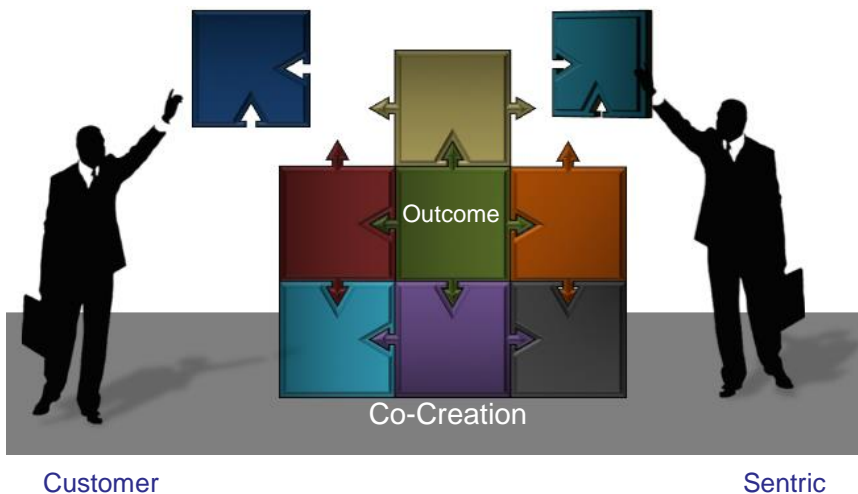# Case Study – Utility

Outcome Based Outsourcing

The growth of a major energy provider's business was increasing the demand on their existing IT infrastructure and support capability, which by market standards was not performing at an optimal level and was seen as inefficient. The actual commercial framework was punitive with the typical penalty based policies applied; this approach does not promote or maintain a healthy relationship between supplier and provider in times when services are strained.

The major energy provider recognised that they needed a policy framework for the service management function management that stipulated their requirements to be based on actual business outcomes and activities that restored and supported continuity against them. Common sense dictates that this approach helps to build a cooperative model that reduces risk instead of one that influences the suppliers to act with their own risk position in mind.

The major energy provider turned to Sentric to build and implement an outcome based outsourcing framework for its Infrastructure environments, which included the sourcing, support and change management functions for the major business systems and the commercial and policy framework needed to implement it.

Sentric implemented a system that separated the intent and delivery of operational services to one that aligned people, process and technology to the types of operational outcomes that the major energy provider needed from the systems and supplier.

Approach
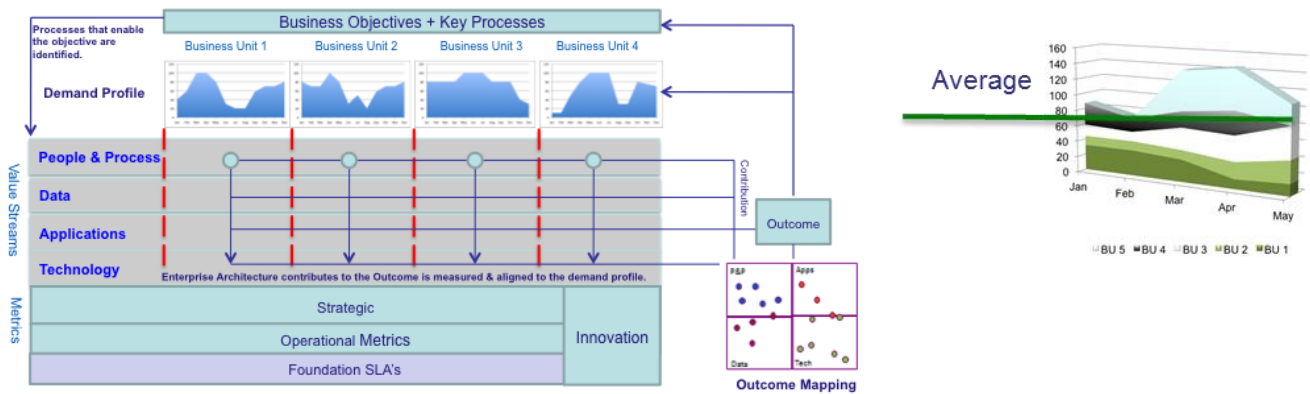
Using the Outcome Management Methodology, Sentric helped the major energy provider to develop a set of ICT demand profiles for each of their business units. These demand profiles are a set of strategic metrics.

Traditional outsourcing agreements are focused on providing services based on the "averaged" needs of the different business units. However, this does not take into account the fact that different business units have different demand profiles for services. Defining outcomes for measuring the success of an outsourcing arrangement is about understanding the demands of each business unit and how these demands impact the layers of the EA model.

This alignment process assist the Sentric team understand what business and IT transformation activities are required to ensure success. The information is used to determine:

- Windows of activity where the IT infrastructure services team need to provide focused support
- Resource and skill profiles and prioritisation to maximise availability and minimise cost
- Scheduling of maintenance windows to minimise impact
- Dependency links between business units
- Risk and Impact analysis of incident response

Once these contributing factors have been identified and mapped the organisation can work with their partner (outsourcer) to establish strategic, operational, foundation and SLA metrics that will be used to manage and monitor the success of the relationship.

Strategic Metrics - higher subjective measures that are often tightly bound to an organisations Balanced Scorecard. In a multi vendor arrangement these are often used to measure the level of **collaboration** towards achieving the **strategic intent**.

Operational Metrics - quantitative measures linked to the critical **business processes** that deliver the required outcome.

Foundation SLA's - not normally measured by the organisation, instead used by the vendor as an **internal compass**

Innovation - These are usually based on a set of guiding principles and funded separately to the agreement, at the discretion of a specific governance body. Forms part of the Strategic Metrics through **thought leadership** and part of operational metrics associated with **continuous improvement.**

Sentric assisted the major energy provider to develop outcome based agreements that combine strategic, operational foundation, and innovation measurements, all based around the demand profile of the organisation.

Deliverables

Sentric were asked to deliver the following:

- Sourcing Strategy that supports the business "burning platform" for change, inclusive of areas of agility, flexibility and innovation.
- Capabilities and resourcing model/framework to support the business imperatives over the next 5 years.
- Current state model, Data Collection, Statement of Works (SOW), Service Levels, resource capabilities. This includes the completion of both an infrastructure architecture strategy and technology roadmap.
- RFP inclusive of a current and future state, market to market financial analysis. This RFP is focussed on a non traditional model called Outcome Based Sourcing, which involves greater alignment to the business outcomes rather than a service catalogue approach.
- Retained organisation structure, governance models and integrator roles and responsibilities
- Negotiation of an outcome based contract.
- Transition and transformation plan
- Implementation of change management and communication strategies and plans
- New vendor management model
- Telecommunications strategy for both carriage, mobility and managed network services

Outcomes

Sentric developed the outcome based outsourcing model and associated artefacts, completing the RFP documentation and handing the program to their procurement teams to go to market. During the RFP development phase Sentric provided a trusted advisor role and attended vendor presentations.