



## *Multisourcing Service Integration:* Dispelling the Top 3 Myths

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### Abstract

As with any industry, the IT sourcing industry sees continuous change in what is considered “best practice” to achieve their business outcomes. From large-scale outsourcing, to in-house consolidation, to multi-supplier environments, IT organizations evolve their sourcing and delivery ecosystems to meet business unit needs.

With the onset of “as a service” delivery models, business units no longer need central IT to help them keep pace with a rapidly changing market. However, enterprises still must manage their IT spend and strategy, lest they revert to the old days of IT sprawl followed by massive consolidation followed by... and the cycle repeats.

Technology’s increasingly rapid pace of change demands that delivery organizations build a continuously adapting delivery model – one that provides more flexibility than monolithic outsourcing contracts have historically offered. Organizations must also leverage market-based capabilities that internal IT shops no longer need to replicate. Managing a multi-supplier environment offers its own set of challenges. New delivery models have evolved to assist organizations in meeting those challenges. This paper readdresses issues we have previously explored in a series of blogs, and in bringing fresh perspectives, seeks to dispel some of the myths that have emerged around multisourcing service integration.



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## 1. Introduction

### ***Multisourcing Service Integration – another “buzz concept” or a sustainable model?***

Much is being said and has been written about multisourcing service integration (MSI). In volume terms, most has been written by observers, commentators, analysts and advisors. Relatively less has been written by experienced practitioners, and simply because these are still early days. There are relatively few live instances of mature MSI models in the market. Moreover, the terms MSI and SIAM (service integration and management) are often used interchangeably, even though they are quite different. This paper is a practitioner’s perspective on some of the myths that are circulating about this evolving model.

Despite these myths, a growing number of organizations see the benefits of multisourcing and are exploring the MSI model to manage the purported benefits of a multi-supplier model. In a 2015 “State of the Industry” report recently published by the International Association of Outsourcing Professionals,<sup>1</sup> the trends toward multi-supplier environments are well-documented:

- *More than half (53 percent) of outsourcing customers are currently working with multiple service providers, which is a 16 percent jump from the previous year.*
- *Only 2 percent of customers that multisource reported that they haven’t put any service integration and management processes in place. It is most common for customers to create new performance management and contract management processes, but operational and financial metrics are also frequently changed.*
- *Customers want contract flexibility because they fear being locked into agreements that can’t keep pace with changing technology and business conditions. That is a major reason why outsourcing contracts have become shorter.*
- *Customers are not pursuing shorter contracts so they can more easily replace their service providers. Multisourcing is increasing, but in most cases it is used to add more service providers rather than to replace the incumbent. Only 3 percent of attendees polled at the 2015 IAOP Outsourcing World Summit said they want more flexibility to replace service providers.*

<sup>1</sup> International Association of Outsourcing Professional (IAOP). “State of the Industry 2015” 26-May-2015



It is important to highlight the drivers behind the change to this new model: flexibility and technological currency. Organizations do not see existing suppliers as “enemies.” Rather, they have simply come to see the inflexibility inherent in traditional outsourcing arrangements.

***Looking ahead***

For far too long, sourcing “strategies” have been used more as transactional initiatives to gain better leverage and pricing over suppliers. Although lower cost is an understandable goal for a buyer, the new IT ecosystems are increasingly strategic. Understanding how to manage a multi-supplier environment, the relationships across that environment and the stakeholders that environment impacts is the new game for any delivery organization.

Dispelling the myths of the MSI model will foster understanding and adoption of an approach that will help organizations evolve, grow and serve their customers.



## 2. First Myth – *Introducing an Integrator costs more*

**This myth is false.**

**Reality:** *The Integrator can be self-funding and should create opportunities for savings across the other service providers in the towers.*

An Integrator is not the addition of a new layer of management within an IT environment. Rather, it is the extraction of existing functions (typically from an existing outsourced environment) that are critical to the success of IT service delivery and management. These functions, most easily described as the cross-functional processes that bind service delivery (i.e., ITIL based processes), are often managed in an opaque manner with little buyer visibility.

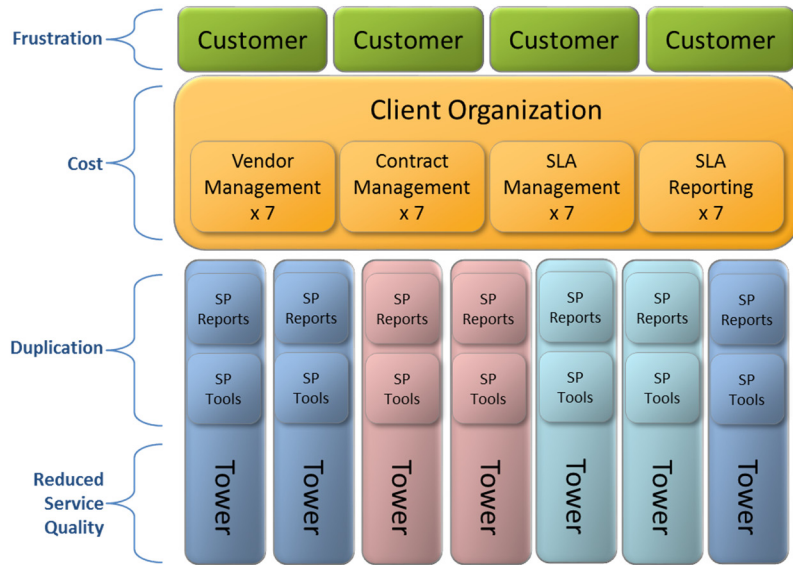
In all IT outsourcing contracts, there should be elements of cross-functional services – those areas where the supplier undertakes to make its service work effectively with those of other suppliers. These are the elements that tend to be the most poorly delivered, carry the most contingency cost or risk premium and, because they are an area of supplier insecurity, tend to stifle innovation. As suppliers and buyers alike have improved their ability to manage the basic availability requirements of IT service delivery, the need to move up the value chain and find improvements to the cross-functional services required to manage complex solutions has grown more acute.

Typical cost ranges for the cross-functional services component are between 15% and 20% of total outsourced services. Our experience shows that clients may reasonably expect – for every \$100 of existing expenditure – to remove \$20 to pay for substitution by an integrator, in turn costing between \$15 and \$20. This is a cost-neutral outcome on a run-rate basis. These figures do not include one-time transition costs, which are always specific to the incumbent's contract provisions and will be treated on a case-by-case basis.

Further, on a tower-basis, the greater visibility engineered by the introduction of an integrator will allow buyers to remove another 5% to 10% in contingency cost or “risk premium” as each tower is re-set and integrated, and as overlaps and duplications are identified and driven out.

The figure below depicts the areas of overlap and inefficiency that are typically seen in a modern IT enterprise. The challenge lies in extracting the value, eliminating duplication and improving transparency into the cross-functional layer. Before the professionalization of cross-functional services through the MSI model, organizations had few choices: they could invest in internal capabilities or demand more from the provider. Both are options, but both are unsustainable strategies.

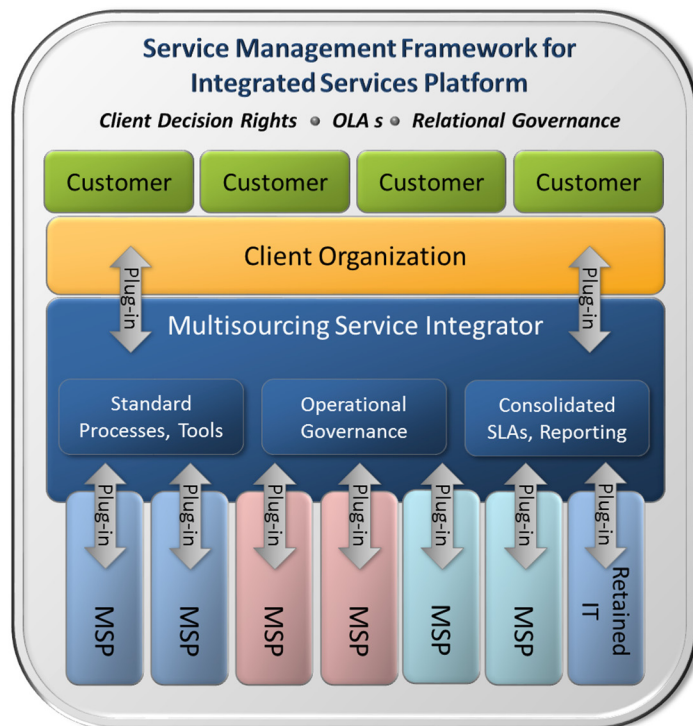
- Business intolerance with variation and lack of accountability
- Oversized retained IT organization
- Duplication of supplier overhead, service management, and tool costs
- Heterogeneous service reporting and lack of transparency
- Inadequate interdependence between suppliers
- Poor service assurance through traditional SLAs



The real potential for efficiency gains lies in operations. The MSI model proactively encourages the parties to work and share together, through a combination of Operating Level Agreements, Shared Service Levels, and aligned incentives (more on this later). The potential is to see and innovate, to remove unnecessary processes, and to be lean. There can be further efficiencies of the order of 15% or more (dependent on the level of maturity of the operating environment).

The figure below depicts the value an MSI can add to an IT ecosystem.

- Business Unit (end-user) interface is standardized through consistent processes, tools and reporting
- Governance efficiencies are optimized via a consistent contract and SLA structure
- Service providers “plug & play” into a defined set of processes and tools
- Shared SLAs and a set of OLAs govern and incent cooperation between providers, resulting in increased quality of service
- Replacing service providers becomes less disruptive and creates less risk





The State of Texas Department of Information Resources (DIR) offers the proof point for these assertions.

In 2006, the State was experiencing significant challenges with its IT outsourcing model. The State's Department of Information Resources (DIR) determined that a different approach would be required to ensure the success of a stalled transformation project. In choosing to take the MSI route, the State was able to replace, repair and regain the original promise of transformation without paying \$1 extra<sup>2</sup>. A new deal structure, a new governance model, and an iterative approach to re-procurement allowed DIR to unpack and re-pack the service delivery model. Integrus Applied provided the strategy and developed the model and forums that separated out the cross-functional services and facilitated the de-risking of the multiple service provider positions. The program succeeded in getting the transformation back on track, and the governance model was awarded special recognition by the National Association of State Chief Information Officers (NASCIO)<sup>3</sup>.

Most recently, Integrus Applied has worked with the State of Georgia to establish a third-party integration role within the existing scope of outsourced services. The Georgia Technology Authority (GTA – also the office of the State CIO) was planning to be more responsive to agency business needs and build a platform of service offerings to keep pace with customer and citizen demand. In this case, the State was looking for improved transparency into service delivery and an ability to add new services more effectively. With the help of Integrus Applied, Georgia worked with the incumbent infrastructure services provider to realign its contract while extracting certain cross-functional services. In parallel, Integrus helped Georgia through a scoping exercise, procurement process, and selection of an MSI provider.<sup>4</sup>

The extraction of functions from existing providers, the clear definition of MSI services, and a competitive procurement process allowed this contract to be self-funding (excluding one times and transition costs).



### 3. Second Myth – *An Integrator is merely a substitute for Governance*

**This myth is false.**

**Reality:** *An integrator provides greater transparency into governance processes and enables the client organization to gauge governance more effectively.*

Many CEOs, CFOs and COOs continue to feel underwhelmed by the promise of IT outsourcing and understandably so – the outcomes have been inconsistent. Cost efficiencies have often been elusive, transformations a catalog of broken promises and innovation a fairy tale. The introduction of new IT systems has often been fraught with delays and cost overruns. Some say that as much as 80% of IT outsourcing contracts have failed to deliver against plan<sup>5</sup>. Scope creep and value leakage are the dominant perceptions.

<sup>2</sup> Integrus Applied. "[State of Texas Transforms IT Infrastructure Program.](#)" 31-Jul-2012. Web retrieved 25-Aug-2015.

<sup>3</sup> NASCIOmedia via YouTube. "[State of Texas Data Center Services Governance Model.](#)" 29-Sep-2014. Web retrieved 25-Aug-2015.

<sup>4</sup> Georgia Technology Authority. "[Multisourcing Service Integrator Chosen to Coordinate State's IT Services.](#)" 16-Mar-2015. Web retrieved 25-Aug-2015.

<sup>5</sup> Gartner. "[Gartner Says 80 percent of Customer Service Outsourcing Projects Aimed to Cut Costs are Destined to Fail.](#)" 4-Mar-2005. Web retrieved 25-Aug-2015.

No matter how much an IT delivery model is outsourced or insourced, the CIO is accountable for the effective delivery of IT services. S/he is the first person the Board turns to when technology-related mistakes are made.

So, the retained IT organization develops a habit of stepping in as and when problems arise. Instead of being the voice of the organization – its business partner in the development of business services looking outward to the market – it increasingly develops an inward-facing mentality that ends up duplicating some of what the supply chain should be delivering. This dynamic creates a risk that the “policing” function of the retained organization will grow to cope with the tension between service delivery and innovation.

A recent survey by IT services company Calyx of some 200 CIOs and IT Directors<sup>6</sup> suggests only a third see their main responsibility as driving strategic growth through technology and about a half are spending most of their day fire-fighting. The system in these circumstances can be unwieldy, exaggerated by the difficulty of trying to manage suppliers in the delivery of cross-functional services.

These services are carefully built into supplier contracts, but are rarely efficiently or effectively delivered because they are opaque. What has been ignored for some time is that these are the very services needed for transformation, innovation and true “plug & play” competition.

To avoid this, the integrator should be a separate function and an agent of governance. It is a role that lives primarily in service delivery: performing coordination, validation and verification in support of the governance function. An Integrator's role is to professionalize the cross-functional services, which formerly existed (or should have existed) within the scope of outsourced service delivery towers. It is responsible for driving accountability across the service delivery chain into and including the client organization. This enables the buyer's governance function to focus on strategy and on the voice of the business – reinvigorating or even supercharging governance.

In our experience, this does not necessarily mean that the integrator function needs to be provided by a third party; there is not a “one size fits all” solution.

What makes for good governance is a clear separation of roles and responsibilities between client and supplier, and the ability to make decisions at the lowest possible level. It's for good reason that most western democracies have clear separation of powers between executive, legislature and judiciary. The same can be said in IT sourcing. Many problems surface when the boundaries become blurred. When the client organization steps in, questions of accountability become confused and the apportionment of responsibility becomes a battleground. Establishing or stabilizing these critical functions through documentation of processes, role identification, and clarification of responsibilities is key to success.

But this is well known, and by now rote. A cottage industry of consulting services has sprung up around “governance,” what it means and how it should be applied. Integrus Applied argues that the traditionally opaque nature of governance, which at the service delivery level should be driven by the service provider(s), has created this market.

But what if within the integration of services, governance could be more transparent and more accountable? What if the client organization could spend less time inside the governance “machine” and more time focused on the outcomes that governance should produce? Results would improve and the CIO could focus more on strategy. We believe the MSI model can move an organization toward this goal.

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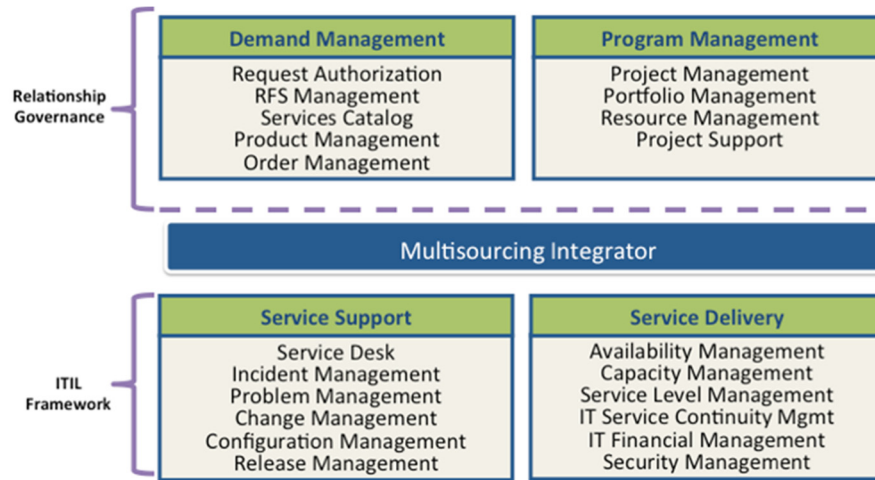
<sup>6</sup> Calyx Managed Services. [“New Calyx Survey Reveals Frustrated CIOs Struggling to Keep IT on the Strategic Agenda.”](#) 14-Mar-2014. Web retrieved 25-Aug-2015.

Sourcing the integration function to an external party is a “pure play” approach that many organizations might prefer based on their own strategic objectives and investment priorities. This approach does allow for the cleanest demarcation of responsibilities, and the fastest implementation of integrator capabilities.

Of course, there are a number of variations of the integrator model, as there are with any IT service. Whether an organization decides to outsource, insource or create some hybrid of the two, experience proves the paramount need for separation of responsibilities. The buyer’s governance team must retain overall policy direction, change approvals, and ultimate accountability to ensure service provider performance (as previously discussed). A maturing of cross-functional services will allow this governance team to better focus on its key role of interfacing with and serving customers.

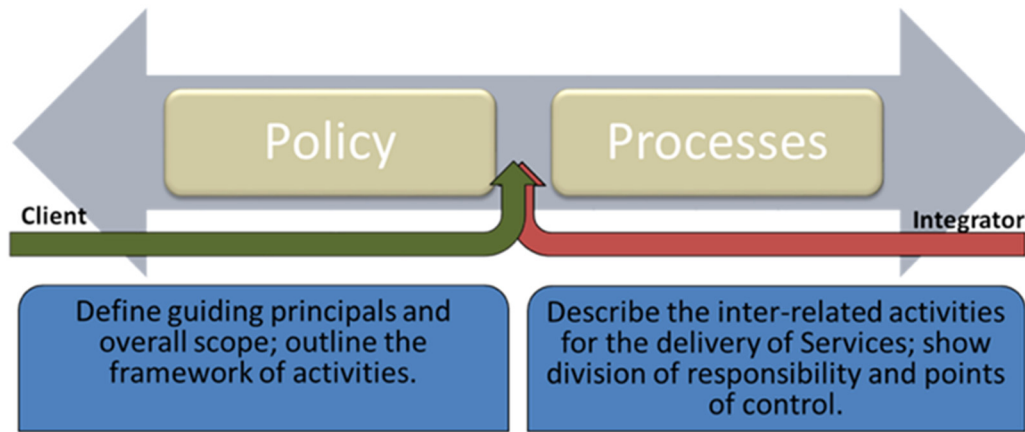
The services integrator takes on the cross-functional delivery services (typically ITIL based), the governance of those services, the service desk, the CMDB, and OLA development. These frameworks provide a solid base from which to allocate roles and responsibilities.

The figure below takes an ITIL based approach to define roles and responsibilities:



Some of the functions that have traditionally been held by the buyer’s governance organization may fall to the integrator in this model. As illustrated by the figure below, policy will tend to be in the realm of the client and processes in that of the integrator – “tend”, because this is a continuum of evolving services. It might help to think of the point where the responsibilities of the two parties meet as the button on a slider control – it can be nearer one end or the other as required, and is not permanently fixed in any position over time. In a recent discussion with a global organization moving towards a hybrid model, they could see how they might initially award more functions to an external organization, but over time plan to bring more of those functions in-house as their implementation and skills base mature.





Regardless of the model, all parties must understand the vision for the model, the objectives for the organization and the needs of the customers the IT organization serves.



#### 4. Third Myth – *Just another name for Service Management*

**This myth is false.**

**Reality:** *Service Integration is neither Systems Integration nor Service Management – nor the software that enables either. It's more sophisticated than that.*

Let's look at Gartner's definition of a Service Integrator:

*A multisourcing service integrator (MSI) is a role undertaken by the client, or a third party contracted by the client organization, to act as its agent to coordinate and integrate service delivery in an environment that uses multiple internal and external service providers to deliver IT and business process services.*

Key words here are “coordinate and integrate”. An orchestrated and fully integrated services platform will enable plug and play of multiple service providers across and within towers. In the UK, where the Government is driving for multiple, relatively lower value contracts of no more than 2 years duration<sup>7</sup>, this is rapidly becoming the reality – constant churn. Such an environment drives the need for greater flexibility than is possible in a more traditional prime/sub environment. The states of Texas and Georgia also see the same potential in a fully integrated services platform.

To achieve an organization's goals, this platform must be much more than just good tools and good contracts. Good tools can bring efficient ticket handling and greater visibility. Good contracts will make contract management easier and can deliver a level of uniformity.

Good contracts and tools, however, are only parts of an operational platform of practice built around *shared tasks, shared accountabilities* and, with good tools in place, *shared information*. Contracts and tools do not by themselves deliver high levels of service, provide the ability to manage changes in technology or address organizational demands. An effective platform brings all service elements and parties together (so it clearly

<sup>7</sup> Davies, Sally. [Financial Times](#). “[UK ministers cap government IT contracts at £100m.](#)” 24-Jan-2014. Web retrieved 25-Aug-2015.

goes beyond just providing a Service Desk, for instance) so an organization receives the services it needs and is able to adapt with time and changes in technology.

Which begs the question: can we more tightly define what an Integrator does? And the top-level answer is *Cross Functional + Co-ordination + Collaboration + Control*.

- **Cross-functional:** as elaborated above, the integrator professionalizes the cross-functional elements that provide for the smooth delivery of cross-provider and cross-tower services.
- **Co-ordination:** ensuring that service elements from multiple sources, be they internal, legacy, delivered by several similar providers or as a service from the public cloud, come together to provide an acceptable business service to users. This includes the management of governance forums.
- **Collaboration:** creating a platform of practice underpinned by agreement between the parties to ensure they all work together for the common good, because they see their own advantage in so doing. Collaboration includes the end user through governance forums and operating level agreements.
- **Control:** providing the tools that add transparency into service delivery and accurate measurements of outcomes such as SLAs.

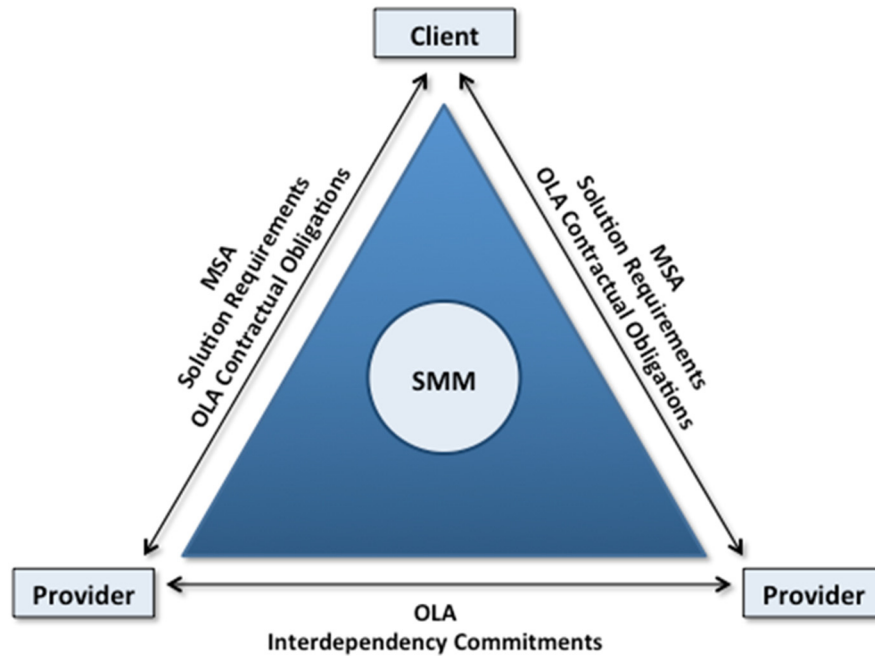
In addition to the tools and processes that integrators must use to affect the “4-Cs”, two features of an integrated environment must be implemented to achieve optimal results: Operating Level Agreements and Shared Service Levels. These concepts have been around for some time, but are rarely implemented. While complex to create, the process of doing so gives greater definition of the service elements provided by a central IT organization. More important, OLAs and Shared SLAs engage the end user and create accountability through the service providers and into the client organization. Transparency into each step of a service reduces finger pointing and allows grater focus on business objectives. OLAs and Shared SLAs are described in more detail in another of our papers, but here are the points relevant to the present argument.

### Operating Level Agreements (OLAs)

Operating Level Agreements (OLAs) serve to document the relationship between service providers and components (or towers) of service delivery. Integriris Applied has built a three-part model, establishing a requirement in each service provider’s contract with the client to establish and stand by OLAs with other parties.

<p><b>Part A</b> <i>Contractual Framework</i></p>	<ul style="list-style-type: none"> <li>• Procedural rules related to management and cooperation</li> <li>• Change and approval processes for OLAs</li> <li>• Inter/intra provider dispute management and escalation</li> </ul>
<p><b>Part B</b> <i>Between Providers</i></p>	<ul style="list-style-type: none"> <li>• Acknowledgements of cooperation and reliance between providers (e.g. tool sharing)</li> <li>• Mutual obligations to the client</li> <li>• Procedural rules established between service providers</li> </ul>
<p><b>Part C</b> <i>Between Components</i></p>	<ul style="list-style-type: none"> <li>• Elements align with components of the Service Management Manual (SMM) and are solution-specific</li> <li>• Process descriptions / parameters / targets established between service providers</li> </ul>

- Role descriptions and operations management protocols established between service providers and include the client



### Shared Service Levels

In an environment where successful delivery of service to the end user relies on elements from multiple providers, the service level methodology must recognize that success is a joint responsibility.

It is important to note that not all service levels in this approach are shared among service providers. There are three categories of service levels, and only the fully shared category includes a single measurement that affects two or more providers.

<b>Fully Shared</b>	<ul style="list-style-type: none"> <li>• Identical metric descriptions and targets for each provider</li> <li>• Single measurement affects two or more providers</li> <li>• Measurement approach and targets must remain identical through the term</li> </ul>
<b>Related</b>	<ul style="list-style-type: none"> <li>• Measurements are based on similar pools of events but occur separately for each provider</li> <li>• Targets may fluctuate over the term</li> </ul>
<b>Unique</b>	<ul style="list-style-type: none"> <li>• Measures services specific to a provider</li> </ul>

While Shared Service Levels and OLAs are beyond the scope of the paper, this brief discussion of each helps dispel the myth that the Integrator model is merely “service management.” The integrator is a piece of a platform that creates transparency across delivery functions, improves the definition of outcomes and engages the client organization and end users in all steps of the process.



## 5. Conclusion

Adoption of a Multi-sourcing Service Integration (MSI) model is a strategic effort that organizations should consider as a means to manage a new type of complexity in services management and delivery. The MSI is an integral part of a platform that should be cost-neutral, drive service improvement, uncover cost efficiencies (either returning savings to the business or allowing reinvestment) and improve business flexibility and innovation.

In spite of the many myths that exist about this model, Integris Applied has found that the application of an MSI within a forward thinking organization can improve outcomes for the IT organization and the business. We believe, as we do for any sourcing engagements, that the model must engage the entire organization, create platforms for healthy relationships, and be perceived by all stakeholders as more than a transaction.

The MSI is no panacea, nor is it sufficient in and of itself for the creation of a mature integrated services platform. But in our experience, it is a capable model that applies lessons learned from decades of outsourcing to address an IT organization's needs. By moving up the value chain of the delivery stack to the cross functional, client organizations will have more transparency into service provisioning than ever before. They will be able to focus on strategic oversight rather than operational governance. And by creating a platform that allows for multiple suppliers, it is easier to manage existing services, introduce new services, and provide real innovation.



**Integrus Applied** is redefining sourcing for our clients. We rebuild relationships, unlock value, and restore trust. With deep roots in the sourcing industry, we have walked in our clients' shoes – as buyers, sellers, and advisors. Integrus Applied helps redefine an organization's IT ecosystem to integrate modern delivery platforms (such as XaaS) with legacy systems and retained organizations. We focus on IT strategy, sourcing deal design, procurement support, governance, and platform design. We assist our clients with the structuring of governance and relationship management models, executive mentoring and coaching, and mediation on behalf of the parties' shared interests in the long-term health of the relationship. We have a strong track record in commercial and state government environments with a specialty focus on multisourcing and multiparty integration and collaborative negotiation. We consult. With perspective.

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