

IT PAIN POINTS

Using Pain Point Assessments to Help Recapture Agility

ISG



INTRODUCTION

IT agility offers a key value to the business. Information technology must be capable of responding to market forces as they arise, just as IT must support the business as it rapidly creates and directs those market forces. Yet, for a variety of complex reasons, IT agility often declines after many years of outsourcing. One way to address this decline is to use an objective, structured program to collect and analyze data to retune management systems, structures, methods, and related outsourcing contracts. This ISG white paper offers the IT Pain Point Assessment as a simple, quick way to begin the data analysis necessary for restoring your IT agility.

WHERE DID MY AGILITY GO?

IT executives must be agile; they must quickly maneuver their various organizational elements in response to business and market forces or their organizations will begin to fail. Consider the infamous maneuvering disaster of the Titanic, the largest passenger ship of its time. Most experts now blame the accident on the ship's rudder, which was small and outmoded for such an enormous, high-speed vessel. However, Titanic's sister ship, the Olympic, had a very different fate, despite a similar rudder and even greater obstacles. The Olympic managed to evade an attacking submarine and avoid its torpedoes before successfully ramming into the submarine and sinking it! The Olympic succeeded because the ship's captain knew his ship's components and capabilities so well that he was able to skillfully balance his use of the engines and rudder to ensure the ship's agility. As a result, the Olympic survived the encounter and gained a resounding victory.



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Few of us will ever act as ship captains, yet in our own businesses we often think of the IT management team as the rudders and the various IT platforms as the engines. This analogy may make sense when you consider operations from the perspective of the CEO, who relies on senior talent to manage IT. However, at ISG we have observed that the CIO's view is often quite different. A CIO knows that IT is most agile when the people, processes, and tools act as the engines that work closely with the rudder, or platforms, and interactively drive their performance.

Ideally, a nimble IT organization should have highly effective and integrated people, processes, and tools that include up-to-date or cutting edge operating platforms. Reality, however, often prevails. The difficulty attracting and retaining talented people, who are essential to keeping processes nimble, often constrains the CIO to rely solely on technology and tools to guide the IT ship. This scenario, where the technology and tools act as the rudder instead of as the engines, so often conforms to the CEO's expectation that it can easily become a CIO's path of least resistance. The IT ship's agility is increasingly reduced as the CIO steers the IT ship with less engine interaction and must depend more on the rudder.

OUTSOURCING FOR FINANCIAL RESULTS LIMITS AGILITY

The latest business wisdom reveals that turning to external sources for people, processes, and tools or, rather, relying on firms that specialize in operating as "engines," can help restore agility by helping you avoid having to steer with just a rudder. This tactic can make financial sense. The rise of qualified global outsourcing destinations in the past decade has led to large labor arbitrage savings. However, in ISG's view, a focus on the savings aspect of this outsourcing relationship will often reduce IT agility. The following outsourcing pitfalls are prevalent within outsourcing relationships that focus too heavily on savings:

IT PAIN POINTS



1. Entrenched multi-company commonality of service provider processes and methods.
2. Service provider aversion to change, flexibility, and innovation.
3. Service provider efforts to vertically integrate specific processes, tools, and technologies.
4. Service provider efforts to implement change or innovation on a step-change basis, rather than as a daily process of continuous improvement.
5. Service providers failing to steer, preferring to focus on selling instead.
6. Companies believing they have also outsourced responsibility and accountability.



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Change and responsibility are usually the drivers of IT costs, but they are also the drivers of agility. For example, an outsourcing partnership that pretends to include innovation and accountability but actually limits it might appear to cost less — until you consider the corresponding losses in flexibility, responsiveness, and service delivery. Thus, outsourcing the “engine” of people and processes may reduce costs but will not necessarily lead to a more nimble IT organization; such a relationship usually fails to fully address the agility and responsiveness constraint it was trying to overcome.

HOW DO I REGAIN MY AGILITY?

Renegotiation might seem like an obvious way to recapture agility, but in ISG’s experience this tactic rarely addresses the fundamental constraints, though it often appears to work. The circumstances that led to agility loss run deeper than the contract, though the contract is part of the problem. Outsourcing contracts often are designed to be broad in scope, to cover many years, and to realize long-term benefits. These attributes add an additional constraint: both the organization and the provider may feel contractually handcuffed. Furthermore, these competing goals — to reduce costs and increase flexibility, all while fulfilling contractual scope and terms — present a challenging paradox of interests that can lead to ongoing conflicts over contractual responsibility and interpretation. Yet most of these conflicts arise when the organization and provider fail to fully analyze underpinning circumstances and conditions before they initiate contractual change or dispute activities.

You need facts to solve a problem as deep as lost agility.

Restoring IT agility to outsourced services requires a meaningful analysis of the problem, one that arrives at a meaningful solution that is far less simplistic than “renegotiate the contract.” Before you consider a renegotiation, you should be able to fully answer the following questions:



1. Will loosening contractual handcuffs give us greater agility? If so, what is the best way to loosen them?
2. Is a focus on the contract the sole solution or just one component of a larger body of work?
3. Could we (as the customer) do anything differently to regain agility?

Rather than a simple renegotiation, your solution will require a process based on the collection and assessment of facts. Appropriate data collection will lead you to develop a realistic, fact-based plan to regain agility without sacrificing the financial benefits. Myriad fact-gathering tools are available, including the powerful benchmarks and operational excellence assessments performed by firms such as Compass, as well as the various maturity and capability assessments performed by firms such as ISG. A variety of research firms offer an even wider variety of research solutions, but this paper will explore one tool that we frequently recommend to our clients.



One of the simplest and fastest tools to begin collecting appropriate facts is a pain point assessment.

GET THE FACTS WITH A PAIN POINT ASSESSMENT

One of the simplest and fastest tools to begin collecting appropriate facts is a pain point assessment. It should not be the only tool you use, but it is a good place to start because it will identify issues for both parties to consider and begin to address.

We suggest a survey approach to a pain point assessment, using a paper or online survey tool, as well as possible follow-up interviews, though they are not always necessary. You can perform the survey internally or rely upon external help. Once your survey results are collated, they should be fully analyzed according to relevant industry benchmarks, as well as any appropriate internal or external sources of insight and experience. Your analysis should offer clear recommendations, including specific work programs to implement these recommendations.

THE PAIN POINT ASSESSMENT SURVEY

The Pain Point Assessment Survey should be simple, and it should not be too prescriptive. At ISG, we have identified five questions that reveal the key “pain” points, or the key steps that will help you restore agility and improve your outsourcing relationship.

We ask these questions of each IT department, as well as their main business interfaces. Most organizations present the survey to a handful of key stakeholders, such as the following individuals:

IT PAIN POINTS



1. Head of IT strategy and planning.
2. Head of IT governance.
3. Head of IT solutions design.
4. Head of IT infrastructure.
5. Head of IT networks.
6. Head of IT applications development and maintenance.
7. Head of financial controls.
8. Heads of key business units.

Pain Point Assessment

Instructions: Please complete and return to _<<individual's name>>_ by <<date>>. We would like your top five opinions for each question, but you can write more, or less, as you desire.

1. What are your pain points with the current outsource of IT?
2. What are your pain points with IT in general?
3. What successes has the outsourcing of IT created?
4. What successes has IT created?
5. Are there any additional comments you would like to make?

The survey process requires some initial preparation, so that respondents understand the questionnaire, as well as your objectives. You can use a webinar or you can personally introduce the survey to respondents, but either way this step should take no longer than 20 minutes. We designed survey questions to be self-explanatory, but your preparation should consider the fact that most business interfaces do not differentiate between IT and the service provider. Once the surveys are collected, the data are entered into a simple Excel database (which may require some minor interpretation or summarization, such as grouping similar data), then a preliminary sort is performed, followed by a final sort and analysis. This last step is key. You may be tempted to sort the responses by pain (for example, sorting the response "IT takes months to develop a solution that I could have come up with in one day, if it was my job," into a category labeled "delays") and not by solution (for example, sorting the response

IT PAIN POINTS



into a category labeled “neither IT nor the outsourcer has a fully staffed solution-design organization”) The initial broad sorting categories we use are:

1. IT Organization (this group includes those pain points that are usually resolved with a more robust IT organization, generally by rebuilding key parts of the IT “engine”).
2. Governance and Sourcing Management (this group includes those pain points that are usually resolved by managing the service provider with greater vigor, oversight, and data; generally by creating a more robust sourcing management and governance organization, which, in essence, empowers a key IT “engine”).
3. Contract (this group includes pain points that could be resolved by contract renegotiation).
4. Full solution (this group includes pain points that will require an integrated, holistic, and difficult solution).
5. Perspective (this group includes pain points that could only be resolved by a change in perspective, e.g., an issue with the company’s decision to outsource, which cannot be reversed).
6. Other (this group includes situations that require customized categories to sort).



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In most situations, the pain point has more than one underlying cause and, therefore, more than one possible solution. However, one cause will be primary, and others will be secondary. We recommend those causes be highlighted in “primary” and “secondary” fields. Statistics can be drawn from these groups, such as those related to the quantity of comments in each category and the frequency of repeated comments. A careful analysis of this data will lead to a variety of recommendations, as well as to further, targeted analysis, assessments, and data collection.

A CASE STUDY

ISG helped a recent client assess its pain points. The client, in its seventh year of a broad, sole-source, full IT outsourcing engagement, identified 161 pain points from a full and complete survey sample. The results appear in this table:

Description	Primary	Primary + Secondary
Pain Points that call for a more robust IT organization (excluding Sourcing Management)	29%	25%
Pain Points that call for a full Sourcing Management organization	33%	35%
Pain points that could be resolved contractually, assuming that full Sourcing Management and IT organizations exist	33%	30%
Pain points that call for a full and holistic solution	5%	10%

IT PAIN POINTS



This assessment directly led the client to develop a variety of simple work programs, all of which the client implemented over a 15-month period. These programs included the following solutions:

1. A program of work to uplift the customer internal IT organization, primarily by developing stronger architectural and solution design staff, as well as internal centers of excellence around the testing and build-to-run transfer activities.
2. A greater and more detailed review of the root causes of service level problems, which in turn led to the following programs of work:
 - Re-architect the network to improve redundancy and eliminate single points of failure.
 - Service provider agreement to provide full Root Cause Analysis for all high-priority incidents and to measure and manage repeating incidents.
3. Establishment of a full and robust Sourcing Management organization to gather data and actively manage the service provider.
4. Renegotiation of the contract to add flexibility, more robust service levels, and more robust data provisioning, all at a lower cost.
5. Implementation of a local, multi-sourcing outsourcing program.
6. Ancillary activities to support the above programs.

The “soft” results of the various programs were significant and included the following outcomes: A reduction in management anxiety about their sourcing options, a greater sense of empowerment over their own IT future, and a greater ability to attract staff members with solution-oriented mindsets.

The “hard” results were even more powerful: The client sustained reductions in Severity 1 and Severity 2 incidents by 80 percent, the client brought in local vendors to help them with uniquely local solutions, and the client sustained a cost reduction in excess of 10 percent of the total IT budget.



Restoring agility requires a gathering of targeted data, analysis of that data, and courageous programs of work to get IT back to a healthy state.

CONCLUSION

Losing agility is a common problem in outsourced services. Often this loss follows the loss of the “engine” that should drive IT, i.e., the client’s people, processes, and tools, along with a reliance on the service provider’s engines, i.e., its own people, processes, and tools, despite the service provider’s financial incentives to support its own internal imperatives. Restoring agility requires a gathering of targeted data, analysis of that data, and courageous programs of work to get IT back to a healthy state. We believe the quickest and easiest analysis to perform is the pain point assessment. This tool can and does lead to the selection of appropriate targets for further analysis, while identifying appropriate actions that will begin turning the IT ship back on course, where it will restore the confidence of business stakeholders and executives in the value of IT outsourcing.

IT PAIN POINTS

ABOUT ISG

ISG (Information Services Group) (NASDAQ: III) is a leading global technology research and advisory firm. A trusted business partner to more than 700 clients, including 75 of the top 100 enterprises in the world, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; technology strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry’s most comprehensive marketplace data. For more information, visit www.isg-one.com.

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