

Cegeka

In close cooperation

Overview of successful sourcing of your application landscape

April 2015

### Why do CIOs outsource?

There are several factors involved why companies outsource? Whitelane Research is an independent organization that is uniquely focused on and dedicated to (out) sourcing research and events. The have produced a study investigated close to 4000 unique IT outsourcing contracts held by over 1300 of the top IT spending organizations in Europe. The study was conducted in 12 different European countries and provides a comprehensive overview of the IT outsourcing landscape. The top eight (8) drivers are seen in the graph:

It is apparent that cost reduction is the main driver in the decision for organizations to outsource. Non-cost based drivers are also important with focus on core business, access to resources and improvement of service quality cited by 43% of organizations. These last three all center on IT flexibility and best practices being provided by organizations.



### **The Overall Perspective**

Our customers are looking for innovative and progressive ideas in providing solutions that not only map to their IT needs, but focus on driving their business forward. At Cegeka, we have listened to our customers and this is where we offer creative and complementary solutions that improve the overall IT outlook with varied options to allow our customers to focus on their business.

Our knowledge and innovation has propelled our company in the Benelux market at an unprecedented rate and has now allowed us to move further to become an accomplished European ICT integrator. Our perspective, which is shown in this whitepaper, proves that we have the know-how and experience to provide a broader sourcing coverage for our customers.

The main type of outsourcing is Managed Services. For Cegeka, we see this as "Operations and Maintenance" as the main realm that we facilitate for our customers. Our clients already own the employees, business process, and technology necessary to provide the service to their business operations that it clients intend to outsource or "resource". We set up services to operate and maintain the overall service delivery for their applications and can also take over and manage their infrastructure.

This white paper focuses on the application components for Managed IT Services. By choosing the right service provider as your IT Outsourcing partner, you can enjoy all the benefits of IT Outsourcing. Managed IT Services provides our clients with stable, secure IT applications and infrastructure without the need to hire staff. For Cegeka, we do not come with a one-model-that-fits-all approach. We believe in our motto, "in close cooperation" and this is the way we tailor the service to the needs and best fit to our clients.

I hope that you will enjoy reading this paper.

Guy Herremans Director Applications



"I would like to thank my colleagues for their dedication in working closely together and bringing application outsourcing to the forefront within Cegeka. More specifically, I would like to thank, Jo Maes, Tom Gilissen and Mark Calderhead."

[Guy Herremans]

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# Why Application Outsourcing?

Application Outsourcing, also referred to as Application Sourcing, is a form of outsourcing which principally is managing and maintaining the IT portfolio for an organization. The definition has broadened over the years to include practices where this is staff augmentation or even the complete take-over of staff. For Cegeka, we are flexible in applying variations that meet our client's needs.

The essence of software development is actually quite simple: **creating added value - business value** - for the customer by developing high-quality software as productively as possible, each and every day. Close cooperation with customers is crucial to developing the right software. It allows proper feedback as soon as possible to fine-tune and improve products.

Traditional outsourcing is a lot like having your own in-house staff – except that they are not on your own payroll. Instead, you pay the outsourcing company to provide a certain number of staff for a pre-determined number of hours per week or month. Ultimately though, this model suffers from the same shortcomings as traditional break-fix IT Support, in that you are paying for technical resources, instead of paying for your network to be optimally maintained. In a more traditional structure of a classic outsourcing consists of an agreement for the service provider to provide services (based on an agreed scope and an agreed level of services) in return for an agreed pricing structure. Managed IT Services main principle is not paying for just the time of an IT employee, you are paying for your systems to be properly designed, maintained and supported – regardless of what the service provider has to do to achieve that. Ultimately, this is the end objective of any IT department. By choosing the right service provider as your IT Outsourcing partner you can enjoy all the benefits of IT Outsourcing.

### **Application Outsourcing**

Provide companies with a flexible IT sourcing model to enable capacity when needed

To allow organizations to optimize usage of key IT resources to focus on core business drivers



Continuous Application

Improvement







Industry Best Practices





Outsourced IT

Management



Staff Onboarding (optional) TCO Reduction

IT Flexibility



# Outsourcing satisfaction?



Cegeka participated with Quint Wellington Redwood and Whitelane Research at the Annual IT Outsourcing Forum in Amsterdam in August 2014. The forum welcomed more than 40 attendees at the Annual IT Outsourcing Forum at the Steigenberger hotel in Schiphol. The theme of the event focused on **'How to come to more successful outsourcing relationships'** and included senior executives from Cegeka.

The question to this view of outsourcing, are organizations happy with this choice? Has it made a difference in achieving their expected goals? In a report, Whitelane Research provides an answer to this question:

In a 2014/2015 study, the service provider community shows strong satisfaction performance **with 89 percent satisfied** with their general outsourcing contracts (i.e. Infrastructure, application and BPO outsourcing). This shows a definitive satisfaction and achievement in the drivers meeting the organizations goals. There is a direct impact in the marketplace where customers are demanding more for less. This is also combined with a decline in the number of IT staff available in the market. This now brings CIOs and IT directors to the difficult point of being able to meet the high standards demanded by the business. This means that the pressure to deliver strong IT systems is more active now than in the past few years. Sourcing of IT systems is now the common trend among European businesses.

To provide customers with the satisfaction needed, these **five principles are viewed by Cegeka:** 

- 1. Know your client's needs and expectations
- 2. Exceed your client's needs and expectations
- 3. Partner and work closely with the client
- 4. Be a local leader in technology and IT services
- 5. Involve and achieve the business users approval

## **Outsourcing Satisfaction**<sup>2</sup>





<sup>2</sup> Whitelane Research, 2014/2015 IT Outsourcing Study Europe Management Summary

# Providing a Center of Excellence (CoE)



In our reference, a Center of Excellence (CoE) refers to a team that provides leadership, best practices, innovation, support and training for a dedicated team of professionals for our clients. This is one of the staples that we ensure in providing an excellent managed service.

#### **Reasons for Implementing Center of Excellence:**

- Consistence of a dedicated staff around one subject and/or technologyPromote collaboration between IT and business
- Best practice utilization around a specific focus area (i.e. Agile Development)
- Flexible development environment that supports
  diverse teams
- Enable teams to enhance and extend existing systems and processes
- Drive business-valued results

### **Business to IT Link**

An organizational solution to ensure the Business to IT link is the creation of a Center of Excellence with representation from both business and IT with shared objectives. The CoE defines the blueprint for implementing the managed services aligned with KPIs to the business goals. These would allow translating business needs into solid IT requirements and projects. Some of the obvious benefits include:

- Cost savings from eliminating Silos and creating unified platforms
- Better collaboration between Business and IT, particularly through Agile development
- Joint ownership of corporate objectives such as streamlining processes and innovations

There are other aspects of the CoE which make it a practical approach to creating an effective vehicle for deploying analytics solutions. The sheer volume and texture of business data is much more complicated than it has ever been in modern business history. The world's data doubles every two years creating more opportunities for analyses. Understanding this data even at an aggregate level requires a business perspective combined with technological expertise. Furthermore, understanding technologies such as Big Data for unstructured data analysis requires business leaders and IT implementers to work together. The CoE goal is to ensure organizations invest in the most valuable projects and create economies of scale for their service offering.

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### **Center of Excellence (CoE) Focus Areas**

#### Support

For the area of focus, Center of Excellence offer support to the business lines. This may be through services needed, or providing subject matter experts.

#### Governance

Allocating limited resources (money, people, etc.) to ensure high service levels is a function of the CoE. In addition, coordination across other corporate interests is needed to enable the CoE to deliver value and innovation.

#### Measurements

CoE demonstrates they are delivering the valued results that justified their creation through the use of output metrics and burn charts.

#### Guidance

Standards, methodologies, tools and knowledge management are approaches to filling this need.

#### **Shared Learning**

Training and certifications, skill assessments, team building and role/task sharing are all ways to encourage shared learning.

# Approach Taken to Provide Added Value

Through our expertise, knowledge and experience, Cegeka provides added value. But what is added value? It comes down to **one simple formula**:

## ADDED VALUE =

## PRICE OF THE PRODUCT/SERVICE

### COST OF PRODUCING THE PRODUCT

We look at each of our clients and engagements to provide added-value features to give competitive edges to clients with otherwise more expensive products and services. With this in mind, what is the approach taken to support such a bold statement.

We see four (4) cornerstones to ensure progress stability for our clients. Everyone knows the three main points; people, process and technology. We add the **Knowledge Management** cornerstone. It is the process of capturing, developing, sharing, and effectively using organizational knowledge.

This is important on retaining the know-how for the people, to understand the processes and use it effectively with the enabled technology. It refers to a multi-disciplined approach to achieving organizational objectives by making the best use of knowledge. Thus knowledge management brings them all together and enables the efficiency generated. The principle of knowledge management is to be able to create, transfer and apply knowledge with the purpose of better achieving objectives.

At Cegeka, we use our own internal knowledge sharing portal which captures and integrates documents and data from our employees and systems. We have also set up numerous knowledge sharing portals for Enterprise Portal Frameworks for our customers with great success. The Knowledge Management approach provides key elements described in the next section.





"Managed IT Services provides our clients with a stable, secure IT applications and when needed an infrastructure without the need to hire staff."

Mark Calderhead, Program Manager Application Outsourcing, Cegeka

## Knowledge Management

As we stated, Knowledge Management is an important aspect in the overall application sourcing to our clients. Knowledge Management is used to support the knowledge transfer from the client to Cegeka.

### **Principles to Knowledge Management**

Corporate and particularly IT knowledge is usually diffused among papers, emails, files on server drives, and people's thoughts in most organizations. It is often hard to collect it together when necessary, so the "Hero" model is often seen. This also inhibits junior personnel from learning and puts added strain to senior staff with increased workloads.

#### Lack of organized knowledge management

"Heroes" are needed to solve issues
 No spread of knowledge is provided



Knowledge is in a few placeholders; when

personnel leave, the knowledge is gone

Low collaboration among personnel

Usually embedded in legacy bound systems

#### Organized knowledge management

High collaboration among personnel

Allows for interchange for groups – internal and external

Groups can solve issues

Knowledge is provided to everyone and can be gathered from external providers

Knowledge is widespread, maintained and updated within the organization (multiple teams)

Cegeka has a strong Information and Collaboration Management division. We leverage this to improve our teams' productivity and communication, manage needed information and documents centrally and enable social collaboration to realize a strong Connected Organisation in providing managed services. A Connected Organisation stores all information on one place. Employees can check the information on any device (PC, tablet, smartphone), wherever they are with the following advantages:

- Information is available centrally and up-to-date to all service technicians, both functional and technical
- Knowledge sharing for the managed service group and to your organisation overall through transparency
- Managing workflows and processes to ensure timely
  and efficient reaction of requests and incidents
- More flexibility for the organisation with common best practices are widely utilized

### **Knowledge Management Benefits**



# Managing Goals

Management Team's Goal: To ensure a "Unified" operational support process enabling a better service to the business. This is every CIO's and IT Director's goal.

By looking at the **Standardization and Integration matrix**, it is based on both Process Standardization and Process Integration. It is also sub-divided into both local and company-wide standards. In perspective, this creates the diversification of heavy local business processes and local IT dependencies driving IT costs to higher levels.

The need for a lower TCO reduction is seen as a driver for external IT sourcing. The Unified standard as our desired goal as it fosters the **Service-Oriented Architecture (SOA) driving TCO reduction**. SOA makes it easier for computers connected over a network to cooperate and exchange data and processes.



This is the usual starting points of companies. It is also often seen when companies acquire other business groups and then are maintained independently with local processes and no formal integration across the company. Companies are seen having multiple costly legacy systems that need to be maintained.

#### Coordinated

Diversified



This shows at least coordinated efforts of integration across companies for the data. However, business processes are still localized and work independently. This also means IT systems are maintained by multiple local teams and data centers creating a larger IT organization with localized processes.

### Replicated

The replicated organization exhibits a strong process organization, but applications are still siloed due to little integration of data or business applications. This still means an efficient IT organization, but exhibits a wider application footprint due to local individual applications are still needed to maintain business continuity.

#### Unified

All systems are integrated and processes are standardized. This facilitates the envisioned SOA architecture which provides a lower IT footprint and support team through centralization. TCO reductions are seen and business productivity and maintainability is increased.

## Standardization and Integration Matrix



# Final State Progression

Personnel and process transformation: from the current "as is" state to transform to an "Aligned Value Delivery" structure. This is aspect is daunting in itself, but modernization has its benefits.

For instance, legacy applications are at times the most difficult issue for CIO's and IT Director's to tackle. A complete replacement can be expensive, not easy to justify and can have adverse aspects for running the "business as usual" operations. Also not to forget, the legacy data is needed in other systems like accounting applications, CRM systems and usually creates poor network performance within the organization. So with all of these factors affecting the processes, this is a good time to really look at the legacy applications that a company has and see how these can be replaced through consolidation of current applications or even complete replacement with new technologies and/or packages.

What is needed is a partner that has the knowledge, experience and the know-how to guide you through these steps. The normal transformation solution needs a clear strategy, design and implementation plans for aligning applications while at the same time maintaining IT business support as usual. We see this not in a "big-bang" approach, but a step by step process over time of moving through **three specific stages of modernization and transformation.** 

- Departing State: current state and execution point in bring the needed change and alignment
- Intermediate State: transformation bringing quick wins and stepping stones while maintain the business operations the minimum level and, where possible, provide more improvements
- 3. Final State: end of transformation, but ensuring a stable continuous improvement process

This is to allow us to move from a "scattered" workforce into a "unified" group way of working. The model and transformation allows for an on- and/or near-shore options of service delivery as set and agreed by the client.

### **Aligned Value Delivery**





The Run: \*ITIL Life-Cycle

### Life-cycle Application Sourcing Management (Run)

For the maintenance, or as called, the "RUN" operations, one suggested best practice shown is ITIL v3 (System Development Life-Cycle or Service Delivery Life-Cycle) is outlined. ITIL is a set of practices for IT service management (ITSM) that focuses on aligning IT services with the needs of business. It has a set of specialized organizational capabilities for providing value to customers in the form of IT services. It consists of five (5) phases designed as a hub and spoke with a Service Strategy as the hub.

ITIL It is a globally recognized collection of best practices for IT services management, as well as Agile best practices aimed at optimizing efficiency and minimizing waste. Measurement and continual service improvement encompasses the ITIL process to ensure the maintainability of the IT systems.

#### ITIL Processes Toward Application Outsourcing Management



ITIL v3 Life-cycle

\*NOTE: Other methodologies can also be supported.

#### Service Strategy

Provides the guidance on how to design, develop, and implement service management as a strategic asset.

#### Service Design

Guides the design and development of services and service management processes.

#### **Service Transition**

Provides guidance for the development and improvement of capabilities necessary to transition new and/or changed services into operations.

#### **Service Operations**

Tailors guidance on achieving effectiveness and efficiency in the delivery and support of services such that value is achieved for the customer.

#### **Continual Service Improvement**

Sustains the creation and maintenance of customer value through better design, introduction, and operation of services.

# The Change: Agile Development

### **Scaling the Benefits**

Cegeka provides Agile in the core. Agile is the best practice we use for development for faster and more flexible development. It utilizes System Development Life-Cycle (SDLC) and sets Agile software development as a method in which requirements and solutions evolve through collaboration between self-organizing, cross-functional teams. It promotes adaptive planning, evolutionary development, early delivery, continuous improvement and encourages rapid and flexible response to change.

#### The benefits of Agile are stated as followed:

- Align People, Process and Technology in a balanced approach
- Agile software development provides full versatility and efficiency
- You can start faster and still keep sufficient flexibility to make adjustments
- Analysis, development and evaluation are closely integrated in the sprints





http://agileinthecore.net/

### Scaled Agile Framework (SAFe)

A proven, publicly available framework for applying Lean-Agile practices at enterprise scale

#### The essence of software development is actually quite simple:

- Creating added value business value for the customer
- Developing high-quality software productively, each and every day
- Close cooperation with customers is crucial to developing the right software
- Allows us to receive feedback ASAP to fine-tune and improve the product.

## Cegeka Agile Development Process



# Sourcing Model

For Cegeka, we do not come with a one-model that fits all approach, but in a Flexible Hybrid Sourcing Model. We believe in our motto, "in close cooperation" and this is the way we tailor the service to the needs and best fit to our clients. We provide a variable approach to our customers. Thus, it can be set to fit our client's specific needs, budgets and goals that they desire.

Put simply, Managed IT Services give you the best of both worlds – reliable IT systems and effective support – without having to find, employ and retain your own team of technical staff.

We setup services to operate and maintain the service delivery or the applications and can also take over the infrastructure. So even in our client we can set up different scenarios for different applications. Some are critical to the client that remain in their control. Others can be segmented for particular support needs, or even totally outsourced to Cegeka as a "commodity" to be maintained.

Our service is provided through our Center of Excellence (CoE) approach. So it again leads to our two main focal points for clients:

- To provide our clients with a flexible IT sourcing model to enable capacity when needed
- To allow our clients to optimize usage of key IT resources to focus on core business drivers



#### On boarding

This is an option that some of our clients ask us to perform. Cegeka takes on the internal staff members who are responsible for the IT application(s). We see this as an advantage for our clients as the knowledge transfer of the application(s) to Cegeka can be made easier. When needed, the augmentation of other Cegeka staff to provide more capacity when needed during projects and application enhancements can be coordinated. Thus it provides our clients with a broader and more in-depth IT service maintenance option. Cegeka also uses our own tools and best practices to provide more structure without the client having to invest themselves internally. Thus we bring more "value added services".



#### **Local Sourcing**

This is the most utilized and prolific option. With this, we bring all of Cegeka's best practices together to provide a managed service structure to our clients. This also allows a mixed monthly cost to be setup to provide a budget with attached service levels to ensure that what is set forward is delivered. Although, it adds the option, again when needed, for additional planned IT staff for changes and enhancements needed to support ever changing business needs for our clients. The benefit is that you have access to technical skills and new innovations without having additional staff on your payroll. Finding and retaining IT staff is the responsibility of the Service Provider, Cegeka.



#### Nearshoring

We use this advantage as a cost effective advantage for our customers. We provide our managed services and augmenting the IT staff with personnel from our nearshore locations in Bucharest or Prague. Cost of labour in India is not as cheap as it used to be and in the current geopolitical climate there may be a concern to executives. Nearshore IT outsourcing to Eastern Europe allows companies in Europe to outsource work to countries within other parts of the European Union. Geographic proximity means that travel and communications are easier and less expensive, more commonalities between the cultures and reduction of time zone conflicts. We can engage more closely with our local clients and offer a wider range of services, capabilities and expertise than traditional offshoring allows and with the reduced costs desired.

Case stories and other information can always be found on the Cegeka website: http://www.cegeka.com/en/case-stories

Additionally, with the increased push for adoption of agile development methodologies, our near shore proposition is even stronger. Distributed Agile is an approach that is enabled by processes and tools regardless of delivery location.

### **Flexible Hybrid Sourcing Model**



## **Transformation** Process

**Process** 

So, now we have discussed our Managed Service through Application Outsourcing, how does the transition to this offering move forward. In order to execute an effective and proactive transformation the following five main activities are required in close cooperation with our clients.

It is always set that you have a "roadmap" going forward for the transformation phase. This is where Cegeka along with the client have a joint cooperation. The planning is mutually beneficial since it solidifies the concept of the continual improvement process and puts it into initial specific terms.

This will also set expectations for both parties to outline the major changes that are needed and when they are scheduled to materialize. Remember, this planning is critical in ensuring that the related contract benefits are achieved and as quick as possible. This roadmap can be a separate stream of the planned program or incorporated into the initial contract.





# HR On-boarding Process

This is an option that is sometimes asked for in the transformation process. For Cegeka it as an approach to bring a client's IT staff that goes beyond simple orientation and indoctrination. On boarding plans are intended to make new IT staff familiar with the overall goals of our company and support them as they implement and maintain IT systems all in an effort to achieve success and productivity quickly. The goal is to minimise turnover and encourage staff to stay with our organization in support of the client for a longer tenure.

With this in mind, we see the onboarding transformation as key for stability in the process and have developed an Employee Onboarding Life-cycle Model. This model has four main steps of progression that we work closely with our client's to ease and ensure the transition of staff to Cegeka.



**Employee Onboarding Life-cycle Model** 

These are the four (4) main steps outlined where the life-cycle can be adapted to each program for our clients. The timelines are based on complexity, size of project and other variables that need to be considered, as such adaptable. It is felt that it is Important that this process is well planned and executed to limit attrition in the on-boarding process for our clients. As well to ensure development & growth of the new staff since they are now part of the Cegeka family.

## Governance

Governance is a key piece and is sometimes overlooked in many Managed Service programs. An effective governance provides a proactive direction, periodically review of results, and identify and execute adjustments to ensure achievement of the planned outcome, which contributes to success of the overall business strategy.

The leadership and organizational structures and processes that ensure that the organization's IT sustains and extends the organization's strategies and objectives.

This is an important statement, where the IT support the strategies of business in the 21st century. Without IT, most businesses would now come to a halt. In the Governance model there are important topics to understand:

- Escalation Process
- Demand and Resource Management

### **Balanced Escalation Process**

Senior managers in companies do not have the time to consider all request for IT investments, issues that occur or get involved in every decision. When issues occur, this incorporates your escalation processes. The escalation process outlines when to raise an issue to a higher-level of management for resolution, particularly when resolution cannot be reached at the operational level following the governance set. There are two extremes that can easily happen that can cause huge frustrations for everyone:

- 1. Overescalation to top management of minor issues for decisions that can be made by operations
- 2. Not escalating major issues to management that effect the business operations



IT Governance

The first one is like "crying wolf" and provides the image that the program is not being managed properly, which is true in this fact. This also means that if a decision is needed a delay can occur that will turn a minor issue into a major issue now impacting business operations. Governance provides a clear, transparent decision-making process the leads to consistent management providing a link to the company's management goals while empowering creativity and flexibility.

# Demand and Resource Management

Demand and resource management go hand in hand. In the normal process of the operations, central is the Program Governance. This is the "glue" that holds everything together to provide the overall framework and management for the Managed Service.

With these building blocks in mind, the central model remains unchanged when balanced increases of either additional demands or resources are placed against the model. However, if there is an imbalance of the demand upon the resources assigned, this can have a negative effect on the Risk, Performance and Value of the offering. Thus we see a direction correlation between Demand and Resource Management. When a demand is made to the model, a resource balance needs to be also placed against the model. We already know that IT demands fluctuate due to multiple changes encountered or requested by the business operations. Thus control of the Demand Management is seen, but this is not easy at times to counter, so a flexibly in Resource Management is needed.

**Demand Management:** ensuring that activities in support of the organization's products/services such as estimating volumes and resources are planned for accordingly.

Value & Alignment: by creating the necessary structures and processes around IT investments, management can ensure only those IT projects that are aligned with strategic business objectives are funded.

**Risk Management:** with more of an organization's value proposition built on IT, risks associated with IT must be managed like the business.

**Accountability:** IT governance holds IT management accountable for the return on its investment in IT.

**Performance Measurement:** accountability requires that you keep score, typically by implementing defined and agreed KPI's.

**Resource Management:** ensuring that resources are allocated in the most efficient and effective way possible to include planning for future needs. Development and training are also critical aspects.



#### **Resource Management**

#### Demand & Resource Management



# Flexible Resourcing Model

We have discussed a "flexible" Resource Management in this paper as a solution to help the Demand Management and keep a balance of the overall Managed Service delivery. Since companies have a "fixed" IT resource pool they need to look externally to provide a balance for demand, but this comes at higher price at times. Having a partner to help with providing the balance allows for a consistent resource pool, knowledge of the client's needs and the flexibility that is desired. In today's market using the term "flexible resourcing model" may be the better description of this strategy.



Proposed 4 Types of Capacity streams with agreement for each client

- SetM on/off-site capacity "Set" on a monthly (M) basis for Maintenance support (RUN)
- SetQ on/off-site capacity "Set" on a quarter (Q) basis utilized as capacity for SetM and AdHoc in that quarter (RUN or CHANGE)
- AdHoc additional capacity requested (either with Capacity or Add) on a short notice (less than 3 months) (CHANGE)
- Flex additional capacity allocated in advance in accordance with a rolling planning (3 month pre-notification) (CHANGE)

This flexible model provides a scalable method of gaining skilled personnel with limited pressure of the market or business condition — growing, changing, declining or just unpredictable — creates a long-term strategy for success that can be utilized within projects or services for a business or across the IT landscape in general.

For a growing number of companies that need to effectively and efficiently manage demands, utilizing a blend of fixed FTEs supplemented by needed capacity of FTEs with sometimes a variety of skillsets, translates directly to increased quality, lower, manageable costs, flexibility and sustainability. The underlying driver in all of this points to the availability of needed levels of expertise at the right time and for only as long as needed.

The IT operations for tasking is classified into the one of the four areas outlined. The **SetM** is responsible for the Incident/Problem Management (RUN) of the applications in scope. The **SetQ** is the extra 'fixed'' capacity assigned to the operations for either the Incident/Problem Management (RUN) or needed application Enhancements (CHANGE). So this resource model is the standard support provided to a client to maintain their IT applications operations. This is based on discussions with the client to establish a "Set" FTE capacity to enable standard RUN and CHANGE operations. Thus outsourcing the minimum needed FTE's which fees are based and linked to the standard service provided.

The SetQ utilizes the Capacity resourcing for capacity planning and as such can help ensure that capacity is utilized as priorities dictate. For this, let us consider 1 FTE is equal to 18 man-days utilization per month. Thus in a quarter, the client has a total of 54 man-days for capacity of 1 FTE (3 months X 18 man-days). So the client has control how the SetQ is utilized to best fit their specific IT resource needs.

#### Examples that can handle peaks and valleys of the IT Capacity needs:

- First, all 54 man-days could be utilized in the first month of a quarter for enhancements (CHANGE) activities by using 3 FTE developers.
- Second, this can be spaced out where 2 FTEs would be utilized in the first month (36 days) and then 1 FTE in the second month (18 man-days). For the use of the capacity.
- Third, all capacity would be spaced out evenly through the quarter as to provide the capacity of 1 FTE to cover the needed capacity.

Additional flexibility for capacity is built into the resourcing model in the following areas:

- Add If capacity is fully utilized, then additional resources are brought in with client's approval based on a pre-defined ratecard
- Flex additional capacity allocated in advance through Demand Management in accordance with a rolling planning (3 month pre-notification) (CHANGE) at a blended rate example.

With this in mind, the client can use a structured demand management by planning and requesting needed FTEs in advance and benefit on ensuring needed resources are planned and allocated. Using the demand management (Flex) then allows a lower rate to provide additional savings for the additional resources. Once the resources are no longer needed, the IT resources are released back into the resource pool.

The added benefit is that resources are coming from the resourcing partner. They can be used as "shadow" resources, meaning they are part of a pool of developers that are assigned to the application support contract to have a knowledge of the client's needs, but only utilized when the client request is coordinated. So a consistent added capacity pool can be leveraged through the sourcing contract.

Overall Benefits Provided

BETTER END-USER EXPERIENCE

In this paper, we have explored many aspects to Application Sourcing. We have highlighted some of the areas of where benefits can be made. We will conclude with an overview of eight (8) overall benefit factors that can be accomplished.



DECREASED RELIABILITY OF EXPERTS

REDUCED TOTAL COSTS OF OWNERSHIP

HIGHER PRODUCTIVITY

#### **Increased Performance**

Reduction in maintenance costs and timeframes by synchronizing design, development, and testing efforts. As well as a higher availability and performance for critical applications provide significant impact on business performance and revenue generation.

#### Continuity

Both for IT and Business operations through reduced downtime and lower risk of IT downtime for the business users. This also provides increased efficiency, as the team utilizes best practices for development and deployment so the client needs only to focus on their particular business aspects.

#### **Platform Stability**

Accelerates development through simplified integration and cohesive systems. Through DevOps, improved collaboration and knowledge sharing between the Service Desk, Application Operations, and Application Development issues can be resolved more quickly. Thus factoring that recurring problems are permanently fixed, and unnecessary escalations avoided so that Application Development can focus on their primary mission of development that supports "clean" development.

#### Innovation

When applications are well managed, application development teams are NOT pulled into firefighting mode, enabling them to spend more time on delivering new innovations to support key business decisions more quickly. This breaks down barriers between teams through collaboration, smooth information flow and new shared ideas.

#### Better End-user Experience

Improvement in application quality creates not only a better user experience, but more productive business interactions with internal and external users. It improves quality and ensures that all deliverables meet the needs and expectations of stakeholders.

#### **Higher Productivity**

Organizations that have proactive Application Management see reduced man-hours spent in war room meetings per month. This results in significant improvements in productivity of IT staff as they are able to support twice as many business users (per IT FTE).

#### **Decreased Reliability of Experts**

Produces the maximum output from investments into skills, processes, and technologies. The biggest challenge with siloed infrastructures and spiralling complexity is that they increase a company's dependence on costly experts. An end-to-end application management "factory" becomes an expert work system that allows even junior support engineers be more effective in less time.

#### **Reduced Total Cost of Ownership**

Increases flexibility by reducing the amount of time it takes to build and deploy applications that address new business. With an Application Management approach centered on actual enduser experience instead of just individual network and application measurements, IT teams can increase business efficiency by decreasing the number of IT staff members needed to triage a problem and lower operational costs by reducing trouble ticket escalations. Additionally, it allows the constant fine tuning to minimize the impact of poor performance but also find hidden efficiencies that bring overall cost of service down.



By outsourcing all development and management of your software, you can reduce costs and focus on your core activities. Application outsourcing means working with a single supplier who takes care of all software operations. That generates transparency and gives you a clear overview of costs. At Cegeka, we can help you with your overall needs.

#### Do you need flexible Application Sourcing needs?

Talk to Mark Calderhead! e-mail: mark.calderhead@cegeka.be



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