

# The Value-Oriented Service Model

## Spending more in outsourcing to create value

### Overview

How well your company responds to outsourcing all or part of its technology spectrum is directly impacted by three things:

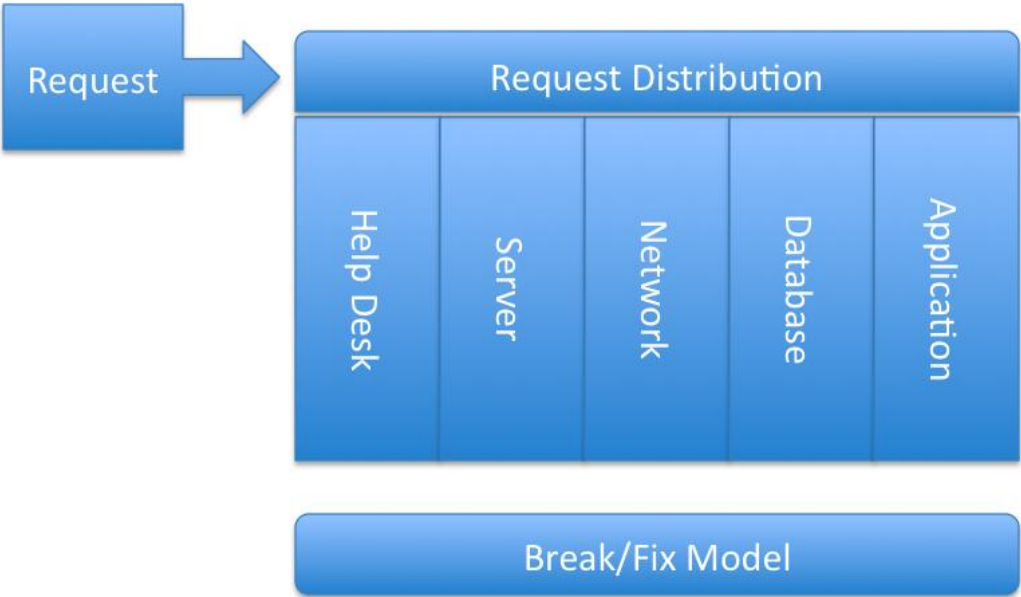
- 1) The complexity of the environment
- 2) The structure of the contract
- 3) The user acceptance of the arrangement

Assuming that the impact and importance of outsourcing preparation is already known to the reader, we've examined the historical progression of sourcing from break/fix, to proactive and then to collaborative services, all of which have merit. What is important to learn is that your company's sourcing strategy should not be driven by cost, historical convention or the latest trend - instead, your company's sourcing strategy should be based upon the complexity of the environment, the proposed sourcing structure and positioning of highly skilled resources in the process.

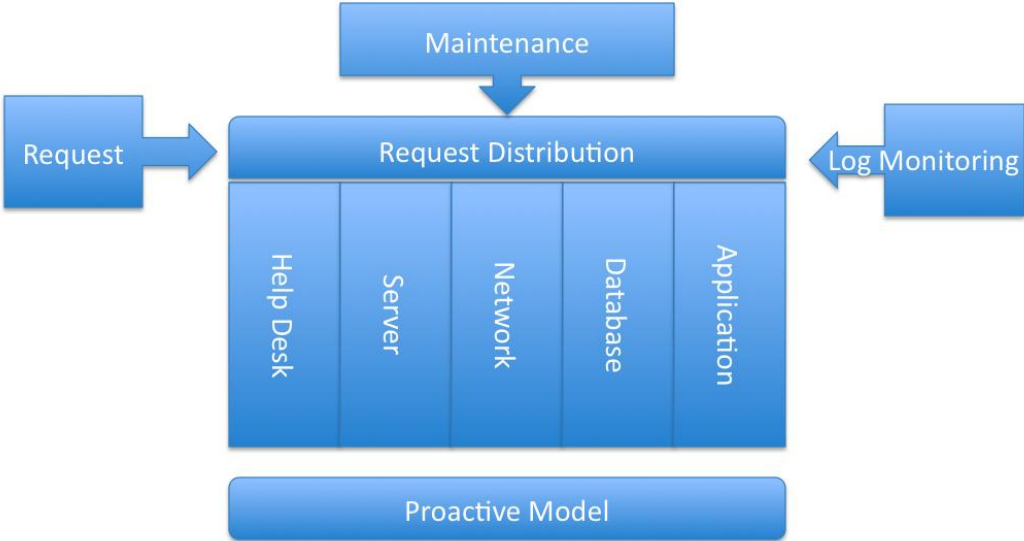
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**Background**

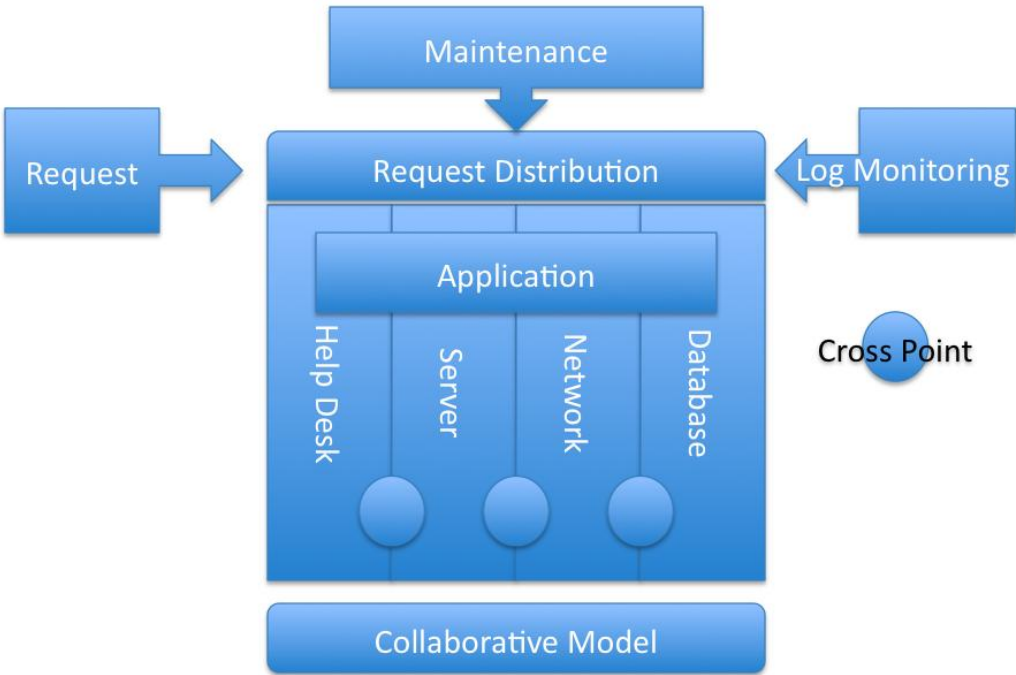
The origins of support structures were born from a break/fix support agreement, where the support team would do routine maintenance and wait for something to break before a request ticket is created. In the break/fix support structure, different disciplines of skills are placed into silos, or towers, of support. These support structures are very effective in highly proceduralized environments where there are very few problems falling outside of the routine. Many companies twenty years ago (and still today) fall into this category. The environment may appear complex, but at least virtually all problem tickets have a predefined path to resolution.



Proactive support agreements evolved from clients unwilling to have systems break before a call to action was sounded. Mission-critical systems requiring minimal downtime are prime candidates for proactive support. Companies in need of these services upgraded their support agreements to accommodate the need for proactivity. These agreements were, and still are, sourced from a single vendor. The same silos of support are still in place, but the resources needed to handle proactive problem-solving require a higher skill level than needed for executing a routine procedure. The cost of such support increases to accommodate both the proactive behavior and the increased experience required of some staff members. The complexity of this environment is elevated not only by business uptime commitments, but also by system and application interdependencies. Well-written and thoroughly documented procedures should cover approximately 90% of all support activity.



A collaborative sourcing agreement is more of a free-form multi-sourcing environment, where specialists blend with traditional sourcing vendors and even with full-time employees. These arrangements, which require a high level of coordination and management, are a reaction to highly complex environments with significant uptime and compliance requirements. The complexity of environments requiring collaborative sourcing agreements leaves 20% or more of problems either unable to be structured into procedures or uneconomical for which to create all of the new procedures necessary.



### **The Sourcing Structure**

The silos of support can vary from vendor to vendor, but there are some core silos: End User Systems, Database, Network, Servers, Application, Storage and Virtualization. Requests get funneled into these silos through a ticketing system and often in conjunction with phone support. It is up to the requestor to adequately describe the problem and up to the service desk to subsequently interpret the information into a request ticket and place it into the correct silo. These silos are typically composed of two tiers of support experience; in more complex environments, there are usually three tiers. These technical resources rise within these silos' skill tiers, but seldom have the opportunity to learn and problem-solve in other silos. This makes resources in the silo system somewhat unitaskers.

Properly categorized requests, which are confined in a single silo and where procedures cover actions required for resolution, have every chance to be completed to the satisfaction of the business. Having strong procedures enables the vendor to apply the least skilled resource possible to complete the request, thus saving the vendor on salaries. The physical location of these resources has become a non-factor, which is why the use of relatively inexpensive resources located in places such as India has increased dramatically over the past twenty years.

Problems can arise in any system, however, when the request crosses support silos, is improperly categorized or is inadvertently placed in the wrong silo. Any efficient system can capture the incorrectly categorized requests, but the reassignment and investigation takes time. Simple problems (such as a password reset) can be handled routinely and easily no matter how complex the network. Problems arise when request break the bounds of procedures.

### **The Problem**

Now, consider a service request simply entered as: "I'm trying to access the ERP system and the network is slow". Where do you put this request ticket?

In a more complex environment, the problem may not be solvable in one silo. One undetected problem may have exacerbated another and, even worse,

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triggered another weakness in the system. Resources in any silo tend to look at problems from the view of their discipline, seeing the problem through only a small window. Many requests are multidimensional – however, resources segregated into silos typically assume that, once in their silo, a problem is theirs alone to resolve. The problem will receive the proper escalation within the silo, but typically problems will never be escalated outside the silo to other teams. The team lead for the silo may report a fix back to the business, but they will have fixed only part of the problem, leaving the business still experiencing many of the symptoms that caused the initial report and thereby eroding confidence in the problem resolution. Often, when a path to resolution isn't clear, the request breaches the service level agreement (SLA) and is placed in another silo (or, even worse, wallows until an intervention occurs by either the business or vendor). When requests go unresolved, time passes, end users lose productivity and the costs to both the client and vendor escalate.

To keep costs down and profits up, vendors will keep as few resources available to the client as possible to stay within the client's SLA. The resources in the silos will exhibit the minimum skills required to complete requests. While a silo can create a good career entry point for a resource, the limited exposure to multiple technical disciplines limits the resource's problem-solving ability. Resources with knowledge of multiple silos have a unique and valuable problem-solving perspective that enables them to view complex problems in a more holistic way.

How resources with multiple skills are placed within the support structure can improve the quality of service, shorten the time to resolution and reduce the chance of an SLA breach. These resources are invaluable not only in the support structure, but also in helping identify where new procedures can be created. In complex environments, these resources with deep vision onto the problem space are the last line of defense before the outside specialists need to be called in. They are also effective in combating the dreaded "intermittent problem."

Many IT executives rely on support contracts from vendors such as Microsoft, Cisco, Oracle, VMware and SAP to be their escalation point for complex issues. In simple environments, these arrangements are typically satisfactory. But, when the environment gets more complex and the interdependencies of systems create a convoluted spaghetti of touch points, the vendors will simply check to

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see if their application is running at an acceptable level and, if so, close the case. Or even worse, inform the client that they do not support some part of the configuration. It is up to resources with multiple skills to break the problem down for the external vendors (as they would for the internal silos so they can focus on the problem in their discipline). These resources then own the request ticket as a whole and break the problem into parts to be solved by the silos and, when needed, by external vendors.

### **The Value**

These multi-skilled resources, which exhibit the global knowledge of a technical architect, have a practical and hands-on purpose. Their skills are a perfect fit for breaking a new project into smaller pieces and running the pieces through the traditional support structure, which minimizes the need to augment the silos to deliver the project. There is a need for these resources in the proactive service model, but their positioning within the support structure changes.

Following a request or problem ticket through a basic support structure where the problem does not fall into a procedure is essential for capturing the impact to the business. To demonstrate, we'll use two variables and a subjective assessment from a result.

Your standard helpdesk-tiered model is a linear progression based on the complexity of an issue. Simple requests such as password resets or PC builds can be handled easily with this structure. However, in the Life Sciences arena, there are often complex systems and compliance requirements which cause troubleshooting issues outside simple requests to become a time-consuming and costly process.

Each tier of the standard model is focused on a limited set of support responsibilities, and only when each tier has exhausted its limited scope will a holistic look emerge as a result of the continuing escalation. Let's go back to the ERP problem: "I'm trying to access the ERP system and the network is slow". For the sake of argument, we'll say the problem resides in the database.

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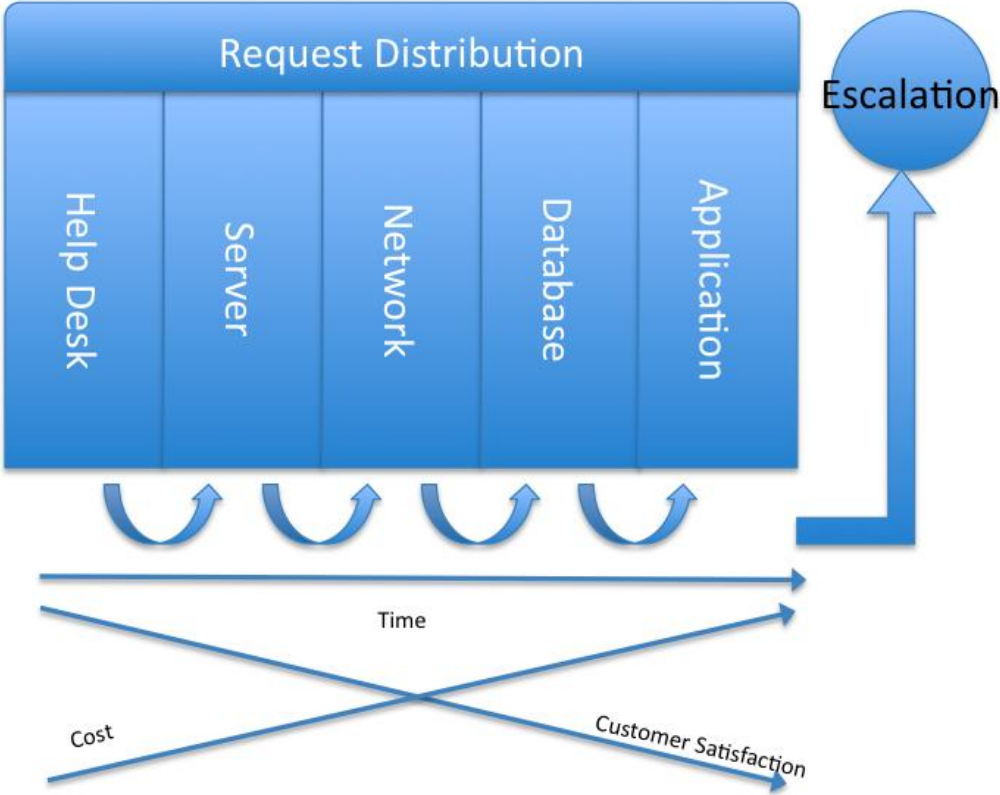
In a break/fix model, the request ticket will be funneled into the ERP system's Application support silo. The first-tier support team will look at the problem and try to come up with a solution, but will eventually move the problem to the next level of skill. The problem isn't a 'system down' emergency, so the request will be prioritized appropriately. The request ticket could stay in the Application team's silo for several days before it is determined that the problem has nothing to do with the Application.

Using 2010 industry averages for offshore support, how much has this simple routing error cost so far? When you add up the Ticket Routing cost (\$25), plus the Application Tier-1 support time (\$105), plus the Application Tier-2 support time (\$135) and then re-routing the ticket into another silo (\$25), the total silo cost for an unsolved problem so far is \$290 and three days (and counting).

The ticket then bounces into the queue for the onsite support team, who will examine the end user system (which is logical, since this user is the only one reporting the issue). The user is uprooted from his system so that the onsite support team can check whether everything is functioning properly. The ERP access software could be reinstalled or the entire system reimaged. This could take a day or two to complete. Yet, the problem still persists. The request ticket now bounces to the network team and server support team before eventually landing in the queue of the database team, who determines that there is a missing index referenced by the ERP report that only this requestor runs.

Now, multiply the Application team's attempt to solve the problem (\$290) by four to represent all four silos' activities (\$1,160), and then add in the costs of the escalation manager on the vendor side to manage the problem (\$250) and time lost by the business awaiting the fix (\$500). As you can see, a problem can take upwards to twelve days and almost \$2,000 to get fixed (while, at the same time, negatively impacting the requestor's satisfaction level and confidence in the service).

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This is just an example of a single request ticket in a typical sea of tickets for a large organization. There are hidden costs of a misaligned service agreement and the sheer quantity of these issues will have a direct impact on the client-vendor relationship. The vendor will eventually start losing money on the contract and cancel (if they aren't able to readjust), or the client will cancel the contract unsatisfied.

A well-constructed proactive support model has a better chance at success in this scenario to catch the missing database index after it was dropped. Having the multitasker resource properly placed in the problem-solving workflow could quickly eliminate silos from getting involved where they shouldn't and speed up the resolution process. These resources at face value are more expensive than the silo resources, however the number of these resources and how they are placed in the service model pays for the difference in cost. The resource could cost \$100 per hour and work on the problem for three hours (\$300). The

resource could solve the problem, or close off unneeded silos. The resource becomes the owner of the resolution and can drop multiple tasks into silos to work the problem concurrently and close the timeline to resolution.

The Collaborative model can be either the least expensive or the most expensive (depending on alignment), but if the frequency of these ambiguous problems remains high and there are few possibilities to improve the procedures at hand, having thinner silos and more multitaskers balances the equation and justifies their cost. In complex environments, strategically placed multitaskers working directly with the silos will inevitably cost less through the time and effort they save in the request and resolution process.

## **Conclusion**

Balance is important when introducing these high-value resources. By integrating multitaskers with a silo system for processing request tickets and implementing new initiatives, the real power of these resources is unleashed, the silos are energized and wasted time is reduced. The more complex the environment, the size of the silos should become smaller and the resources needed should become more multi-skilled.

Unfortunately, many companies are stuck in misaligned outsourcing arrangements and are feeling the stress. Until recently, it was common for a client to sell its infrastructure to the outsourcer for a cash infusion and the vendor would be responsible for the overall service, so it made sense for this arrangement to take place. What happens in a misaligned sourcing agreement is that the business pushes for changes and even attempts to bring in alternative vendors to fix problems. The original vendor blocks access and holds the client hostage with its infrastructure and the agreement inevitably goes to the lawyers. The original contract didn't fit the business needs - the vendor won't overhaul the service and the client will not pay more (especially when the service is perceived as being so poor).

We've described what the service sourcing agreement types are, the importance of aligning business needs with the sourcing structure and why multi-talented

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resources are so critical to a value-driven service. The “How’s” that encapsulate the recruiting and development of these resources, how they function, where in the process flow they are placed and how they interact with silos is a MUSA trade secret. We created this methodology from the ground up to meet the needs of technologically complex organizations. The value-driven organization takes on a collaborative approach. Instead of the linear three-tier standard support model, which costs time and money when implemented incorrectly, our process begins with an intelligent analysis of the company and its support processes.

