

# ABN AMRO

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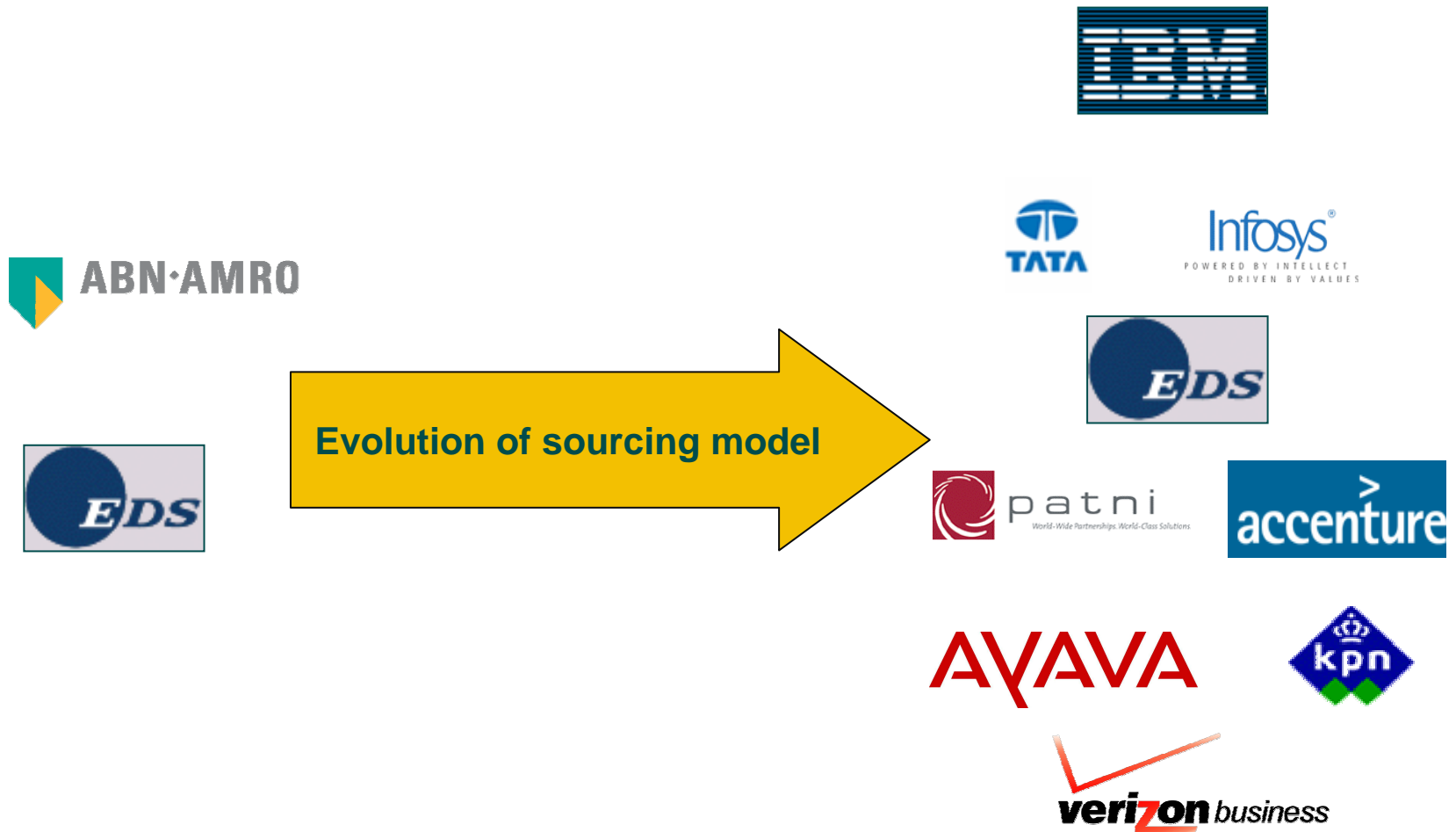
## Managing Multi Vendor Sourcing

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# Moving to 3<sup>rd</sup> Generation Outsourcing

What benefits do we realise from a move to a multi-vendor landscape?



## Strategic imperative

### What are our internal drivers?

#### Client Service

- Improving client satisfaction to provide more effective support to the front-office in delivering its products and help to increase client satisfaction

#### Value

- Increasing efficiencies to release funds that can be reinvested in activities that will drive growth

#### Risk Mitigation

- Sharper management of operational risk to reduce capital tied up in operations, releasing funds for re-investment in identified growth opportunities

#### Agility

- Increasing agility to shorten time to market and improve the ability to adapt more quickly and effectively to front-office needs and market dynamics

## Implementing

### Building a successful 3<sup>rd</sup> generation model

#### Contractual underpinnings for a multi-vendor model

- **Guardian Vendor** – Assigning end2end service delivery responsibility to one party
- **OLAs** – Ensuring individual vendor SLAs are effectively made operational
- **Strong governance** – Clear accountability drives compliant behaviour

	That was then		This is now
<b>Services IT's role</b>	'Command and control' IT department	➔	Manage contractual agreements
<b>Communication</b>	Two-way internal communication	➔	Multiple communication channels
<b>Usage</b>	Annual consumption targets	➔	Pre-defined pricing on actual usage basis
<b>Service Levels</b>	Target service levels	➔	Contractually binding with penalties for failure
<b>Processes</b>	Some documentation	➔	Formal agreements, processes defined and documented
<b>Resources</b>	Managed recruiting & training of IT staff	➔	Set competency requirements for outsourced personnel

## Successful relationships

### How do we make it work?

#### Active management of each vendor relationship

- Multivendor forums
- Multilevel formal governance with Senior Stakeholder buy-in
- Strict contractual and commercial control

#### Contractual discipline to facilitate vendor independence

- Contracts designed for interoperability
- Best choice vendor can be chosen for every stage
- Increased management complexity offset by competitive tension advantage

#### Communication

- Vendors kept abreast of strategic plans
- Concerns and issues raised and resolved before they escalate
- Pragmatic approach to expediency / contractual tradeoff

### How do we get what we want?

#### New requirements

- Any new project or scope increase must be driven by clear requirements
- Vendors will deliver poor product on poor requirements
- A commercial mindset is critical in all parties dealing with the vendors

#### Business As Usual Delivery

- Being able to let go is important
- Why do I need the reports I used to get?
- Decide what MI you need and manage the vendor and your own organisation rigorously as a result

#### Governance

- Use the governance framework as it was designed
- Don't be tempted to step outside of formal routes as it can have unexpected consequences
- Performance comparisons must be based on fact backed up by an evidence trail

### It ain't how it used to be

#### **The old ways of working do not apply anymore**

- Be very careful what you ask for – you'll probably get it; and then the bill
- Are you clear on who can ask for work?
- You know how to commission work and get projects started, but you've already explained that to your users haven't you?
- Jim downstairs won't just pop up and fix your do a couple of hours work on your new report – you do have an approved charge code don't you?

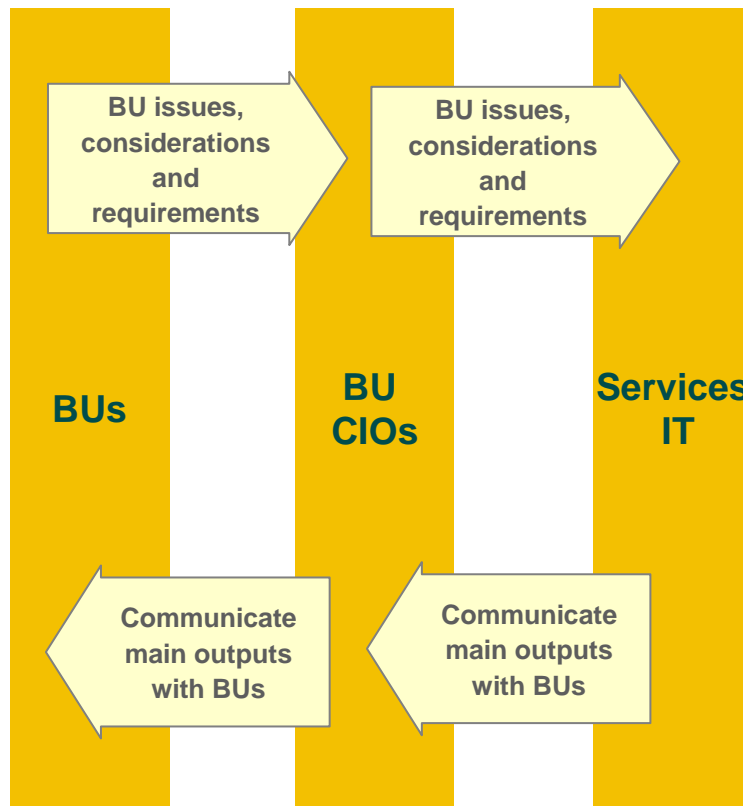
#### **Managing the vendor relationship for value depends on using the agreements properly**

- If you notice a gap in service do you step in or push the vendor to fill?
- Your governance forums are set at the appropriate levels and escalation paths are clear?

**The Business Alignment was a more targeted communication channel between the BUs and IT for business understanding and support of the outsource deals**

**OBJECTIVES**

- To identify and engage key stakeholders
- To gain buy-in and support
- Provide a channel to address BU issues and concerns
- Articulate the BU critical success factors for transition
- Work with the CIOs to create ownership for successful delivery



**DELIVERABLES**

- Critical issue list
- Workshops
- Solution Walkthrough
- Input to transition planning
- Integration with programme workstreams
- Integration with HR and finance teams
- CIO Toolkit / BU Toolkit
- Future state design principles

## Service Maps

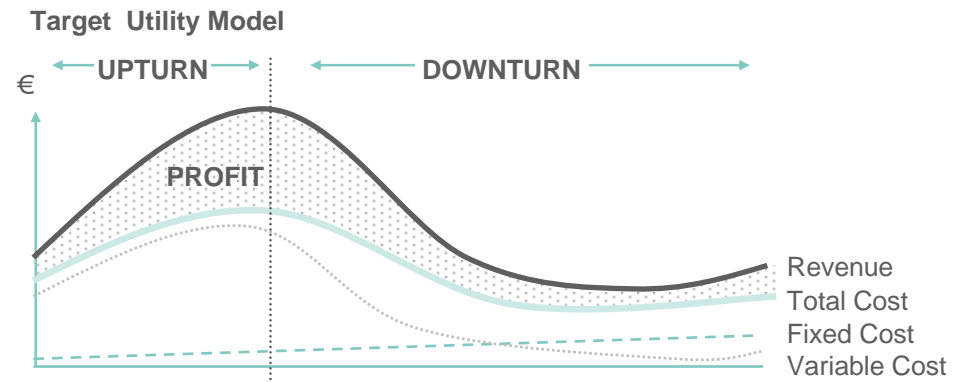
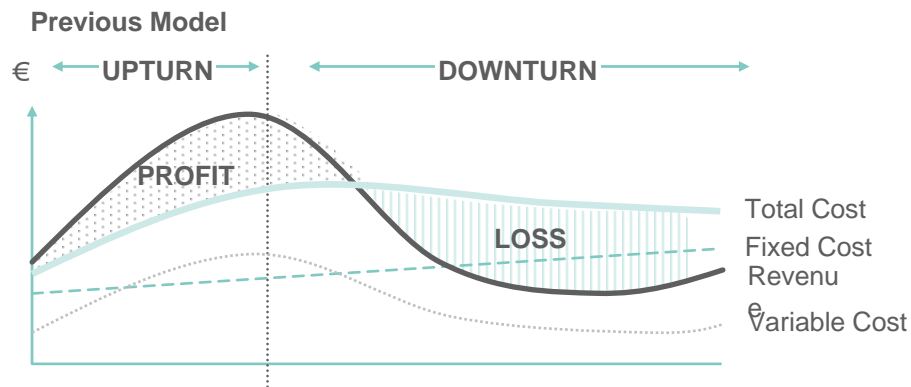
So you're multi vendor...but do you really understand who is operating what and where?

- Multi-sourcing requires a strong IT delivery strategy
  - Infrastructure by geography, business or service?
  - Does a group benefit warrant increased cost in certain areas?
- What do you define your business benefit to be?
  - Strategic agility, management simplicity, cost saving?
- **Case study:** AAB Global business units cut across several regional business unit geographies. The challenge is to construct a vendor service map the delivers effective service in a manner that is manageable and cost effective

## Agile contracting

### 3<sup>rd</sup> Generation outsourcing should be a strategic enabler

- The business strategy is unencumbered by IT considerations i.e. the sale or acquisition of a business focuses energy on the business not provision of 'tin and wires'
- Responding to the business cycle should be a concern to the vendor as we are in a better position to 'turn the tap' on or off for IT service provision



## Commercial tension

### A partnership based on trust, backed up by a contract

- 3<sup>rd</sup> Generation outsourcing is more complex and expensive in the short term, but creates commercial tension that incents better vendor behaviour over medium to long term i.e. a better strategic choice
- Vendors must be engaged in business strategy development, but should not become complacent – implementation discipline means there's always a another player ready to step in
- **Case study:** Italian acquisition contract has been constructed in a 3<sup>rd</sup> Generation model moving away from a single vendor 'monolith' and introducing a more agile ADM model where a number of preferred vendors all compete for work

## Non-primary vendors

### Secondary vendors are a comet-tail of value behind the main contracts

- A large organisation will have many thousands of smaller contracts many of which will not novate to the large suppliers
- Huge value is at stake in this area which can be realised through consolidation (regionally, globally) and renegotiation
- Larger change programs alongside an outsource can give the imperative to drive application rationalisation which in turn drives further contract consolidation
- **Case study:** Alignment of consulting agreements into main ADM contracts allows us to drive standardisation of T&Cs and exert pricing leverage

## Conclusion

### 3<sup>rd</sup> Generation outsourcing only offers advantages if intelligently managed

- The commercial and delivery flexibility offered by 3<sup>rd</sup> Generation comes with a consequential increase in management complexity although intelligent use of a guardian role assists here
- Management costs are higher, but provide a highly leveragable 'factory' model for additional further contracts
- Maintaining commercial tension between vendors requires discipline in service implementation to allow interoperability
- Significant de-risking of service delivery is achievable through strategic service mapping being applied to the supplier base

## Questions

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