

## **Managing a Multi-Vendor Service Environment**

### **Context**

In order for organisations that have embraced a multisource environment to gain the full potential for cost savings and service improvements these organisations need to ensure that they implement a multisource operating model. Where technology services are provided by a myriad of organisations, ensuring a seamless delivery to the Business presents a significant challenge. One operating model that will address this challenge is a discrete Service Integration and Management (SiAM) function.

An effective SiAM Function enables the Organisation to take advantage of the flexibility and innovation of multisource and standard services while delivering integrated services to the Business. The SiAM Model can itself be outsourced or insourced, but the one thing that is important about the SiAM Model is that it is independent and has the necessary power to implement effective governance and control.

This iCore white paper provides an overview of the SiAM Model and discusses the challenges and critical success factors related to SiAM and the associated governance.

### **Why do you need a Service Integration and Management Capability?**

Multisource IT delivery models are becoming increasingly common and offer significant benefits to businesses. It is claimed by Gartner that the effective management of a 'right sourced' delivery model can lead to 40% savings on operational costs. Historically, organisations have gone for single source models to reduce risk and work in 'partnership' with a reputable supplier. With today's rapidly evolving business demands (and technical opportunity) this has proven inflexible and costly in addressing changing objectives.

Achieving a multisource best of breed solution is becoming a common objective of many organisations to ensure supplier capability and value. Multisource models now provide a more attractive proposition and allow an organisation to move away from "indispensable" single service suppliers and towards taking advantage of competitive supplier behaviours that can be used to drive costs down. They can incentivise suppliers to propose ways to exploit innovative technologies, including virtualisation, 'Bring Your Own Device' (BYOD), Cloud, Software as a Service (SaaS), and specialist managed services.

**TIP:** Beware - a pitfall here may be that organisations are tempted to go for a multisource solution that aims to exploit 'best of breed' suppliers based on each service provider's individual strengths without considering the service integration and holistic service model.

A multisource model presents the constant challenge of ensuring that in-house and outsourced providers act in line with a single set of policies and processes across the Enterprise and that they do not work autonomously or lack coordination. Any resulting fragmentation of service delivery complicates the task of integration and governance, which is essential to delivering effective IT Services.

One risk of governing and integrating services from multiple sourced suppliers (internal and external) is that issues easily fall into gaps between suppliers, which are often not noticed or noticed and ignored. Service restoration times may suffer as suppliers determine which components of service are causing the issue and who is responsible for resolution. At the end of the day this leads to poor service performance and reflects poorly on the IT Service organisation rather than the supplier.

Without effective policies, standards and governance, suppliers often only focus on their 'contracted' service performance levels and may fall into 'sloppy practice' which leads to them getting various distractions to the detriment of providing end-to-end services to the 'Customer'.

It also has to be stated that the SlaM Model must also address the supply and the demand for IT Services, which must be owned by the business and IT retained organisation. This involves managing the often uncoordinated and random IT requirements that come in from the business which (not intentionally) can create complex and non-standard IT solutions and increase demand for IT resources. **Figure 1** shows the SlaM Function as it sits within a traditional SlaM Model. Your SlaM Function needs to be able to explain the 'cost' (or 'charge')

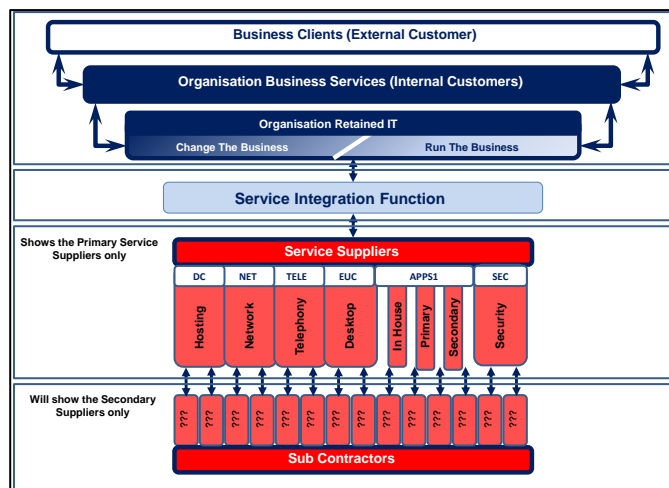


Figure 1 – Standard SlaM Model

implications of the request which, whilst unpalatable in the first instance, are essential to manage behaviours of the Customer side. CIOs face increasing pressure to demonstrate cost efficiency which ripples down the IT organisation and needs to be addressed. Limited control over demand means limited control over the total cost of IT.

Cost savings delivered through standardization of the IT estate are therefore at risk if demand and non-standard services are not managed and controlled. This needs buy-in at the Board Level not just in words but actions. Explain the rules of the game and 'Go to Jail' means exactly that unless you have a 'Get out of Jail Free' card from your Director! Naturally legitimate business requirements for specialised services will be considered and, if approved will be provided efficiently by the component suppliers under the multisource operating model.

**The role of Service Integration and Management**

The SlaM Function defines the service management processes and controls to be deployed across the enterprise and ensures they are followed. They identify the Process Owners and Process Managers; the Service Owners and Service Managers; and the Key Stakeholders for delivery of IT Service. Some processes will be 'workflow' by nature, what Gartner call the 'high-paced' processes including Incident and Change Management; and others will be 'low-paced' and are more 'output' orientated defining controls and deliverables rather than process steps.

Slam is tasked with ensuring that suppliers (internal and external) deliver services to multiple business units in a cohesive and efficient manner. An effective Slam Function has to maximise the performance of end-to-end IT Services to the business in the most cost-effective manner. **Figure 2** shows a recent Slam organisation implemented by iCore for a Global Organisation. This shows the need to have the Service Desk separate to the Service Delivery function but you need to recognise

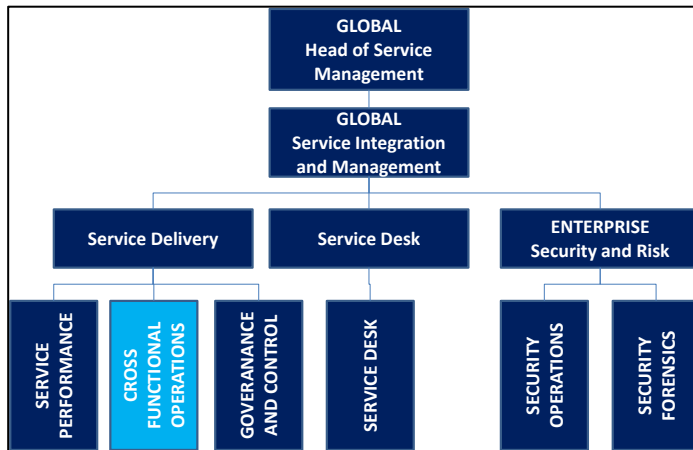


Figure 2 - Example Slam Organisation

that the Service Desk will provide priceless information for the Slam Function.

ITIL 2011 provides a framework for the implementation of Slam, as it attempts to cover the complete lifecycle of Services and is recognized by most IT suppliers, but it falls short in several areas around Governance and Control. ITIL must not be seen as prescriptive in

its application but 'out the box' it does not provide the 'teeth' required by Slam.

Organisations need the service management structure proposed by ITIL but they need a Slam Model to translate the ITIL framework into a strong working practice with clear bounds of responsibility, clear governance, clear controls and clear implications.

It is essential that when an organisation considers Slam they are clear in scope. Some executives mistakenly equate an ITIL implementation with the establishment of a Slam equivalent, which it can be, but has to be made to be (ITIL is not this). It is a fundamental issue and often a reason why Slam is considered to fail.

Be clear that effective service delivery management requires all roles and responsibilities of all the parties involved across the IT Operating Model to be clearly defined and agreed. It is also essential that the overarching governance and control mechanisms are clearly defined and unambiguous, and that they are not too onerous.

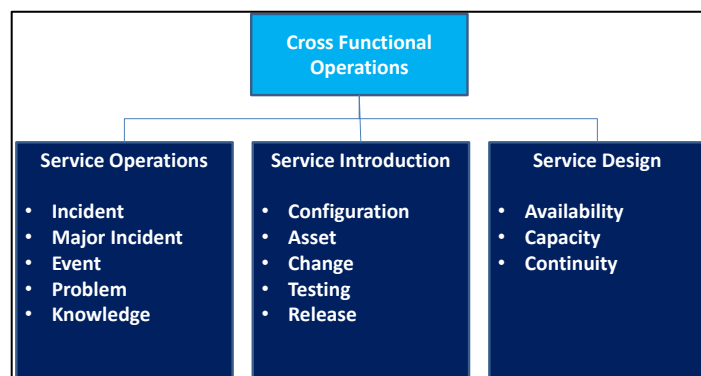


Figure 3 - Example Cross Functional

**TIP:** Don't pay for a service reporting team if no one is going to read the vast reports they produce – recently a leading Government Organisation reviewed and reduced the number of KPIs that they had their managed service provider reporting against and saved over £1m on the overall contract.

Slam utilises IT Service management processes to provide governance and iCore recommends the use of COBIT to provide an indication of KPIs that should be in place across all the service delivery supply chain.

The cross functional process ownership and accountability that SlaM enables is essential, but it is equally important that the suppliers understand what they are responsible for. Lack of clear ownership leads to teams being able to shirk their responsibility and to use process rules and guidelines to bounce tasks and issues around without due care to the overall risk to the Business. This only leads to poor relationships and contractual disputes.

**Figure 3** shows the 'Cross Functional' capability put in place to support the organisation in **Figure 2**.

**EXAMPLE:** SlaM provides the centralised point of control between capacity demand and capacity supply. IT Capacity Management is in place across the enterprise, under the control and accountability of the SlaM Function. The SlaM Function coordinates the provision of capacity information from the suppliers and the business in an agreed format, at an agreed time into the central SlaM Function who collate for the whole organisation.

This means that SlaM aggregates and translates requirements from business units within the organisation, translates the business activity forecasts and identifies where in the IT 'Ecosystem' the information needs to go to in order for each supplier to have the necessary information for their capacity planning.

Suppliers plan their activity to address the stated demand, provide SlaM with their capacity plans, and then SlaM records and assures the plans and communicates the overall Enterprise Capacity Plan to the business.

This example typifies the SlaM Model's coordination role across service delivery processes. This is more essential when managing cross tower and cross functional processes across multiple suppliers, and is really tested when facing Major Incidents affecting services across multiple suppliers and coordinated continuity and disaster recovery activities. It is never the right time to discover that these essential 'collaborative activities' have never been proven when you really need them.

**EXAMPLE:** An area that needs very strong SlaM governance is Problem Management. During root cause analysis it is easy for suppliers to attribute blame rather than identifying the root cause, so strong management and Executive Level sponsorship is required to reinforce the need for effective root cause and improvement planning. One Global Organisation iCore recently worked with would have a day a quarter where the suppliers would have to present to the CIO a summary of the RCA and RCF for all major incidents that they had been assigned by the SlaM Function as the 'prime supplier'. The SlaM Function then managed any actions arising through Problem Management and reported back to the CIO on a monthly basis. Failure to deliver by the supplier led to a 'Follow Up'!

SlaM undertakes all the enterprise wide policing of the IT Services by enforcing problem, change, security accreditation, testing, release, and service improvement processes. SlaM assures the readiness of all changes made to the Production IT environment. Adopting a zero-tolerance approach to all non-adherences to the SlaM Model protects the integrity of the organisation's IT Services.

However, effective adherence to the SlaM Model actually enables flexibility in the service provider and business landscape by maintaining a uniform framework of process, governance and enabling

tools, which importantly includes an enterprise wide, federated configuration management database (CMDB) capturing the relationships between business and the IT Services.

### **What if we get Service Integration and Management wrong?**

The symptoms of an ineffective SlaM Function are numerous and varied and often include:

- Releases are made into Production without passing testing and accreditation
- IT Services are in use that are not fully understood and are not capable of meeting the required SLA. There is a lack of understanding of the interdependencies between service components, resulting in poor impact and risk management
- IT Services do not have sufficient controls in place to assess performance and service reviews are fraught and ineffective
- Suppliers become competitive and deliberately un-collaborative
- No understanding of the relationships between business processes, business services and technical services, resulting in failure to meet required business outcomes and low customer satisfaction
- Confused points of contact for IT users which often mean issues are not properly addressed and users are frustrated
- Business Units start to develop direct relationships with suppliers, causing the IT organisation to have reduced visibility of workloads and changes
- Processes appear complicated and cumbersome leading to extended delivery timescales, lack of control, and duplicated efforts when businesses request additional services that have been designed in silos

### **Service Integration and Management Critical Success Factors**

Critical Success Factors (CSF) for effective SlaM can be varied, but iCore suggest the following:

1. The SlaM provider must be proficient in IT Service Management processes aligned to the organisation's service management standards, such as ITIL and COBIT. It may be stipulated that the Service Integrator should be certified to ISO20000 and ISO27001
2. Objectivity is essential so that the SlaM Function can act as, and be seen to be, the advocate of the organisation, providing services independently from the other suppliers. This may mean that the Service Integrator is a discrete organisation from the suppliers, but it can also mean that 'Information Barriers' are put up between the provider's teams to ensure clear delineation of responsibilities
3. The SlaM Function must demonstrate a good understanding of the business processes and the business KPIs
4. SlaM requires an integrated set of service management tools that allow the suppliers to feed information into the tools and provide a common data model for service reporting
5. The SlaM Model provides a single monitoring centre that provides a 'single window on the health of IT'
6. The SlaM Model's service management processes should be audited at least annually to ensure they continue to align with best practice and be continuously improved to better meet the business needs

7. The SlaM Function will own and define the process and tools integration requirements that the suppliers will be expected to adhere to, without dictating how they deliver this

### **Insource or Outsource the Service Integration and Management Function?**

Organisations who move to a multi-vendor outsourced model have often transferred people and assets to the outsource supplier and, as part of this, the organisation has to be clear on what they will retain and how they will govern the suppliers. The difference is what is in the Retained IT organisation will or will not include the SlaM Function. This can be outsourced as long as it meets the CSFs above. However, an organisation that has a mature retained organisation, with significant supplier management expertise, has no real need to outsource the SlaM Function.

Only where the organisation has an immature Retained IT organisation or has low maturity in its service management processes will they want to outsource. In some instances, outsourcing the SlaM Function can enable the Retained IT organisation to mature and eventually insource SlaM after a period of time. Given the investment required to design and build a SlaM Function with effective processes and tools, leveraging the previous work of specialist SlaM outsourcers often makes sense.

Some organisations often wish to retain the SlaM Function for fear of losing control and others outsource without really understanding what it is important to retain.

**EXAMPLE:** Recently iCore have been working with a Global Service Provider who have outsourced some of their IT Services without considering the fact that those services were Business Customer facing services leading to the statement “We have given away the crown jewels!”

### **Understanding Accountability and Responsibility**

Where the organisation’s IT organisation understands the need to retain (and has the ability to define) key controls and decision rights, that fear is unfounded. The organisation’s IT organisation always will remain accountable to the Business for providing the required IT Services.

Where SlaM is outsourced, the IT organisation will retain the role of setting IT Policies, defining IT Standards and producing IT Strategy; making decisions (and setting the rules for rule-based decisions); owning contracts and acting in an assurance role above SlaM and all other suppliers. As such, the SlaM Function acts as the organisation’s ‘Agent’ ensuring the suppliers are meeting their responsibilities.

The organisation’s Retained IT organisation must have accountability for the IT Service delivered to the business and, as such, must:

1. Set IT Policies, Standards and Strategies (commercial, architectural, security and service design) that will be applied consistently across the IT Estate
2. Oversee the SlaM Function and the definition of the service management processes and controls to ensure these are in accordance with the organisation’s needs
3. Review the SlaM governance model for the delivery of IT Services to ensure that this will keep the other suppliers aligned to the organisation’s policies and standards

4. Run the selection process for new suppliers and negotiate and maintain the contractual relationships with all suppliers
5. Manage the supplier relationships at an executive level, controls, contracts and the payment of suppliers' invoices but needs to acknowledge that the SlaM Function performs the day-to-day supplier management activities
6. Manage enterprise risk management and controls and assurance activities through an audit or regulatory body to ensure the organisation retains the ultimate accountability for deciding whether solutions are to be accredited (e.g. security accreditation and regulatory compliance)
7. Oversee an enterprise architecture that defines the business, data, application and, at the highest level, the technology architectures, against which the suppliers design and deliver their services
8. Manage service performance , e.g., by making decisions about service improvement plans or the implementation of service credits which will be informed by reports from the SlaM Function e.g. for service level performance
9. Manage Business Relationships responsible for:
  - a. Understanding the priorities of the Organisation
  - b. Advising the organisation's composite businesses on how to drive benefits out of IT Services and contracts
  - c. Defining business services (made up of technology services) to be made available via the Business Service Catalogue

### **Service Integration and Management Implementation**

Although the SlaM Function is essential in the operating model of many Organisations, most SlaM implementations encounter significant challenges during implementation and operation. Indeed, in iCore's experience SlaM Functions rarely have processes that are clearly defined, successfully implemented, regularly measured and continuously improved over time.

One usual issue is that the purpose and role of the SlaM Model is misunderstood and misrepresented. This leads to mismatched expectations among the business, the IT organisation, the SlaM provider and the suppliers. A clear definition of roles, responsibilities and participation needs to be produced (often in the form of a RACI Matrix) which will ensure no one is expecting someone else to manage or resource the delivery of their activities and tasks.

In some instances an organisation will appoint a SlaM provider contractually but then fail to empower (or trust) the provider as the 'Agent', allowing for businesses and suppliers to bypass SlaM as the central governance and control point. If the SlaM provider is unable to fully perform that role, then the whole model falls into a vicious spiral with increasing bad practice and overworking. SlaM is increasingly bypassed and the organisation fails to deliver its target operating model and business commitments. Suppliers must have clearly defined service integration responsibilities, procurement teams must be aware of the need to include these clauses in all contracts and agreements, and the Retained IT organisation must be consistent in empowering SlaM as its 'Agent'.

SlaM must provide the governance of services against the standards and policies set by the organisation. Where such standards and policies are ambiguous, contradictory or incomplete,

governance becomes challenging and the SlaM Function must be prepared and allowed to challenge the policies and/or standards to make them more appropriate.

**TIP:** The implementation of the SlaM Function and processes will be a significant change to the IT organisation and to the suppliers, so it is essential that the implementation is managed as Business Change and is supported by an effective Communications Plan which makes the right messages get to the right people in the right way at the right time. You must ensure that no one impacted can say they had not been informed or engaged in the journey.

Where an existing Service Operations organisation is tasked with introducing SlaM this can often lack the necessary level of experience and expertise to build the right solution, and also the programme expertise, to drive delivery against an agreed plan. This will introduce risk of failure and so iCore recommend a blended team of in-house and external experts are used to deliver this.

Once an organisation has made the decision to outsource a SlaM capability they are often tempted to take an easy route by transitioning responsibility to one of their existing providers of infrastructure or applications services, particularly when cost reduction is the organisation's main reason for outsourcing. In such instances, the role of a service integrator will not succeed as it will lack objectivity (or be perceived to lack objectivity) and at the same time the role of the Retained IT organisation will be seen as a simple extension of the current operation.

As discussed, integration and governance functions are essential to maximize the benefits of outsourcing. In a well-coordinated sourcing transformation, the end-to-end IT operating model is considered before commencing the sourcing journey. Where this is not the case and a SlaM Function is being introduced retrospectively, input from specialist SlaM consultancy is recommended. It is essential that, whatever the timing of the decision the control functions of the Retained IT organisation are established early, setting the policies and standards for providers to deliver against. Implementation of the SlaM Function is prioritized to ensure the organisation is ready to effectively manage the other providers as they implement standard services and utility charging.

### **Summary**

In a time of continual business change it is essential that an organisation has a consistent, shared vision, underpinned by a robust operating model. As part of the operating model the organisation's IT organisation should consider what its sourcing model is going to be and how that sourcing model will be managed. This is where the Retained IT organisation and SlaM Function will play a major role.

Utilising the SlaM Model, the IT organisation will be in a position to deliver:

1. Consistent cross-provider service management processes
2. Contracts and service levels with each provider that support the role of SlaM and cooperative working practices across providers
3. Effective governance forums, processes and controls that enable the organisation to manage risk, exercise appropriate control and provide direction to the providers



4. A business change lifecycle which ensures the early consideration of how a new service integrates with existing services
5. A consistent understanding of the roles of the parties through communication and education
6. Zero-tolerance policy to non-adherence to the governance model and processes, ensuring suppliers interface with the governance model appropriately
7. Buy-in from the businesses through education on the benefits and their engagement throughout the life cycle
8. A robust program and project structure, which includes a clearly defined outcome with key deliverables and acceptance criteria set at the start, including functional and non-functional requirements
9. Appropriately skilled and rewarded teams made up of all parties, including project and program management skills, service management experts, business representatives and operational leads with accountability for the future state processes
10. A continuous service improvement culture, characterized by the evolution of existing service management processes, the delivery of early benefits, and the perpetuation of benefits beyond the initial delivery

### **About iCore**

iCore is the largest independent, specialist IT Service Management consultancy in the UK. We focus on designing and delivering robust and pragmatic IT Service Management solutions that stick. We have a long and impressive track record of helping global companies build, improve and operate their Service Management Organisations.

iCore are used to working in complex, multi-vendor environments servicing global, multi-platform client organisations. We are also experienced in helping to support, complete and recover failing and incomplete implementations and transformations (often having to build on proprietary and/or 'non-best practice' service management architecture, strategies and processes and with organisational models that have been designed by other organisations).

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