

IT Strategic Sourcing

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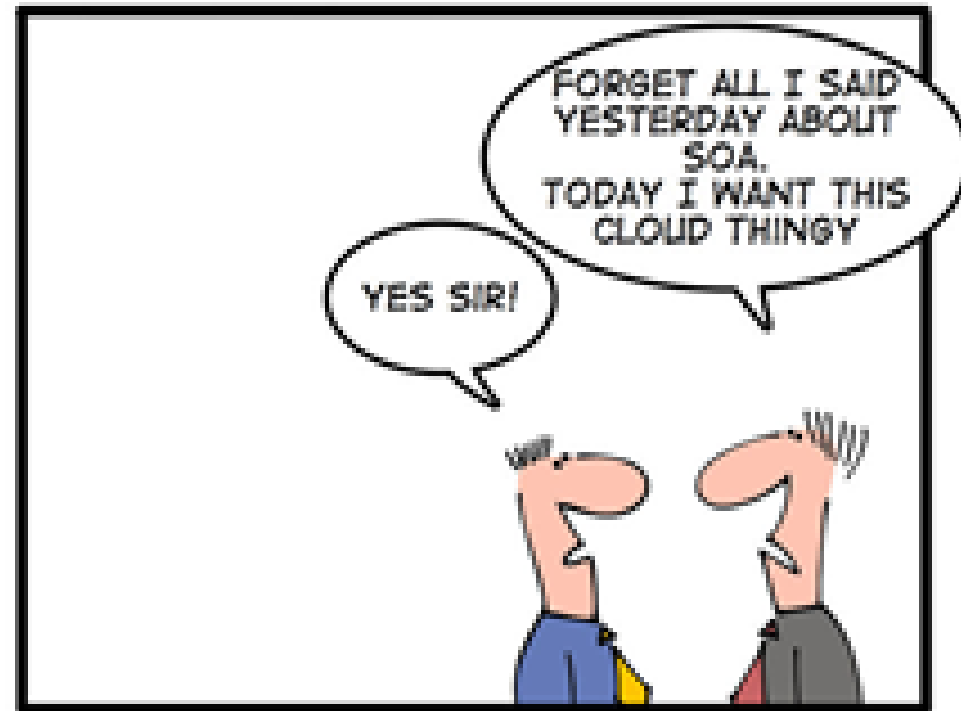
Presentation Overview

- Trends
- Strategic sourcing options
- Organizational evaluation
 - IT assessment
 - IT benchmarking
- How to
- Q&A

Terminology

IT Strategic Sourcing

Practice of seeking resources -- or subcontracting -- outside of an organization for select IT functions.



Terminology

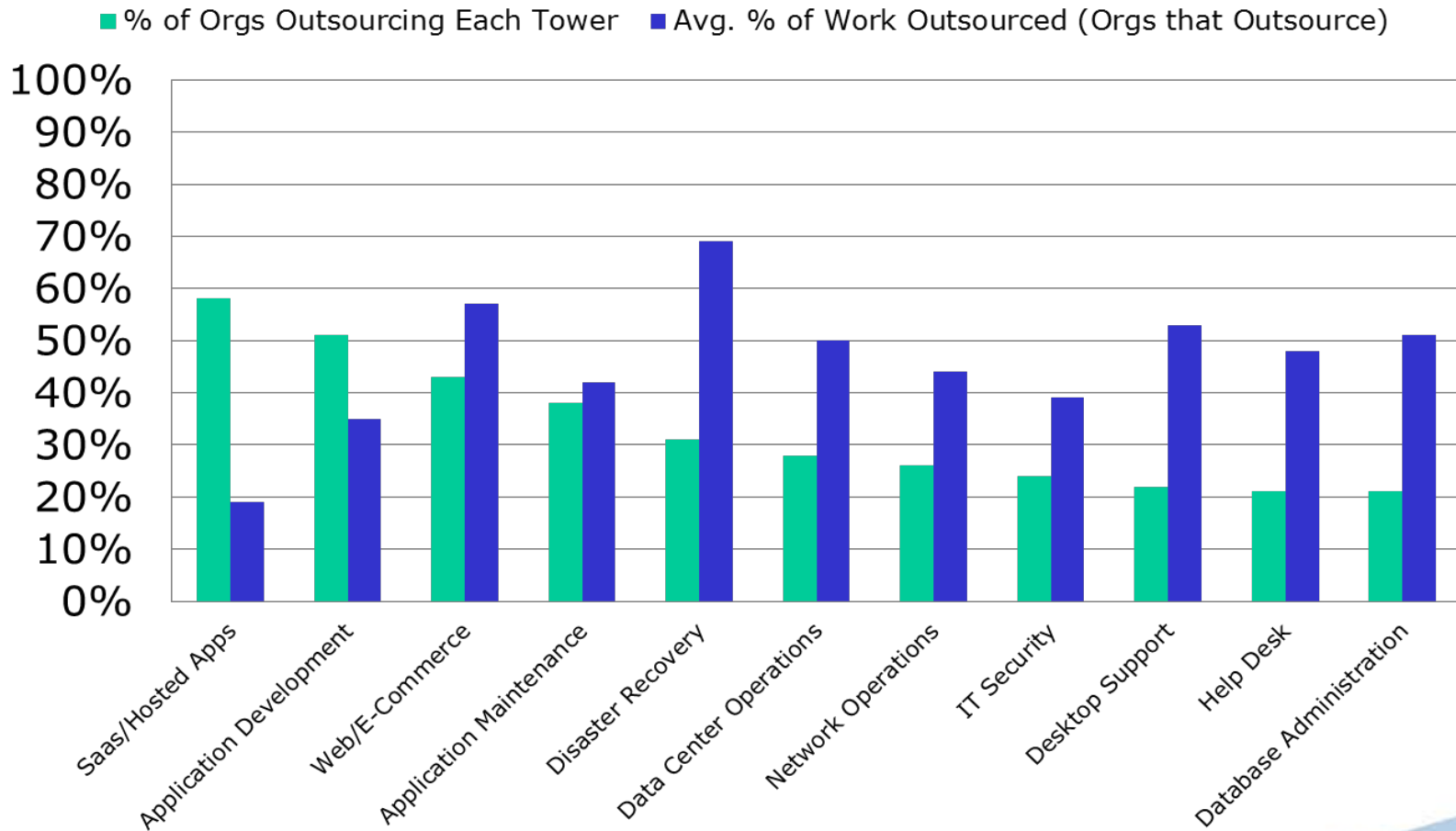
Privatization:

The organization delegates the production of goods/services to a private party.

Managed Competition:

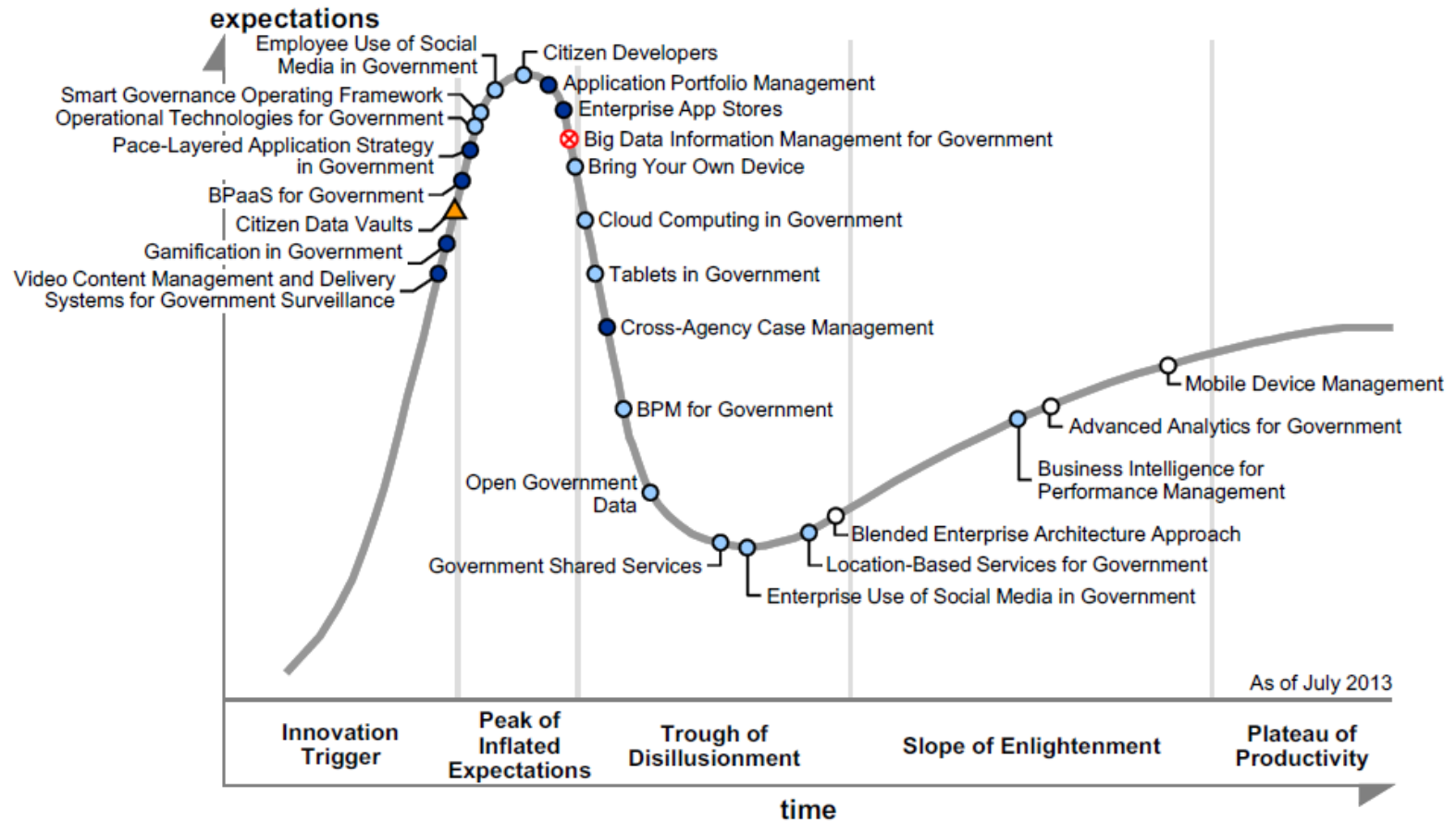
Managed competition uses the market to drive improvements in service delivery and price by allowing both public and private entities to compete.

Industry Trends



Source: Computer Economics, Inc.

Technology Trends

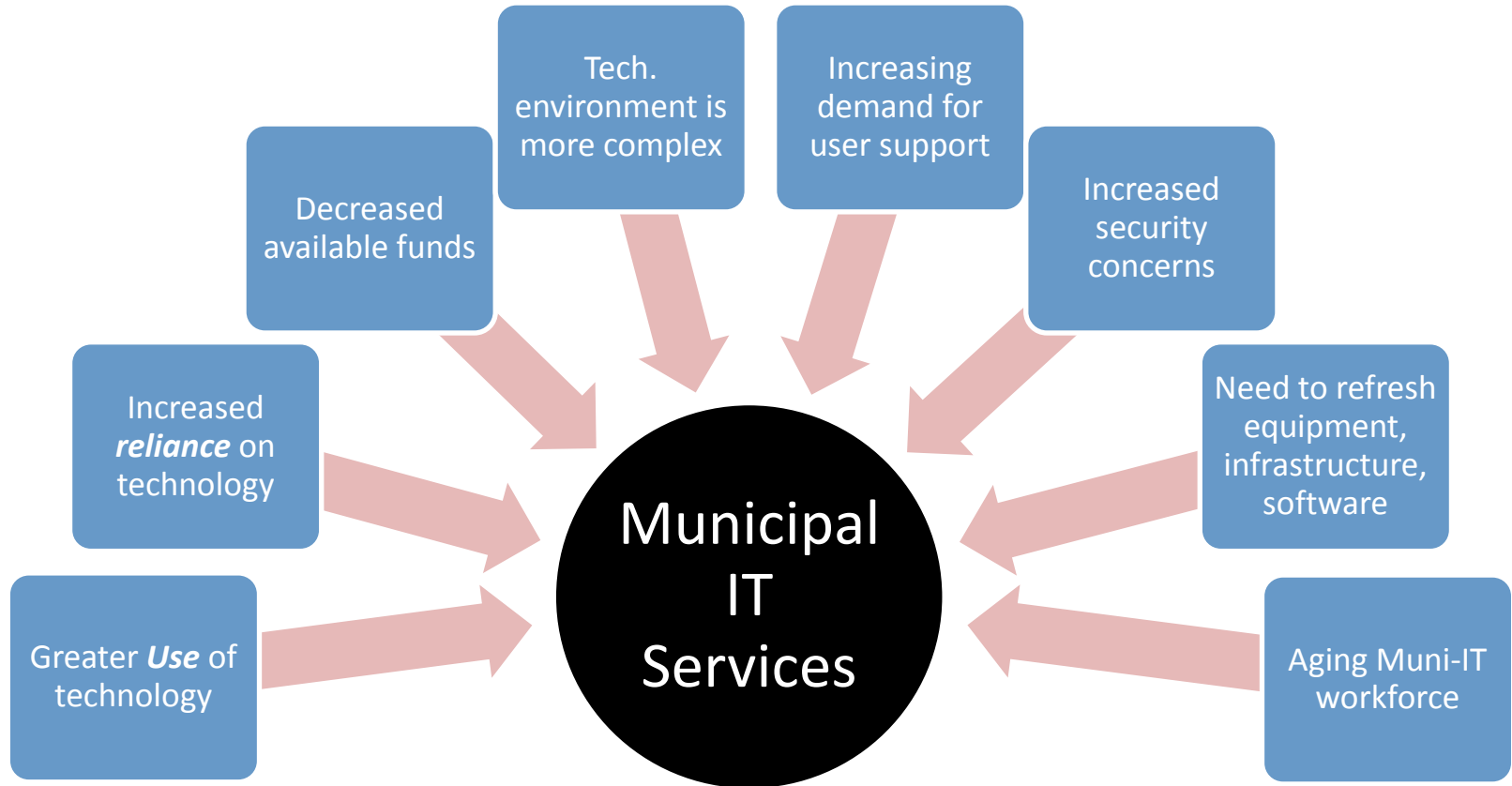


Plateau will be reached in:

- less than 2 years
- 2 to 5 years
- 5 to 10 years
- ▲ more than 10 years
- ⊗ obsolete before plateau

Source: Gartner (July 2013)

Trends – Increased Demand



Which Options Should We Consider?

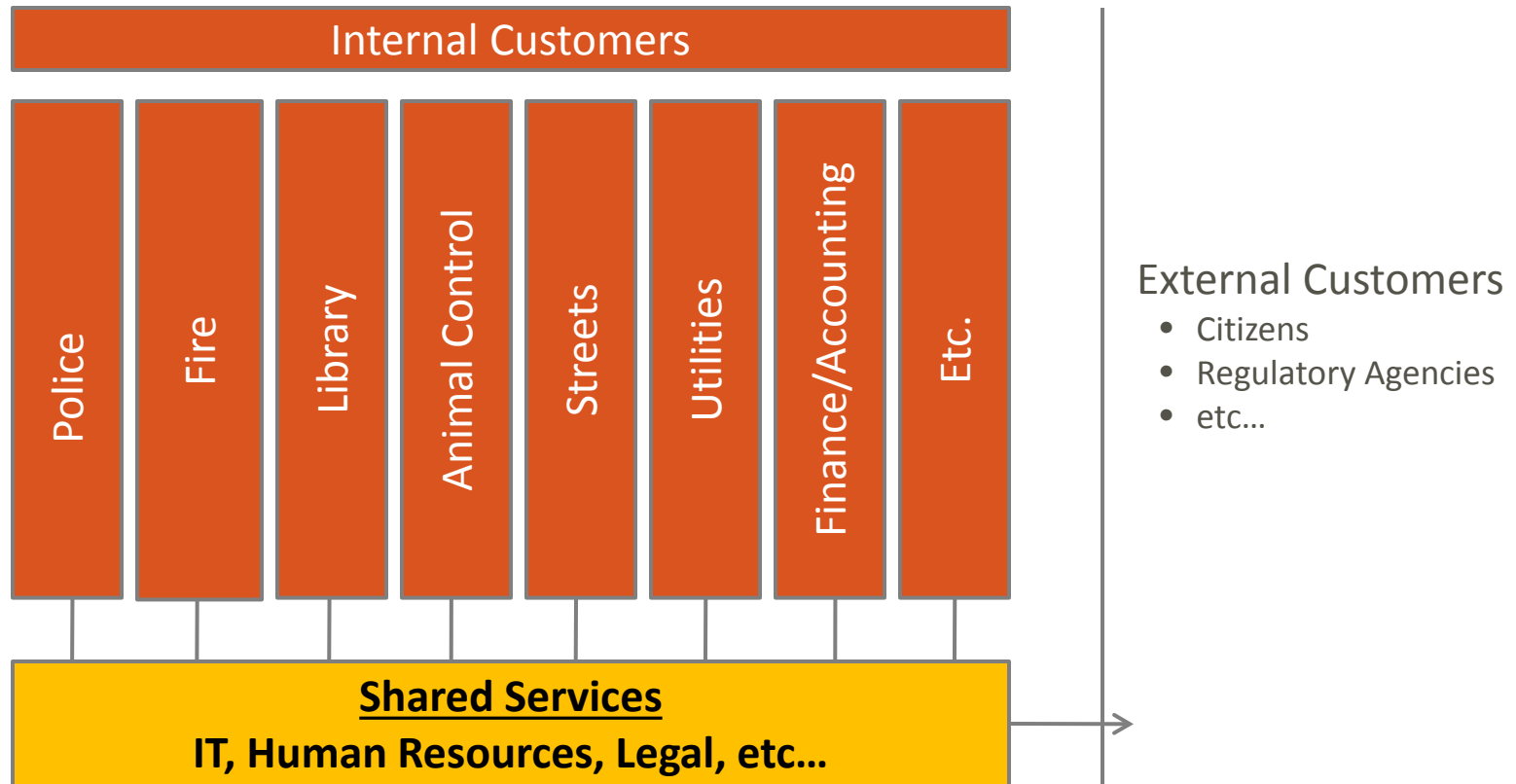
Organizational Perspectives on IT

	Perspective 1	Perspective 2
	Technology as a strategic investment	Technology as a cost center
Philosophy	Develop strategies and plans to deploy technology to solve business problems	Look for cost reduction approaches
Possible Contracting Approach	Outsource non-strategic elements of IT (i.e. commoditized services)	Outsource all of IT

Perspective based on:

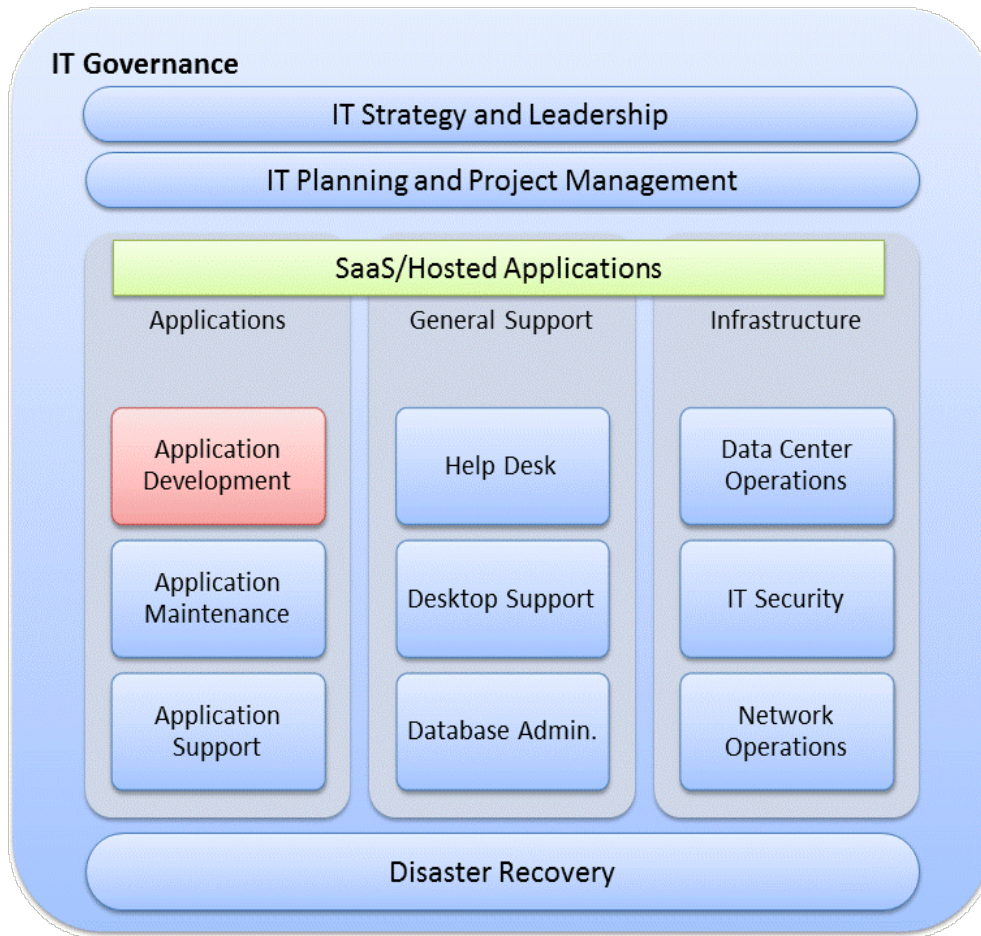
- Elected officials
- Management staff
- Historical context

IT's Role in an Organization



IT is a “Service” organization with a responsibility to provide great service and be responsive to the needs of their customers (internal, external, and other shared services departments)

Technology Services Portfolio



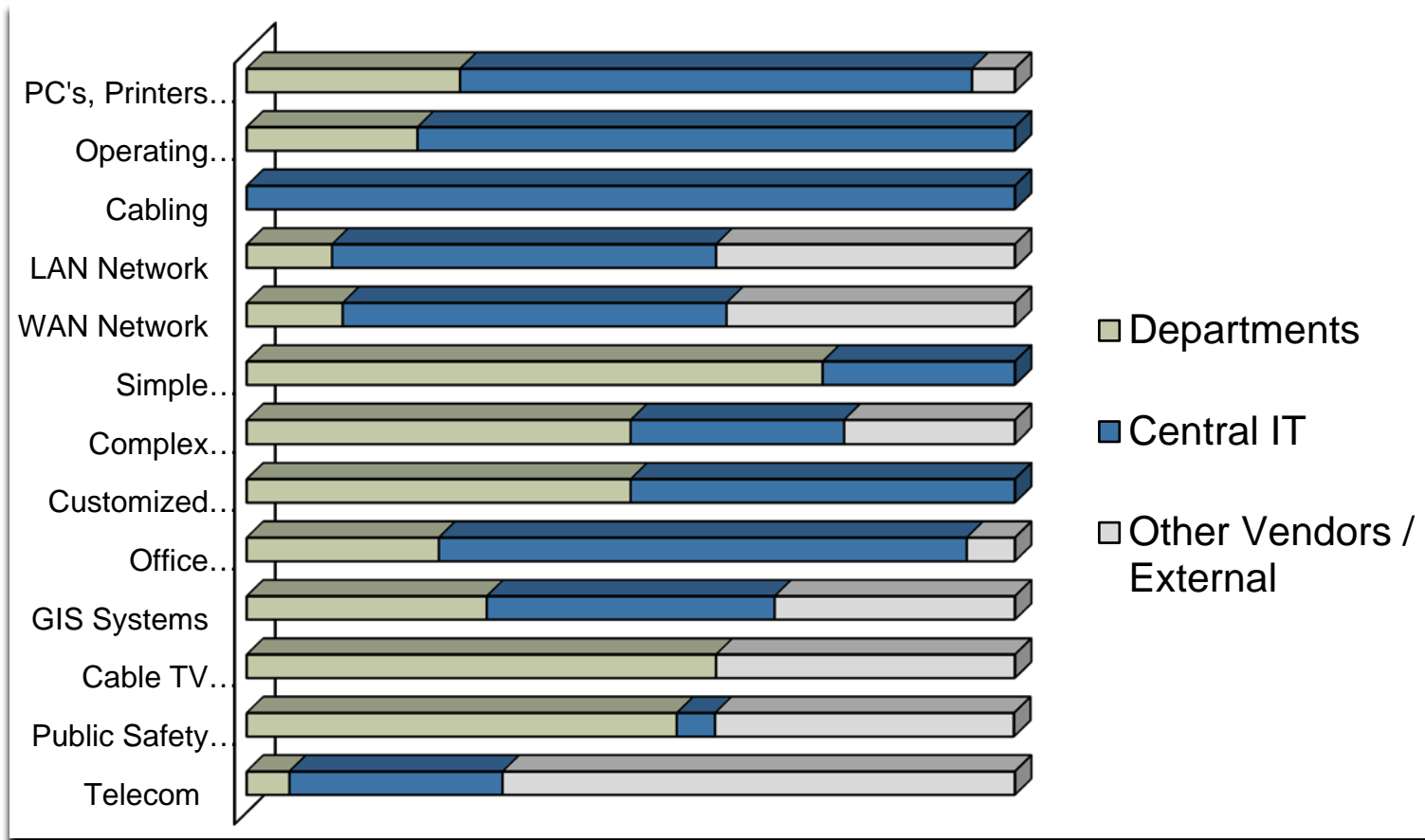
Most municipalities tend to provide a similar IT services portfolio and are (mostly) staffed to meet current demands.

Key to Symbols



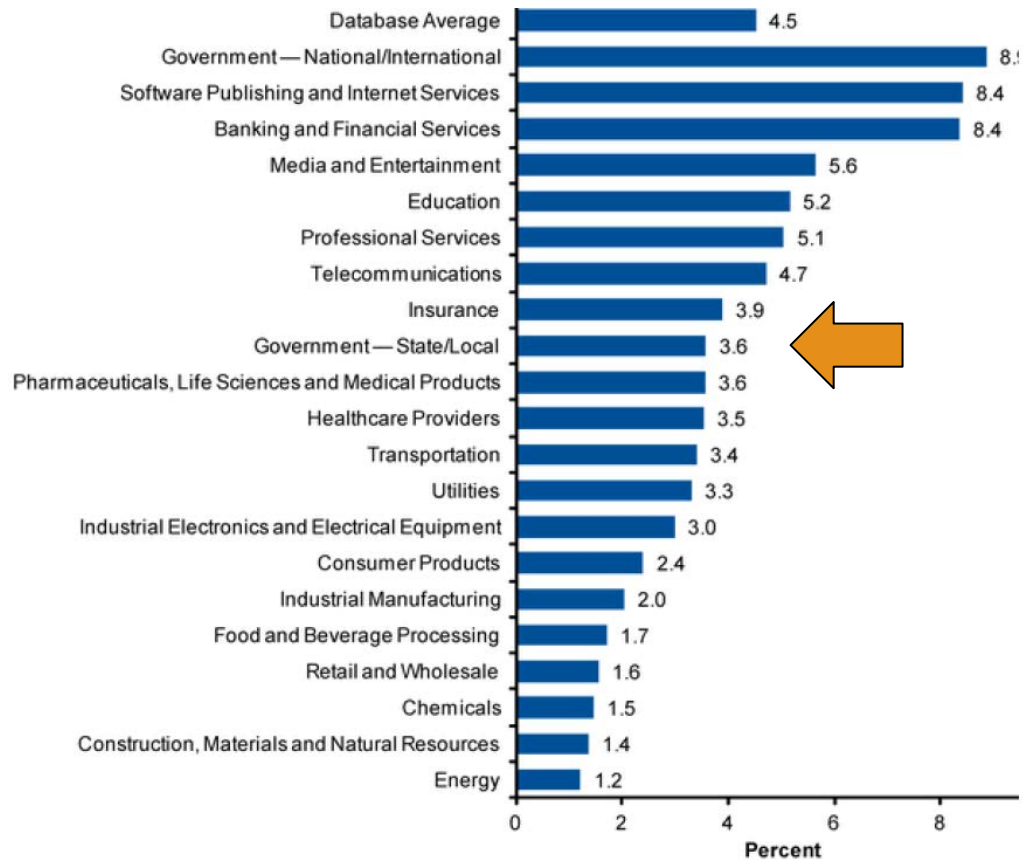
Larger municipalities tend to have more formalized IT Governance, Strategy, Leadership, and Planning.

Current IT Roles & Responsibilities



Technology Trends

IT Spending as a % of Operating Exp., by Industry 2011

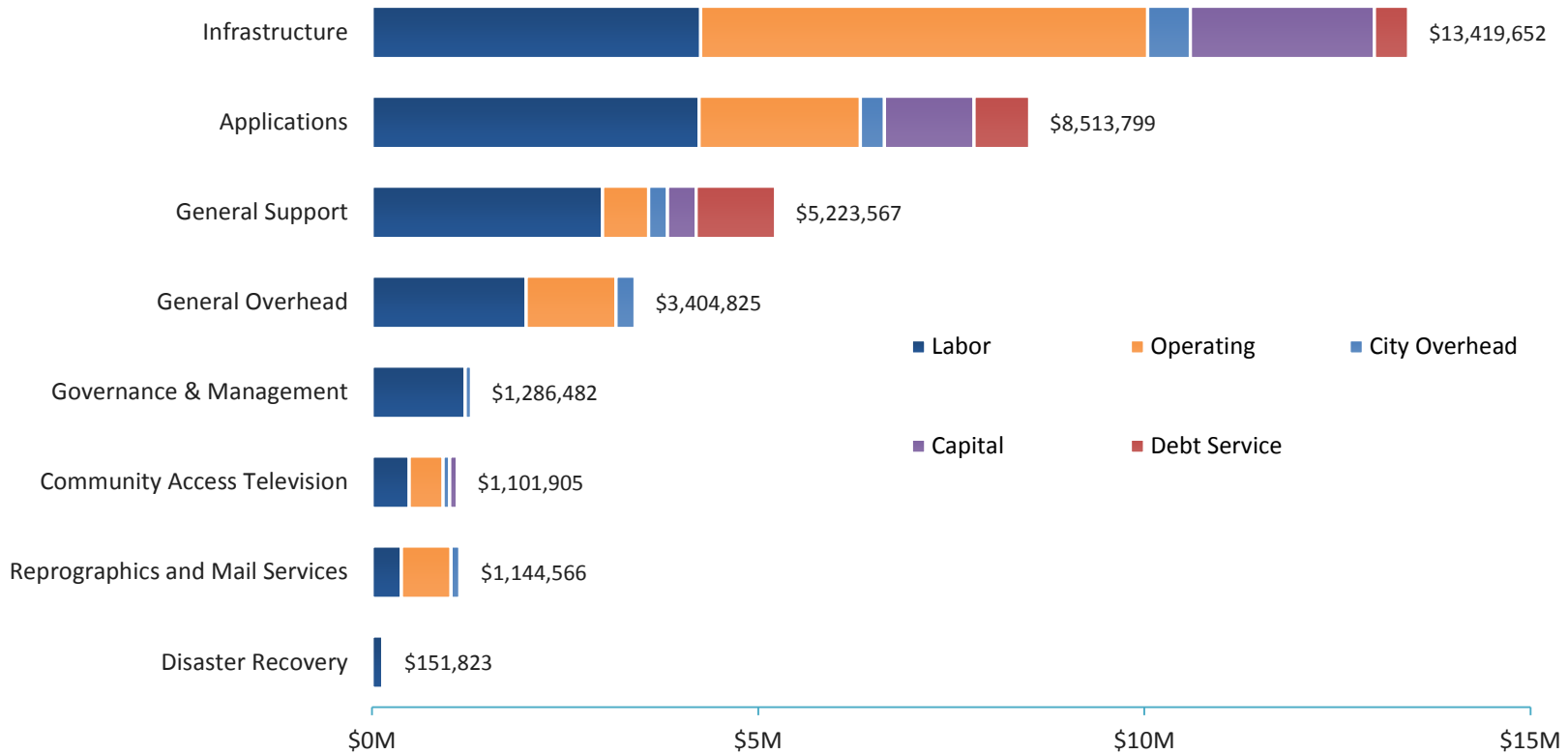


**State/Local Government:
3.6%**

Source: Gartner
IT Metrics: IT Spending and Staffing
Report, 2012
Jan 16, 2012

Cost of Service Example

Cost by Major Service Component



Strategic Sourcing Options

Sourcing Soup Anyone?

Public-Private Partnerships

Selective Sourcing

Joint Ventures

Cloud/SaaS

Internal Delivery

Staff Augmentation

Prime Contractor

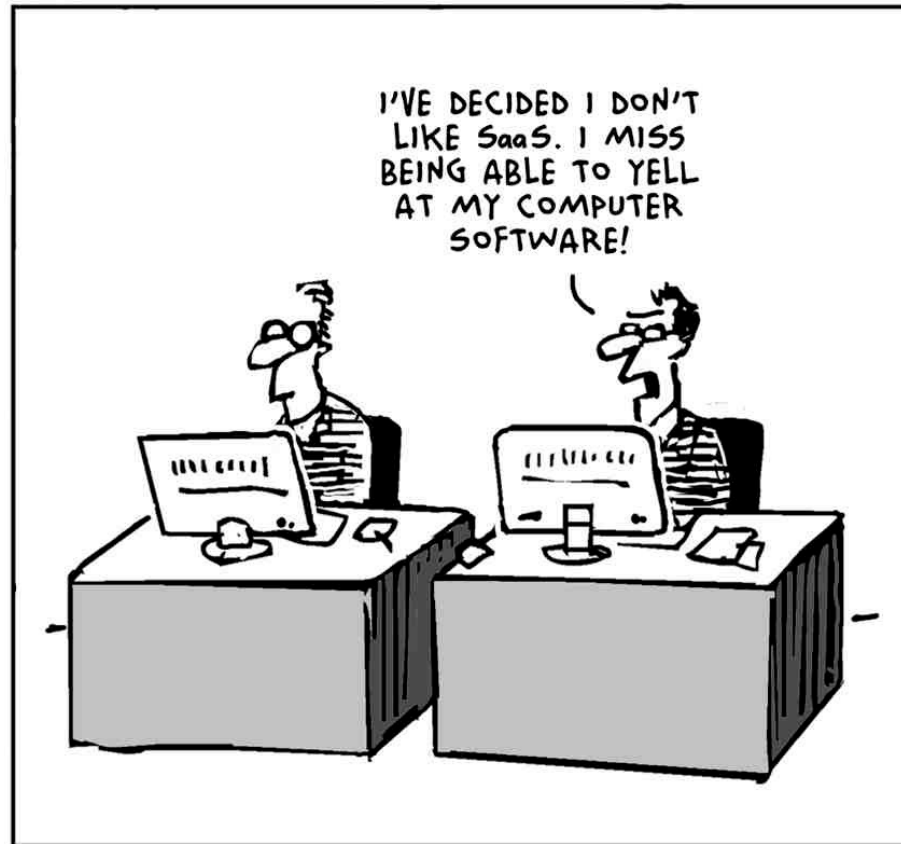
Service Level Agreement

Full Outsourcing

Managed Services

Shared Services

Software as a Service

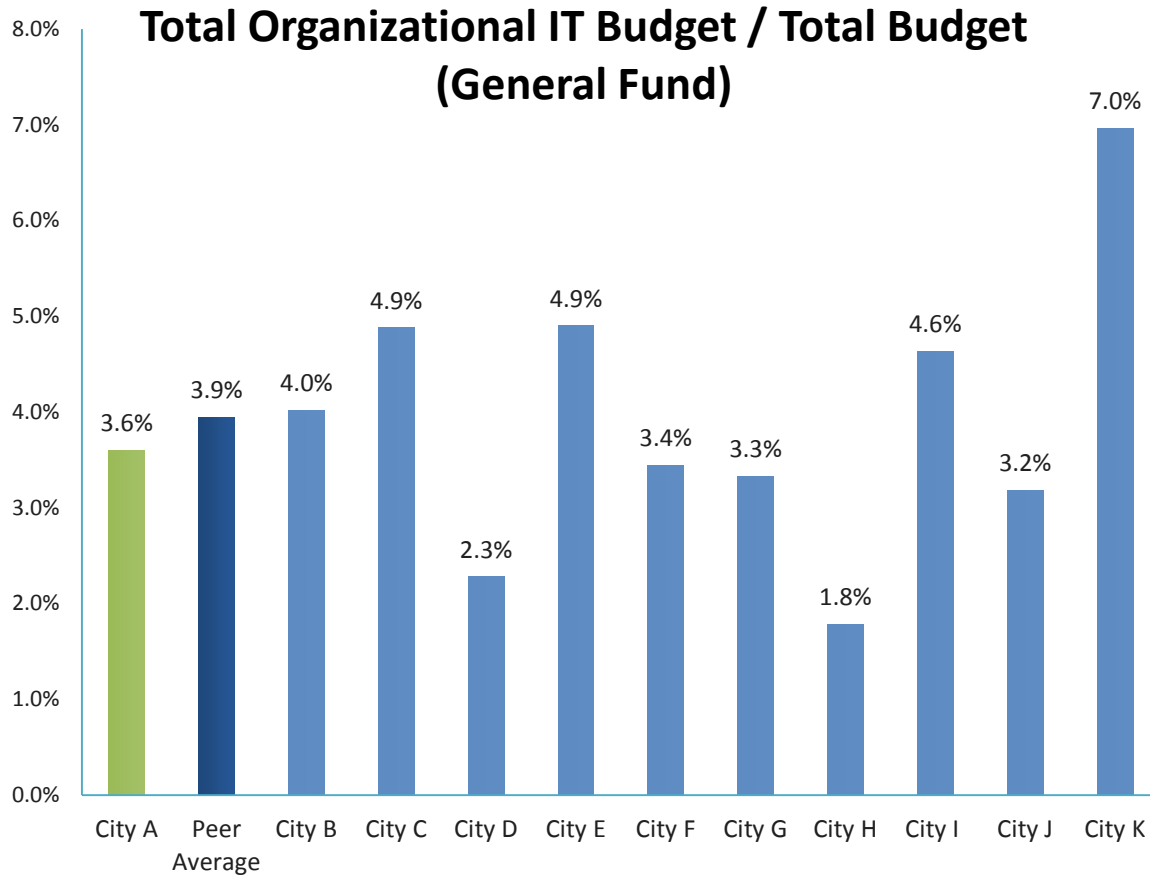


How do we go about it?

Business Case

- Options Analysis – baseline IT Assessment, availability of public/private partners?
- Strategic fit – good fit with management, council, community?
- Commercial/Practical Aspects – is the plan affordable, achievable, likely to produce results?

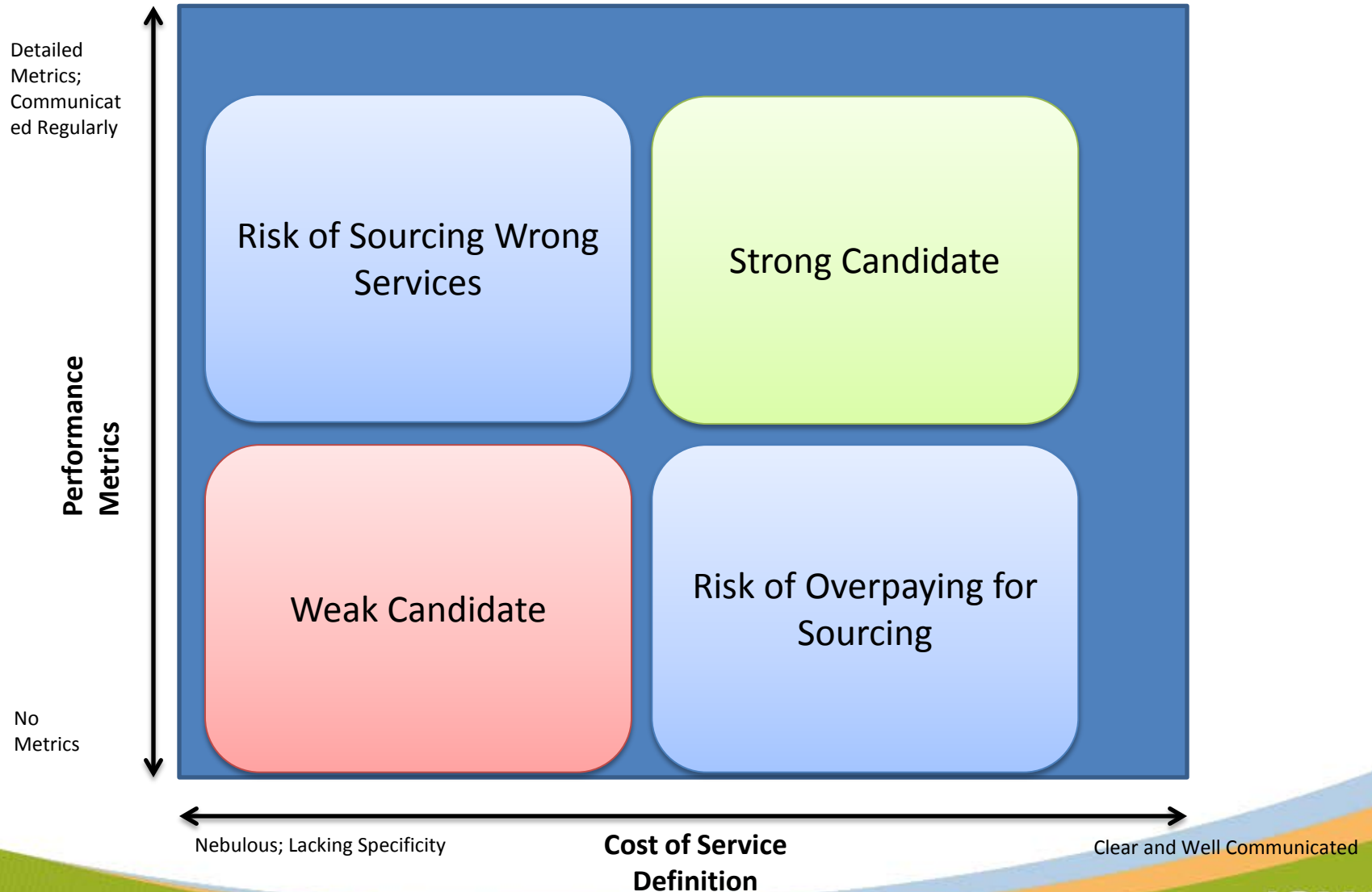
Benchmarking



*Average for all
state & local
governments:*

3.6%

Feasibility/Development - Readiness



Cost Savings

Likelihood of Realizing Cost Savings

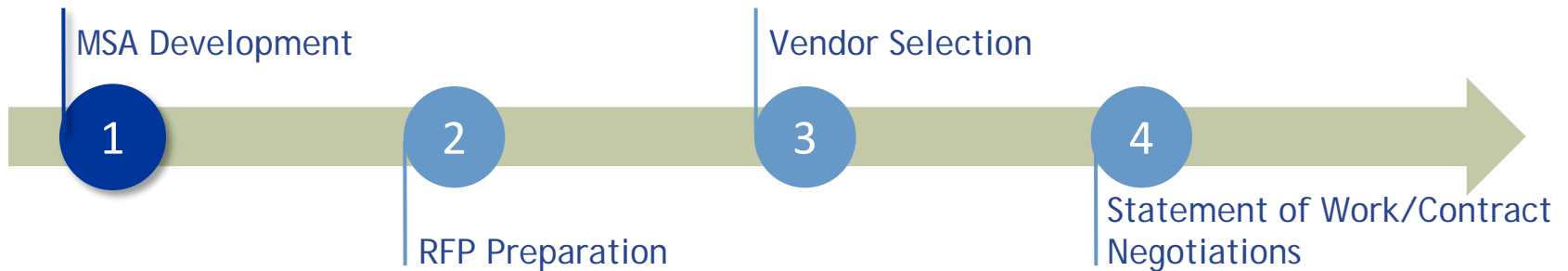
Higher	Medium	Lower
<ul style="list-style-type: none">■ Help Desk■ Desktop Support■ Database Administration■ Disaster Recovery	<ul style="list-style-type: none">■ Network Operations■ Data Center Operations■ SaaS/Hosted Applications	<ul style="list-style-type: none">■ Web/E-Commerce■ Applications Development■ Application Maintenance■ IT Security

Service Improvements

Likelihood of Experiencing Service Improvements

Higher	Medium	Lower
<ul style="list-style-type: none">■ IT Security■ Disaster Recovery■ Network Operations■ Data Center Operations	<ul style="list-style-type: none">■ Help Desk■ Web/E-Commerce■ SaaS/Hosted Applications■ Database Administration	<ul style="list-style-type: none">■ Desktop Support■ Applications Development■ Application Maintenance

MSA Development



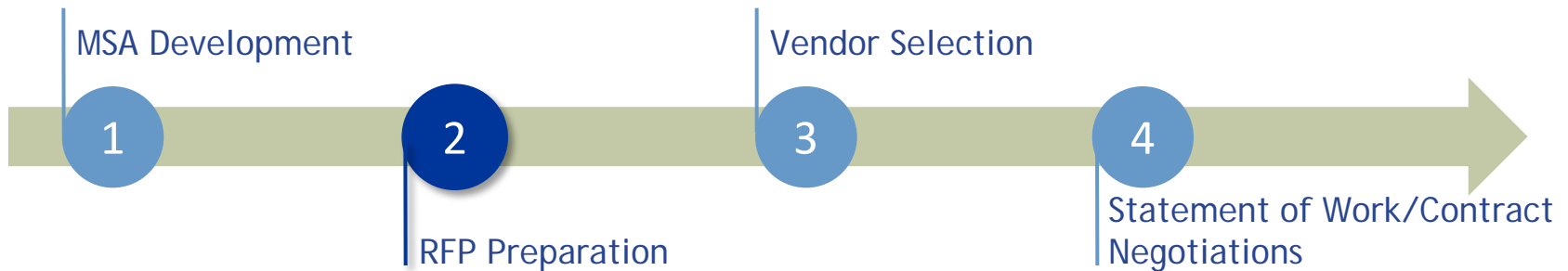
Key Activities:



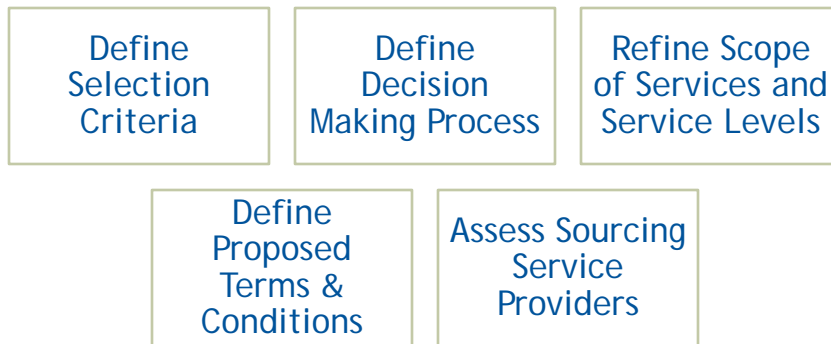
Toolkit:



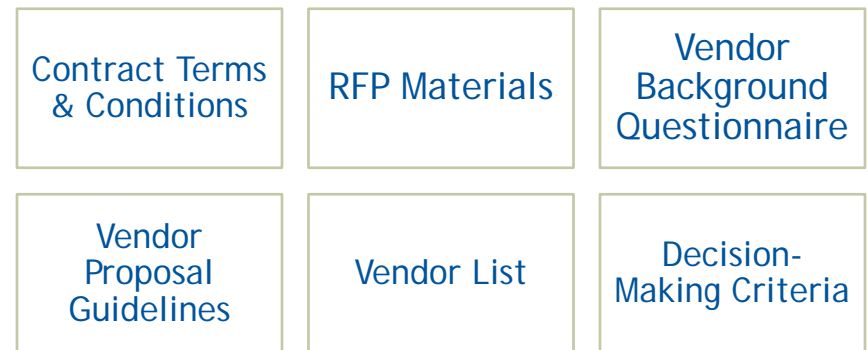
RFP Preparation



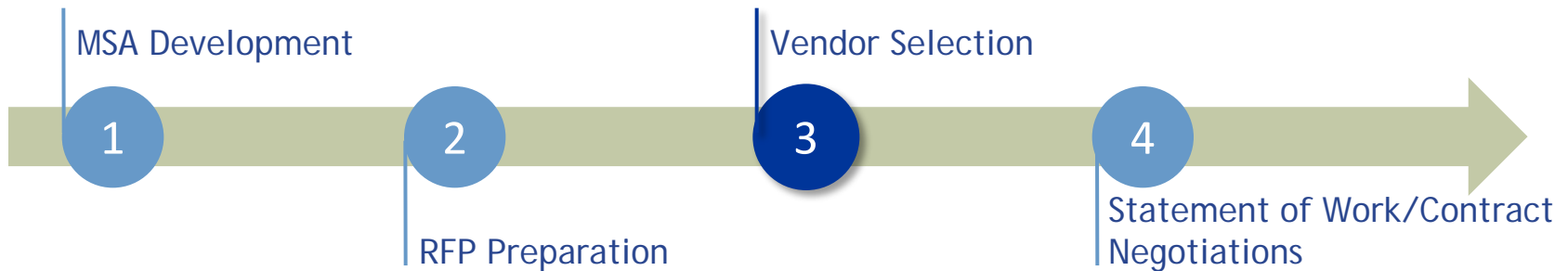
Key Activities:



Toolkit:



Vendor Selection



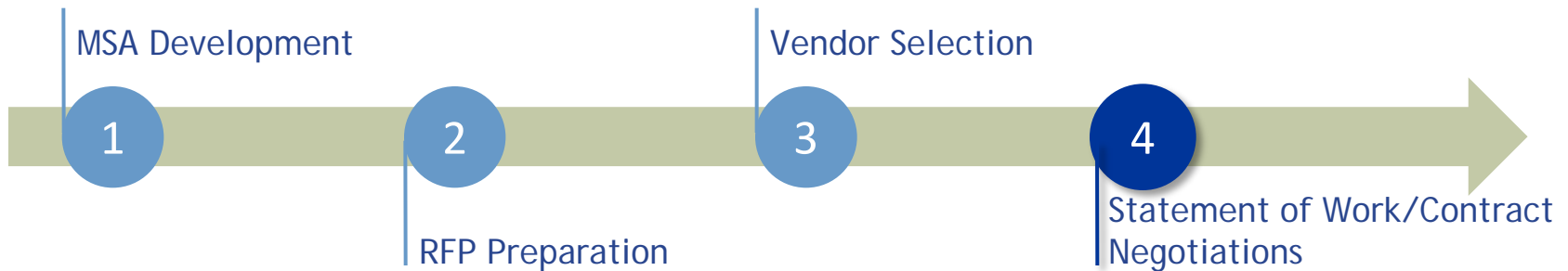
Key Activities:



Toolkit:



Statement of Work/Contract Negotiations



Key Activities:

Review Base Agreements

Develop Statement of Work

Negotiate Terms & Conditions

Finalize Negotiations

Toolkit:

Contract Terms and Conditions

Statement of Work Examples

Example: City Challenge/Need

- **Funding:** City revenues challenged as a result of the economic downturn
- **Technology:** The city's technology environment is very complex servicing both the city and external entities
- **Operations:** The city views its services as candidates for privatization to obtain the best overall value for its citizens
- **Best Practice:** A thorough review of the IT sourcing marketplace had not been performed since 1997

Approach

- Developed an RFP that segmented IT services into nine towers providing greater transparency as to IT services and costs
- Through an RFP process able to obtain a number of qualified bidders for the IT
- Negotiated a very comprehensive statement of work (SOW) and contract with the selected vendor for a term of five years with an optional sixth year

Project Results

- Completed: 2009-2010
- Contract value with selected IT sourcing vendor: \$29M
- Realized savings from previous IT sourcing contract: 5%
- Services:
 - IT sourcing RFP Development
 - IT sourcing selection
 - Contract negotiations
- Results: The city has a significantly enhanced contract for providing IT services to its city staff, other surrounding communities and city constituents.

Closing



Source: John Klossner
Cartoons jklossner.com

Questions/Comments?

Additional Information...

THANK YOU

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ANNUAL CONFERENCE

Charlotte
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