

THINKstrategies



A Whitepaper for Enterprise Decision- Makers

How to Leverage Strategic Resourcing to Achieve Your Business Objectives

Published On Behalf of INS



Executive Overview

As organizations of all sizes contend with the economic and competitive pressures of today's business environment, they must not only reassess which of their operations are core to their success, but also determine how to better leverage suppliers to meet corporate objectives.

The practice of outsourcing non-core functions to external service providers has become commonly accepted, yet continues to be a risky proposition in the information technology (IT) and networking arena. According to Gartner, at least half of the major outsourcing deals are expected to fail to achieve their original business objectives and will either be terminated or substantially restructured.

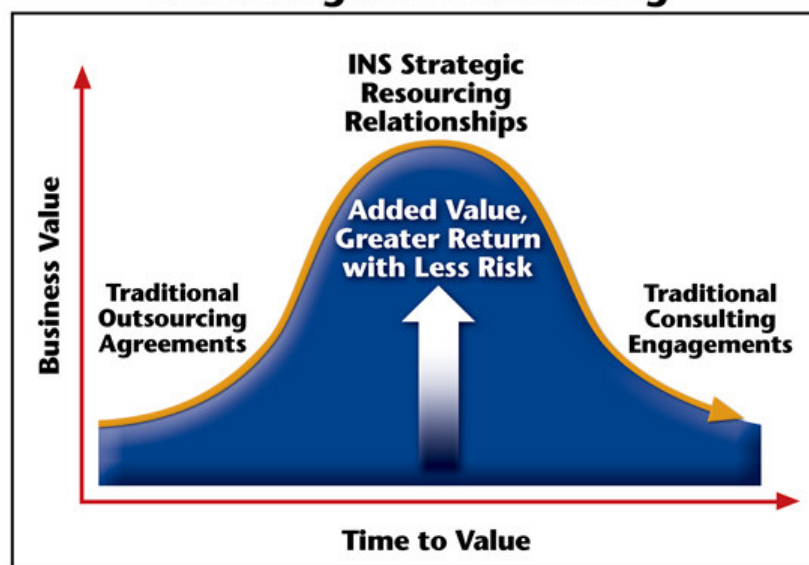
At the other end of the spectrum, many organizations rely on an ongoing parade of contractors or project-oriented consultants to address specific IT/networking requirements. This approach poses quality control challenges, and is often inefficient from a cost and vendor management standpoint.

INS, a leading global provider of business-driven information technology consulting and software solutions, has developed a more effective sourcing model for organizations seeking to optimize their IT/network operations by better leveraging third-party resources.

This whitepaper examines INS' *Strategic Resourcing* model which establishes a cost-effective method for leveraging specific IT, network and application management experts under long-term, yet flexible, contract arrangements.

As Figure 1 shows, INS' Strategic Resourcing model sits squarely between the traditional project-oriented consulting arrangement and the highly-structured outsourcing agreements of the past to deliver greater value with less risk.

Comparing the Value of INS' Strategic Resourcing Model to Traditional Consulting and Outsourcing



INS' approach eliminates the inefficiencies of traditional contractor or consultant project-oriented engagements and avoids the risks of traditional mega-outsourcing agreements. It also leverages INS' *IT Governance* methodology and *Enterprise Project Management* (EPM) platform of project management and reporting software solutions.

This whitepaper will show how INS has employed its Strategic Resourcing model and EPM software solutions to meet the IT and business objectives of its clients.

Market Trends Driving Strategic Resourcing

In his latest book, "Dealing With Darwin", Geoffrey Moore builds upon the warnings New York Times columnist Thomas Friedman made in his book, "The World is Flat", that companies of all sizes must respond to a new world order in which new labor pools, new competitors and new business models are fundamentally changing the rules of the game in nearly every industrial sector.

As Moore sees it:

"In the move toward a global economy, work forces in all the developed economies have been profoundly threatened by offshore outsourcers leveraging low-cost labor. This trend shows no signs of subsiding, and companies who do not avail themselves of this opportunity are severely challenged to price their goods and services competitively."

Moore has long been an advocate of organizations focusing on their core businesses and outsourcing any non-core, or context, functions in which there is a lower cost alternative. His views have helped to accelerate corporate acceptance and adoption of IT, network and application management outsourcing. In response to the intensifying challenges of globalization, Moore is now ratcheting up his call for businesses to reexamine their sourcing strategies to refocus on their core business and more fully exploit third-party alternatives for non-core functions.

Moore's book comes on the heels of Nicholas Carr's writings that have questioned the fundamental value of IT. Although Carr's views have created plenty of controversy within the IT industry, they have attracted a lot of support among corporate executives and end-users who have become fed up with the hassles and exorbitant costs of IT. In his article entitled, "The End of Corporate Computing", in the Spring 2005 issue of MIT Sloan Management Review, Carr stated,

"...Imagine what future generations will see when they look back at the current time...won't the way corporate computing is practiced today appear fundamentally illogical—and inherently doomed?"

Forrester Research estimates that organizations in North America alone will spend \$26.7 billion on IT consulting services and another \$103.4 billion in IT outsourcing in 2006, and the total amount spent in these areas will jump 15% to over \$150 billion in 2009.

Yet, given the operational inefficiencies of short-term consulting contracts and the poor track-record of success for large-scale outsourcing agreements, THINKstrategies expects most companies following either of these traditional sourcing strategies to reap only limited return on their investment.

Traditional consulting engagements typically involve a series of time-limited tasks with third-parties who must be re-qualified with each new project. This approach is not only inefficient from an administrative standpoint, it is counterproductive from a quality and consistency point of view because it makes it more difficult for both parties to ensure that the same personnel are assigned to a series of interrelated tasks. In addition to these difficulties, there are several other drawbacks in consulting engagements involving unrelated tasks:

- Potential that intellectual property acquired during previous projects is not fully leveraged;
- Need to relearn client policies, processes and procedures, as well as understand corporate culture, objectives, dependencies, etc.

Long-term outsourcing agreements have tended to fail because they are too inflexible to adapt to changing business requirements over the contract period. So while the client company is trying to keep pace with new competitive pressures, the outsourcing company is trying to keep its operating costs under control to achieve profitability. Given these countervailing interests, it is no wonder that approximately half of all major IT/network outsourcing deals will fail to meet their original business objectives according to Gartner.

INS' Strategic Resourcing Model

With over 15 years and more than 36,000 IT/network projects under its belt, INS has evolved a more successful model for engaging with its clients.

INS' *Strategic Resourcing Model* establishes a multi-year relationship based on the client organization's 3-5 year business and technology requirements. Rather than attack a set of isolated projects with a series of specific 'statements of work' (SOWs) or assume overall responsibility for the client's entire IT/network operation via a traditional outsourcing agreement, INS' Strategic Resourcing model allows clients to obtain specialized skills and technology solutions to satisfy their immediate needs in the context of their evolving corporate objectives over an extended period of time. This approach also gives clients the flexibility to adjust their project specifications to respond to changing business drivers within agreed upon budgetary parameters.

Beginning with INS' *Business Value Justification* process, INS' consultants work with the client's executive and functional staff to evaluate their business needs, develop short- and long-term recommendations and engagement parameters that will govern the design and delivery of the IT/network solutions and ensure ongoing operational support as the client's requirements evolve.

This project qualification and quantification process begins with the documentation of a client's corporate strategy, key business drivers and proposed IT initiatives by INS consultants. The consultants evaluate the IT initiatives in light of the client's business objectives and budgetary requirements to verify the benefits of each project in quantifiable terms. Once a "go/no-go" decision has been made on each initiative, project plans are developed which include mechanisms for continuous improvement in response to changes driven by technical or business factors.

The project development and administration process is governed by INS' IT Governance methodology, which is underpinned by best practices and industry standards such as the *Information Technology Infrastructure Library (ITIL)* and *IT Service Management (ITSM)* framework. Depending on the nature and

complexity of projects and programs, INS may also implement a client-specific *Project Management Office (PMO)*.

INS provides clients with scalable, project-oriented or operations resources 'on-demand' in a predictable, cost-effective contracting model. The Strategic Resourcing arrangement gives the client organization ready access to a virtual team of staff resources with a specific set of skills and experience to meet the client's immediate IT/business requirements.

INS embeds an *Enterprise Project Management (EPM)* platform in the Strategic Resourcing program to track the project implementation process, provide ongoing progress reports and encourage greater collaboration with its clients. INS' EPM uses Microsoft Project Server to permit centralized access to scheduling, documentation, resource management and related communications between the project teams. EPM allows project information that used to be held by individual users or spread among disconnected databases to be linked through a set of "smart documents" using XML tags to automatically update data fields, workflow documentation and reporting systems.

The EPM platform is an essential ingredient in INS' Strategic Resourcing project communications process. INS believes that project management success entails communications at three levels:

- 1) Establishing a common language to discuss project progress and issues from the point of view of the overall objectives and expectations of the CIO and executive management team rather than the narrower specifications of each individual project.
- 2) Facilitating knowledge sharing between INS and the client staff to avoid the 'not invented here' syndrome and ensure that lessons learned from each project can be fully leveraged in future initiatives.
- 3) Providing meaningful data regarding project status in a consistent format to enable standardized and consolidated project reporting and analysis.

Over the course of the Strategic Resourcing engagement the client can leverage INS' portfolio of IT Strategy and Planning, IT Infrastructure, Operating Systems and Directory Services, Storage Systems and Services, Security, Network and Systems Management, Project Management and Productivity Applications.

How a Leading Pharmaceutical Company Leverages INS' Strategic Resourcing Model to Address Its IT and Business Requirements

The R&D division of a leading pharmaceutical company, needed a more cost-effective method for addressing its planned and unplanned IT projects, along with high-level operational support. The company had a long-standing relationship with INS, which had supported a series of large-scale projects for the company, including the complete design and implementation of a world-class, next-generation network for its new research and development facility, the implementation of IP telephony and a wireless local area network (LAN) deployment.

The pharmaceutical company anticipated a series of new IT projects in the coming fiscal year in response to its continued growth and expansion, and wanted to avoid having to repeat the same time-consuming, internal procurement process for each project. The company also wanted to establish a strategic relationship with a third-party which could result in more predictable costs.

In response, the pharmaceutical company entered into an annual master service agreement (MSA) with INS. The MSA provided the pharmaceutical company with a mechanism to ensure consistent and efficient service delivery, while gaining greater flexibility and lower costs. Based on the success of the initial MSA, the pharmaceutical company agreed to enter into a long-term Strategic Resourcing agreement with INS to better plan and prioritize its IT objectives, and provide ongoing operational and consulting support.

INS created an Operations Support Center for the pharmaceutical company consisting of dedicated INS consultants with extensive knowledge of the company's IT environment and business requirements. The INS team now assists the company's staff with strategic planning, cost/benefit analyses, budgeting and financial planning, RFPs and procurements, as well as resource and project management. The team also provides ongoing operational support, as well as tier 3 and 4 problem escalation.

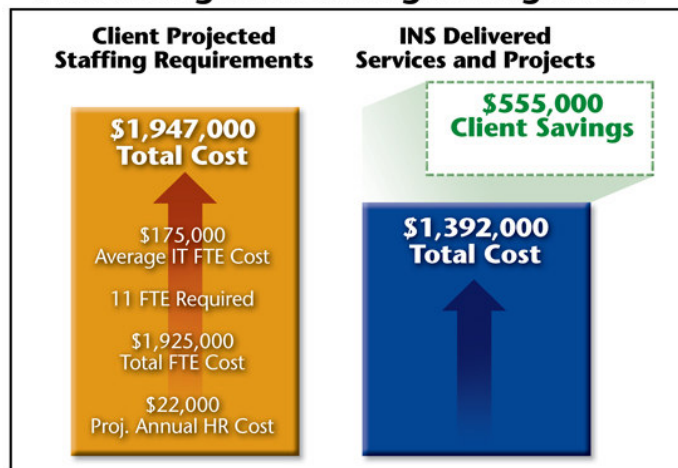
In addition to helping the pharmaceutical company scale its IT infrastructure and improve the overall reliability and performance of its IT operations, INS' Strategic Resourcing model has also enabled the company to save 15-20% in project management start-up, execution and administrative costs.

Specifically, the company estimated that if it hadn't engaged with INS in the Strategic Resourcing arrangement, it would have needed the following additional full-time equivalent (FTE) staff in order to achieve its IT/business objectives:

- 3 Senior Network Engineers
- 1 IT Security Specialist
- 1 Senior Network Management Systems Engineer
- 1 Network Infrastructure Manager
- 1 Senior IPT Systems Engineer
- 2.5 Project Managers
- 1.5 IT Business Consultants

In total, the Strategic Resourcing arrangement enabled the pharmaceutical company to avoid hiring eleven additional FTE staff at a potential cost of nearly \$2 million, based on fully loaded salaries plus the costs of recruitment, training and additional management. These cost savings are outlined in Figure 2.

Cost Avoidance as a Result of INS Strategic Resourcing Arrangement



The Strategic Resourcing model also provides significant efficiency and flexibility, with quick access to skilled consultants that are knowledgeable about Novartis's environment. Additional benefits include:

- *Minimized Risk* – Having the dedicated INS consulting team ensures ongoing support as needed, eliminating the risk of hiring individual full-time resources.
- *Greater Technical Expertise* – The client gains the collective expertise of the dedicated INS team, which is backed by hundreds of additional INS consulting resources and an extensive knowledge base of industry best practices and lessons learned.
- *Efficient Project Provisioning* – Project efficiency is improved 15-20% due to minimal ramp-up and execution overhead. With an experienced, dedicated team, the process of project start-up, execution and delivery is expedited, enabling the client to be more nimble.
- *Reduced Costs* – The annual MSA drives lower hourly rates and reduced overall costs in comparison to traditional consulting engagements or the loaded hourly rate of full-time head count.
- *Improved Strategic Planning and Analysis* – By incorporating a business consultant lead for the Operations Support Center, all IT projects are cost justified and aligned with the business.
- *Improved Budgeting* – The MSA provides a fixed-cost model, which simplifies the budgeting process and eliminates the risk of project overrun costs.
- *Core Business Focus* – The MSA enables the client to focus on its core competencies and objectives.
- *Enhanced Service Delivery* – Increased visibility and knowledge of Novartis's operations and business goals enables the INS consultants to ensure a more optimized environment.

Summary

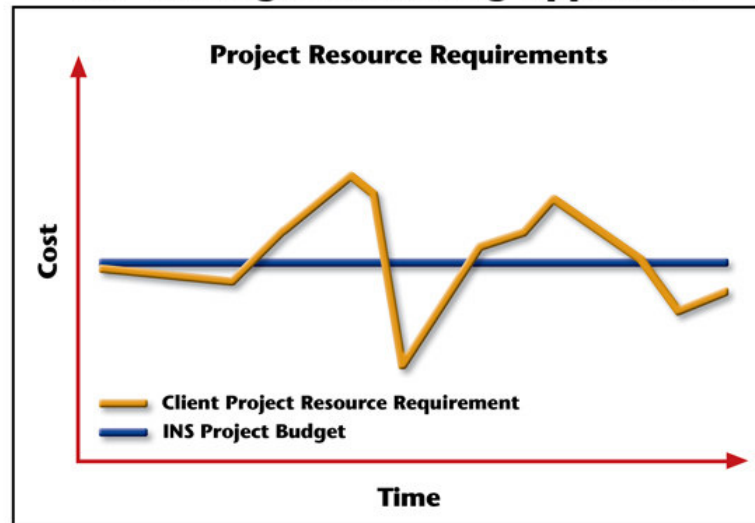
A variety of economic and competitive forces are combining to force organizations of all sizes to carefully reevaluate their IT/network requirements and the way they leverage third-parties to achieve their business objectives.

In the past, organizations had two primary alternatives when it came to working with third-parties in the IT/network environment. They could either contract with consultants to address specific short-term project requirements or they could relinquish control of their operations to an outsourcing vendor under a long-term agreement. The irony of these traditional IT engagement models is that they often did not meet client expectations and created additional costs which diminished their value.

Since its inception, INS has helped more than 75% of the Fortune 500 and over 50% of the Fortune 1000 build, manage and secure their IT/network infrastructures via a flexible, client engagement model, which has gained the trust of its clients. INS' Strategic Resourcing approach enables clients to secure INS' consultants over an extended period in a flexible contractual arrangement which recognizes how business priorities can change and accommodates clients' variable needs.

As Figure 3 illustrates, by establishing a long-term relationship that governs a range of ongoing as well as one-time tasks built upon a predictable fee-based cost-structure, INS' Strategic Resourcing approach eliminates the uncertainty and added administrative costs which can plague traditional consulting projects over time. INS' approach also permits greater flexibility and customer control than traditional outsourcing agreements.

The Predictable Cost of INS' Strategic Resourcing Approach



This whitepaper was sponsored by INS.

About INS

INS is a leading global provider of business-driven information technology consulting and software solutions. For more than a decade, INS has been helping organizations effectively use technology to achieve strategic business goals. INS' unique solution portfolio enables its customers to reduce costs, increase flexibility, strengthen security, ensure compliance and improve efficiency.

- *Infrastructure Transformation* builds high-performing, resilient and scalable network infrastructures.
- *Information Risk Management* reduces risk, mitigate vulnerabilities and ensure ongoing compliance.
- *Business Productivity* streamlines collaboration, improve program execution and enable more effective decisions.
- *Enterprise Architecture and Governance* helps improve visibility and control over IT initiatives to better meet business goals.

INS applies its structured methodologies, strategic alliances and diverse industry experience to deliver in-depth analyses and implement custom solutions aimed at driving business growth. INS' consultants hold over 1,100 certifications in 96 categories and its KnowledgeNet database gives them access to over 15 years worth of intellectual property, solutions and proven techniques in an easily-searchable format.

INS' customers include global enterprises and service providers in all major industries, including telecommunications, financial services, retail, pharmaceutical/healthcare, manufacturing, government and travel and transportation. INS is headquartered in Santa Clara, Calif., and has 38 offices in the U.S., Europe, Middle East and SE Asia.

For additional information, please visit www.ins.com or contact INS at 1-888-767-2788 in the U.S., 44 (0) 1628 503000 in Europe, 65 6549 7188 Asia, or 1-408-330-2700 worldwide.

About THINKstrategies, Inc.

THINKstrategies is a strategic consulting services company formed specifically to address the unprecedented business challenges facing IT managers, solutions providers, and investors today as the technology industry shifts toward a services orientation. The company's mission is to help our clients re-THINK their corporate strategies, and refocus their limited resources to achieve their business objectives. For more information regarding our unique services, visit www.thinkstrategies.com, or contact us at info@thinkstrategies.com.