NTT DATA Services

Enabling a Successful Multisourcing Model: An NTT DATA Services Insight

Executive summary

Market behavior regarding the consumption of IT services has undergone a significant change in the last five years. Typically, enterprises approached outsourcing by either fully externalizing their IT department or just specific IT functions. This approach, combined with the ability to utilize offshore markets for the delivery of IT services, used to provide companies with a great level of agility and a competitive advantage in the market.

But today, multiple drivers are compelling organizations to embrace multisourcing — the desire to work with multiple suppliers, both internal and external, in an orchestrated ecosystem and benefit from a complete set of integrated IT services.

One of the main drivers that triggered this change is that organizations are choosing to retain key and strategic functions in-house, while still looking to outsource services for specific functions. There is also an increasing demand for IT services customization. All services, however, need to be tightly connected and integrated with an already existing IT model.

This drives significant changes in the overall engagement between providers and clients, as well as the adoption of flexible contracts.

Another key driver is the emergence of new technologies and delivery models, which allows the consumption of IT services in an as-a-service manner. These new models address specific business needs (such as software-as-a-service offerings), are easy to adopt and typically come with benefits like quick deployment and capability enhancement with cost optimization. While these drivers contribute to the development of a very beneficial IT model, the ability to integrate, orchestrate and control all the underlying functions, coupled with a strong and flexible governance structure, pose a significant challenge for organizations.

This paper uncovers some of these challenges and provides flexible model samples that can help organizations benefit from multisourcing engagements.

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Written by:
Bogdan Udrea
NTT DATA, Inc.

Multisourcing defined

Gartner defines multisourcing as the disciplined provisioning and blending of business and IT services from the optimal set of internal and external providers in the pursuit of business goals.[1] It may seem trivial to define it based on the ability to select and manage IT services sources for one specific organization and bring them under the same umbrella of enterprise strategy or the ability to perform a successful vendor management function. But the reality is that multisourcing requires a complete change in the overall operating model for IT services, as it is inherently complex to deploy and manage. This is one of the reasons why multisourcing may not be the right choice for all organizations.

There are two prominent approaches to multisourcing. In the first approach, the client is able to retain core functions while engaging with multiple service providers and maintaining overall governance and services integration in-house. The second approach allows clients to engage one primary service provider as a services integrator and manager, relying on them to include secondary service organizations — and thereby providing the client with an integrated and unified IT interface.

These two approaches are different as each client has specific needs and desired outcomes they require from their IT organization. But both models require a strong governance structure in place and a well-defined relationship framework, supported by clear metrics and built to measure the success of the approach and the overall multisourcing execution.

The challenges

Multisourcing does come with complex challenges — arising at different levels in the overall structure of the newly transformed organization that supports this engagement. Here we have highlighted three key challenges that can lead to inefficiencies in a multisourcing engagement.

Building the right partner network

For a multisourcing approach to succeed, organizations need to implement the right partner model, which allows your business units to benefit from an entire range of expertise and services. The model should not only solve and meet today's challenges and requirements, but should be focused on the future and creating value in the long run. The right partner will deliver services mapped to business requirements and provide the foundation for an innovation- and continual improvement-focused structure.

Another important consideration is to keep the entire ecosystem involved and engaged, not only at the beginning of the program but also during its execution, by creating a collaboration and communication framework that includes all partners. This framework will allow participants to remain up to date on organizational strategies (including IT roadmaps and critical business decisions) to help prepare proactively for future business needs and service demands.

In the absence of this, organizations will begin to see a disconnect between existing services and business objectives over time. This will lead to the associated metrics, against which the services are measured, becoming less relevant. Additionally, lack of a partnership model and strong governance structure can affect the ability to provision the right services on time, as service providers could easily be caught off guard and unprepared for new requirements and business demands.

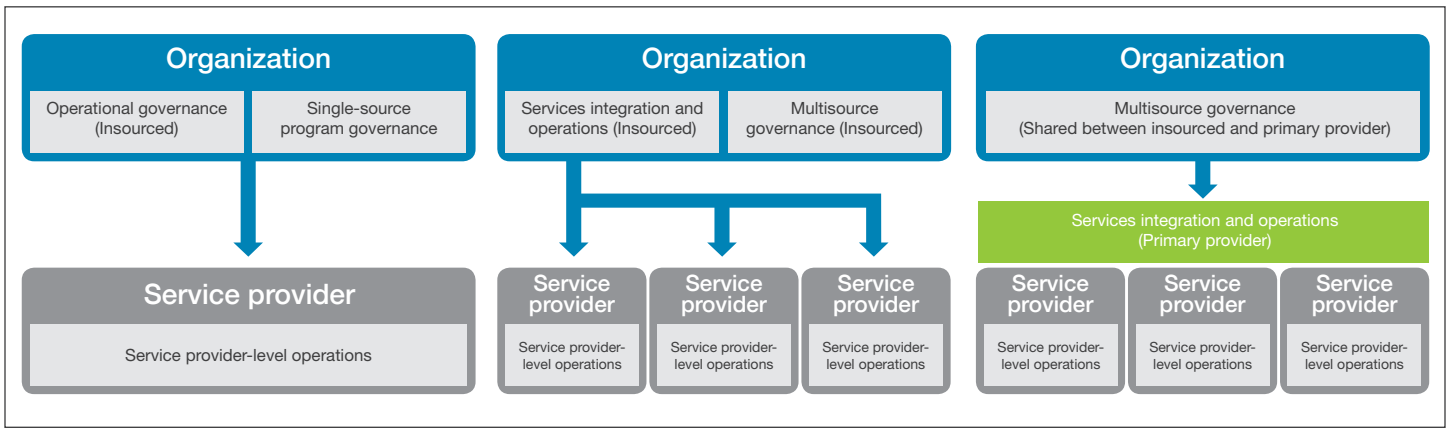

Figure 1: Multisourcing models

[1]Linda Cohen, Allie Young Gartner Inc., Multisourcing – Moving Beyond Outsourcing to Achieve Growth and Agility. Harvard Business School Press. pp. 3–4

Establishing the right governance model

The primary role of governance is to provide oversight, management and enforcement to ensure that IT achieves goals defined by the business. If the governance model is not aligned and structured properly in multisourcing engagements, it continuously increases the gap between business and IT requirements. Usually this gap, which may exist in both multisourcing trends (primary service provider or multiple primary service providers), is driven by applying only procurement principles when provisioning IT services. This approach leads to treating IT service providers individually and measuring them by utilizing siloed metrics, which are focused on IT-specific outputs, rather than business-relevant ones.

Consider this example. A service provider is engaged to provide a portion of an IT function, which is required to feed into an overall IT service and designed for the business. This provider may deliver according to defined service-level agreements (SLAs) and metrics, but the overall service may suffer from quality and performance issues without aligned business objectives and metrics. Let us put this in the context of a real-life situation. A company is establishing a new business unit to process and dispatch the orders of a new product to consumers. This requires them to set up a new office with 30 end-user devices that follow a clear hardware and software specification — as defined by the manufacturer of the order processing and tracking application.

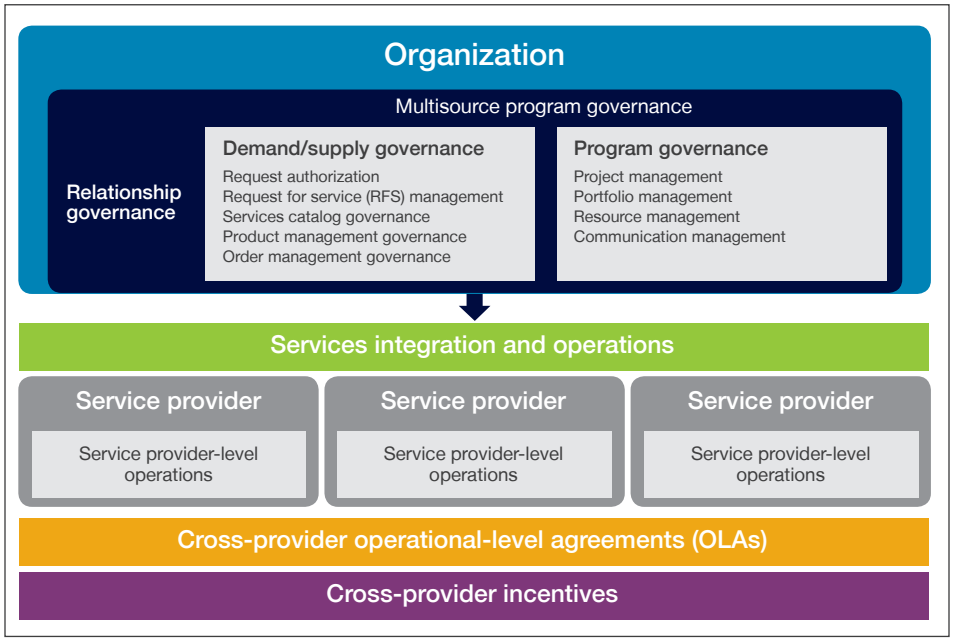

Figure 2: Provider ecosystem management model

The project team engages with different sourcing parties and acquires the hardware, software, installation and support services to set up and manage the new office. What seems to be a successful project can quickly turn into a management nightmare with lots of gaps.

For instance, one gap could be if the new hardware specifications were slightly different from the existing ones already available in other production environments due to bringing in a new hardware supplier. This small variation can lead to a complete tidal wave, both during and after project development, across all sourcing contracts and engagements. It can cause critical IT functions, such as field services support, to need additional training to support this new environment, and security and desktop engineering teams, rework to keep operating systems and applications secure and up to date. Moreover, as the new office is a new site with only 30 end users, the existing sourcing contract includes it as a remote dispatch location, which may not be adequate, from an on-site support SLA perspective — leading to contract extension and multiple amends.

To add to this, the desktop engineering delivery team needs to develop and test a new set of OS images for deployment of the new hardware and the security team has to create a completely new set of controls and checkpoints.

This project has partially failed as it went through significant cost overruns and lacked:

- A strong governance body to enforce and control sourcing engagement models
- A comprehensive and end-to-end view of the future of services, instead following a transactional approach to new services deployment
- Central coordination for services contracts and awareness of existing sourcing-provided capabilities

This proves that while all vendors (existing and new) delivered against communicated SLAs and performance metrics, the project can still be unsuccessful with a poorly established governance model, among other factors, leading to cost overruns across multiple sourcing contracts, late deployment of the new service and failure to meet overall service SLAs and performance metrics.

Addressing services integration and operational gaps

While governance **e**nables strategy alignment, the operational management and integration layer needs to be enforced to enable accurate execution, monitor transactions and ensure that performance metrics and service levels are in line with expected business outcomes. This layer of complexity occurs when organizations need to manage and integrate multiple providers, with discrete required inputs and outputs in terms of processes and technologies.

At this level, organizations must:

- Consistently measure performance metrics and service levels across all providers and ensure end-to-end alignment to the delivered service
- Integrate and standardize processes and tools in a consistent manner
- Establish proper accountability controls among all service providers and make sure they are in line with the overall strategy
- Ensure that collaboration and orchestrated operation between multiple towers follows a pre-established framework

Without this in place, any benefits that may be achieved from a multisourcing model are undone.

An example of this challenge is what we may call a "cross-process instance lock." In an inadequately established and operated change management process, one vendor waits for another vendor to perform a specific step, while the second vendor is waiting for the right inputs from the first vendor to perform that step or function. In this situation, both parties are waiting on one another. And while both of them are meeting their agreed SLAs and performance metrics within their own operational domain, the process exception management gap creates a poorly defined change management process, thereby affecting the overall delivery of service.

Another gap that appears in this area is caused by organizations wanting to adopt as-a-service models quickly, hoping to benefit from faster deployment and service enablement. Cloud-based services — such as infrastructure as a service (IaaS), platform as a service (PaaS) or software as a service (SaaS) — bring an unexpected layer of complexity, which can often go unnoticed by the business. For instance, in an IaaS scenario, bringing a new third-party provider into an environment where pre-established provisioning SLAs are already in place may create end-user dissatisfaction. This is because the new IaaS provider, though cost-effective and capable, may not integrate with the overall automated request management process. And when trying to integrate a third-party provisioning toolset into the overall workflow automation, an organization incurs supplemental cost overruns. The organization also has to develop a new set of SLAs, if the newly-aquired standard service cannot be tailored to meet the previously established ones, and develop a new methodology to measure and report on these SLAs.

Considering how these challenges may impact the successful management and control of a multisourcing environment, how does an organization decide which model is right for them?

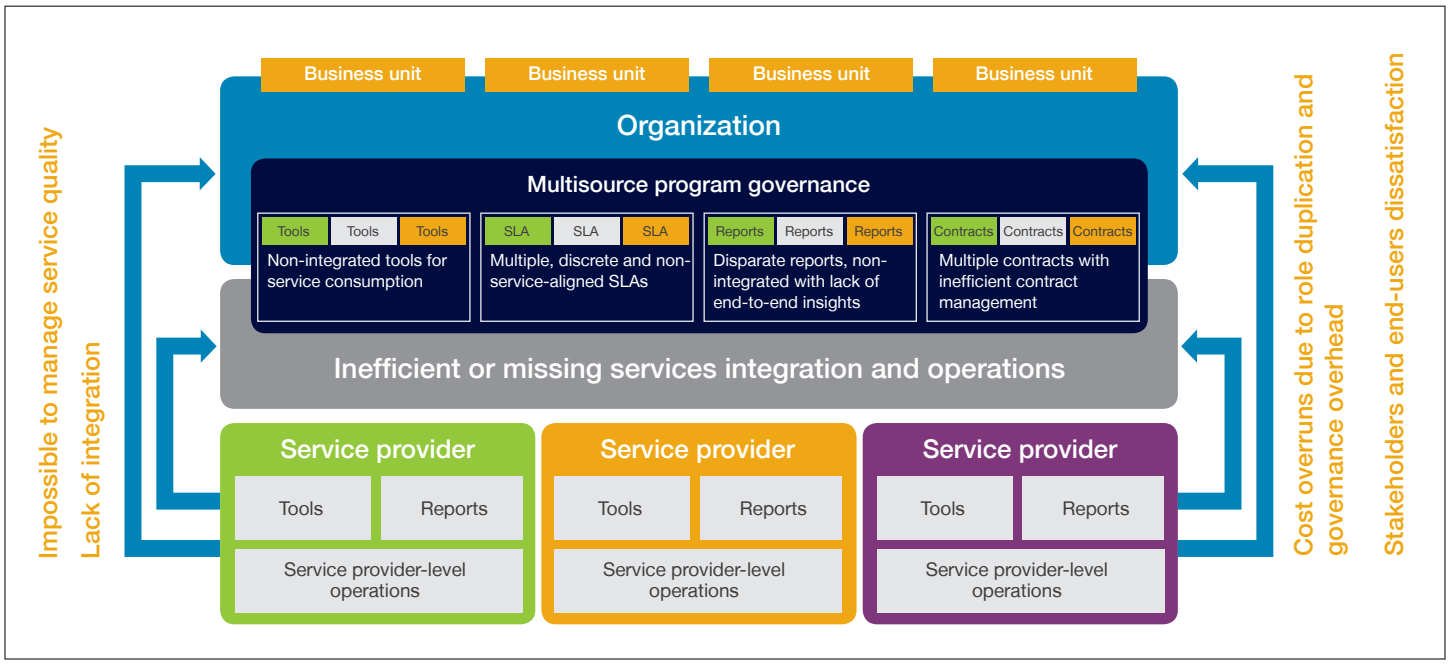

Figure 3: Inefficient or missing services integration and operations model

The answer lies in the ability to define, develop and deploy a structure that is flexible and modular at all layers. It needs to be supported and driven by a clear strategy, long-term goals and policies and a strict governance body, in addition to a meaningful and measured operating model enabled through a dynamic integration of tools, processes and people. So what are the governing principles that organizations should consider when approaching a multisourcing scenario? Here are a few examples of the structures and layers.

Governance model: Critical success factor in a multisourcing model

A successful governance model ensures that all policies and standards are well defined and applied consistently across the entire services landscape. Coordinating between business demand and the supply of IT services, the entire strategy execution and management needs to ensure that demand and supply are integrated to create an orchestrated model.

A solid governance model is required to manage relationships between all parties and stakeholders. Ensuring overall program oversight and management, and supported by processes customized to meet goals, one of the primary roles of governance is to define the decision-making structure, which includes accountability and measurements.

Typically, organizations expect IT services to:

- Create and sustain business growth
- Reduce costs while improving productivity
- Increase business agility, flexibility and adaptability
- Enable predictable business results
- Optimize resource usage toward critical business needs

The governance body in an organization considers these business-level goals as supporting strategy-level policies, and this translates into being able to:

- Improve service delivery performance

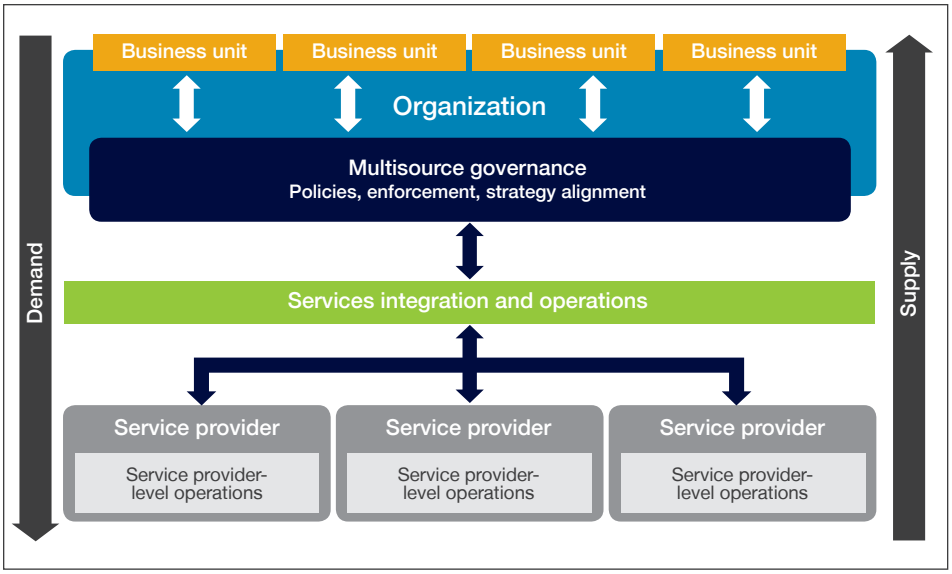

Figure 4: Demand and supply model

- Improve service and satisfaction level to/of end users
- Reduce risk of operational failures
- Gain timely access to critical technical skills and resources
- Control and optimize IT costs
- Enable organizational change

The governance body may find these policies easy to implement and support if an organizational IT structure relies on a single service provider's model (internal or external). But in a multisourcing environment — with multiple internal and external service providers — the ability to establish controls and effective governance around these policies becomes a challenging process.

An ideal governance model that adheres to and provides the liaison between business-level strategy and IT services goals and objectives usually has to include two major committees:

- **Business leadership committee:** Defines the strategic direction of IT programs in alignment with the business strategy. This committee also monitors and evaluates business-relevant metrics and drives improvement initiatives to remediate any negative deviations at an overall program level. This committee facilitates enterprise-level decisions about outsourcing relationships and acts as the ultimate level of escalation, mediation and remediation of any issues that may affect the overall outcome of the multisourcing program.
- **IT leadership committee:** Ensures that defined IT goals are measured and achieved. This committee approves new and strategic IT services, recommends major changes to delivery models and monitors overall enterprise service delivery and performance.

Depending on the complexity of the landscape, the governance body may be augmented by several functions to ensure that the overall multisourcing strategic program is performing within expected parameters and is receiving timely inputs. These functions include:

- **Program management:** Manages the program and its underlying projects, monitors and tracks new work requests, prioritizes and forecasts future discrete projects and ensures adherence to business and IT policies and constraints.

- **Contracting and financing:** Tracks and monitors contract obligations against deliverables and targets and understands the commercial implications of any changes and amendments. This function is responsible for contract- and financial-level issue resolution and measures and assesses financial results of undergoing projects.
- **Service delivery management and performance:** Gathers metrics and assesses performance trends from all delivery functions that are part of the multisourcing program (both internal and external). Based on the results, it recommends changes and improvements in service levels or services that are delivered.

Depending on the organizational complexity and overall structure of the multisourcing program, two additional functions can be included — either in the governance body or as part of the overall service operation and integration.

These functions include:

- **Transformation:** Defines, oversees and manages the transformation programs and ensures they adhere to and remain aligned with the business and IT strategy. A transformation program should not be considered a normal change in the overall delivery of the services or the multisourcing program, but a major overhaul in the structures — designed to dramatically change the overall landscape of IT services. Each organization has its own metrics to determine what a transformation is, what the organizational change management process is and what needs to be considered a standard change in the multisourcing program.
- **Enterprise architecture:** Helps define the vision, aligning and steering organizational assets, people, operations, technology, information and projects in a multisourcing program. It also defines and blueprints principles, organizational structure, business processes, future applications, data, infrastructure and technologies. These outputs provide integration interfaces for all other functions, with parameters and metrics for evaluation by the business and IT leadership committees.

Designing, building and deploying such a governance body will ensure the required control to manage a complex multisourcing environment. But organizations need to consider these other important factors, which, if missing, will negatively affect the overall success of the program:

- **Long-term strategy:** When organizations plan to deploy a multisourcing program, it is important to define an end-to-end strategy on using sourcing to meet all business and stakeholders objectives and requirements. Without a comprehensive view and buy-in

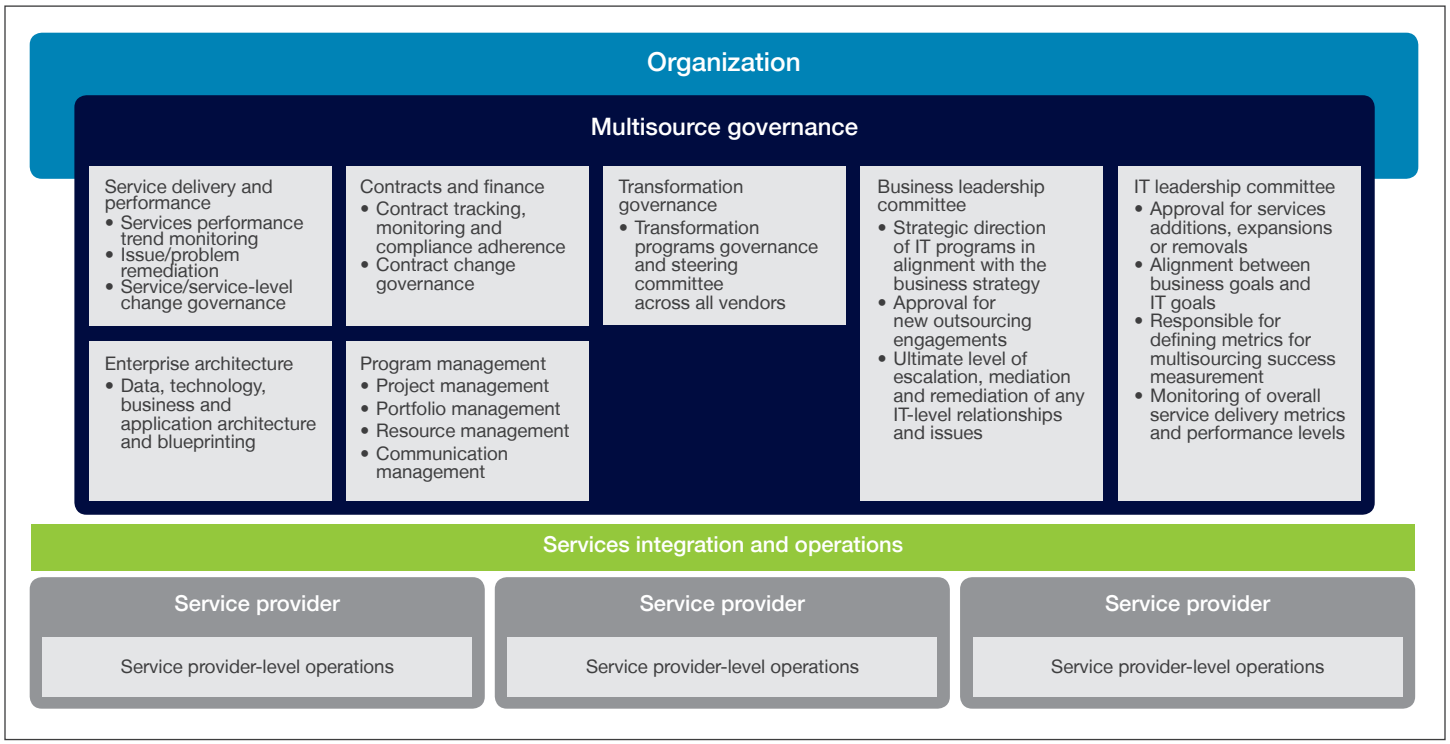

Figure 5: Governance model diagram

from all relevant factors, even a strong governance body will be unable to implement and enforce effectively.

- **Meaningful metrics and measurements:** Organizations tend to concentrate on operational metrics pertaining to SLAs. While it is important in the assessment of a specific service performance, it does not provide the desired level of insight into the performance of a project or overall program. It is important to create the right metrics (at the vendor/supplier performance level and operational level) and measure them in a multisourcing program to ensure that it delivers the expected business outcomes and strictly aligns with the defined strategy. Additionally, all operational-level metrics should be measured at the service level, across all providers and not in siloes, to ensure that SLAs are met and gaps are uncovered and mitigated.
- **Relationship, communication and collaboration framework:** Working with multiple providers can be a challenging task. In an attempt to seek incentives or improve collaboration and relationships — not only between the receiving organization and the service providers but also among themselves — providers become extremely focused and competitive. While beneficial in some contexts, it usually has a negative impact on the overall multisourcing program. It is important that organizations support their relationships with all participating service providers. Using the right communication tools, roles and processes to manage business relationships can ensure positive outcomes during individual sourcing agreements and in the context of the multisourcing program.

Services integration and operations: the glue between governance and execution

One of the main challenges of a multisourced environment is the ability to ensure a seamless and orchestrated delivery. This is a result of the multitude of internal teams, external organizations and services models.

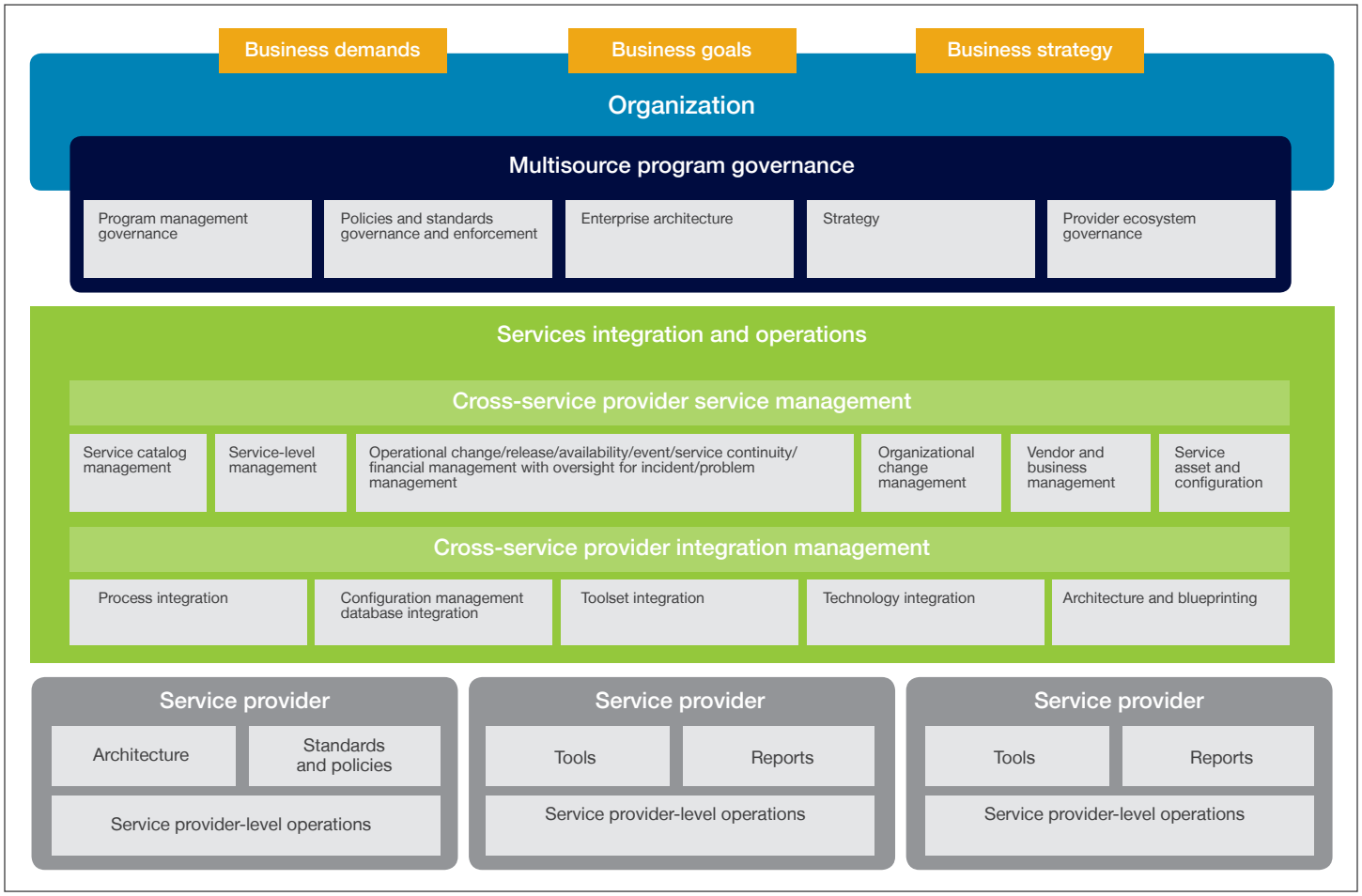

Figure 6: SIAM model diagram

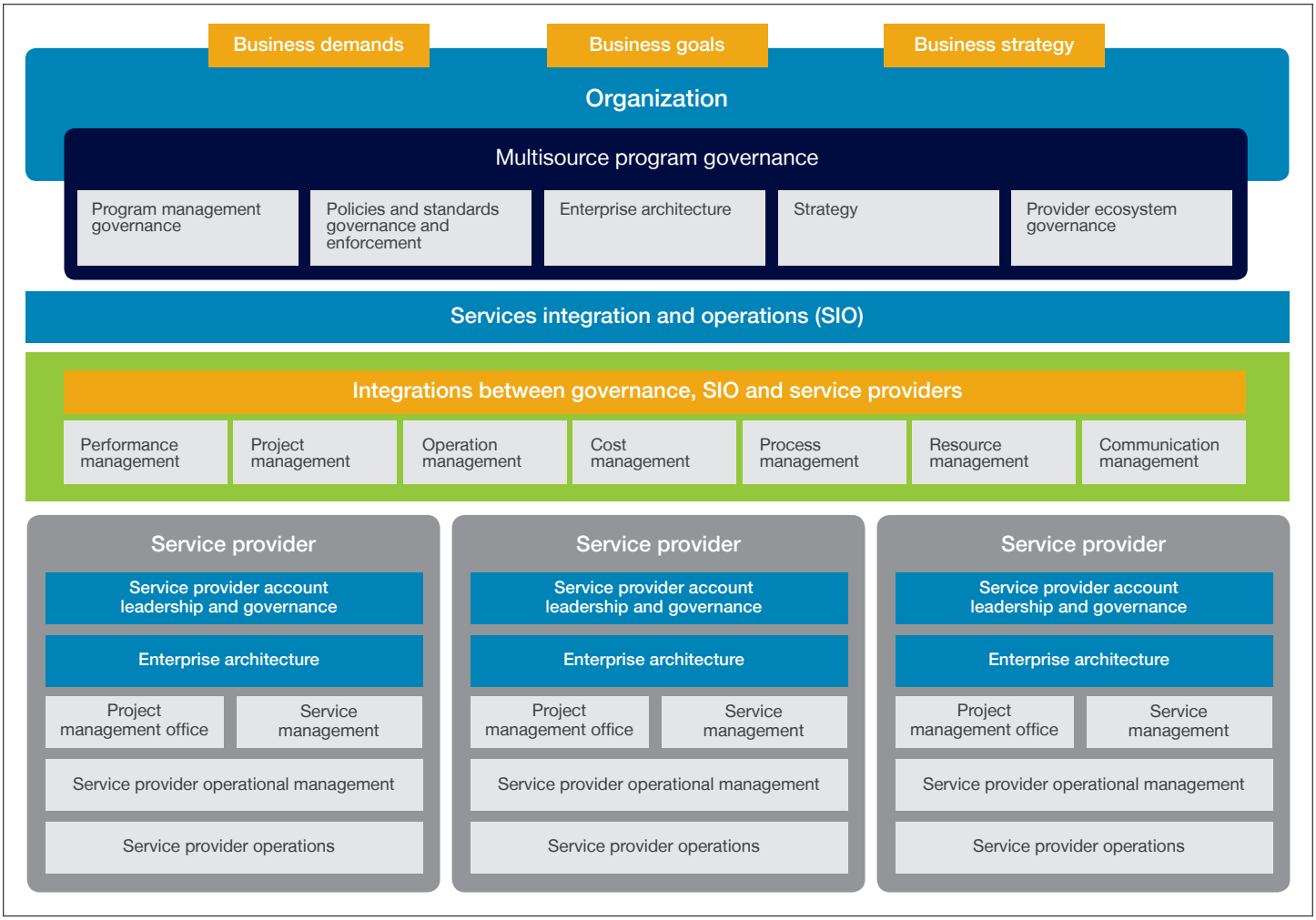

Figure 7: Integration layer between governance/SIO and service provider

While consolidation and standardization may be the first choice and path to follow to achieve a seamless delivery model, this is sometimes mission impossible. One such example is an organization's ability to standardize support processes with an as-a-service provider, who offers standard services. Switching these standard processes to a custom delivery model and enforcing the alignment of IT Infrastructure Library (ITIL) processes may not be feasible or may come at a high cost.

This is why at this level, services integration and operations (SIO) — two complementary, yet sometimes competing models — need to be blended to achieve the end goal of an orchestrated delivery model: ITIL and service integration and management (SIAM). ITIL is already an established operating model and methodology in terms of ensuring the management and lifecycle of services. But SIAM is usually only considered when services are being delivered from multiple service providers to multiple businesses in a cohesive and efficient manner.

Relying on ITIL and covering the entire lifecycle of services, SIAM provides the liaison between business units and service providers and ensures that all discrete services are performing within predefined parameters. It governs the delivery of services, via service management processes, and ensures alignment with defined standards and policies for service providers (both internal and external). When organizations ignore the significance of SIAM and rely on standard service management processes to manage the delivery of services, it affects the overall success of a multisourcing program. Some of the negative outcomes include:

- New services are released into production without clear testing and approval — not allowing for current or future integration with other existing/forecasted services. This usually leads to situations where it cannot be part of a larger service as the interface and support processes were not designed appropriately.

- New services are released into production with unaligned or missing measurements and SLAs.
- There is a lack of coordination between service providers (both internal and external) during incident resolution or the execution of change management processes. This leads to longer service disruptions and change windows and an increased number of failed changes.
- Individual teams or organizations act in an autonomous manner that may result in effort duplication or overlaps.

SIAM performs and provides multiple roles — from management of coordination and integration of services delivery, to issue resolution and service provisioning and relationship management between service providers. Often times, the question is, "How does SIAM work with ITIL, and what kind of structure is required to ensure that, from an operational and integration perspective, the multisourcing program is successful?"

At a process level, a SIAM function operates with four major building blocks. Each of them manages multiple processes that span SIAM and ITIL, including:

- Governance, risk, compliance and security management
- Performance management
- Sourcing and vendor management
- Stakeholder management

Operating with multiple service providers, retained or outsourced, the maturity of a SIAM framework is driven by its ability to create and implement the structure to provide a single pane of glass and source of truth across the entire services landscape. It also needs to work with consistent and comparable metrics and integrated toolsets and technologies. The overall building blocks of SIAM also need to facilitate modularity — enabling organizations to remove or add new service providers — similar to a plug-and-play mechanism.

The multisourcing governance body needs to provide a critical component: to reiterate the role and accountability of SIAM in relation to services integration. These become a part of the SIAM charter and include key details about the scope of services, deliverables and metrics guidelines.

While organizations often separate the SIAM role provider from a specific service provider, the idea is to allow the SIAM provider to deliver specific services — giving them a better understanding of operational challenges. However, a demarcation line between integration and delivery is always kept in place, with clear accountabilities and outputs defined between the two roles.

An effective SIAM provides management for a set of processes critical to the successful delivery of the service provider's operations. Processes to consider for core SIAM include:

- Capacity management
- Availability management
- Change management
- Event management
- Service continuity management
- Service asset and configuration management

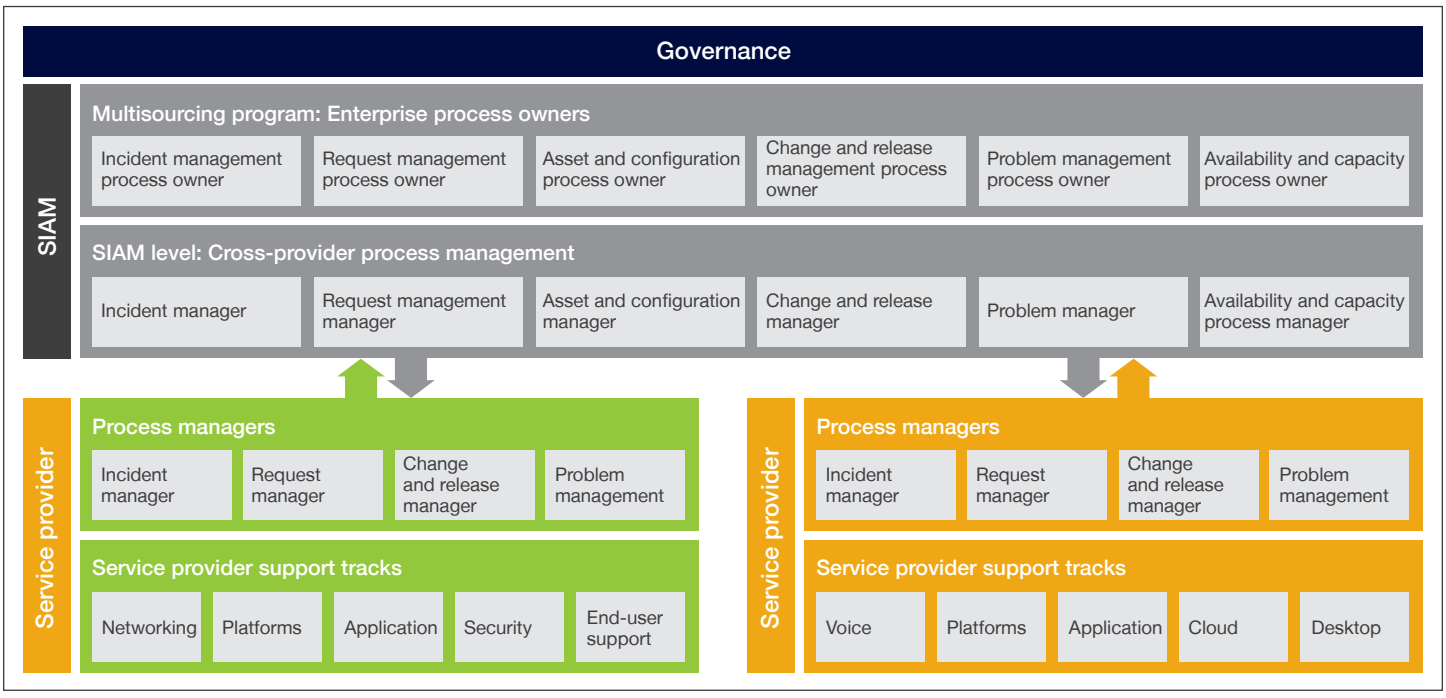

Figure 8: Service management process integration

- Service catalog management
- Service-level management
- Service provider/vendor management
- Financial management

Once established, the integration of SIAM with operations can be easily achieved for multiple layers. Since each service provider operates with a set of IT service management (ITSM) processes, it is mandatory to identify the required outputs and inputs into these processes. This helps standardize and optimize support processes and clearly defines the triggers and outputs/inputs from and into other service towers that ensure the orchestrated execution of a specific process across multiple vendors. Depending on the service provider and in-scope processes, integration can be achieved by using different methodologies and toolsets at the ITSM platform level — supporting overall operational processes. One approach relies on enabling the automated exchange of two service desk systems. In this scenario, the primary function of a toolset integration solution is to expand the incident and request fulfillment supply chain while preserving existing operational efficiencies and process compliance built into both ITSM platforms.

An incident or request can originate in either of the ITSM systems, passing to the responsible entity for resolution or fulfillment. A comprehensive integration solution for this scenario should enable two-way integration between ITSM systems, where both service provider and organization applications may function as either initiator or provider.

This helps maintain the integrity of each system's workflow, offer complete visibility of the entire fulfillment lifecycle to both the parties and provide the ability to manage SLAs for the entire process.

Why NTT DATA for multisourcing management?

Most organizations are adopting shared services and embracing multisourcing, not just to reduce costs but also to transform their IT services. Businesses are looking to achieve efficiencies that could help optimize their budgets. And while multisourcing can definitely help, it creates challenges for CIOs and IT departments who now face the difficult task of integrating multiple providers into their environment. The benefits of multisourcing and integration are real, but many organizations recognize that they do not have the experience, time, skillset or resources to become effective and successful services integrators.
With over 20 years of experience providing managed services, NTT DATA has developed and continuously matured flexible models for integrating and governing multisourcing environments. Regardless of the multisourcing approach an organization chooses, NTT DATA can provide all the governance functions and advise on a comprehensive sourcing strategy, policy and controls definition — to meet unique business objectives and strategic goals.

Engage with NTT DATA to manage IT service providers and daily operational delivery and define and craft a transformation program for multisourcing or delivering services from a service provider standpoint. Organizations can take advantage of our expertise, frameworks and methodologies around organizational structures, processes and tools to mitigate risks and accelerate program execution.

Our governance framework, purposely built to emphasize collaboration, transparency and communication, provides enterprises with all the necessary tools to manage IT, business stakeholders and service providers.

The NTT DATA strategy is completely aligned with factors that foster a successful multisourcing approach: consistent shared vision and strategy, robust program structure and management and a continuous service improvement culture.

We help organizations achieve the best results with a multisourcing program that revolves around the customization and delivery of six key functions:

1. **Governance model:** Focuses on strategy enablement, enforcement and control of your multisourcing program and participating parties.
2. **Service performance-relevant metrics:** Pans all layers — strategic, business units, operational and infrastructure — to provide accurate insight into the overall program and performance of individual entities and uncover remediation and optimization opportunities.
3. **Expert ITIL methodology and practice:** Is built as a natural integration point between people, processes and tools and delivers a seamless, single-window service experience to end users — regardless of which provider is actually delivering a given part of the service.
4. **Management and integration toolset:** Utilizes a flexible ITSM platform to manage all aspects of services operations and governance, as well as specific toolsets to ensure service providers' integration into an orchestrated delivery methodology.
5. **Definitions, measurements and enforcement of SLAs and operation-level agreements:** Provides metrics on discrete service-level achievements and monitors and measures the service provider's interactions, reporting and integration management.
6. **Continuously adaptable improvement methodology:** Assesses service providers and quality of service and drives consistent and measurable remediation and optimization projects.

While the concept and approach to multisourcing may be new to many organizations and appear to be a difficult task, it is a mature practice at NTT DATA. Organizations can take advantage of our experience and proven methodologies to achieve their key business consolidation, optimization and transformation goals.

Visit **nttdataservices.com** to learn more.

NTT DATA partners with clients to navigate the modern complexities of business and technology, delivering the insights, solutions and outcomes that matter most. We're a top 10 global IT services and consulting provider that wraps deep industry expertise around a comprehensive portfolio of infrastructure, applications and business process services.

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