

Case Study: US Automotive

Decreasing Time to Value by Accelerating Sourcing Transactions



John Pirtle and Randy Tucker

'Technology-enabled business transformation' is an expression that has been in vogue for some time. As both public and private organizations react to changing market dynamics, and establish new ways to operate, they recognize that the technology that underlies operations is instrumental to success. Strategic sourcing is one of the ways technology estates can be adjusted to cope with the demands of business transformation. Outsourcing to third-parties can introduce a variety of benefits ranging from reduced costs to increased flexibility to better resilience.

But, business transformation is typically urgent and one of the concerns associated with outsourcing is that it takes a long-time. The broad perception is that it takes 9-12 months to execute a large-scale IT infrastructure-outsourcing agreement from start to finish. Many do take that long, but they don't have to.

Throughout the 1980's and 90's, one of the big three US automakers was going through a series of business challenges. For a brief period in the mid-2000s, its fortunes looked to be improving, but the revival was short-lived and it soon headed back into difficulty. By 2007, the situation was serious and it's parent announced it would sell its majority stake and return the company to single-brand status.

Despite the significant challenges, a revamped leadership team set about instituting a turnaround. Technology, which was generally perceived as misaligned with the business, was one area of immediate focus. IT infrastructure was under the responsibility of a legacy outsourcing contract and applications development and management was a mix of in-house and external vendor contracts. Overall, it was a fragmented, costly, poorly coordinated, and inefficient environment that had evolved over years of changing priorities.

With a strong sense of urgency, the leadership team set a narrow window in which to make significant changes. Recognizing that time pressures (combined with a large and complex technology environment) would introduce risk to the achievement of its goals, it brought in outside sourcing advisors to help institute the change. A team, led by John Pirtle and including Randy Tucker (now with Integrus Applied) was soon on the ground and preparing to help the iconic American brand redesign its technology environment.

With the clock ticking, the engagement moved at a fast pace. The advisory team spent time engaging with multiple layers of the organization from the CEO down – developing a comprehensive view of the current situation and a vision for a future operating model. They then crafted a preliminary path for how to achieve the vision and built consensus for it across the entire organization.

With agreement on the strategy, the project moved into execution mode with three core teams established: one for IT infrastructure, another for applications and a third for sourcing management. They worked independently to define what was required to achieve success within their specific areas of responsibility but came together to collaboratively develop a cohesive 'offer package' for presentation to the market.

The strength of the offer package meant that the organization knew *exactly* what it wanted to buy and how it wanted to buy it. It included 'contract ready' documents such as core requirements, statements of work, detailed service-levels, pricing structures and master service agreements. Most importantly, it was pre-agreed with key stakeholders and the procurement organization, dramatically reducing the time required to go to market and solicit bids.

To further compress timescales, care was taken to select service providers based on their proven ability to deliver the in-scope services across the geographic footprint required by the 5-year business plan. John Pirtle together with the CIO and Head of Procurement met with the senior leadership of each potential service provider. They explained the scope of the sourcing initiative; procurement guidelines and accelerated timeline and sought assurance that the service providers would engage their 'A-Team' to meet requirements. This was a classic "*look me in the eye*" moment where both parties make personal commitments far beyond the scope of legal contracts.

The final result was new global sourcing agreements for both infrastructure and applications, defined, negotiated and closed within a three-month window (and equally rapidly delivering positive RoI). Significant cost savings were realized, headcount was reduced, new approaches were initiated (such as offshore delivery centers), and alignment to the overall business priorities was strengthened. At the same time, world-class service management and governance processes were introduced to ensure that improvements were maintained over the long term. Most importantly, the technology transformation gave the leadership team the 'breathing room' it needed to work on other aspects of the transformation.

While this case study is from last decade, the overall approach is every bit as relevant today as it was then. Outsourcing agreements don't have to take 9 months! They can be accomplished in much shorter timescales if some fundamental principles are adopted:

- Work across the entire organization to clearly articulate a vision, requirements and anticipated outcomes.
- Pre-select potential providers that are qualified and motivated.
- Engage in open and honest conversations with potential providers regarding the current situation and future desired state.
- Focus on stakeholder engagement, actively involving all interested parties and giving them a voice in the process.
- Streamline the decision-making process through engaged leadership and partnering with procurement.

About John Pirtle

John is an outsourcing and shared services innovator focused on the effective and efficient management of Information Technology and Business Process Outsourcing relationships. With over 30 years of international business experience, he has shaped over 50 major relationships totalling in excess of \$100bn of contract value.

About Randy Tucker

With direct experience of more than 50 engagements across multiple industries, Randy is an acknowledged expert in the field of sourcing advisory. He has guided some of the worlds largest companies through hugely complex transactions that have transformed their businesses. He is a leader in second generation sourcing techniques, setting precedents for the industry and how clients interact with the market.

**ABOUT US**

We guide clients through the changes required to implement sustainable technology-led strategies. We shape IT organizations and environments with an approach that unifies vision, action and the people who influence both. We have walked in your shoes as buyers, sellers and advisors ... and will walk with you now, on your journey.