Government IT

OUTSOURCING

Strategies

Irma Mentzer
Information Management Technology
World Bank Group
EA Frameworks

TOGAF ADM  Source The Open Group

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IT Sourcing Lifecycle

To improve performance, CIOs must strengthen sourcing management processes across all phases of the sourcing lifecycle.

Establish a Sourcing Strategy

1. Align with Business Strategy
   - Test suitability of sourcing models for organizational requirements.
   - Assess process readiness.
   - Align sourcing strategy to business goals.

2. Understand the Sourcing Environment
   - Capture high-level business need.
   - Baseline existing vendor spend.
   - Conduct market assessments.
   - Evaluate sourcing model options.

3. Establish Sourcing Management Structures
   - Structure the vendor management office.
   - Align IT sourcing roles to sourcing strategy.
   - Enlist business partner support.

4. Evaluate and Select Vendors
   - Conduct prequalification assessment.
   - Create RFP or RFI.
   - Define selection team.
   - Establish criteria for vendors.
   - Plan for vendor risk mitigation.

5. Negotiate and Develop Contracts
   - Conduct a proof of concept.
   - Negotiate mutually acceptable targets.
   - Baseline service levels.
   - Finalize SLAs.
   - Develop contracts.

6. Onboard and Transition Vendors
   - Onboard new vendors.
   - Create transition plans.
   - Manage staff changes.
   - Implement training programs.

7. Govern and Manage Vendors
   - Segment vendors.
   - Tailor sourcing relationships.
   - Measure vendor performance.
   - Institute performance improvement processes.
   - Manage multisourcing environment.

8. Manage Vendor Risk
   - Track risks across sourcing lifecycle.
   - Develop metrics that predict vendor risk.
   - Prioritize vendor risk assessment.
   - Monitor vendors continuously.
   - Assess cloud vendor risks.

9. Realize Value
   - Be a customer of choice.
   - Embed innovation.
   - Manage outsourced staff engagement.
   - Restructure and renegotiate contracts.

Manage a Sourcing Relationship
An Outsourcing Framework

- Align it to the IT and Business Strategy
- Ensure a problem definition that is backed by business requirements or a hypothesis
- Understand the framework
- Use Industry Good Practices but customize/adjust where necessary
- Conduct a Readiness Assessment
- Develop stakeholder engagement model
- Don’t be afraid to make a decision
- Agree on operating and/or decision making principles
- Establish Key Success Factors
Putting the IT Outsourcing Framework into Practice

A Case Study

From an IT Outsourcing Framework to an Outsourcing Strategy and Policy

Client: CAIT (Central Agency for Information and Technology)
Task Team Leader: Randa Akeel, Senior Economist
IT Outsourcing Lead: Irma Mentzer
Understanding the framework and how you will use it

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Source: CIO Executive Board, Sourcing Handbook
What the Framework meant for CAIT

<table>
<thead>
<tr>
<th>In Scope</th>
<th>1</th>
<th>Align to GoK Strategy</th>
<th>Business Goals</th>
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<td>Evaluate &amp; Ensure &quot;Readiness&quot; for IT Outsourcing</td>
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<td>3</td>
<td>Grounding the Policy in the Outsourcing Strategy mandated by CAIT</td>
<td>Process and guidelines</td>
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| Out of Scope | 4 | Execute + Implement |

GoK Outsourcing Strategy Framework:

1. Building Information Society
2. Empower Private Sector Development
3. Private Sector Buy-in
4. Public Sector Buy-in
5. Process and guidelines
6. Success factors
The Strategic Development Objectives of the State Vision for Kuwait under the two primary pillars stipulated in the 2009-2014 National Development Plan are:
1. Private Sector Development
2. Building the Information Society

CAIT’s Development Goals/Objectives are to contribute to a diversified, private sector-led economic growth, specifically aimed at:
- Promoting Entrepreneurship in ICT
- Improving Technology Service Delivery and Information Sharing
- Facilitating and promoting innovation in ICT, in order to differentiate Kuwait as a Regional ICT Hub

The Strategic Goals of the GoK’s IT Outsourcing initiative are as follows:
- Provide Employment Opportunities for National Labor in the Private Sector (created by the Government Sector)
- Provide more growth opportunities for the Private Sector
- Expand the role of Small and Medium Enterprises (SMEs)
- Promote innovation and enable a Knowledge and Digital Economy

*Captured via discussions with CAIT Leadership at the World Bank-CAIT IT Outsourcing Workshop held in Kuwait City, Kuwait in November 2012*
**Applying the Framework: Standard Steps to Establish a Strategy**

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- The Multiple Provider IT Outsourcing Model was selected as the primary Outsourcing Model for the GoK*
- The Business Process Outsourcing (BPO) Model will potentially be used when technology is used as an enabler for business processes and functions, such as in the cases of e-business and e-government services*
- The GoK’s IT Outsourcing Strategy should be aligned to its Business Goals

- The business need and advantages of IT Outsourcing for the GoK has already been established
- The GoK/CAIT should conduct Market Assessments to understand IT Outsourcing Vendor offerings, which is also covered in the ICT SMEs Policy Framework based on assessments of the SMEs in ICT in Kuwait
- The Multiple Provider IT Outsourcing and Business Process Outsourcing (BPO) Models are evaluated for best fit for GoK,

*Captured in the World Bank-CAIT IT Outsourcing Workshop held in Kuwait City, Kuwait in November 2012

Source: CIO Executive Board, Sourcing Handbook
IT Outsourcing Best Practice Models - II

Further Evaluate IT Outsourcing Options

Vendor Involvement

- Insourcing: Internal staff is augmented with external contract employees.
- Outsourcing: Specific projects or services are owned and managed by vendor to meet expected outcomes.
- Managed Services: Vendor takes on accountability for business-level end-to-end outcomes.
- Offshoring: Sourcing work to a low-cost location with great geographic distance/time zone difference.
- Onshoring (Cloud, Package): Sourcing work to a low-cost location within geographic proximity/similar time zones.
- Near Shoring: Sourcing work to a low-cost location within the same country.

Geography

- Single Sourcing: A single vendor provides the entire set of services.
- Multisourcing (Lead Vendor): One vendor manages the other vendors through operating level agreements.
- Multisourcing (Vendor Competition): Multiple vendors are under contract and can compete for any project.

Number of Providers

Source: CIO Executive Board, Sourcing Handbook
GoK IT Outsourcing Best Practice Models: Model Options

The Multiple Provider IT Outsourcing Model: Outsourcing IT services to multiple off-site providers. It was selected as the primary Outsourcing Model for the GoK.

The Business Process Outsourcing (BPO) Model: Outsourcing business processes to an off-site provider. It will potentially be used when technology is used as an enabler for business processes and functions, such as in the cases of e-business and e-government services.

*Captured in the World Bank-CAIT IT Outsourcing Workshop held in Kuwait City, Kuwait in November 2012

**GoK IT Outsourcing Best Practice Models:**

**Pros**

- Gain the ability to focus on an organization’s core competencies (for a Government it would be serving its Citizens)
- Gain access to specialized IT goods and services, and take advantage of different vendors offering specialized services (in the Multiple Provider Model)
- Improve service delivery by increasing operational efficiency through utilizing specialized vendors that provide the highest quality and leverage leading-edge technology and innovation
- Obtain predictability and reliability by use of fixed-price contracts where the outsourcer provides negotiated-levels of service for a fixed price
- Contain costs, particularly during periods of increasing demand for IT goods and services

*Captured in the World Bank-CAIT IT Outsourcing Workshop held in Kuwait City, Kuwait in November 2012

Source: A Strategic Guide for Local Government On: Outsourcing, A Strategic Guide with Insight from the Center for Digital Government, IBM*
GoK IT Outsourcing Best Practice Models:

Cons

- Scoping and negotiating multiple agreements can be resource-intensive and time consuming (can unintentionally slow down organizational activities)
- Security risks maybe posed by vendor access to organizational data and process (especially in the case of classified material)
- A higher level of client management and monitoring is required for “vendor management” activities, and can “take away” organizational management from core activities
- Interdependencies with diverse processes and related integration efforts may make multi-vendor relationship management complex
- The costs associated with multiple evaluations, contract negotiations, and ongoing monitoring to manage and coordinate outsourcing efforts are likely to be greater than with a single vendor engagement
CAIT’s Key Success Factors

**Agree** on the operational model across agencies

**Identify** key stakeholders and **outline** their roles and responsibilities

**Create** and **maintain** transparent decision making

**(Re)define** required skills and **ensure** capacity building

**Do not underestimate** the time, skills, and effort needed for vendor management

**Establish** an Outsourcing Management Office (versus a Vendor Management Office)

**Establish** guidelines to measure success

**Assess** stakeholder readiness
## CAIT’s Final Deliverables

<table>
<thead>
<tr>
<th>IT Outsourcing Framework &amp; Strategy</th>
<th>IT Outsourcing Policy</th>
<th>Implementation Guidelines</th>
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<tr>
<td>A customized Framework &amp; alignment to strategic goals</td>
<td>Drivers for Outsourcing</td>
<td>IT Outsourcing Procurement Guidelines</td>
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<tr>
<td>The Outsourcing Strategy</td>
<td>Business Goals</td>
<td>Outsourcing Management Office (versus Vendor Management Office)</td>
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<td>The IT Outsourcing Lifecycle</td>
<td>Outsourcing Policy and Guidelines</td>
<td>Risk Management Framework &amp; Workshop</td>
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<tr>
<td>The IT Outsourcing Model</td>
<td>Key Success Factors</td>
<td>Proposed Governance Structure</td>
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Annex

For conversation and illustration on using Frameworks for IT Decision-making & Planning
An Enterprise Architecture Framework for illustrating a problem in the Search Domain

**TEAM**
- Search Governance is not in place
- Team is not sized to support SAAS to the rest of IT and user facing search tools
- The team is partly occupied with production and system support tasks better performed by other teams
- Team needs additional expertise needed to fill the roles necessary in an ongoing, mature, enterprise search work program

**PROCESS**
- Information gathered from user and feedback is not used to continuously improve search
- There is no ongoing collaboration to ensure new content is made searchable
- An inventory of the content types and sources to be searched has not been completed and validated against user needs
- Processes and systems are under documented

**TOOLS & SYSTEMS**
- Infrastructure is aging and over taxed
- Architecture does not leverage institutionally shared services
- Connecting and indexing to some sources is challenging (e.g. on Cloud and on Prem)
- Full text search is not offered for all sources
- The primary, default user search covers many, but not all key collections

**INFORMATION & KNOWLEDGE MANAGEMENT**
- Information requirements not analyzed systematically
- Poorly structured documents
- Search operates on silos of specific types of data
- Information is not described consistently and semantically linked
- Authority lists and semantic annotations capabilities not used to improve search
## Sample RACI Matrix

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<tr>
<th>MANAGEMENT OF:</th>
<th>IFC MG</th>
<th>ITSC</th>
<th>CRC</th>
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As of September 4, 2013
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Page 36