ISG™ imagine your future®

ASSEMBLING THE JIGSAW

Service Integration and Management in a Multisourced Operating Model

ISG

Recent developments in new technologies, standardized services and "as-a-service" delivery models are driving an influx of distinctive services to an operating environment to both increase capability and reduce cost. These services have the ability to address specialized business needs and can be applied more rapidly than traditional service models. However, to sustain these benefits, strong operational and commercial governance processes are essential. Indeed, the benefits achieved through leveraging a service provider's standard service offerings can be rapidly undone without effective controls in place.

In multisourced operating models, where services are provided by a myriad of teams or organizations, ensuring seamless delivery presents a challenge.

In multisourced operating models, where services are provided by a myriad of teams or organizations, ensuring seamless delivery presents a challenge. One way to address this challenge is through establishing a discrete Service Integration and Management (SIAM) function. An effective SIAM function enables organizations to take advantage of the flexibility and innovation of multisourcing and standard services, while delivering integrated services to the business.

This ISG white paper discusses the challenges and key success factors related to service integration and governance functions within multisourced operating models.

THE NEED FOR SIAM

Multisourced operating models are increasingly common and offer many potential benefits. Single-sourced models provide little flexibility in addressing rapidly changing business objectives nor enable the ability to take advantage of new technologies. Multisourcing allows a client to move from "indispensable" single service providers to take advantage of competitive service provider behaviors that drive down costs and incentivize innovative industry developments such as cloud and standard services. In multisource arrangements, moreover, clients can select "best of breed" service providers for bundles of service based on each service provider's individual strengths or new technologies.

A multisourced operating model also presents some challenges, as individual teams (both in-house and outsourced) can act autonomously and can lack coordination across the enterprise. The resulting fragmentation of service delivery complicates the task of integration and governance, which is essential to delivering effective services.

One risk of governing and integrating services from multiple insourced and outsourced service providers is that issues fall into the gaps between service providers, leading to finger-pointing behavior and poor overall performance. Service restoration times can suffer as service providers determine which service is down and who is responsible. During problem analysis, service providers can focus on attributing blame rather than identifying the root cause. Without effective governance, policies and standards often are ignored or inconsistently applied across the environment. Lacking incentives to collaborate, service providers can become focused on competition to the detriment of providing services to the client.

Governance must address both the supply and demand of services. Highly disparate business requirements create complex and heterogeneous environments which increase demand for resources. In this time of austerity, executives face increasing pressure to demonstrate cost efficiency. Limited control over demand means limited control over the total cost of services or adherence to security or compliance related requirements. Cost savings and compliance realized through standardization of services are at risk if demand for nonstandard services is not managed. That said, legitimate business requirements for specialized or innovative services must be made available by the services providers in a multisourced operating model.

THE ROLE OF SIAM

A service integration function specifies the service management processes and procedures to be deployed across the enterprise and ensures they are followed. SIAM ensures multiple service providers (internal and/ or external) deliver services to multiple businesses in a cohesive and efficient manner. An effective SIAM function maximizes the performance of end-to-end services to the business in the most cost-effective manner.

Issues fall into the gaps between service providers, leading to finger-pointing behavior and poor overall performance.

SIAM ensures multiple service providers (internal and/ or external) deliver services to multiple businesses in a cohesive and efficient manner.

ASSEMBLING THE JIGSAW

A SIAM framework needs to cover the complete lifecycle of services and is recognized by all stakeholders, representing both service supply and service demand. A SIAM structure relies on a set of working practices with clear bounds of responsibility.

Some executives mistakenly equate an ITIL process or ERP tool implementation with the establishment of a SIAM equivalent. However, effective service integration requires all roles and responsibilities of the parties involved across the operating model to be clearly defined and unambiguous, enabled by standardized processes and tools, with a SIAM function in the center coordinating the enterprise.

The cross-enterprise process ownership, responsibility and accountability that SIAM enables are essential. Lack of clear ownership can lead teams to use process rules and guidelines to pass tasks on to each other without understanding the overall risk to the business. The result is a "hot potato" culture, where everyone does his or her job but the overall service fails to meet business expectations.

SIAM acts as the central point of control between demand and supply. For Demand and Capacity Management, as an example, Figure 1 demonstrates how SIAM is the pivotal juncture, coordinating service consumption and delivery across the enterprise for all areas of business and service delivery.

SIAM acts as the central point of control between demand and supply.

An example of IT Service management across the operating model (Figure 1)

1. Business forecast demand.

2. SIAM aggregates demand from separate businesses within the organization.

3. SIAM translates the business activity forecasts and disaggregates the information, giving each service provider the necessary information for its capacity planning.
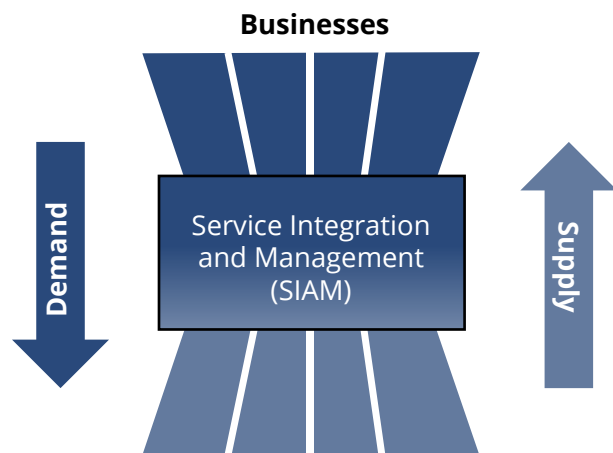
4. Service providers plan their activity to address the business demand, providing SIAM with their capacity plans.

5. SIAM assures the plans and communicates the end-to-end enterprise capacity plan to the client.

Businesses

Demand

Service Integration and Management (SIAM)

Supply

ASSEMBLING THE JIGSAW

SIAM assures the readiness of all changes made to the environment.

SIAM's coordination role is pivotal in all service delivery processes. Examples include the delivery of new cross-supplier services, the resolution of incidents affecting services across multiple service providers and coordinated disaster recovery.

SIAM acts as the gatekeeper to enterprise wide services by enforcing change, security accreditation, testing and release processes. As such, SIAM assures the readiness of all changes made to the environment. Adopting a zero-tolerance approach to any non-adherence to SIAM processes protects the integrity of an organization's operating environment.

Effective SIAM enables flexibility in the service provider and business landscape by maintaining a uniform framework of processes, governance and supporting tools, including an enterprise wide, federated configuration management database capturing the relationships between business areas and services. This enables effective exit management of providers and the introduction of new providers. Similarly, SIAM facilitates the separation of an existing business from, or the integration of a new business into, the organization's landscape.

SYMPTOMS OF AN INEFFECTIVE SIAM FUNCTION

The symptoms of an ineffective SIAM function are numerous and varied and can include:

1. Releases made into the live estate prior to passing sufficient testing and accreditation.

2. Services in use without sufficient controls, such as agreed Service Level Agreements (SLAs) or invoicing mechanisms.

3. Ineffective or incomplete understanding of interdependencies between each component service, resulting in poor risk management (e.g., security, resilience, availability).

4. Finance overwhelmed by incomprehensible invoices from service providers.

5. Poor coordination between providers for incident resolution, disaster recovery and test environment provision.

6. Lack of understanding of the relationships between business and technical services, resulting in irrelevant SLA reporting; a failure to meet required business outcomes; and an inability to assess the potential impact of changes.

7. Having numerous Help Desks for users to call or a single Help Desk that offers little more than call-logging.

8. Businesses holding direct relationships with service providers, causing limited enterprise level visibility of requests made and services provided.

9. Complicated procurement processes, extended delivery timescales and lack of control over spending.

10. Duplicated efforts when businesses request additional services that are designed in silos.

ASSEMBLING THE JIGSAW

SIAM SUCCESS FACTORS

Key success factors of effective service integration and management are similarly varied.

An effective SIAM function should be proficient in process architecture and management, and aligned to the organization's corporate standards. Processes should be enabled by integrated tools and ready for other service providers to integrate their services. The SIAM function will define the process and tool-set integration requirements for other service providers, without dictating how they deliver services.

If provided externally, objectivity is essential. The integrator should act as the agent of the client, providing services independently from the other service providers. This may mean that the service integration function resides in a discrete organization from the service providers, or that Chinese walls are put up between the teams of a provider delivering both SIAM and operations or development. To effectively act as the client's agent, the integrator should demonstrate a good understanding of the businesses supported and be able to provide an integrated set of tools that allow the service providers to feed information into SIAM and support common processes (e.g. availability alerts, incident tickets, change requests and management information relating to consumption of service).

A client who has a mature retained function, with significant supplier management expertise, has no real need to outsource the SIAM function, while a client with immature service management processes may want to outsource. Given the investment required to design and build SIAM processes and tools, leveraging the previous work of outsourcers often makes sense.

RETAINING ACCOUNTABILITY AND CONTROL

Clients who move to an outsourced model often wish to retain the SIAM function due to a fear of losing ontrol. Where the client retains key controls and decision rights, that fear is unfounded. The client always will remain accountable to the business for providing the required services. Where SIAM is outsourced, the client should retain the role of setting policies and standards, making decisions (and setting the rules for rule-based decisions), owning contracts and acting in an assurance role above SIAM and all service providers. As such, the SIAM function acts as the client's agent.

The client's retained roles are responsible for:

1. Setting the policies and standards (commercial, architectural, security and service design) to be applied to the environment.

   - SIAM defines the service management processes and procedures in accordance with the client's standards.

   - SIAM governs the delivery of services through the service management processes, keeping the other service providers aligned to the client's policies and standards.

2. Selecting service providers and negotiating and maintaining the contractual relationships with all service providers.

3. Managing the service provider relationship at an executive level and the payment of service providers' invoices.
   - SIAM performs the day-to-day supplier management activities.

4. Overall risk management and controls assurance activities through a team that set the policies and standards and holds ultimate accountability for deciding whether solutions are to be accredited (e.g. security accreditation and compliance).

5. Overseeing enterprise architecture that defines the business, data, application and, at the highest level, the technology architectures, against which the service providers design and deliver their services.

6. Managing service performance , e.g., by making decisions about service improvement plans or the implementation of service credits.
   - Enabled by reports from the SIAM processes, e.g., for service level performance.

7. Managing business relationships responsible for:
   - Understanding the priorities of the organization.
   - Advising the client's composite businesses on how to drive benefits out of services and contracts.
   - Defining business services (made up of technology services) to be made available via the catalogue.

SIAM IMPLEMENTATION CHALLENGES

Although the SIAM function is essential in the operating model of many organizations, most SIAM implementations encounter significant challenges. Indeed, previous ISG research found that SIAM functions rarely have processes that are clearly defined, successfully implemented, regularly measured and improved over time.

One challenge is that the role of SIAM often is misunderstood, leading to mismatched expectations among the client, the SIAM provider and the other service providers and businesses. Where everyone is expecting someone else to manage or resource delivery of tasks, the momentum required for successful and timely delivery is lost.

The role of SIAM is often misunderstood, leading to mismatched expectations among the client.

In some instances an organization will appoint a SIAM provider contractually but then fail to empower the provider as the agent, allowing for businesses and providers to bypass SIAM as the central control point described in Figure 1. If the SIAM provider is unable to perform that role, the organization loses confidence in the SIAM function and increasingly bypasses SIAM; thus, the organization spirals away from its target operating model. Contracts or agreements with other service providers must therefore include clearly defined service integration responsibilities.

One of SIAM's roles is to provide the governance of services against the standards and policies set by the client. Where such standards and policies are ambiguous, contradictory or incomplete, governance becomes challenging.

While service management has been in place for some time, a stand-alone SIAM function is a relatively new construct. Numerous providers offer service management services, although not all offer the full suite of SIAM services this paper describes. Many providers also have mature service management tool sets that have evolved from performing service management across the separate divisions within their organizations; however, this tooling is often embedded in the delivery of their own services rather than managing service delivery across different suppliers, which presents challenges when attempting to automate the integrated processes across service providers.

We have seen a dual approach taken in the provision and development of SIAM services, where the existing service perpetuates while the new service is developed in parallel, switching over to the new SIAM function at a single point in time. With this approach the client will not receive any benefit from the new SIAM during the build process, which leads to a loss of confidence in the SIAM provider's ability to deliver.

Where the implementation of the service integration function is performed by a project team and the live services organization has no accountability for on-time delivery, delays can result from a resistance to change. Conversely, live services organizations tasked with implementing SIAM can lack the project and program management expertise to drive delivery against an agreed plan, again causing delays. If the retained organization, business and other providers are not engaged early in the implementation of SIAM, delays can occur or the services implemented may not be truly integrated across the parties.

WHERE TO START

Organizations that make the decision to outsource are often tempted to expedite the transition of service responsibility to the providers, particularly when cost reduction is the client's top priority. In such instances, the role of a service integrator and the evolving role of the retained function in the move toward a multisourced model can easily be overlooked. What then typically results is an operating model with gaps, overlaps, lack of (or inappropriate) accountability, limited demand management and benefit leakage.

ASSEMBLING THE JIGSAW

> While service management has been in place for some time, a stand-alone SIAM function is a relatively new construct.

As discussed, integration and governance functions are essential to maximize the benefits of outsourcing. In a well-coordinated sourcing transformation, the end-to-end operating model is considered before commencing the sourcing journey. Specifically, the control functions of the retained roles are established early, setting the policies and standards for providers to deliver against. Implementation of the SIAM function is prioritized to ensure the organization is ready to effectively manage the other providers as they implement standard services and utility charging.

In a well-coordinated sourcing transformation, the end-to-end operating model is considered before commencing the sourcing journey.

KEY SUCCESS FACTORS

1. **A consistent, shared vision**, including:

   - A target operating model that considers the impact across all parties, embodied by:

     • Consistent cross-provider service management processes.

     • Contracts and service levels with each provider that support the role of SIAM and cooperative working practices across providers.

     • Effective governance forums, processes and controls that enable the client to manage risk, exercise appropriate control and provide direction to the providers.

     • A business change lifecycle which ensures the early consideration of how a new service integrates with existing services.

   - A consistent understanding of the roles of the parties through communication and education.

   - The empowerment of SIAM by the client, with a zero-tolerance policy to non-adherence to the model and processes, ensuring that service providers interface with, and support SIAM appropriately.

   - Buy-in from the businesses through education on the benefits and their engagement throughout the life cycle.

2. **A robust program and project structure**, including:

   - A clearly defined target with key deliverables and acceptance criteria set at the start, including the documentation of and widespread adherence to SIAM processes.

   - Appropriately skilled and incentivized joint teams made up of individuals from all parties, including project and program management skills, SIAM process experts, business representatives and operational leads with accountability for the future state processes.

3. **A continuous service improvement culture**, characterized by:

   - A delivery approach based on the evolution of existing service management processes and the delivery of early benefits, and perpetuation of benefits beyond the initial establishment of the SIAM function.

ASSEMBLING THE JIGSAW

FURTHER READING

1. For further information on the benefits achievable through standardized services, see the ISG white paper A Clean Slate: Standard Delivery of IT Services Drives Significant Benefits, Nigel Hughes.

2. For greater insight into the challenges of implementing a successful SIAM function, see the ISG report Are You Ready for the Service Management & Governance Challenges Ahead? Andrea Spiegelhoff and Denise Colgan.

Information Services Group (ISG) (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 additional information, visit www.isg-one.com.

Let's connect NOW...

ISG™

imagine your future®

ASSEMBLING THE JIGSAW