SmartSourcing
BCS Oxfordshire Branch

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SmartSourcing: What’s Coming

- Introduction – who is this guy anyway?
- Outsourcing/Smartsourcing – so that’s what this talk is about?
- Outsourcing trends/issues – is that really what’s going on out there?
- QVIP Services – what’s he trying to sell?
- Conclusions – what did he say again?
"Annual benchmarking programmes are built into the IT outsourcing contract between Royal Mail Group and the Prism Alliance (a CSC led alliance of CSC, BT and Xansa). As part of the joint 2004/5 Benchmarking Programme, QVIP (QuantiMetrics UK) undertook an in-depth benchmark of the extensive application services delivered to RMG that brought out valuable learning points, and these are now being used to drive joint improvement activity in application services delivery." Royal Mail Group
“Organizations that undertake ongoing QPeP assessments reduce their project effort by an average of 12% and reduce their project duration by an average of 10% year on year — error rates also reduce” Independent statisticians
SmartSourcing: What is it?

- Intelligent selective outsourcing
  - IT industry - 20 years experience
  - Outsourcing and reversals
- Retention of strategic capabilities
  - Core Competencies
  - Core Processes
- The outsourcing process itself
  - The provision of some or all services by one or more vendors wherein key decision rights associated with the services are conferred upon the vendor
  - Outsourcing contracts involve the transfer of human and technology assets
  - Usually characterised by being large scale and long term
SmartSourcing: What we do

- Deciding when outsourcing is appropriate
- Assessing competitive tenders for Application Development
  - University – Student Administration System
  - Benchmarking helped to rethink approach
- Adjudicating in a potential legal dispute
  - Multi-phased delivery – price tag of $50m
  - New generation of package-based applications
  - Objective assessment – timeliness and cost – compensation deal
  - Exposed a flawed contract
- Ongoing Monitoring
  - Europe’s largest telecomm – 6 monthly assessments

QVIP retained to Benchmark applications service providers to ensure:
  • Sustained focus on performance
  • Improved visibility/transparency of achievements
  • Continuous improvement service levels
Research confirms that over 70-80% of a client’s information systems spending can be considered to be commodity services. A supplier has a distinct advantage due to economies of scale and specialisation.
Outsourcing Survey - some key issues

- Strategic outsourcing will continue to increase in importance as a business tool and is primarily seen as a way of improving overall business performance not just improved IT efficiency.

- Strategic outsourcers also seen as important source of expertise to help achieve business transformation.

- Reducing and controlling costs remains the main reason for outsourcing.
Consumerisation of IT

- High-volume dual-use devices:
  - PCs, PDAs, Mobile Phones, CD/DVDs
- Public network infrastructure
- Value-added applications and service
- Consumer systems will evolve more rapidly than proprietary business systems due mainly to volume

_Dual use of technology by business and consumers will challenge IT organisations to rethink their investments and strategies_
Consumerisation of IT – impacts

- Good news
  - Standards
  - Convergence
  - Training

- Generic technology services
  - Email, Wi-Fi, Storage and file transfer, Automatic backup, Collaboration, etc

What are employees supposed to think when the email systems they get for free at home seem so much simpler, more reliable and more functionally rich than the expensive ones they are forced to use in the workplace. Indeed many employees now have significantly more capable devices and services at home than those provided in the workplace.
Trends and Issues

- Trend bringing:
  - long term business consequences
  - significant lower costs
  - greatly improved functionality
  - successive IT-savvy generations of users

- Private IT infrastructures will become a luxury that even large organisations cannot afford

- Existing infrastructures and their supporting policies are a barrier to innovation and a source of employee frustration

- These new services will need to be integrated – a major challenge
Outsourcing - The Bad News

- Of the $1 trillion spent on IT hardware, software and services this year - billions will be wasted
- Last October, J Sainsbury had to write off $526 million in an automated supply-chain management system
- Other UK failures we have heard of include CSA, NHS, Tax Credits, ATC
  .....and waiting to happen we have ID cards
- Software failure is, for the most part, predictable and avoidable
- Most organisations do not see prevention as an urgent matter

Half of all Outsourced IT Projects will fail
Key QuantiMetrics Services

- QPeP : QuantiMetrics Performance-enhancement Programme
  *Leading IS-delivery assessment and benchmarking service*

- QPeP M&S :
  *Assessment and benchmarking for maintenance and support groups*

- QEsT : QuantiMetrics Estimating
  *An estimating and risk mitigation service for QPeP subscribers*

- QVital : IT Directors Vital Signs
  *Balanced assessment for aimed at providing a series of gauges for IT directors*

- QViP : Application Health Check
  *Balanced assessment for evaluating the fit of the current portfolio to current and future business needs*

- Function Point Analysis
  *Functional metrics training, consultancy and tools to support project planning, tracking and performance assessment*

- IS Value training
  *Business requirements management and numeric skills*
QPeP
Performance Evaluation
Can you objectively stack up your projects from worst to best?

... How does your performance compare to that of your competitors and suppliers? ...

... How predictable is your process? (Why such a wide performance gap?)...

... What is the optimal project size?

Performance =
• Productivity or
• Quality or
• Speed or
• Cost ...

A..N are 14 projects

Why so low?

Why so high?

Few companies can perform this simple analysis

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QPeP on-line provides an off-the-shelf metrics repository
A balanced profile describes the many facets of delivery performance, at project and aggregate levels.

In the above example:
- **Efficiency** is high (as measured by the normalised management FdI measure).
- Quality and high staffing are the key problems in the above example.
- There is a clear trade-off between quality and speed.

- **The blue line shows the overall company profile.**
- **The larger the blue profile, the better the overall performance.**
- **The green line shows the equivalent QPeP median benchmark.**
- **Where the blue line is inside the green line that aspect of performance is low.**
Company leagues reflect the overall average for each company and exclude factors such as similar size, same type (e.g. new, minor enhancement, major enhancement etc.), similar development, languages and same development platform.

League analyses are provided for a number of key QPeP measures.
QPeP - Maintenance and Support

- **Corrective**: Removing errors in operational applications
- **Adaptive**: Modifying applications to changing operating platforms, changing regulatory, corporate policy and contractual requirements
- **pReventative**: Improving maintainability including documentation, and proactive database maintenance/reorganisation and performance tuning
- **perative**: Accommodating new or changed performance and functional requirements, including package upgrades, where change effort of endeavour is less than 60 loaded staff-hours (roughly two weeks of effort)
- **User support**: Short-term activity to meet application-specific customer requests that does not require other support activities, i.e. no work done on application code
- **CARU**: An aggregation excluding perfective work
- **CARpU**: An aggregation including perfective work
QEst
Estimating and Risk Analysis
Typical QEsT Questions

• Given the project characteristics (size, type, language mix & platform), what is the baseline effort and/or delivery rate (median, top-25%, top-10%)?

• Given a proposed size, what is effort required for various durations (assuming same efficiency and project profile as previous assessment)?

• How much functionality can we expect to be delivered in a fixed time-frame given type, language mix & platform (assuming our previous performance)?

• Given the estimate, tell us how feasible it is and what is the risk?
QVital
Assessing the health of Applications Development
QVital perspectives – weighted scoring

Organisation 15%
Process 20%
People 20%
Projects 15%
Applications 15%
Technology 15%
QVital overall performance profile: Legacy-bound organisation

Overall performance

Organisation

People

Process

Projects

Applications

Technology

Max

Median

Score

Min

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QVital overall performance profile: Legacy-bound organisation

<table>
<thead>
<tr>
<th>Process:</th>
<th>Organisation:</th>
<th>People:</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Management processes in place and regulated</td>
<td>+ Good management balance and span</td>
<td>+ Good legacy skills</td>
</tr>
<tr>
<td>– Delivery processes dated</td>
<td>+ Full-scope governance arrangements</td>
<td>+ High utilisation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ Low unit costs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projects:</th>
<th>Technology:</th>
<th>Application:</th>
</tr>
</thead>
<tbody>
<tr>
<td>– High delivery costs</td>
<td>– Platforms old and costly</td>
<td>– Support cost high</td>
</tr>
<tr>
<td>– Users very dissatisfied</td>
<td>± Tool sets limited</td>
<td>– Users dissatisfied</td>
</tr>
</tbody>
</table>
QVital overall performance profile: High acquisition organisation
# QVital overall performance profile: High acquisition organisation

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<th>Process:</th>
<th>Organisation:</th>
<th>People:</th>
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</thead>
<tbody>
<tr>
<td>– Too many process variants</td>
<td>– Multiplicity units</td>
<td>+ Good mix of skills</td>
</tr>
<tr>
<td></td>
<td>– Duplication of overheads</td>
<td>– Utilisation weak</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects:</td>
<td>Technology:</td>
<td>Application:</td>
</tr>
<tr>
<td>– Delivery costs relatively low</td>
<td>– Platforms need rationalising</td>
<td>– Too many variants</td>
</tr>
<tr>
<td>– Many sub-contractors</td>
<td>– Too many development tools</td>
<td>– Support costs high</td>
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SmartSourcing: Conclusions

- SmartSourcing is intelligent outsourcing
- Outsourcing demands Due Diligence
- Measurement/assessment is part of Due Diligence
  - Own organisation
  - Potential Outsourcer Suppliers
  - Intrinsic part of the contract
- Measurement/Assessment “Я” Us
  - QPeP
  - QEst
  - QVital