Integration is formed and empowered to manage both traditional towers suppliers and newer more agile utility style provision.
 - b. That collaboration is built into the change programme by including the business units receiving service, the rest of the IT organisation, incumbent providers and potential new providers in the communication of the proposed changes.
2. Standardise delivery, disaggregating initially to a level that enables selection of a best of breed supply base, but:
 - a. Keeps services in recognised industry standard service capabilities where market tensions can apply for pricing, service quality and delivery of transformational benefits.
 - b. Selects more than one provider delivering to the same scope (to provide competitive tension) only where this benefit outweighs those of standardisation across the estate. This is most likely to be applicable in the applications towers.
 - c. Enables suppliers to provide multiple service areas to minimise complexity where appropriate.
 - d. Offers the opportunity for the incumbent supply base (especially where there is significant term left on current contracts) to reshape their delivery to integrate into the new Service Integration based structure.
3. Extend the supply base to strengthen the competitive landscape and drive further agility and innovation

In this approach, the first phase builds the foundation for success, the second phase will deliver significant financial and service benefits and the final phase will ensure that these benefits are sustained over the long-term. In most cases, these phases will overlap. Early benefit from the second phase will be needed to offset the investments from phase 1.

Phase 1: Establish the structure of the new operating model

Achievement of the expected benefits of the new operating model is best achieved through a delivery plan where the new operating model structures and new ways of working are communicated to all involved parties and implemented early. In particular, this should include:

- Implementing strong Service Integration at the earliest opportunity, with responsibility for integrating all new services procured as well as the most important parts of the incumbent/legacy estate. Service Integration should be as a core part of

the retained organisation (whether that is by building entirely in-house or by selecting a specialist party to support the implementation) and always be seen as truly independent from the supply base.

- Aligning the whole of the retained IT organisation to the new operating model design, maturing the Enterprise Architecture, Security and Regulatory standards to form the basis of strong governance

- Where delivery is going to be outsourced, creating a new contracting architecture. This should be based on key commercial principles that will drive efficient and effective delivery into the estate. These should include an acceptance that:
 - Best value is derived through acceptance of industry standard services.
 - Unique requirements should be uniquely/specifically defined and valued.
 - Services should be defined as outcomes, and be technology agnostic and constraint free.
 - Suppliers should own the assets required to deliver their service.
 - Differing grades of Services will be required to meet differing business needs.
 - Payment should be based on the volume of IT services consumed, where practical, utility principles should apply.
 - Market based pricing tensions should apply and suppliers should be encouraged to leverage their capabilities.

- Ensuring that the new commercial architecture allows for the alignment of both traditionally sourced (on the client's terms for the most critical parts of the estate) and cloud procured (on the suppliers' terms) services to the new Service Integration based operating model.

- Broad communication of the supplier change roadmap, to build confidence in the market.

Phase 2: Standardising delivery across the estate

Once the structure of the new operating model is built, reshape the delivery of the supply base to deliver the expected benefits of standardisation. This will often require initiating full procurement activities using the newly developed commercial architecture. However, full consideration should also be given to reshaping existing contracts to the new model where the cost of change is too high. Incumbent suppliers are often more open to change than clients expect, and open dialogue can often lead to earlier than expected delivery of the operating model.

Where new procurement activities are established, due consideration should be given to finding the quickest approach to delivering the benefits of standardisation. Consider only choosing to select multiple providers in a service area where standardisation across an estate does not deliver significant benefit. Often, this will mean that the End User Compute

and Network services are best kept whole with single providers delivering each of these capabilities, whilst the Hosting and Application services will be introduced with some level of competition.

As most benefits will initially be delivered through standardisation across the estate and removal of duplication of effort, the simplest way to gain momentum in the delivery of the new model is to establish the services as cleanly as possible and drive towards service standardisation within each one. The strong governance structure established in the first phase of change will be required to enable the model to operate effectively through timely decision making.

Although there may be additional benefits available in awarding smaller contract values to a larger number of suppliers it may open up a level of risk to the business which erodes the value to be obtained from protecting the service as a tower provisioned through a single supplier. For example, retaining the end user computing tower through a single supplier usually makes more sense in the early phase of a new Service Integration based operating model as this allows for a single consistent delivery to be used across the estate and the transitional risk will be minimised.

Choosing a smaller number of providers for the initial implementation of the new Service Integration based operating model also allows for easier management of any people related issues that may arise. The transfer of staff from incumbent suppliers (or from the client organisation) requires careful and sensitive management at all times, and doing this within a simpler supplier set is often advantageous.

Other service areas such as Hosting, Applications Maintenance and Support, and Applications Development may have multiple suppliers in place to support the differing applications that an organisation may use. In these capabilities, work packages can be defined as relatively autonomous deliverables utilising the most suitable suppliers.

Making sourcing decisions on these principles will be particularly important in estates where delivery has historically been federated. For example, if a business has been built through acquisition or legislative change, multiple providers delivering to similar scope will often have led to inefficiency. During this second phase of delivery, Mozaic often recommends the selection of a single supplier per service area to drive earliest delivery of the benefits of standardisation of service.

This second phase can often take between 12 and 24 months to deliver and a similar time to deliver the transformational activities and become stable.

Phase 3: Optimising the supplier base

Once the Operating Model is fully established and proven through Phase 2, extending the mix of suppliers is enabled. This is often vital to the long-term success of a Service Integration based operating model. Extending the supply base will drive good competitive tension into the estate and help to ensure that the benefits of the model are sustained. However, it should be noted that this could add complexity into the estate and may increase the cost of Service Integration (by up to 5% of the base cost per additional supplier).

The suppliers selected in the second phase will need to demonstrate they can meet the demand required to deliver the service they have taken responsibility for. This is often based on the demand volumes, the size of the organisation and user support base to decipher if the supplier is fit for purpose and able to meet the businesses needs from the service.

In some instances this may lead to a high use of tier 1 suppliers because the services they are supporting could be very large and complex. To ensure that the reliance on these providers is broken and that the agility and innovation that smaller players offer is taken advantage of, Mozaic recommends that the services are considered to be further broken down.

A key benefit of the Service Integration model is that it creates positive competitive and commercial tension between suppliers operating in the model. This is more apparent in towers where there may be multiple suppliers operating. Customers should nurture this behaviour so that they continue to obtain benefits above and beyond the norm on services from their suppliers. This can be done by reviewing the commercial levers and service levels and by selecting more than one provider to deliver the services within each area of delivery.

A well designed and implemented Service Integration function can be measured by the swiftness of substituting suppliers across the model. However, taking such steps in a relatively immature model can cause significant disruption, and prolong the time taken to gain stability across the service model. Early substitution can also delay innovation opportunities and put at risk the efficiencies gained and the increased value for money through the model.

In large and complex organisations with embedded business and cultural methodologies the operating model change has to be done at a pace with a level of risk which is acceptable for all parties concerned. Service Integration will bring together the business, suppliers and retained organisation and any changes which occur across the various areas of the organisation need to be executed coherently. The consequences of not completing the change and stabilising at each stage to re-evaluate the journey and adopt lessons learned during the process could prove to be extremely costly to an organisation of this size and scope, and may not only be of monetary value but also impact reputation.

Only, after the Service Integration model has been fully implemented and the ways of working are widely understood is it truly possible to leverage the plug and play options for suppliers and start to innovate and disaggregate services into even smaller components. Only a relatively mature SIAM model will be able to maintain full end-to-end visibility of the estate with a fully disaggregated supply base.

About MOZAIC Services

MOZAIC Services is a specialist Service Integration and Service Management company offering client-side advice to both public and private organisations alike. As such it is entirely independent of IT vendors and can act in an impartial manner to best serve its clients' interests and ensure delivery of service excellence. It is independently owned and incorporated in the UK.

MOZAIC Services was formed in recognition that Service Integration has become a core requirement amongst both government departments and private businesses who are seeking to exploit 'best of breed' supply relationships.

We at Mozaic Services believe that our work in building service frameworks based on industry standards (such as TOGAF, ITIL, COBIT, CMMI and emerging cloud standards) has influenced the industry sufficiently to implement an effective service integration philosophy and achieve the desired improvements in service performance and cost effectiveness. In our experience some 90% of all clients' needs can conform directly to the standard services framework and thus take advantage of best value, utility based IT services from an ever expanding market.

What services do we offer?

We have four separate services that fit holistically into a complete delivery framework geared to enabling our clients to achieve service excellence:

