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Enlightened Managed Services Series

Smartsourcing

Enterprise resource and support strategies in a “delivery from anywhere” world

FORWARD

As firms grow more mature in their deployment of enterprise applications, one key change can be found in the way they view the engagement, deployment and evolution of human resources. Drivers of this change are globalization, improved communications platforms and more mature service offerings.

As part of our Enlightened Managed Services Series, we asked Michael Doane to provide his insight into new and improved practices for sourcing in an enterprise applications environment. Mr. Doane is the author of *The New SAP Blue Book, A Concise Business Guide to the World of SAP* and *The SAP Green Book, Thrive After Go-Live*. We are pleased to be collaborating with him in this regard and trust that our combined insights will be of great value to you.

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1 The new client refrain: “We’re not in the IT business”

AS INFORMATION TECHNOLOGY CONTINUES to play a greater role in business, an increasing number of business leaders are pushing back on a parallel need to grow large and ungainly internal IT departments. This pushback has been dramatically accelerated since the onset of large-scale ERP installations. It’s reached a point where integrators are hearing clients say more and more, “We are in the [fill in the blank] business, not the IT business.”

Thus, to get out of the “IT business,” clients are increasingly looking for ways to retain their IT capabilities while reducing the in-house burden of supporting those capabilities.

Reducing the in-house burden is often labelled “outsourcing,” but over time the term has lost its meaning as the practice has become increasingly complicated.

Until the turn of the millennium, clients had the unhealthy habit of “throwing it over the wall,” which meant they simply handed over a number of IT tasks to an outsourcing firm and hoped it all would work out. In parallel to this, the service provider’s offering could be described as, “Your mess for less.”

Such a scenario was fortunately limited to infrastructure outsourcing and/or very low-level functional outsourcing. However, in more recent times, clients are seeking more sophisticated and strategic help, including full-blown business process and application managed services. “Your mess for less” would obviously be a catastrophic option for such critical areas. Therefore, let us explore some of the better practices for intelligent IT sourcing with a focus on the following:

- If it’s not strategic, why are you doing it?
- Your service provider should be as close to you as you need them to be (and no closer)
- Plan on spikes in demand (they always happen)

2 Strategic versus rote: The in and out boxes of the new sourcing

Clients begin with the goal of moving work that is not on their critical path to a realm where it can be controlled but will no longer create a distraction. Prior to making any decisions about outsourcing of support services, clients must gain a firm handle on the types of work they are currently doing.

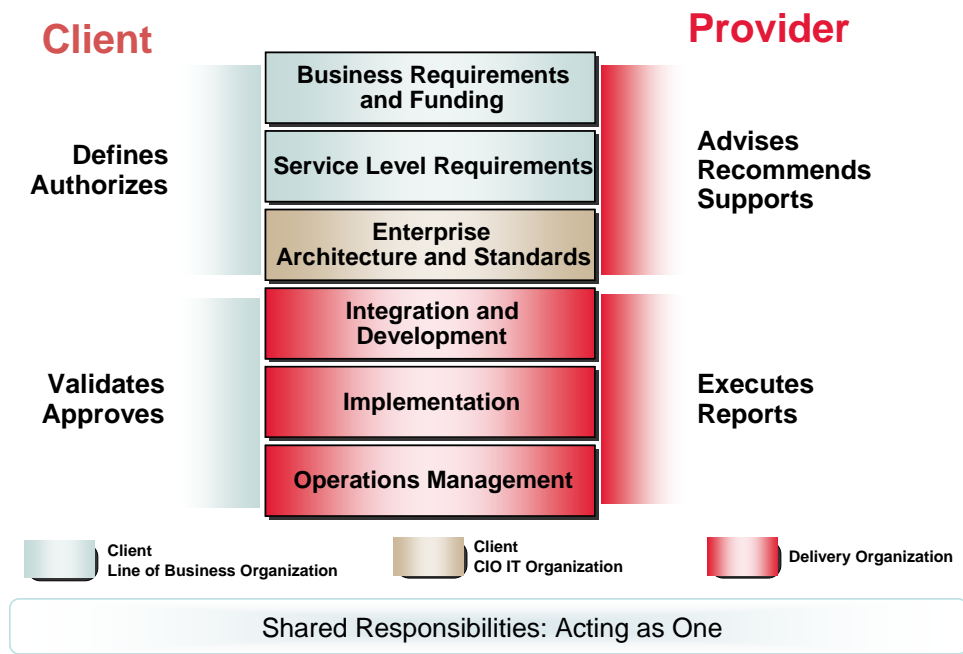
Customer service tasks	Process tasks
Customer service tasks involve physical, voice or electronic interfaces with a customer (i.e., someone who consumes or derives value from your output). These tasks are denoted by words such as respond, serve, reply, delivery, support, etc.	Process tasks exist solely to mechanically move a process forward. They are usually devoted to creating and managing tangibles. While some process tasks are needed, they do not add value. Process task are denoted by words such as compile, enter, move, stack, store, collate, etc.
Value-adding tasks	Compensating tasks
Value-adding tasks lead up to the customer interface, changing the inputs received so that they enhance the quality, utility and/or cost competitiveness of the end product or service to the customer. Value-adding tasks are denoted by words such as transform, enhance, connect, complete, etc.	Compensating tasks compensate for something not being done right the first time. They do not add value and should be eliminated. Compensating tasks are denoted by words such as fix, repair, redo, inspect, check, reconcile, etc.

Application management covers all of the maintenance functions described above, as well as application improvements, upgrades and/or business process transformation. For the latter, there are various levels of management, including the following:

- Functional application enhancements as needed to ensure basic continuity
- Frequent application enhancements to provide some optimization
- Defined levels/stages of business process transformation

In a maintenance environment, the client holds the conductor baton and controls the sheet music while the service provider takes care of the members of the orchestra.

In a management environment, the client holds the conductor baton but the service provider writes the requested tunes and provides the sheet music to the orchestra. In essence, the client maintains control over what is to be done to the applications but relinquishes control in terms of how.



Many clients start out by getting help in a maintenance environment and then evolve toward a management environment once they have mastered vendor governance and collaboration. Service provider success will largely be based on customer knowledge in terms of maintenance and support as well as industry knowledge in terms of the evolution required in a managed services scenario.

3 Onshore, far shore, near shore, best shore: “Shore” enough

Distance matters when you are ordering a pizza. More often than not, when it comes to IT support services, it matters not at all.

By now, clients should be immune to marketing messages that relate to “shore” considerations. The proliferation of service providers and, more importantly, the evolution of these providers have made the geographic location of service delivery a secondary consideration. Indeed, the psychological lure of

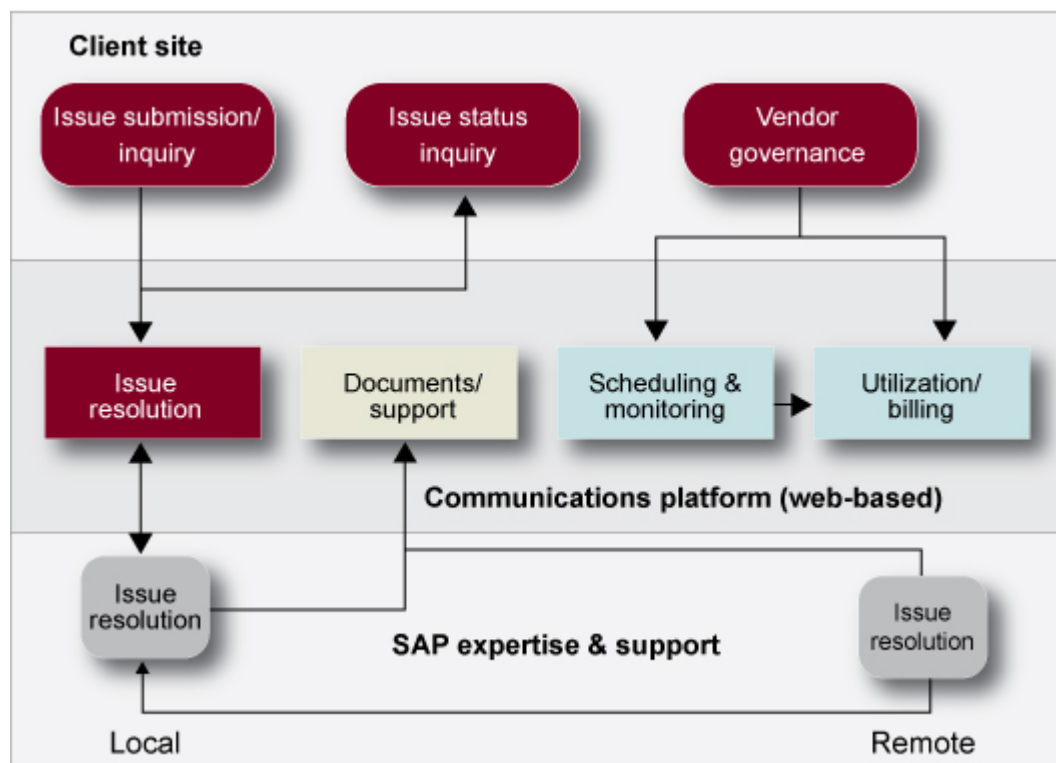
“offshore” services was the promise of lower costs, but as we learned from roughly 1995 to 2005, such cost savings were often elusive.

Once support resources are located outside of client premises, the key considerations for a client are as follows:

- **Visibility/transparency:** A client needs to be able to fully see what is being done by what resources and for what reason and cost.
- **Accountability:** A client needs to track utilization and billing with a high degree of precision. Accountability is all the more important when “on demand” billing is applied (as opposed to fixed fee or other more banal billing methods).
- **Flexibility:** Resource levels should be malleable both in terms of quantity and quality. A client should not be burdened by either a fixed number of resources or the nature of those resources.

To bridge all distances, a service provider must have a web-based communications platform that will promote transparency, accountability and flexibility.

Below is a basic model that is followed by responsible providers and enlightened clients.



In an SAP environment, Solution Manager is the preferred communications platform and provides a synergistic framework for SAP maintenance.

One limitation relative to distance is that of time. Not the time it takes for a consultant to get to or from a client site but the difference in time between a client and its service provider. While a “follow-the-sun”

scenario with an eight to ten hour time difference can be advantageous in a development or implementation project, it can be disadvantageous in a support scenario. If your firm's nine to five is supported by a vendor's midnight to eight a.m. shift, you had best be prepared for regular late night phone calls.

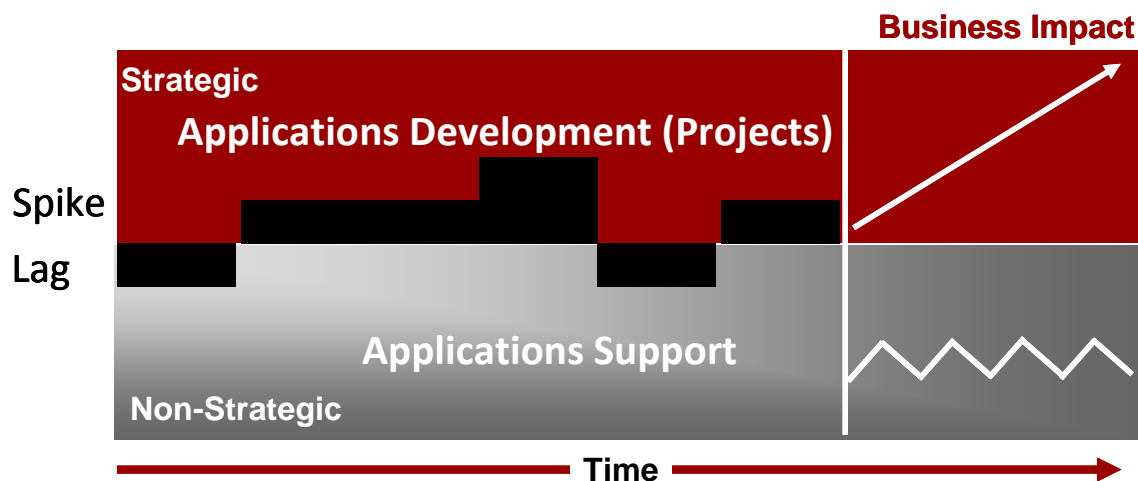
The best arrangement will have the necessary mix of geographies to provide both cost savings and proximity. In essence, you want a provider with resources that will be as close to you as you wish them to be. It is a matter of "sure," not "shore."

4 Staff for surprises, not just the predictable

When working with clients who have implemented SAP, I find that a high percentage of them resist the thought of bringing in outside consultants, even on a limited basis. Often this resistance is based on bad memories of the implementation project, but more often it is due to what I can only characterize as a misguided sense of self-sufficiency.

At the same, most clients invest 100% of their budgets to full-time, in-house staff, removing the required flexibility to address two staffing/resource problems:

- Inability to bridge a key skills gap
- Sufficient coverage in one area but a shortfall in another



As such, strategic development projects that might otherwise face resource challenges will instead benefit from resource continuity.

What matters is for clients to manage outcomes, not FTEs.

5 An adoption model at the end of “either or”

With the maturation of global (or distance) delivery of IT support services, we have moved beyond the phase in which clients can reasonably eschew all outsourcing. At the same time, tossing out IT support in a haphazard fashion can do untold harm.

Even outsourcing savvy firms are advised to follow a best practices maturity model (from alignment of stakeholders to contract execution) when addressing any new service, such as the one below.

SAP Application Outsourcing Adoption Model				
Level	State of Applications	Environment/Risk Change Management	End Users & Supports	Skills
1 Aligned	Applications to be outsourced are fully implemented and required interfacing is complete.	Determination of specific applications under consideration and applications not to be outsourced	End users and super users are identified	Identification of specific skills sets associated with applications is complete
2 Assessed	Have acceptable levels of a) customization and b) quality, nature, & volume of interfacing	Goals & objectives of application outsourcing are established and measured.	Help desk traffic and end user competency have been assessed	Determination of cost of skills associated with specific application(s) (e.g. professional development, training, retention, recruiting)
3 Planned	Final determination of the level of outsourcing to be contracted has been agreed	Vendor governance relative to business process change (and consequent change management) is in place	Super user input regarding planned services has been provided	Identification and selection of potential governance team has been made
4 Selected	Blueprint of applications management roles and processes is complete	Outsourcing staff are vetted, contract & due diligence are complete, and transition plan is in place.	Super users agree with vendor selection and transition plan	Governance team and transitioning staff have met with chosen provider
5 Executed	Application migration to service provider commences, provider assumes responsibility for application deployment, availability and management	Contract signed, transition plan begins, risk mitigation processes exercised, employee transition occurs	Application support requests are successfully routed, logged, and addressed	Transition, retention, outplacement, and retooling are complete

The two most important factors leading to successful outsourcing of support are as follows:

- A rational and successful transition from in-house to the provider
- Disciplined ongoing vendor governance

Once a client has mastered vendor governance, it can confidently return to its desired core business activities while retaining full and effective maintenance of IT processes and assets. Moving ahead, the client will also have considerably more flexibility than that afforded by a limited in-house support arm.

The bottom line is that clients are advised to give serious thought to sourcing decisions rather than presuming a simple in-source or outsource decision. Armed with strategic knowledge, clients can continually evolve into more fruitful and economically sound solutions that combine their own staff with that of effective providers.

About the author

Michael Doane is a leading authority on enterprise applications with 37 years of business and information systems experience, including 16 years in consulting. He advises clients on strategies, implementation and integration, service provider selection and management, and best practices and methods for deriving full value from enterprise applications investments.

Mr. Doane is the author of *The New SAP Blue Book, A Concise Business Guide to the World of SAP* and *The SAP Green Book: Thrive After Go-Live*. He has led numerous executive seminars in Canada, the U.S. and Europe on the subjects of implementation best practices, return on information systems investments, and application lifecycle management.

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About CGI

At CGI, we're in the business of satisfying clients. A leading IT and business process services provider, CGI has approximately 31,000 professionals operating in 125+ offices worldwide. A certified SAP hosting and alliance partner and SAP Certified in Run SAP Implementation partner, CGI helps clients ensure the best return on their SAP investments. Through CGI's SAP Center of Expertise (COE), we offer public- and private-sector clients focused expertise through a committed and seasoned SAP-centric operational and technology management team.

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