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THE ITO GOVERNANCE CHALLENGE

Overcoming Barriers to Achieve Operational and Financial Transparency

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INTRODUCTION

Companies lose between 5 and 30 percent of the expected value of their outsourcing relationship through ineffective governance.

The challenge of managing a large outsourcing relationship is an important responsibility shared between the enterprise, the consultant and the service provider to ensure a program's overall success. However, according to ISG research, "Companies lose between 5 and 30 percent of the expected value of their outsourcing relationship through ineffective governance."

A significant portion of value leakage can be sourced directly to the area of asset management because it's inherently difficult to integrate diverse sources of record and manage a dynamic asset base that can change up to 30 percent annually due to typical asset retirement cycles.

These two issues directly influence many of the following cost challenges that enterprises currently face:

Costs from the service provider

1. Overbilling.

2. Providers not delivering services that are included in fees.

3. Lost opportunity in finding ways to optimize hardware, software and maintenance costs.

4. Multiple wall-to-wall inventory projects.

Labor invested to support governance

1. Validating asset information and exceptions.

2. Invoice reconciliation.

3. Managing contract deliverables and obligations.

Risk to the business

1. End point security exposure.

2. Data loss exposure.

3. Software and compliance audits.

4. Unsupported infrastructure.

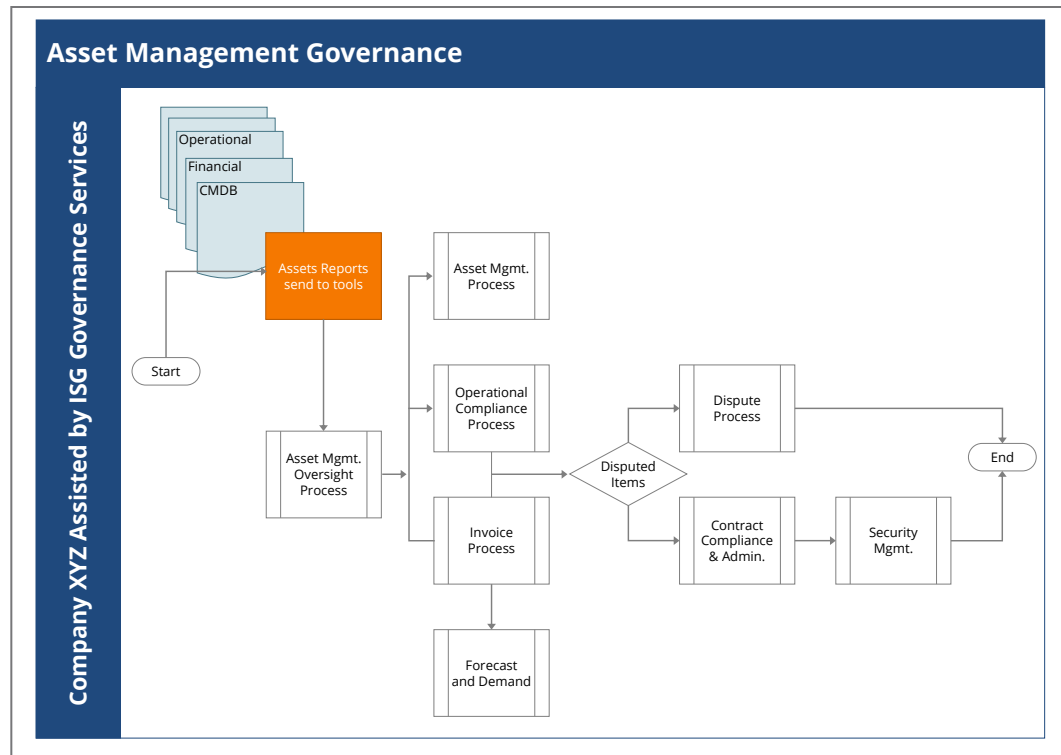## BARRIERS TO ASSET MANAGEMENT GOVERNANCE SUCCESS

In the effort to close this performance gap, companies often experience one or both of the following barriers:

1. Developing and executing effective processes that manage the information into actionable insight that can reduce both cost and risk.

2. Gathering and integrating accurate data from disparate tools and systems, especially if manual processes are involved.

"You can't manage what you can't see, and you can't fix what you don't know."

To achieve outsourcing success, companies need find ways to employ market-tested governance processes on a foundation of complete and accurate information. As the familiar saying goes, "You can't manage what you can't see, and you can't fix what you don't know."

PROVEN GOVERNANCE PROCESSES CAN TRANSFORM INSIGHT INTO ACTION

While most outsourcing agreements define service expectations and cost parameters, they often lack well-articulated governance models for asset management supported by detailed processes to achieve operational and financial excellence. In these cases, there is opportunity for severe performance gaps to develop soon after initial implementation.
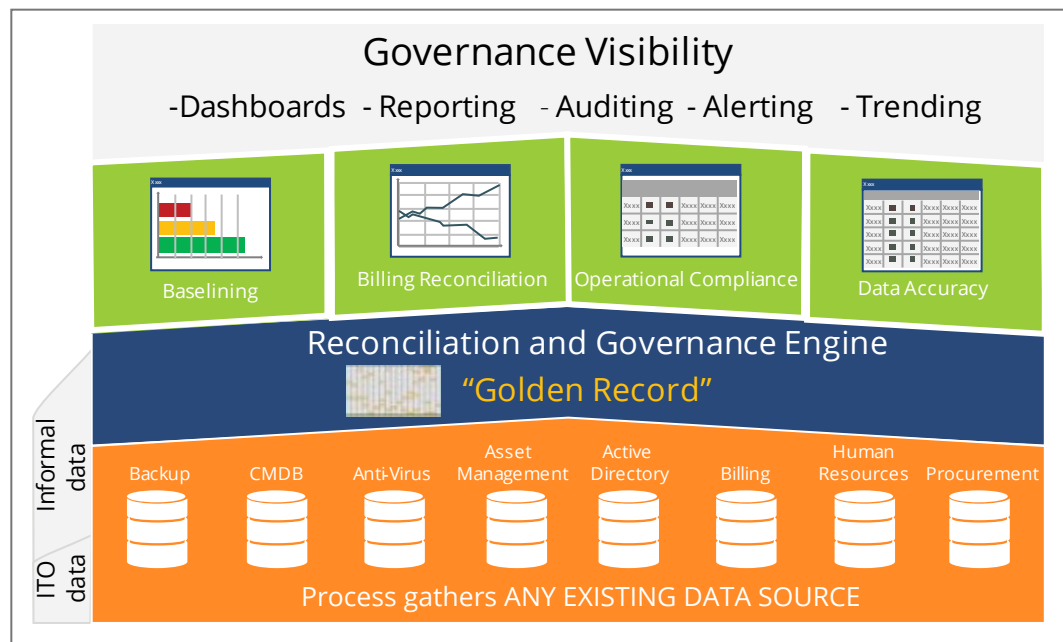
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To improve asset management oversight and operational compliance, organizations must employ tools that can harness large amounts of complex details into an accurate asset reports and employ effective operational compliance processes to ensure performance levels are achieved. The reporting provides the information necessary to make corrections to inaccurate data, close the gaps where services are not being delivered and establish the basis for managing demand.

For example, invoices can be effectively validated (P*Q), where P is the price of the resource and Q is the quantity. Concise and accurate reports about assets, in the aforementioned tools, enable customers to understand, track and manage changes to data while validating the overall quantity. When services are not performed on assets, operations can take the steps to insure that the services, for example patches on desktops, are applied.

With effective processes in place to manage and act on the information within, the customers will be able to reduce the number of assets, licenses, maintenance and other costs and insure services are delivered on the assets.

COMPLETE VISIBILITY IS THE FOUNDATION FOR EFFECTIVE DECISION-MAKING

When it comes to governance tools, no single transparency solution can see into every corner of a company's infrastructure. Yet, accurate, timely data from multiple sources needs to be integrated, analyzed and presented in a user-friendly format to get a complete understanding of the environment and isolate areas for improvement.

> **When it comes to governance tools, no single transparency solution can see into every corner of a company's infrastructure.**

A consolidated database can reconcile different data sources and apply sophisticated rules to provide highly accurate results. This comprehensive approach transforms a standard system of record into a "trusted source of truth" from which everyone can operate.

CONCLUSION

With up to 30 percent of the financial value of an outsourcing relationship at risk, companies need to take action, and one important area that deserves attention is asset management governance.

To close potential performance gaps and achieve relationship success, all parties need to jointly accomplish these objectives:

1. Determine a complete and accurate set of data to be the trusted source of truth utilized by everyone.

2. Develop a robust and effective governance model that incorporates market-proven processes to achieve operational and financial excellence.

3. Selectively address areas for improvement that offer the greatest opportunity.

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Terri is a trusted advisor with expertise in strategic asset management and IT global sourcing management. Terri brings a deep understanding of information technology strategy, processes and sourcing-related initiatives to ISG clients. Her roles include Managed Services Director for Technology Business Management (TBM Practice), Asset Management and Consumption Management (CM) within the ISG Managed Services practice, leading designs, solutions and implementations for IT financial and asset management solutions. Terri provides expertise in sourcing methodology, contract administration, financial, performance, relationship management, and transition management. Terri is a published thought leader in asset management, sourcing practices and IT optimization.

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