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An integrated approach to IT consolidation

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The proven commercial practice of multisourcing services integration can help state and local governments achieve IT consolidations goals of lower costs, improved performance and transformed service delivery.

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Executive summary

Many state and local governments are consolidating IT assets and adopting shared services in order to reduce complex operating environments, cut costs and streamline services. Some also are recognizing the value of using multiple service providers—“multisourcing”—to drive down costs through competition and reduce dependence on any single provider. The anticipated efficiencies are real, but integrating and governing multiple IT providers is no easy task. Many CIOs will need assistance in the new multisourcing environment, not just with managing services, but also with transitioning their agencies to the new services model and evolving their internal IT organizations into a more strategic role within government.

CGI's model for integrating multiple services provides the needed assistance. As the designated Multisourcing Services Integrator (MSI), CGI serves as the CIO's agent in managing both IT providers and day-to-day delivery of services to agency and citizen customers. In addition, CGI is a partner in helping the CIO's office implement the consolidation plan and long-term transformation of IT services. The government gains the flexibility and efficiencies from having multiple providers, and the CIO and staff can focus on their strategic responsibilities to ensure that IT services serve the business needs of their constituent agencies. This paper presents CGI's blueprint for effectively using the MSI model as a means to helping state and local governments implement their consolidation roadmaps.

Consolidation: objectives and challenges

Spurred by declining budgets, state and local governments are moving aggressively to consolidate IT resources. State CIOs cited IT consolidation and optimization as their top priority in the most recent survey by the National Association of State CIOs (NASCIO).¹ Similarly, a 2010 survey of county governments found that 78 percent were consolidating data centers, applications, servers and staff—a 10 percent increase over the previous year.² Many state and local jurisdictions have ambitious plans to consolidate IT infrastructure and operations, eliminate unnecessary data centers, migrate data and applications to the cloud and centralize services to save money, streamline operations and improve service performance.

Consolidation holds enormous promise for achieving these goals, particularly in addressing fiscal pressures, but it also presents significant challenges. CIOs and their staffs must manage day-to-day operations while also executing the consolidation strategy, which can encompass data center consolidation, applications rationalization, server consolidation and even migration to cloud-based services. At the same time, individual agencies may resist the move to a shared-services model, fearing diminished performance and loss of control over IT assets that they previously owned and operated themselves. Consolidation will be slowed and possibly derailed if agencies are not fully persuaded of the benefits.

¹“State CIO Priorities for 2011,” NASCIO annual survey, Oct. 19, 2010.

²“Data Center Consolidation: Increasing IT Efficiency in Local Government,” Center for Digital Government, p. 1.

The Multisourcing Services Integrator (MSI) serves a crucial role on the CIO's team in implementing the consolidation strategy by helping to drive continuous improvement among service providers and by facilitating the smooth transition of agencies—gaining their buy-in—to the new environment.

Consolidation also will transform the CIO office's role and functions from service delivery to service integration. Providers that previously served individual agencies may be centralized as shared services that, in turn, will have to be integrated into a common service management framework. As the state's central IT executive, the CIO will be responsible for ensuring that various providers—such as mainframe, server, network, data center and applications support—work together to deliver needed service levels and capabilities to each agency. For most government CIOs, becoming an integrator of services rather than a direct service delivery provider will be a new and challenging role.

Many state and local CIOs recognize that they do not have the resources or experience to address these challenges on their own. Consequently, they are outsourcing a number of their IT services to commercial providers to support both consolidation objectives and daily services requirements. In addition, they are turning to “services integrators” to help them manage and integrate providers in this new “multisourcing” environment. The Multisourcing Services Integrator (MSI) serves a crucial role on the CIO's team in implementing the consolidation strategy by helping to drive continuous improvement among service providers and by facilitating the smooth transition of agencies—gaining their buy-in—to the new environment.

Multisourcing and the MSI

The concept of multisourcing, though relatively new for many in the public sector, is a core discipline in the commercial world, where it has been successfully implemented by companies spanning the manufacturing, financial services and consumer industries. Methodologies, best practices and lessons learned have been identified by research firms such as Gartner and Forrester. These studies have documented numerous advantages to using multiple suppliers, rather than relying on a single provider for all components. Multisourcing gives organizations access to best-of-breed providers in each service area. At the same time, competition among providers to win and retain the work spurs lower costs, robust service delivery and ongoing innovation. However, an effective MSI is needed to ensure these benefits are achieved. The service providers are often a combination of internal entities and commercial providers, each with its own culture, capabilities and objectives, and so coordinating and integrating their services in support of enterprise-wide objectives requires an MSI with expertise, experience and effective management tools.

The MSI performs multiple roles. It serves as the CIO's agent to coordinate and integrate service delivery. It also serves as an advocate for agency customers to help them resolve issues and obtain the services they need. And the MSI, which can also be one of the service providers, serves as both their partner and manager in integrating services. Multisourcing is built on a network of relationships, and the MSI sits in the hub, facilitating communication and collaboration in the prompt resolution of problems and delivery of services.³

³ Linda Cohen and Allie Young, *Multisourcing: Moving Beyond Outsourcing to Achieve Growth and Agility* (Boston, Mass.: Harvard Business School Press, 2006), p. 14.

Good governance is essential for effectively managing these relationships. Governance is the collection of oversight and management processes that ensure the government's IT mission goals are being achieved. These include both the day-to-day goals for required IT services and long-term goals related to consolidation and innovation. Governance defines how decisions are made, who makes the decisions, who is held accountable and how the results of those decisions are measured and monitored.⁴ "Multisourcing governance is the single most important factor in determining success," say Gartner experts.⁵

CGI's proven MSI governance framework

CGI has developed an MSI governance framework that fosters and sustains the healthy relationships required for successful multisourcing in the public sector. CGI understands the challenges and risks that government CIOs face in consolidating IT resources and transforming services. Not only must providers be integrated and incentivized to reach required service goals, but agency users also must be incentivized to embrace the new model. The governance framework creates a partnership between CGI and the government client in managing IT stakeholders and achieving strategic IT goals. It provides the organizational structures, processes, management tools and expertise to mitigate the risks of consolidation and multisourcing while accelerating the transformation path developed by the CIO. CGI uses this MSI model internally to manage its own multisourcing environment.

CGI's framework rests on seven major building blocks

Each of these building blocks reinforces the others to create the transparency, communication and trust needed for MSI success.

1. Management structure that supports IT leaders and users. CGI establishes a MSI management structure that aligns with the government's organization and processes to oversee strategy, operations and execution of the consolidation and transformation initiative. This includes a high-level Executive Steering Committee consisting of CGI and government executives who meet quarterly to review the MSI role, address governance issues and plan future projects. CGI also assigns an Agency Services Manager to each state agency to serve as a point of contact and advocate for agency users. The managers work closely with their assigned agencies and service providers to address problems quickly, answer questions and maintain service levels. These and other MSI management structures reinforce open communication, accountability, problem resolution and alignment with the government's consolidation plan.

2. Transparency into service costs and performance. Rigorous measurement tools provide transparency into the service providers' costs and performance. Among its primary tools, CGI uses BMC® Remedy's® ITIL-based IT Service Management Suite, which provides real-time performance and return-on-investment metrics reporting. Overall, it creates an integrated process for customer support and change, asset and request management to provide the precise level of detail needed by the customer. BMC and BMC product names are registered trademarks or trademarks of BMC Software, Inc.

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⁴ Craig Symons, "IT Governance Framework: Structures, Processes, and Communication," Forrester, March 29, 2005, p. 2.

⁵ *Multisourcing*, p. 14.

About the authors



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Mr. Newstrom is responsible for the development of CGI's IT consolidation business program supporting U.S. state and local government and commercial clients. Prior to January 2011, he managed the organization responsible for CGI's U.S. infrastructure services delivery to more than 70 clients. With 32 years of experience delivering IT infrastructure services, his expertise spans all aspects of client service delivery, including computer operations, systems engineering, systems programming, network design and engineering and data center management. Additionally, Mr. Newstrom's knowledge encompasses all IT disciplines: mainframe, midrange, network and desktop/distributed services. Mr. Newstrom is well versed in the business aspects associated with client interfacing, client contract fulfillment and management, service offering profit and loss, revenue management and vendor engagement management. Before joining CGI, he led the EDS Corporation's travel and transportation delivery organization. Prior to EDS, Mr. Newstrom was a Vice President with American Airlines and Sabre Holdings where he was responsible for global delivery of infrastructure services to a vast majority of the world's travel agency community and a large number of the world's airlines using Sabre reservation and flight operations systems.

Most importantly, CGI's Tapestry® software provides automated and enhanced chargeback processes, a mechanism that passes the costs of shared services back to the agencies that consume those services. This transparency of service costs not only enables the agencies to make better decisions, it also strengthens their support for the new shared services model because they can see the efficiencies and savings. Similarly, it enables the CIO to develop cost-allocation strategies that further build support for shared IT services.

3. Continuous improvement among service providers. Rigorous management tools enable CGI to measure and manage providers' performance. For example, CGI has developed a Service Maturity Model that measures the providers' process maturity levels, helping providers pursue continuous improvements in service delivery. This and other tools and dashboards provide visibility into service performance, help-desk tracking and reporting, customer satisfaction and other information that strengthens governance.

4. Comprehensive operating-level agreements (OLAs). These agreements define how the service providers will deliver services, how they will interact to implement changes and resolve differences, how they will report their activities and how they will be managed by the MSI. CGI's ITIL-based approach enables the service providers to adopt a common process for collaboration and seamless service delivery. The OLAs institutionalize joint ownership and accountability among the providers, and enable CGI to serve effectively as the government's trusted agent in overseeing service delivery.

5. Comprehensive service-level agreements (SLAs). These agreements define what services will be delivered to the agencies, including the incentives for achieving defined service levels, the consequences when they are not achieved and the means of measurement. CGI is experienced in bringing together agency stakeholders, aligning IT services with agency business needs and creating consensus for moving forward. CGI recognizes that agency buy-in requires a clear definition of the service levels that will be provided, along with equally clear measures and incentives to ensure that SLAs are achieved.

6. Expert services desk. As the single point of contact between the users and the service providers, the services desk is the advocate for customers and users. The CGI service desk utilizes our ITIL-based commercial software package called the Integrated Service Management toolset. Every incident and service request is tracked to completion and to identify trends and potential enterprise-wide problems. In this way, the service desk helps the service providers identify emerging problems and address root causes. Knowledge management tools keep service desk members informed of the latest fixes and "work-arounds" to assist users. CGI's service desk function has a retention rate well above the industry average, and often provides professional training and development for advancement. The CGI service desk does not simply log and dispatch calls, its members are familiar with each agency's mission and have developed a knowledge base and expertise that enable them to directly—and quickly—resolve a high percentage of issues, increasing user efficiency and satisfaction.

7. Shared responsibility between the MSI and service providers. Where appropriate, CGI structures the contract so that its compensation, like that of the service providers, is linked to the SLAs. This encourages collaboration and helps build trust between CGI and the providers who know that CGI is incented to help them succeed.

Conclusion

Many state and local governments are looking not just to reduce costs but to also transform operations by consolidating IT resources, adopting shared services and multisourcing. Government leaders are looking to their CIOs to achieve efficiencies that could help them cut budgets without cutting state programs and services. Centralization and multisourcing hold that potential, but also create a difficult challenge for CIOs whose offices must integrate multiple providers in the new environment. The benefits of consolidation are real, but many CIOs recognize that they do not have the experience or resources to become an effective “services integrator.”

CGI's MSI approach can provide CIOs with the support they need to reduce risk in their consolidation initiatives. CGI's governance framework drives continuous improvement among the providers who collaborate in delivering services, resolving problems and offering innovative solutions. The framework also provides agency customers with reliable services and visibility into costs, securing their support and enabling a smooth transition to the consolidated environment because agencies see demonstrated proof of both cost-savings and service improvements. The cost-effective delivery of services will not only help state and local governments address budget concerns, but also will help governments maintain IT services as aging IT workers start to retire over the next decade. Throughout an MSI engagement, CGI serves as a partner with CIOs and their staffs to implement consolidation and sharpen the focus on strategic transformation that benefits both agencies and citizens. Although the concept of multisourcing may be new to many government officials, it is not new to CGI, which has the experience and know-how to help state and local governments achieve their consolidation and optimization goals.

IT consolidation involves the interrelated disciplines of data center consolidation, infrastructure consolidation, application portfolio rationalization and multisourcing services integration. CGI has developed competencies and best practices across all of these dimensions to help state and local governments realize the full benefits of their consolidation initiatives.

About the authors



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Ms. Valicenti works directly with governors, state CIOs and other elected officials to help them address critical IT needs as states struggle to balance the delivery of citizen services with ongoing budget challenges. She brings more than 20 years of experience leading large organizations in both the private and public sectors. Before joining CGI, she was a Vice-President of Business Development and Strategy for Oracle Corporation where she led a team of business development executives and program managers to identify and deploy solutions for state and local government clients. Ms. Valicenti also served as the first CIO for the Commonwealth of Kentucky and was active in the National Association of State Chief Information Officers (NASCIO), holding every position within the organization, including president. She has testified before Congress on behalf of NASCIO and is frequently called upon to provide input and guidance on governance issues surrounding IT investments, the structure of CIO offices and deployment of information systems.



About CGI

Founded in 1976, CGI is one of the largest independent information technology and business process services firms in the world. CGI and its affiliated companies have approximately 31,000 professionals.

CGI provides end-to-end IT and business process services to clients worldwide from offices in Canada, the United States, Europe and Asia Pacific as well as from centers of excellence in North America, Europe and India. Through these offices, CGI offers local partnerships and a balanced blend of global delivery options—including onshore, nearshore, and offshore expertise—to ensure clients receive the combination of value and expertise they require.

CGI defines success by exceeding expectations and helping clients achieve superior performance.



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