

Clarity IT Sourcing Diagnostic

Deliver IT Sourcing strategy decisions with confidence for a fraction of today's price and timescales.

Tony Feeney, Gordon Miller and Dr Richard Williams

The problem with IT Sourcing.

Outsourcing of IT has been an unceasing trend for businesses over the last 15 years or so. However the styles of Outsourcing arrangements that can be taken are myriad and more recent evolutions of Software as a Service (SaaS) and Infrastructure as Services (IaaS) including hosting, dynamic computing and cloud arrangements have only served to exacerbate the dilemmas executives face.

Many people, other than some IT Directors and CIO's have forgotten that there are some very good reasons for NOT Outsourcing some aspects of the IT, and that in-sourcing or keeping traditional in purchasing arrangements with hardware and software vendors may be, on balance, the best for the organisations economics or required flexibility in delivering day to day business needs .

Consider some of the dilemmas they are being asked to face and make decisions on currently. "Do I go for Cloud computing, Software as a Service (SaaS), Virtualisation, Hosted options, licensing for desktop technology, Managed Services for infrastructure and resources, outsourced software development and support, internal IT resources and telecommunication management? Which service and combination of approach will work best for me?" The list is seemingly endless, let alone worrying about which option delivers the right level of capability for the business direction and financial options involved. For IT

Synopsis: Getting to the point of deciding what IT sourcing approach is right for you across your infrastructure, software and services decisions can be a costly exercise in time, effort and consulting fees. To get a balanced view across business dynamics can take weeks or months and then is reliant on a 'point in time' view or even the bias of an individual or consultant. Getting a clear perspective across the competing interests and options is tough and expensive. Equally wrong decisions can cost many thousands of £/€//\$ etc. each year off of the bottom line.

Today an alternative exists. For a single days investment of time and for approximately 10% of the equivalent consulting fees you can now own the data that has typically taken weeks to generate through traditional interview, analysis and feedback based approaches. Drawing on years of experience a team of Industry experts across different IT disciplines have compiled "The" crucial questions that influence the right direction for decisions. They have also engineered the impact and relationships that each answer provides to the other across each area of IT investment tailored to your specific business responses. The result is an expert system comprising millions of relationships.

Clarity IT Sourcing diagnostic™ is a MUST HAVE for any business executive wanting to understand which investment approach to IT Sourcing is right for them and which will put them in the driving seat with colleagues and vendors alike in developing strategies as well as correctly focused procurement discussions.

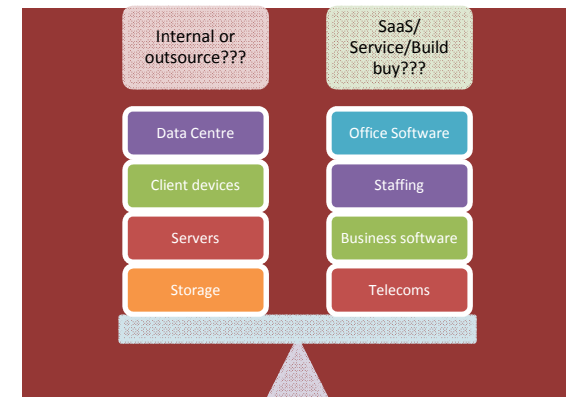
Managers today the choices represent a real complexity trap that often can delay decisions. Getting the ‘buy-in’ and understanding of the Management team can also be extremely difficult.

One thing is very clear, that the wrong decisions can cost many thousands of £/€//\$ etc. each year off of the bottom line. Most commentators agree that over 70% of an average IT budget is now just spent keeping the status quo but change is expensive too of course. Getting the right balance and timing is crucial.

IT Investment planning.

IT covers basically 8 key investment areas:

- Where the data processing is done, **The Data Centre**;
- How it is done, **Server** technology approach;
- Where information is captured, stored and protected, **Storage**;
- The way that people interact with IT equipment, **Client devices**;
- The software that a business uses to run its processes on, **Line of Business licensing**;
- The software that a business chooses to run on its client devices, **Desktop software**;
- How a business communicates between itself and the outside world, **Telecoms**;
- Who and how a business depends on in running its information technology services, **Staffing**.



Currently a lot of strategic decisions are made based upon a particular line of business software that best suits the ‘functional’ needs of the business and infrastructure choices flow from that choice. Support arrangements also usually start there but need then to be compromised on to support other day to day operational needs within the business. Equally, some businesses will take a financial view of costs and seek to minimise these by externally sourcing services without due regard for expertise, sustainability or even simply the disciplines internally that will undermine the financial gains sought.

The net of this is that none of the above decisions can be made in isolation of each other and the choices of approach and vendor are many. Usually only an internal view or a single consultancy’s view is used to form a direction, with a small shortlist of providers being engaged to select from. The resulting direction may therefore be dictated by the successful vendor’s capabilities and orientation to one particular area of a business’s needs, negating other important factors. A balanced view of required Business Capabilities, the Functional processes that must be supported and the influence of Finance on decisions should always be known – even if a deviation based on one or other of these factors is to be taken.

So what are the decision drivers?

IT sourcing decisions should be ongoing - not a one off / point in time decision that strictures an organisation through a whole investment cycle. The commercial and delivery market place for technology is changing too fast for that to be good practice. As business changes and evolves each year, IT must keep pace and the impact of business change must be capable of being anticipated. More importantly, the sensitivity of IT to supporting business changes and change scenarios must be consistently factored. Until now this has been an expensive undertaking with consultancies or demanding huge amounts of time from the internal management team.

Through painstaking analysis of key drivers cited by CEO's, FD's and CIO's for making Outsourcing and In-sourcing decisions over the last five years (see sidebar) a set of 33 questions has been crystallised that must be capable of being responded to in order to create a balanced set of inputs to sourcing decisions across the IT Investment areas.

Note: Analysis of Sourcing decisions has primarily centred around the last 5 years to take account of vendor developments in Software delivery (Business and desktop), commercial models, telecoms capabilities and the maturity of hosting, virtualisation, Cloud and other deployment options as they reflect on resourcing and financial drivers.

❖ Capability questions

These are the questions that ensure the business context are understood and that IT competencies, responsiveness and risks are handled appropriately.

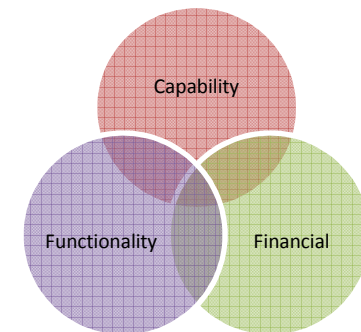
- What is the degree of change to which the business size, structure or processes will need to respond during the period being planned for?
- What level of responsiveness for IT system capabilities is required?
- To what level does IT provide a competitive advantage to your business?
- What level of risk management is exercised within the business processes?
- How predictable is the change in your user demand profile?
- How predictable is your data processing demand?
- Are user roles well defined with regard to application usage and access rights?
- What level of business continuity do you need from your systems?
- What constraints are there on the location and control of your data?
- What is the churn rate of locations?

- How dependant is the delivery of IT Services on specific individuals?
- What level of business knowledge is required by IT staff to support the business?
- What is the level of staff turnover across the business?
- What degree of difficulty is experienced in attracting the necessary IT Skills to support your business?
- What is the use of IT contract labour relative to permanent staff within the business? (This question also appears in the financial drivers list).

❖ **Functionality questions**

These are the questions that ensure the requirements of the day to day business demands are capable of being handled appropriately.

- Approximately, what is the split between 'bought in' software packages and software built in-house?
- Are there a lot of user specific spreadsheets and applications used on client machines to handle business processes?
- What user demand profile do you have?
- What processing power demand profile do you have?
- Overall, what service level agreement(s) is(are) required by the business?
- How many types of user roles are to be supported?
- How diverse are your client computing device needs?
- Will any specialist connected devices be required (plotters, scanners, pen input tablets etc?)
- How important is it to have current, offline and archived data always available?
- How many locations are supported by IT services?
- How standardised are these locations?
- Is the Organisation predominantly part of a franchise network; OEM supply chain driven or standalone business?



❖ **Financial questions**

These are the questions that ensure that the economic aspects of different models are appropriately factored into an overall orientation for Sourcing for each investment area.

- What is the cost of cash for your organisation relative to the market?

- What level of volatility does the profit and loss account need to be able to manage?
- Are your balance sheet overheads and liabilities optimising shareholder value?
- What is your information technology replacement policy?
- What is the use of IT contract labour relative to permanent staff within the business?
- What financial ratios is the business most strongly assessed against?

Outcomes and relationships

Each of the above questions must be capable of being broken down further into a set of criteria that are present or anticipated within the business. The combination of the response to that question, (which in its own right may point to a specific direction or not) coupled to one or more other questions within the set creates a probability matrix which provides an appropriate result for the organisation. The strength of orientation (probability) providing the likely approach that would provide optimal benefits.

Clarity IT Sourcing Diagnostic™

The Clarity IT Sourcing Diagnostic tool has been developed to help businesses define an IT sourcing strategy that will maximise business benefit. It draws in several decades of expert experience in Strategic and Operational Management as well as blue chip consulting expertise and delivers a clear view of which areas to target and structure in order to drive the right IT approach and optimise costs.

Based on the above 'business level' set of questions the diagnostic tool interprets the business context, demands, requirement, structure and main drivers of performance to provide a recommended orientation toward each of the 8 investment areas. i.e. toward in-sourcing or outsourcing, rental or purchased, on-site or hosted, fixed or SaaS models.

Perfect for scenario planning and creating the basis for an IT Strategic orientation the tool engages across the management team in non technical terms and brings multiple interrelationships into a summarised view of the best balance between; required business Capabilities, the desired Functions to be delivered, and financing drivers (i.e Costs).

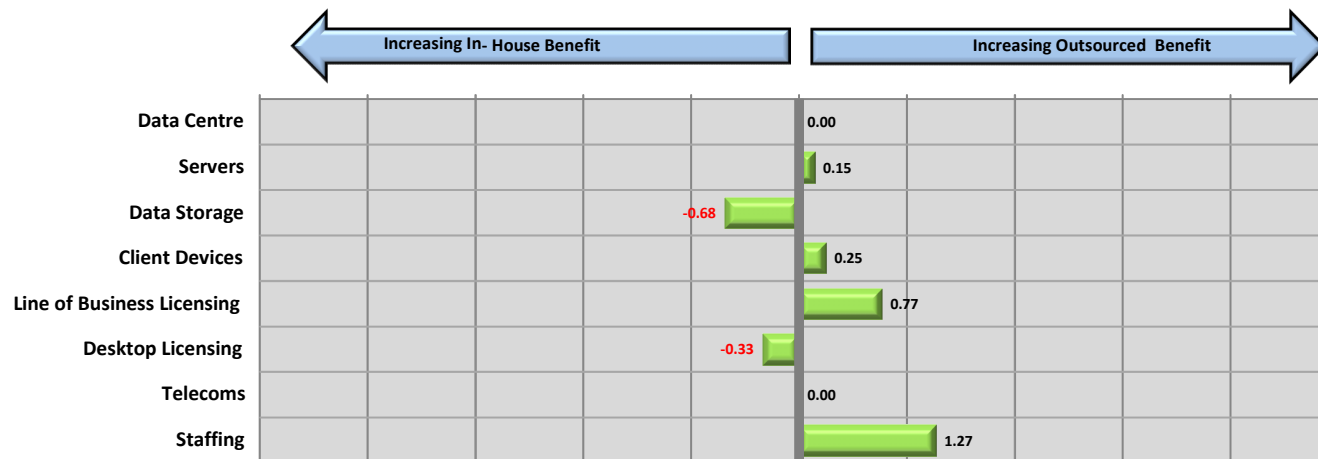
This output is called the CFC analysis.

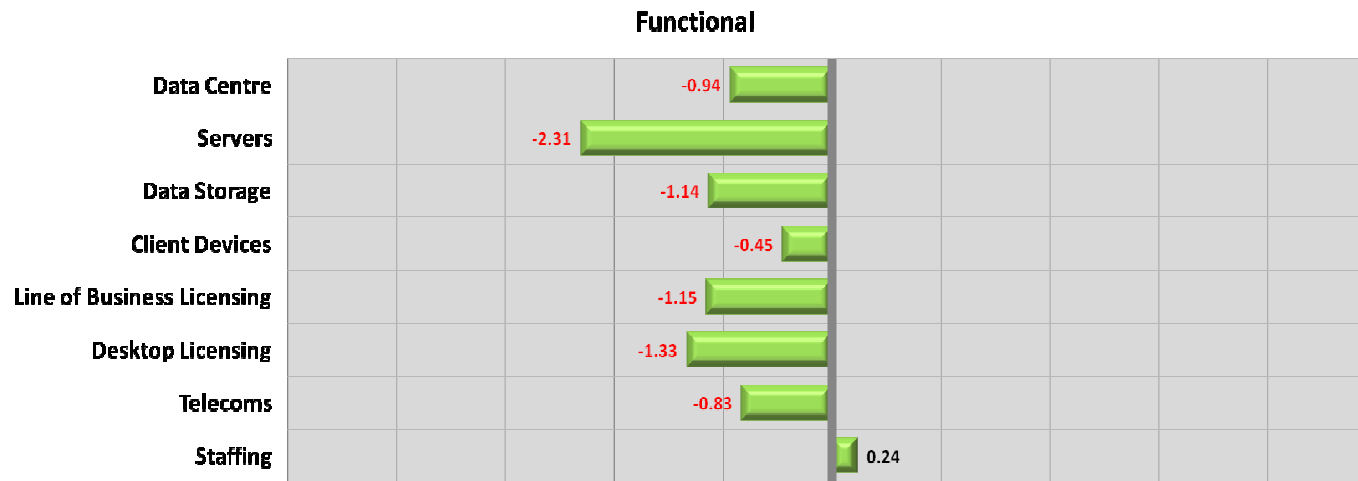
For each investment area the CFC analysis indicates the degree to which sourcing orientations would deliver the strongest result for the business. Beneath the CFC output each area is shown separately demonstrating the skew that a 'finance only', a 'function only' or a 'capability only' decision would introduce to the business.

The CFC output can be further used to start developing the basis of key requirements for purchasing decisions, fully aware of the impact on other areas of IT planning. It can also be used to create a defined IT delivery architecture for the business so that projects and incremental decisions on today's structure, equipment and services are all taken in support of an overall objective, not on a piecemeal basis.

An example CFC analysis output with a corresponding view for the 'functionality only' set appears below for a business operating in the Electronics Industry. It can be clearly seen that a balanced profile of factors significantly alters prospective sourcing options for this business.

Combined Scoring





Expert Analysis

Embedded within the tool are an initial set of 3³³ alternative responses which set base score criteria for each question in each investment area. In addition over 240 complex multi-conditional rules then adjust scores for each of the key investment areas, taking into account the interrelationships of Functionality, Capability and Finance responses applied by the organisation. Supporting information that informs the user to which rules have been triggered from the response set is automatically produced by the diagnostic. The diagnostic can be run as many times as a user requires, delivering a full sensitivity analysis relevant to different business, divisional or departmental scenarios.

The Clarity Sourcing Diagnostic tool is the first fully independent business IT decision support tool that crystallises the myriad of decision factors in today's complex environment. Any Enterprise will gain significant advantage from its use. It is constructed to support standalone businesses; Businesses that are governed by OEM processes within a supply chain network, and finally; Franchise based businesses.

Multi divisional, multinational organisations with greater than 1000 IT users can use this tool to determine divisional and country approaches rather than at Global Enterprise level where other tools are available (Bizmaps™ and AssessIT™) for more complex scenarios.

The Clarity diagnostic is licensed on an individual license basis and client device. The recommended approach is to use in a management / board workshop to complete the questions (half day) and then a follow up review of the resulting outputs with core analysis within the following week (one day clarification and one day workshop on outputs and scenario plan sensitivities). Traditional approaches have required weeks and even months to deliver the same level of analysis and output.

THE PRODUCT

Clarity IT Sourcing Diagnostic comprises:

- A Complied Executable Spreadsheet containing:
 - 33 Questions
 - A Summary Chart page with combined and individual Cost, Functionality and Capability orientations across;
 - 8 IT Investment areas
 - Supporting text for which of the multifunction complex rules have been triggered by the client responses.
- A Single User Licence assigned to;
 - A specific machine ID
 - A Specific Company (i.e. Registered company number). Note: Subsidiary level licence only. Enterprise licensing for multi-company use needs to refer to “Right to Use” licensing arrangements.
 - Telephone, email and instant message support to users during completion.
 - 1 A4 summarised recommendations and next steps report when chosen scenario results are submitted.
- Licence valid for 1 year, annually renewable (20% of license RRP).
- Chargeable additional scenario reports.

The Outputs are:

1. A base scoring for the business input which shows output before any cross referenced decisions are made (i.e. traditional decision basis)
2. A Graphical representation of the Optimal high level ICT Sourcing Strategy specific to the business input (i.e. after cross referencing and adjustments are applied) .
3. Supporting text page based on rules triggered to show influences influencing the optimal positioning for each investment area.
4. On submission of outputs, a summarised A4 report on key factors and suggested next steps based on reference to a central benchmark database.

ABOUT THE AUTHORS

Tony Feeney

Tony has an IT industry career spanning over 30 years in Support, Operational, Sales, Consultancy, and General Management roles. He has held a number of Leadership, Director and CEO roles in IBM, Gartner, T-Systems, Keane inc, VW and T-Systems among others and within Europe and the USA. He therefore has an outstanding range of experiences across all areas of IT provisioning and has directly innovated new IT Service and delivery strategies over the last 15 years for Corporates and SME's alike. Today Tony is the founder and CEO of the Integration Executive Limited.

Tony holds an MBA from Warwick Business School; is a fellow of the Institute of the Automotive Industry and is an experienced Industry forum speaker and presenter on a range of IT and business Systems strategy areas.

Gordon Miller

A first class Maths graduate and with a passion for mathematical modelling and engineering Gordon started life with Ferranti systems as a weapons systems software developer. With careers across Software development, Process engineering, Business Systems architecture and Consulting Gordon is an experienced business architect with in-depth business modelling and system specification skills.

His background has included various consultancy engagements within a number of sectors, including government, finance, logistics and manufacturing, working with clients to resolve key business IT issues. Gordon often mentors key staff within government and large organisations on the use of best practice methodologies and tools for large project delivery.

Dr Richard Williams

Following an early career in science research, Richard began in IT 20 years ago as a software engineer, and rapidly graduated through project and programme management to business development and strategic consulting across a diverse range of business sectors such as radio telecommunications to automotive manufacture and retail finance.

Richard has a B.Sc in Biology from Birmingham, an M.Sc. In Pure & Applied Systematics from Reading and a Ph.D in Molecular Biology from Warwick. He is also a Fellow of the Linnean Society of London. He is currently the originator and founding Director of Procertis with responsibility for Product and IP Development in both Consulting and Development Divisions.

Clarity Sourcing Diagnostic is a jointly copyrighted product under Procertis Limited and The Integration Executive Limited. No rights of use to the product are granted outside of licenses procured through Procertis Limited.