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A Performance-Driven Approach to Application Services Management



Breaking the Mold to Accelerate Business
Transformation

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1.0 The “keep up” versus “step up” challenge

In the digital world, organizations of all types and sizes are reevaluating their strategies, business models, processes and systems to discover new ways to drive transformation and performance through advancing technologies such as cloud, Internet of Things, big data, mobility, cybersecurity and more. Digital technologies like these are revolutionizing how organizations operate, how they interact and serve their customers/citizens, and the kinds of products and services they deliver, opening the door to new revenue streams, improved efficiencies, increased customer loyalty and greater differentiation in the market. Investing in these technologies is no longer an option, but a business imperative to stay competitive in the 21st century.

A major challenge all organizations are facing on the path to digitalization is balancing the need for investing in transformative technologies and programs—i.e., “step up” activities—with the need to maintain the day-to-day “keep up” activities critical to running their business. Some also use the terms “run the business” versus “change the business,” or “bi-modal IT,” but regardless of the terminology used, the challenge is the same—organizations are finding it difficult to find funds for accelerating business transformation due to revenue stagnation, tight budgets and increasing regulation.

Every year, as part of CGI's Voice of Our Clients program, we conduct in-depth, face-to-face interviews with client executives across the industries we serve to get a pulse on the trends impacting their organizations, the business implications of those trends, and their resulting top IT priorities. In 2015, we interviewed 965 executives—44 percent from the business side and 56 percent from IT—across 10 industries and 17 countries.

The results show that while digital transformation and the IT investments required for it are top of mind for executives, there is increasing tension in achieving the right balance between activities that run the business and those that change it. Executives are seeking to invest in the following:

- IT modernization to drive agility and business transformation
- Big data and digital insight to improve the customer experience
- Supply chain optimization to digitally connect all stakeholders across the enterprise
- Enhanced cybersecurity to protect stakeholders
- New delivery models, including SaaS, cloud, managed services/outsourcing, etc., to align revenue and costs
- IT human capital to attract and retain the talent required to manage the strategic and execution aspects of the organization

However, they are struggling to make the necessary investments to transform the business while at the same time maintaining existing mature, complex and integrated IT platforms. On average, 82 percent of IT budgets are allocated to the mandatory operations needed to run the business, leaving only 18 percent for changing the business.

In addition, most of the executives we interviewed indicated pressures to attract new talent for implementing new platforms and digitizing processes while also retaining the talent required to maintain legacy platforms. Further, the speed at which businesses would like to invest and transform to meet evolving demands is also significantly reduced due to the lack of flexibility in modernizing legacy technology.

To step up to these demands to transform the organization, leading executives are looking into new options for reallocating IT spend and freeing up money for digital transformation investments. One such option is in the area of application services (AS) management.

While AS covers both “keep up” and “step up” activities, the “keep up” side of AS takes a significant share of the IT budget. By reevaluating how AS management is done and implementing a new approach focused more on performance and outcomes than resources, organizations can drive significant cost savings that can then be diverted to “step up” investments that dramatically increase competitiveness and drive growth.



2.0 Taking a different approach to application services management

Traditional approaches to AS management are insufficient to address the “keep up” versus “step up” challenge due to a number of shortfalls. One of the major shortfalls is their focus on **input** rather than **output**. When it comes to managing their applications, many organizations concentrate on staff—the number of people required to perform daily tasks—rather than on staff output. Focusing on staff leaves organizations without a clear picture of the following:

- Costs per application versus the value each application generates
- Business justifications for each application
- What applications people are working on
- Day-to-day activities of team members
- Level of effort team members are putting forth
- Results delivered

This lack of transparency makes it difficult to find ways to improve and reduce costs. As a result, organizations often invest more money into AS than they need to without the expected return. In addition, the money poured into “keep up” activities like AS means less money for “step up” investment, the driver for incremental business value.

Focusing on output provides the necessary transparency for driving ongoing improvements and cost savings. It enables an organization to better understand the purpose of each application, its usage, and the value it brings to the business. Organizations gain clear insight into costs, staff, licenses, hardware, overhead, historic data, etc. Overall, they benefit from a clear, end-to-end view of both the cost and value creation involved with each application, which can be used to implement improvements as needed.

An output, performance-based approach to AS management overcomes the shortfalls of traditional approaches by offering the following:

- Strong business focus (an organization’s business objectives and desired outcomes are addressed)
- Strong focus on continuous improvement
- Expected outcomes (in terms of driving quality, operational excellence, security, incremental value, innovation and business value)
- High-level of collaboration, resulting in long-term partnerships based on mutual trust and acting as one between the organization and AS provider

The hallmark of a performance-based approach to AS management is the use of predictive analytics and other team behavioral techniques to generate a continuous flow of improvement ideas from AS team members.

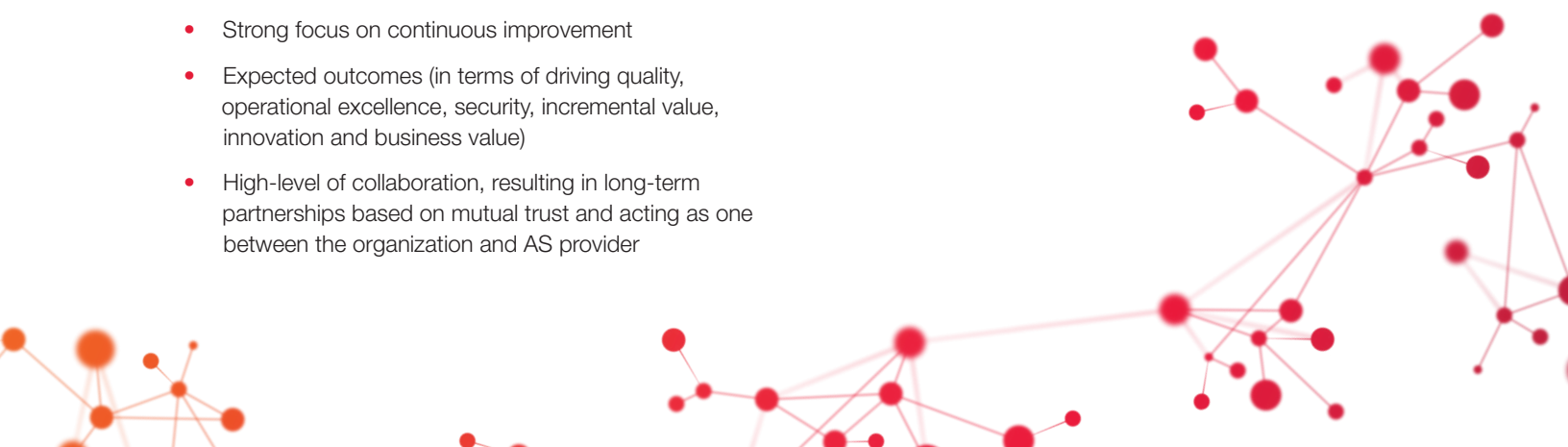
Through these techniques, team members receive detailed data on their AS activities (e.g., effort and volume data) and use this data to generate metrics (e.g., effort, cost, variance, volume, FTC, etc.). Data and metrics are then shared team-wide through regular meetings to drive improvements in terms of the following:

- Better project and risk management
- Greater team collaboration through continuous sharing and learning, which leads to improved team skills
- Strong governance
- Increased efficiencies
- Improved quality
- Higher reusability
- Business process alignment
- Proactive issue resolution
- Predictive modeling
- Reduced rework
- Desired business results

This type of performance-based culture is based on two key principles:

- What gets measured gets managed and improved
- Putting data in the hands of those closest to the work will yield rapid improvements

As data becomes a natural part of the work of AS team members, it becomes a strong motivator for performance and innovation. Team members become more productive, proactive, agile, entrepreneurial and collaborative. They look for ways to drive operational excellence and incremental value. They also experience higher levels of work satisfaction as they reap the rewards of their measured efforts and outcomes.



3.0 The fundamentals of a performance-driven approach

The fundamentals of performance-based approach to AS management include the following:

- Team management
- Metrics and performance management
- Quality management and testing
- Cost management
- Knowledge management
- Governance

Each area involves well-defined objectives and processes that guide the overall AS management program, ensuring achievement of the organization's strategic goals and a high return on investment.

Team management

While data, metrics and processes are important factors in a performance-driven AS approach, the human factor by far exceeds them all. People drive performance, and people are at the heart of a performance, output-based approach. As such, team management is central at both the management and operational levels.

At the management level, governance metrics ensure that members are empowered to do their jobs, that the right processes are used, and that metrics reporting and analysis is performed. This is how the teams gain insight into the level of quality they are delivering and how to improve quality even further. At the operational level, team management spans the entire set of AS processes, allowing data to be used and shared by teams to optimize resource assignments, identify improvement opportunities and drive cost savings. As noted previously, putting data in the hands of those closest to the work will yield rapid improvements.

Close to real-time optimization of specific AS activity assignments is enabled through daily reporting and analysis of team member cost and time expenditure data.

Metrics and performance management

The second most fundamental aspect of a performance-driven AS approach is a focus on metrics, both contractual and team-driven, and performance management. Team members apply AS performance management techniques to gather and analyze data on their daily work activities. Through this, they gain an understanding of the tangible cost or effort for specific work outcomes, such as incident or service request resolutions.

This data and analysis, in turn, enables them to establish a performance baseline and set performance thresholds as part of a continuous, iterative cycle of measurement and improvement. With a better understanding of their performance, team members can recalibrate their work as required. Certain data allows for fine tuning and improvement of operational processes in very short time frames, sometimes as quickly as in a day. For example, at a morning team meeting, based on the daily key performance indicator (KPI) report, the team might decide to distribute the work differently this day, with the results to be evaluated the following day.

In addition to supporting improvement initiatives, the performance data also has significant value as historical justification for future projects and innovation. In addition, historic data can be leveraged for other internal sharing and benchmarking purposes.

Quality management and testing

Another key aspect of a performance-based AS approach is that it provides defect metrics for measuring quality. These metrics enable team members to understand the level of quality attainable and the level of quality they are delivering. As a result, they can better identify and correct defects and implement preventive actions as part of an overall quality management program, instead of simply handling one-off ticket incidences.

In addition, defect metrics support application testing, security and change management within large and complex application portfolios, as well as predictive techniques, which enable the implementation of risk plans and mitigation strategies based on specific inputs.

Cost management

Traditional AS approaches focus on cost management as a standalone. Performance-driven approaches combine cost and performance management to ensure that when costs are reduced, quality and outcomes are not impacted. Key performance indicators and cost metrics are very much interlinked.

As a by-product of performance management, operational teams learn through metrics the direct relationship between cost and their work activities and gain an understanding of how they can drive business value by improving the cost basis of these activities.

Once cost metrics are under control and a stable history of data is available, it becomes possible to forecast the precise cost of specific development or maintenance activities. A global data set allows the team to understand the cost implications of using global delivery versus the need for client intimacy through geographic proximity. Continual tracking of cost estimates versus actual costs leads to ongoing cost and planning improvements.



Knowledge management

Knowledge management is a discipline that allows for the capture of vital corporate information and makes it available to the right person at the right time to assist in decision-making. With a performance-driven AS approach, knowledge management is integrated across all AS areas and processes. Team members are provided not only with tools and continuous coaching to help them store and share knowledge, but also are responsible for tracking the time and effort spent on knowledge management.

Effective knowledge management enables AS team members to commit ideas to corporate memory, a fundamental exercise for a performance-based, learning organization. This results in improved service quality and efficiency through quick global access to information and solutions. It also ensures that when a team member leaves, knowledge is still available, both in the form of documentation and among remaining team members.

Governance

Governance is both a top down and bottom up approach with a performance-driven AS approach. Every month the most relevant KPIs are aggregated and presented by the local CGI client account executive to the client's senior management to provide a performance overview for the entire organization.

Rigorous governance processes also drive and facilitate close collaboration between management and team members. Typical management roles include a project team leader, a project manager, a program manager and a client account or delivery manager.

Meetings are held on a daily, weekly and monthly basis among these different managers to ensure close alignment, effective oversight and fast issue identification and resolution. Information shared and decisions made during the meetings are reported back to team members, as well as the local CGI client account executive, who, in turn, reports back to the client's senior management.

Daily morning meetings also are held by project team leaders with their teams. These meetings help to align team members to common goals, foster transparency and knowledge sharing, and promote team spirit and collaboration.

Each meeting is highly structured, brief and consistently held to ensure meeting objectives are achieved and continuous improvements are delivered across project teams.

4.0 Transitioning to a performance-based model

Transitioning to a performance-based AS model involves both cultural and operational change. Changing from an input-based culture to one focused on performance management requires executive buy-in and oversight. It starts with executive-level understanding of the benefits and executive-level participation in the governance. Once executives are convinced of the value and committed to implementation, the operational change can take place.

At the operational level, a well-defined implementation process supported by training and coaching ensures a structured and consistent implementation approach. Change management is a key focus. Processes alone are insufficient to ensure success. Change management principles and practices should be adopted that carefully guide management and staff into new ways of thinking and working that drive the benefits promised by this new approach to AS management.

Key operational transition steps include the following:

Step 1: KPI definition

- Define business objectives
- Define all relevant KPIs
- Establish performance standards
- Identify data points and process flows

Step 2: Process development

- Understand data points in line with KPIs
- Develop performance management processes
- Develop report generation and circulation processes for project, team and management levels
- Develop documentation processes
- Set up governance model

Step 3: Quality assurance implementation

- Develop quality audit template
- Design and implement standard QA processes
- Implement individual feedback and review mechanism



Step 4: Execution of new AS approach

- Implement single and standardized performance management system and processes
- Implement people management processes
- Implement continuous improvement process with milestones
- Analyze and report on overall performance
- Conduct periodic reviews of processes

Overall program management is handled at the global level. This level of management ensures the availability of all necessary tools and resources, as well as collaboration among all transformation leaders, including knowledge transfer and coaching.

5.0 Conclusion

Moving away from traditional AS management approaches to a performance-driven approach significantly improves AS management and its outcomes, and generates cost savings that can be invested in business transformation and growth. Such an approach turns AS management from an overhead cost into a real strategic driver. We are so convinced of the success of this approach that we can offer your organization a proof-of-concept, trial run where you identify the team, and we provide the processes, best practices and coaching. Contact us at info@cgi.com to learn more.

We also invite you to explore the capabilities, processes and benefits of a performance-driven AS management by reading about CGI's **ProAction-AS approach**.

About CGI

Founded in 1976, CGI is a global IT and business process services provider delivering high-quality business consulting, systems integration and managed services. Serving clients from 400 locations worldwide, CGI has an industry-leading track record of delivering 95 percent of projects on time and within budget, aligning our teams with clients' business strategies to achieve top-to-bottom line results.

CGI's application services—including application development, management, testing, portfolio management and modernization—enable clients to drive **business agility, transformation** and **cost efficiencies**. Our end-to-end services provide the technology and industry expertise, solutions, skills, frameworks and processes our clients need to successfully build, run and evolve their enterprise applications.

In addition, CGI's proven application management approach delivers strong governance, collaboration, performance management and quality assurance—all through a flexible delivery model—to ensure expected business outcomes.



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