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## Wincor World 2009 – Process Improvement Forum

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Making the most of managed services and outsourcing

# GOVERNANCE OF SERVICE RELATIONSHIPS



- state-recognized, private institution of higher education
- Accredited study programs (FIBAA)
- 20 years of international experience in non-academic qualifications in service management and marketing for leading service organizations

### **MBA Service Management**

- Part-time MBA focusing on service management and solution business
- ISS faculty and recognized educators from industry and academia
- Start 2nd cohort: Januar 2009

### **Service Management Institute**

- Think Tank for service research
- Custom corporate programs for service organizations
- Cutting edge-research programs

### **BBA Service Management**

- Part-time Bachelor of Business administration program with service focus
- Starting August 2009

[www.iss-hamburg.de](http://www.iss-hamburg.de)



## **ISS – Service First**

*Unique customer-focus, relevant research, strong executive involvement, and inspiring teaching make ISS the leading international business school for service management that drives service leadership careers and profitable growth with services.*



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# Agenda

1. Outsourcing vs. managed services
  
2. Principles of successful sourcing governance – results of a CIO study
  1. Sourcing framework
  2. Formal governance
  3. Informal governance
  4. Tailoring
  
3. Conclusions



## Outsourcing vs. Managed Services

Externally-delivered services

*not insourcing*

Continuous, SLA based

*not project business*

Selective scope

*not total outsourcing*

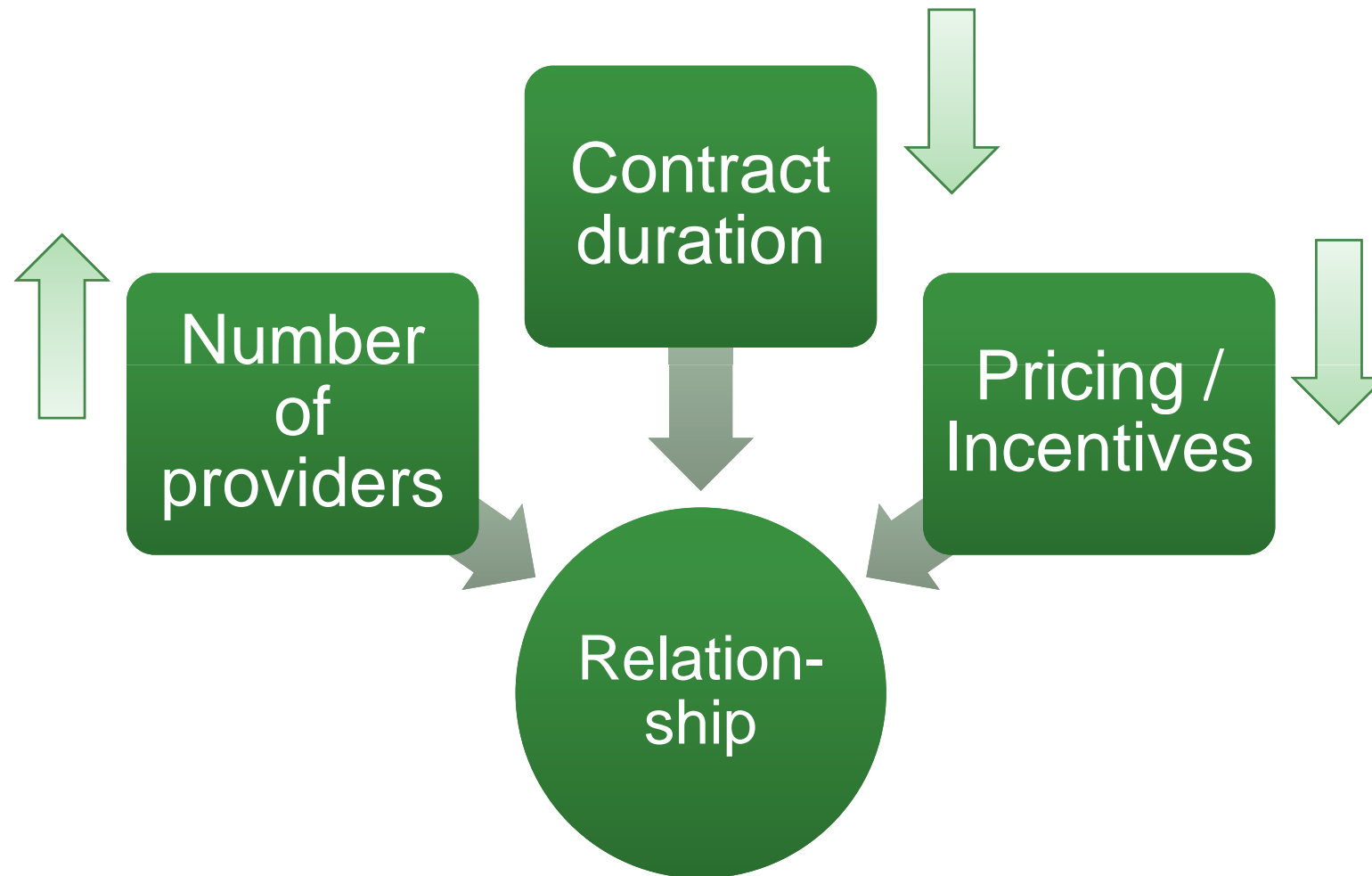
No transfer of assets and human resources

*not traditional outsourcing*

(Source: Berlecon Research)



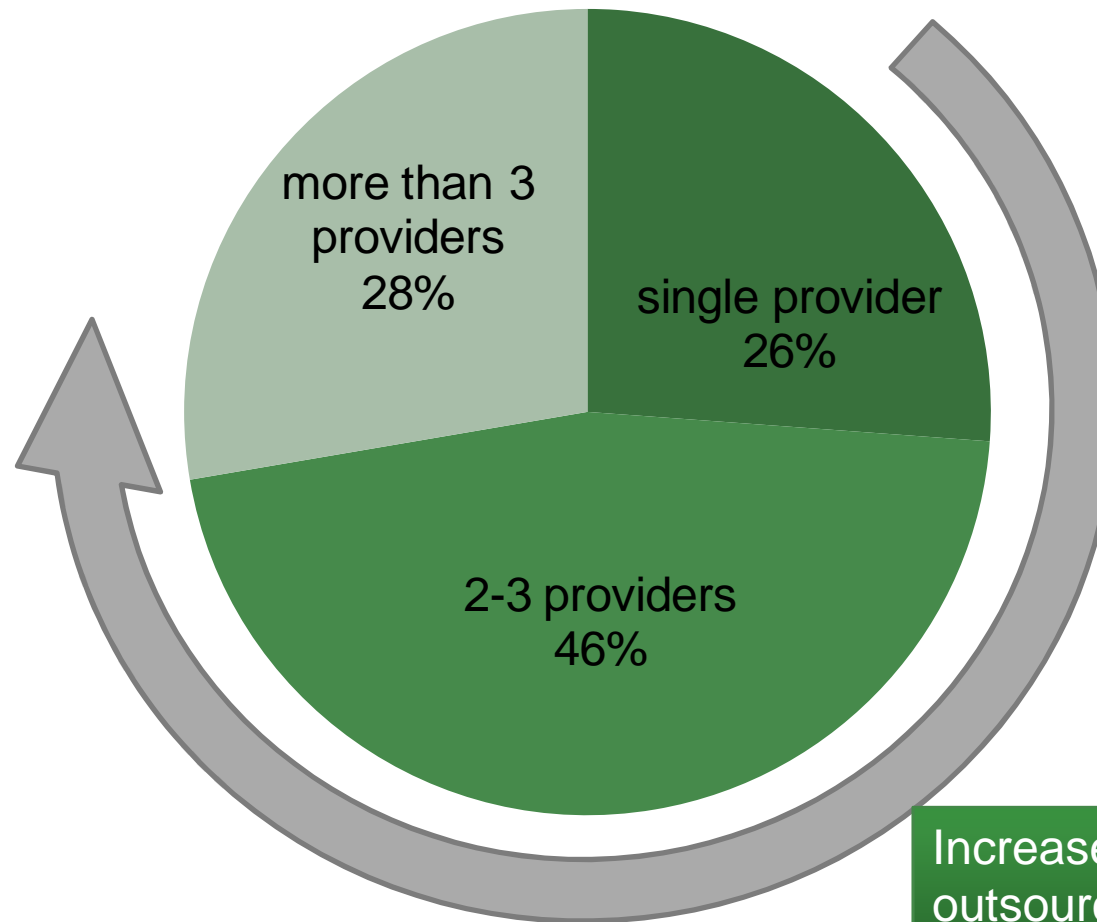
## Sourcing framework: Choosing where to sail



(Source: TUM/SIS CIO Survey)



## Number of providers



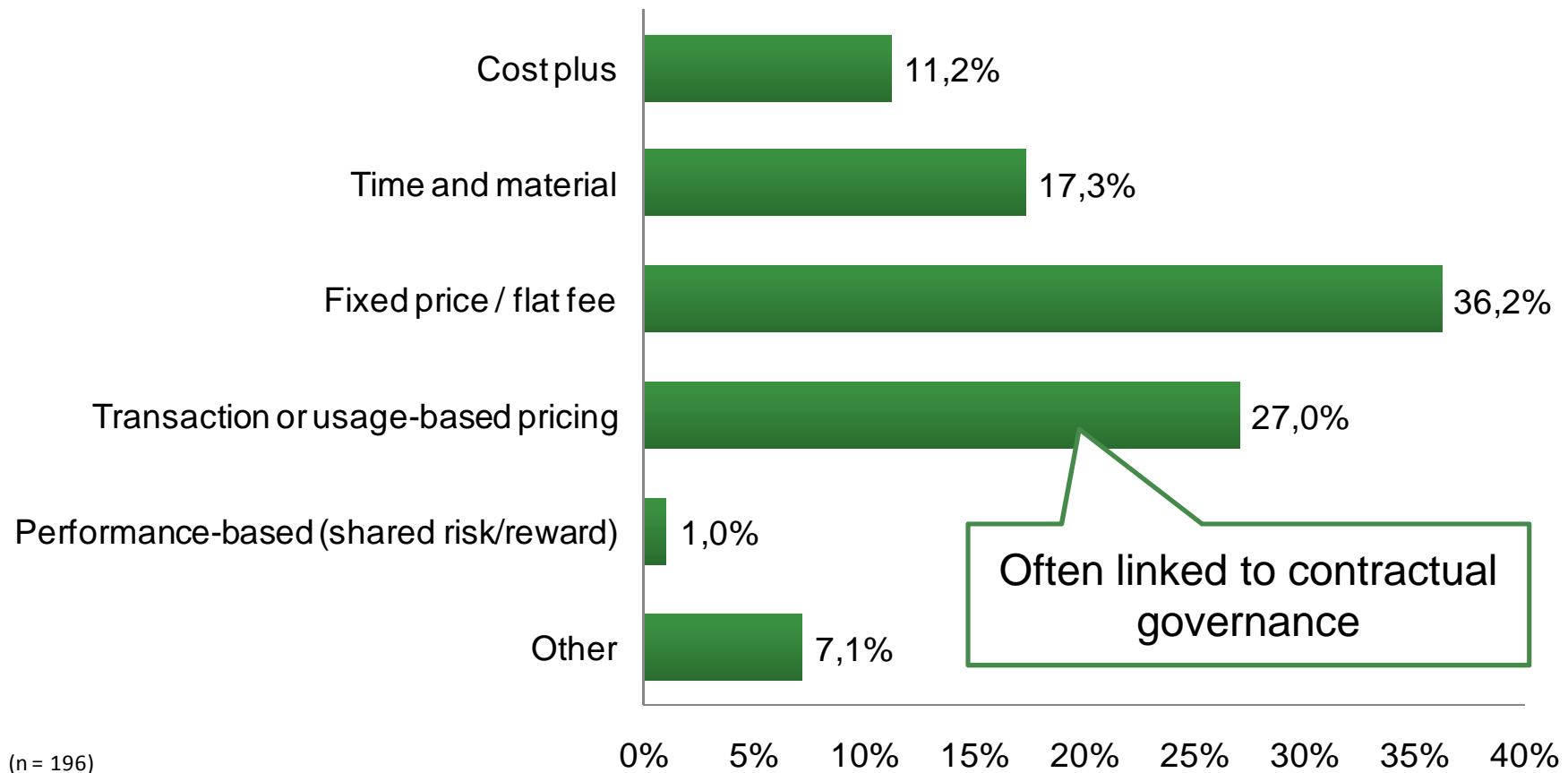
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(Source: TUM/SIS CIO Survey)

Increases with  
outsourcing experience



## Price model



(Source: TUM/SIS CIO Survey)



## Formal governance: Enforcing discipline

### Contract

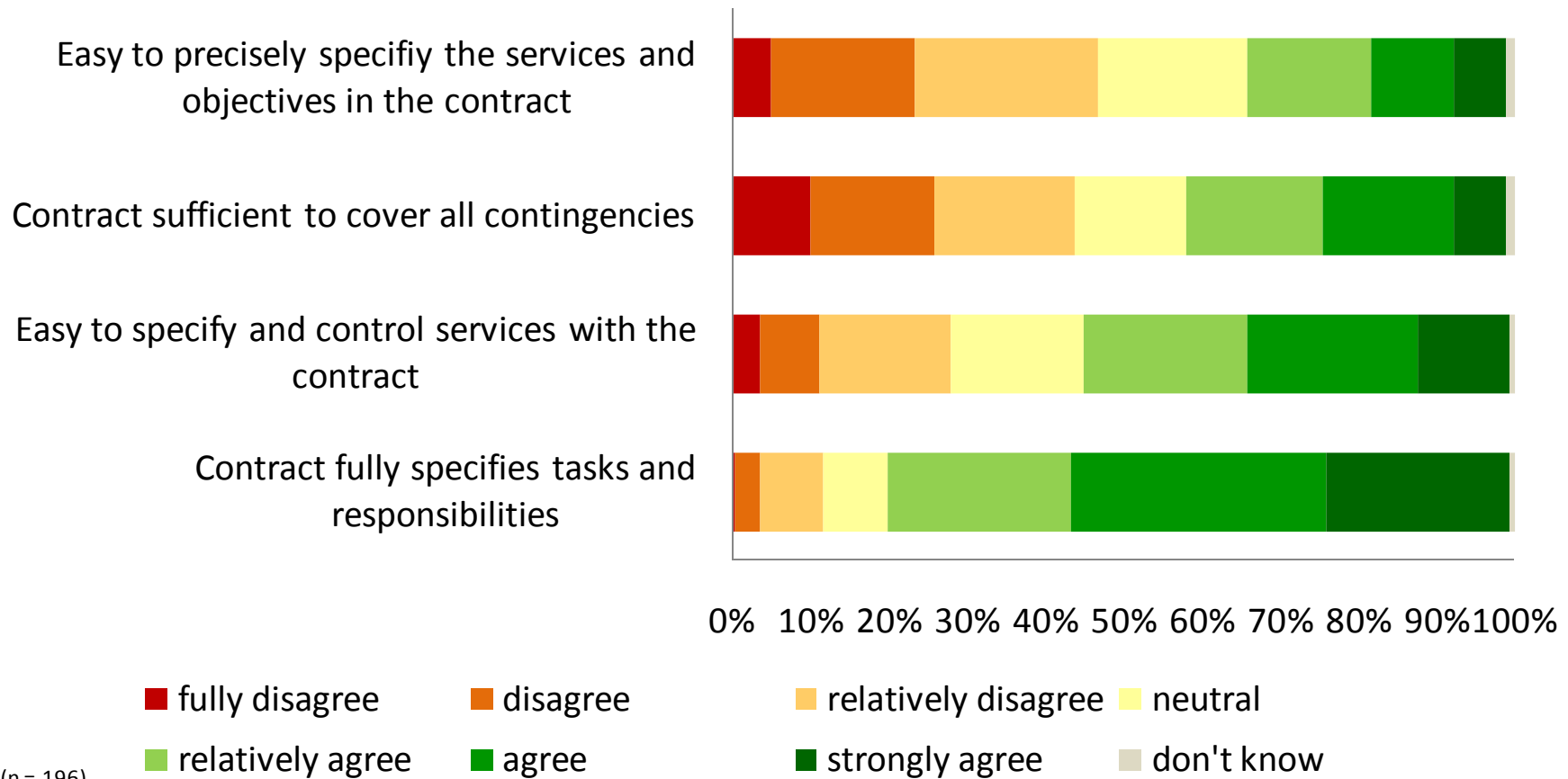
- Specification of services
- Distribution of responsibilities
- Performance metrics (SLA)

### Processes

- Benchmarking
- Collaborative Strategy
- Service Level Management
- Contract Management



# Limitations of contractual control

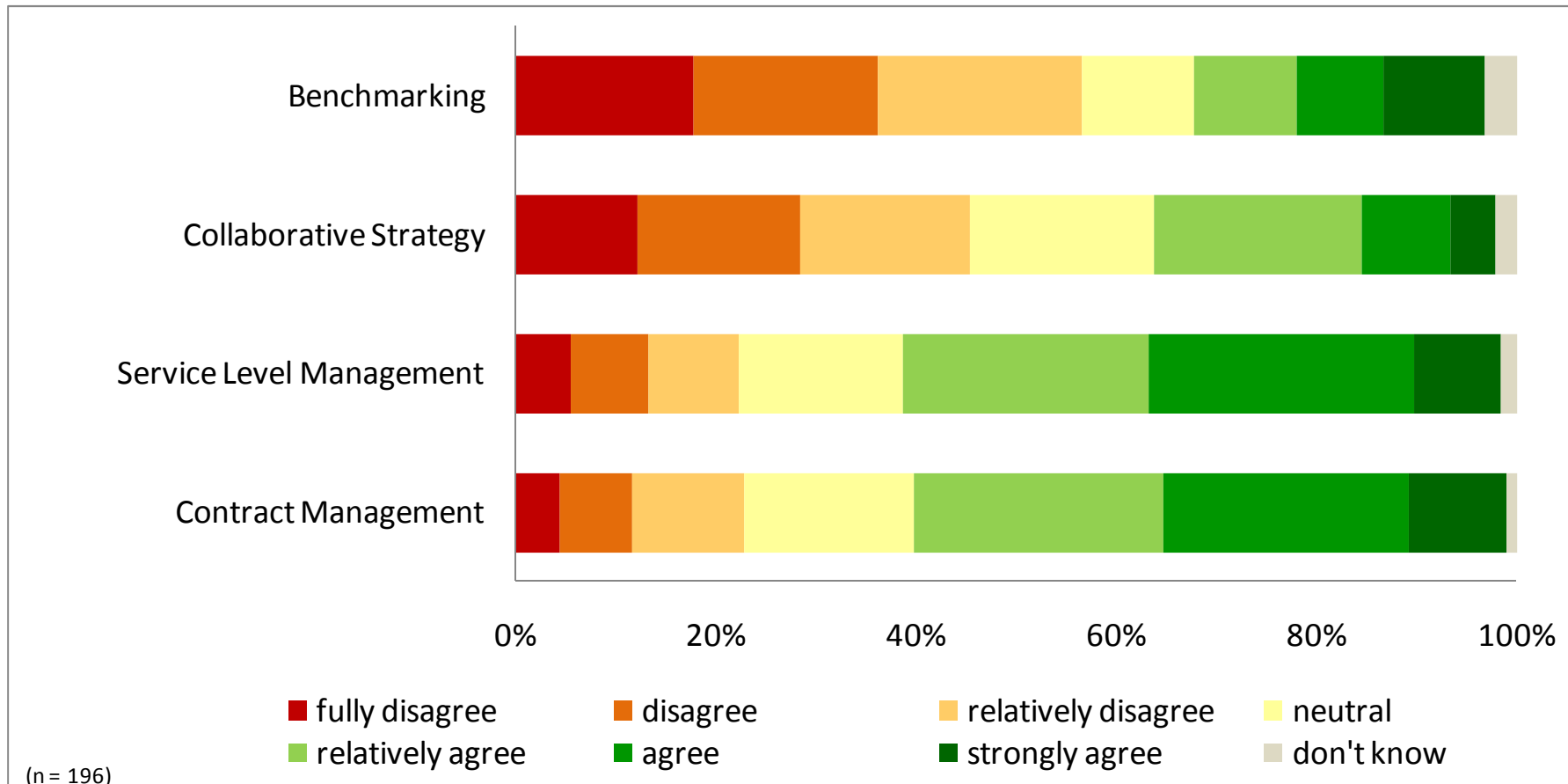


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(Source: TUM/SIS CIO Survey)



## Processes for governance: mind the gap



(Source: TUM/SIS CIO Survey)



## Informal governance: Keeping up good morale

### Experience

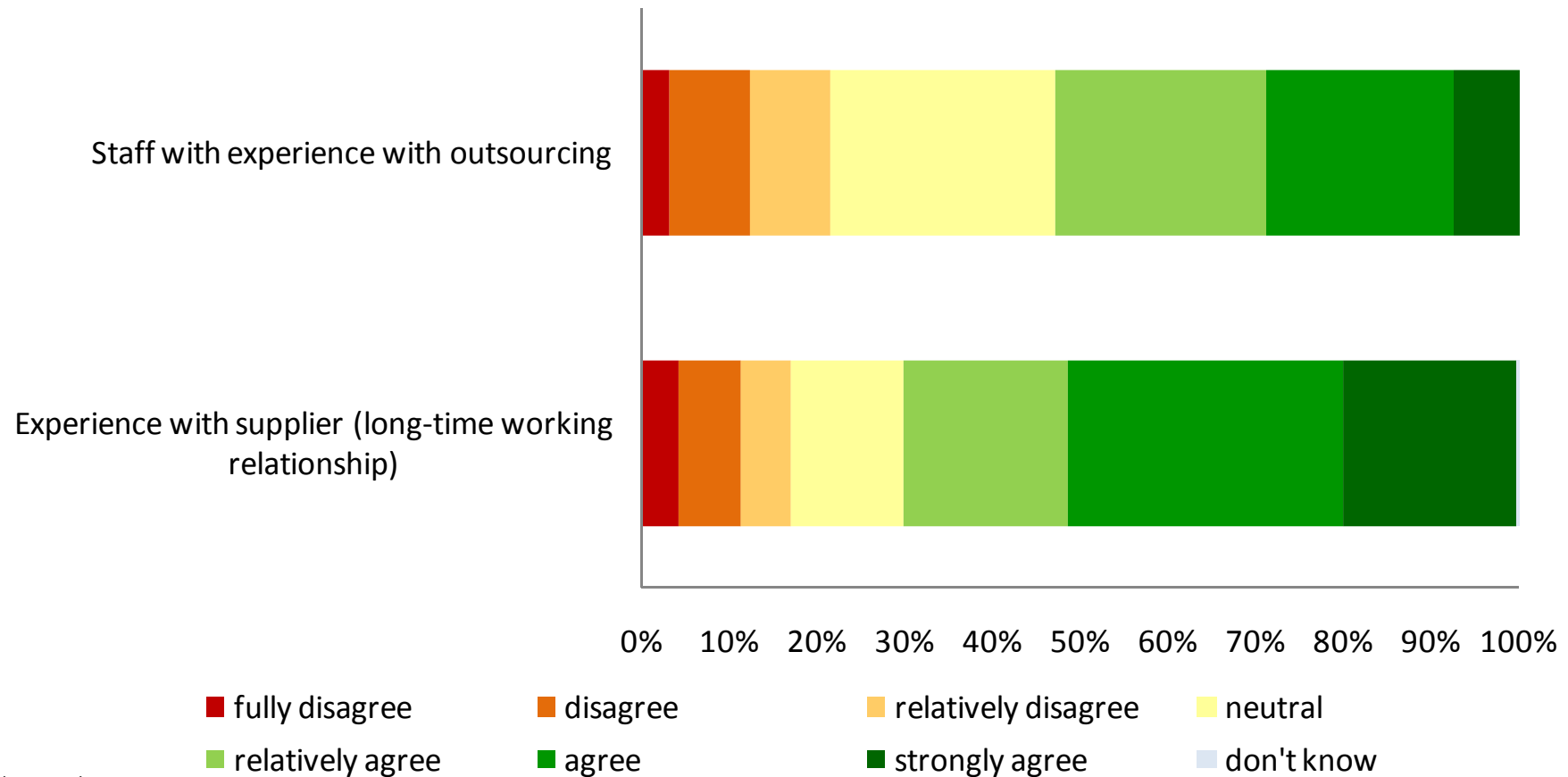
- Use your knowledge about a specific partner
- Grow, acquire and use the outsourcing experience of staff

### Working relationship

- Establish a framework for exchange and mutual communication
- Create regular relationship management and improvement activities



## Governance with experience: Staying vs. steering

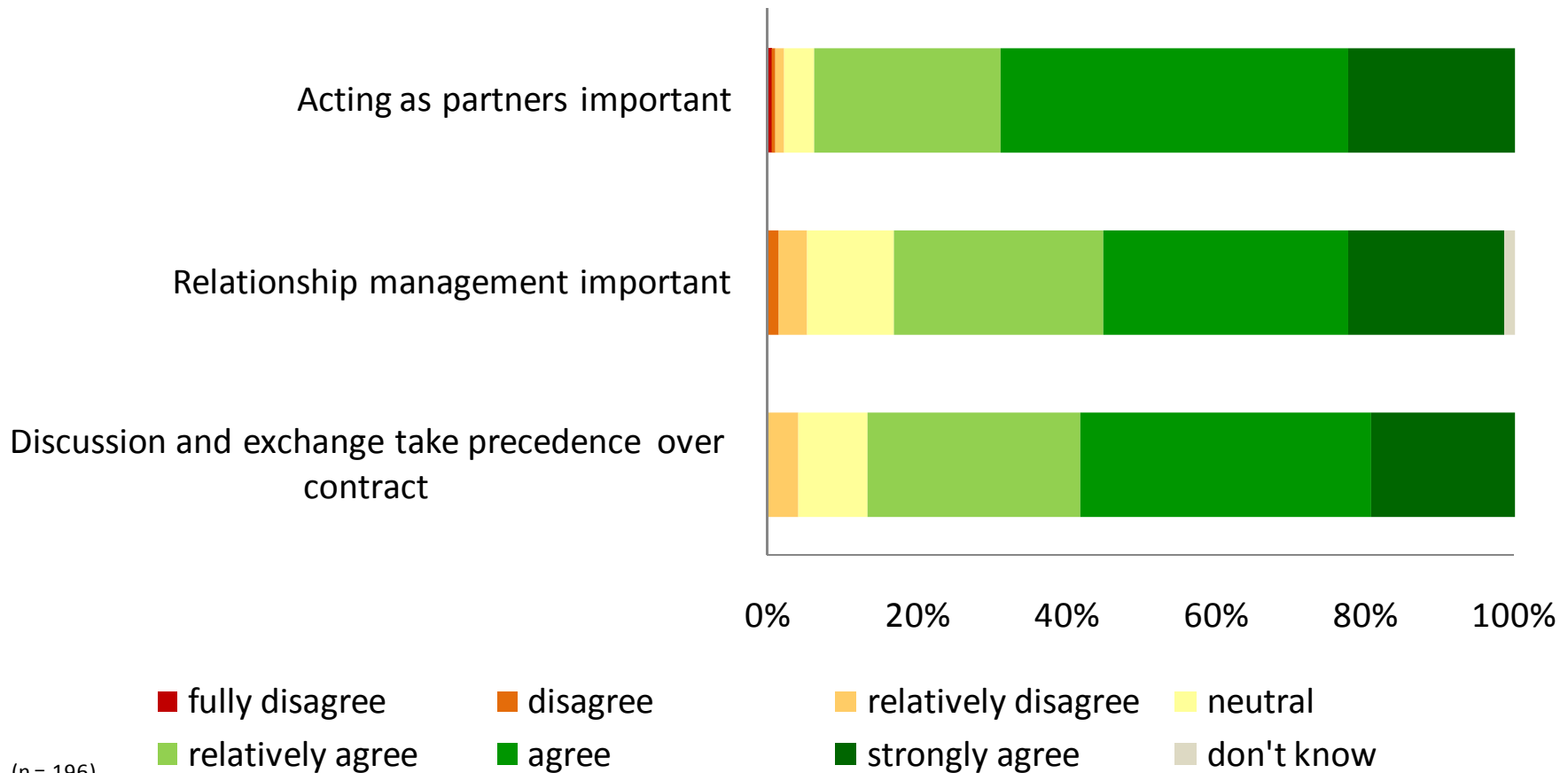


(n = 196)

(Source: TUM/SIS CIO Survey)



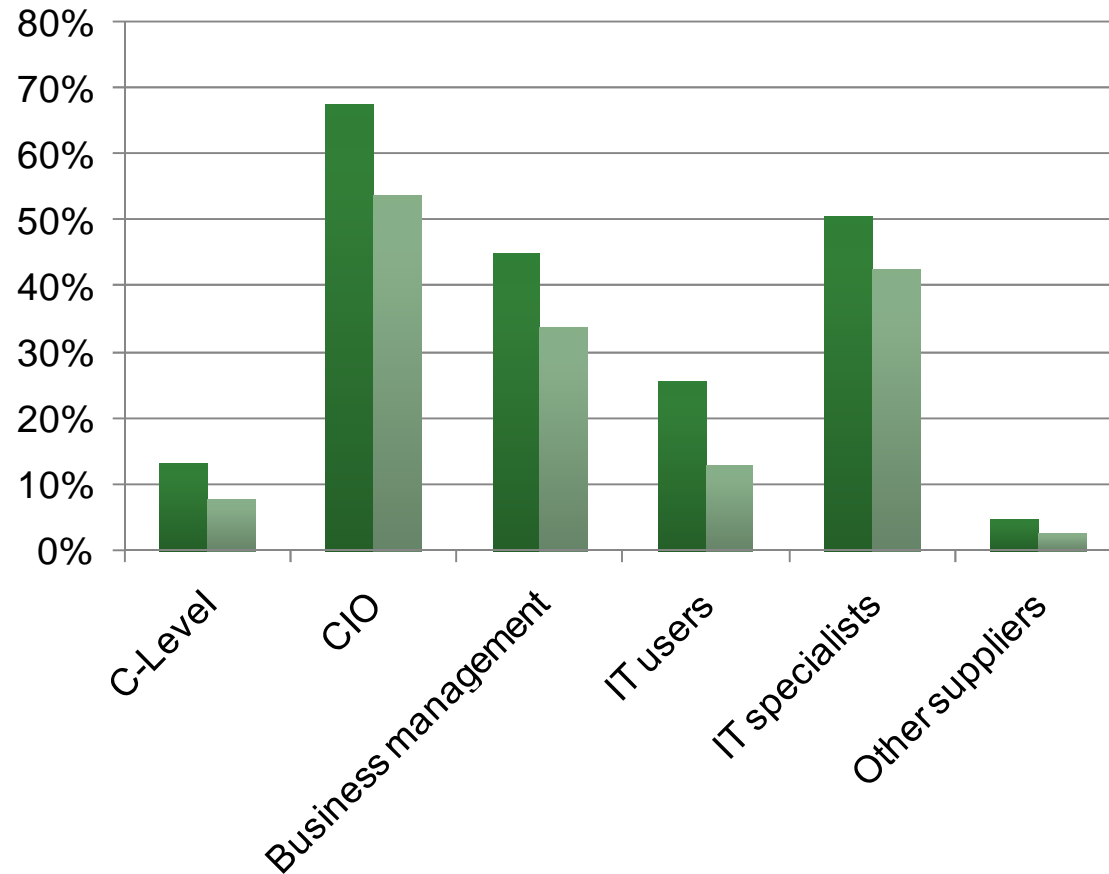
# The importance of a good working relationship



(Source: TUM/SIS CIO Survey)



## Involving providers



*Approx. 70% run workshops at least once a year, about 35% at least every six months*

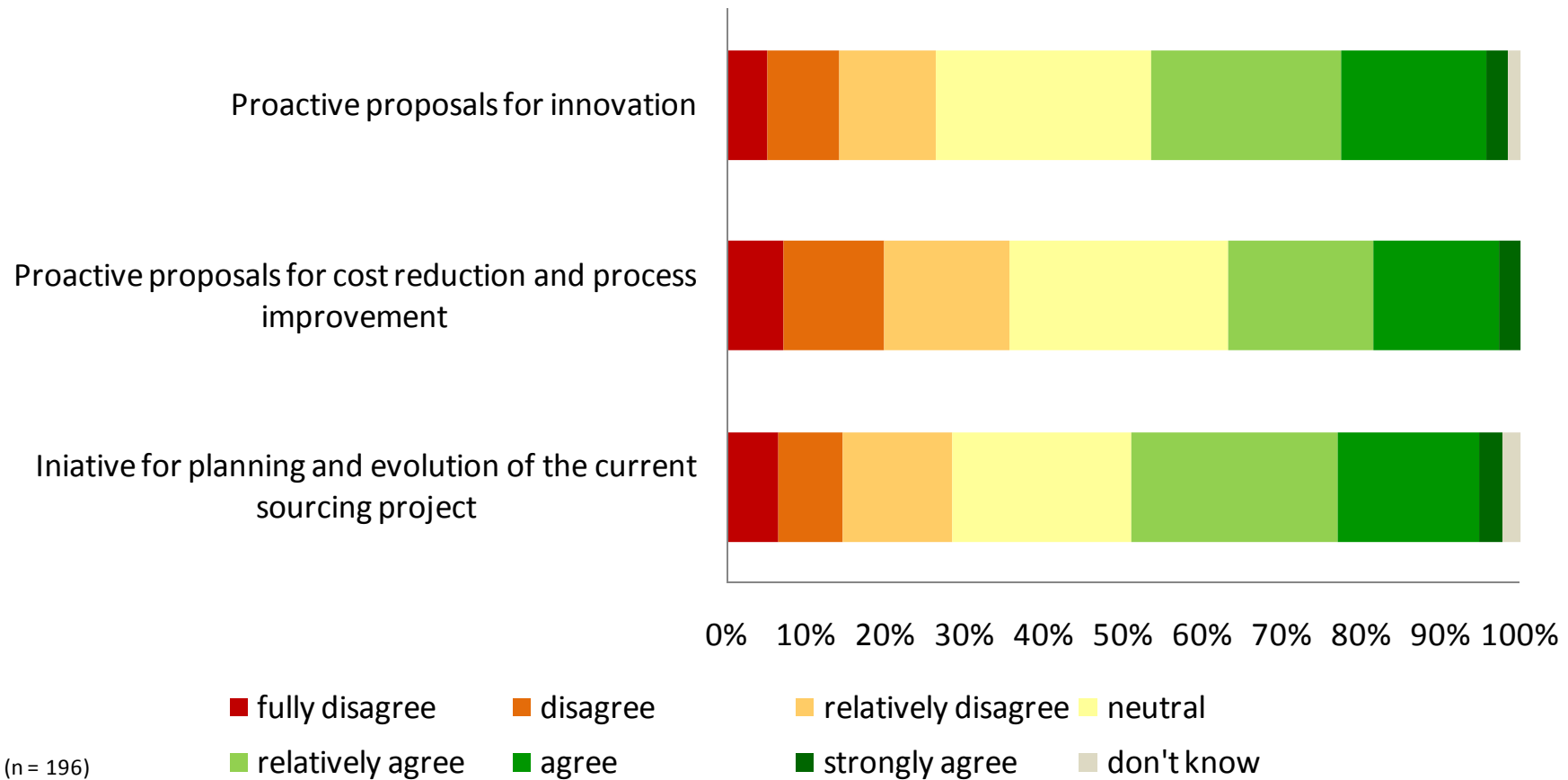
- Innovation workshops: Collaborative development of innovation for IT-based products and services, or IT improvements
- Supplier workshops: Customers giving feedback to suppliers with proposals for the evolution of delivered services and the service portfolio of the provider

(n = 196)

(Source: TUM/SIS CIO Survey)



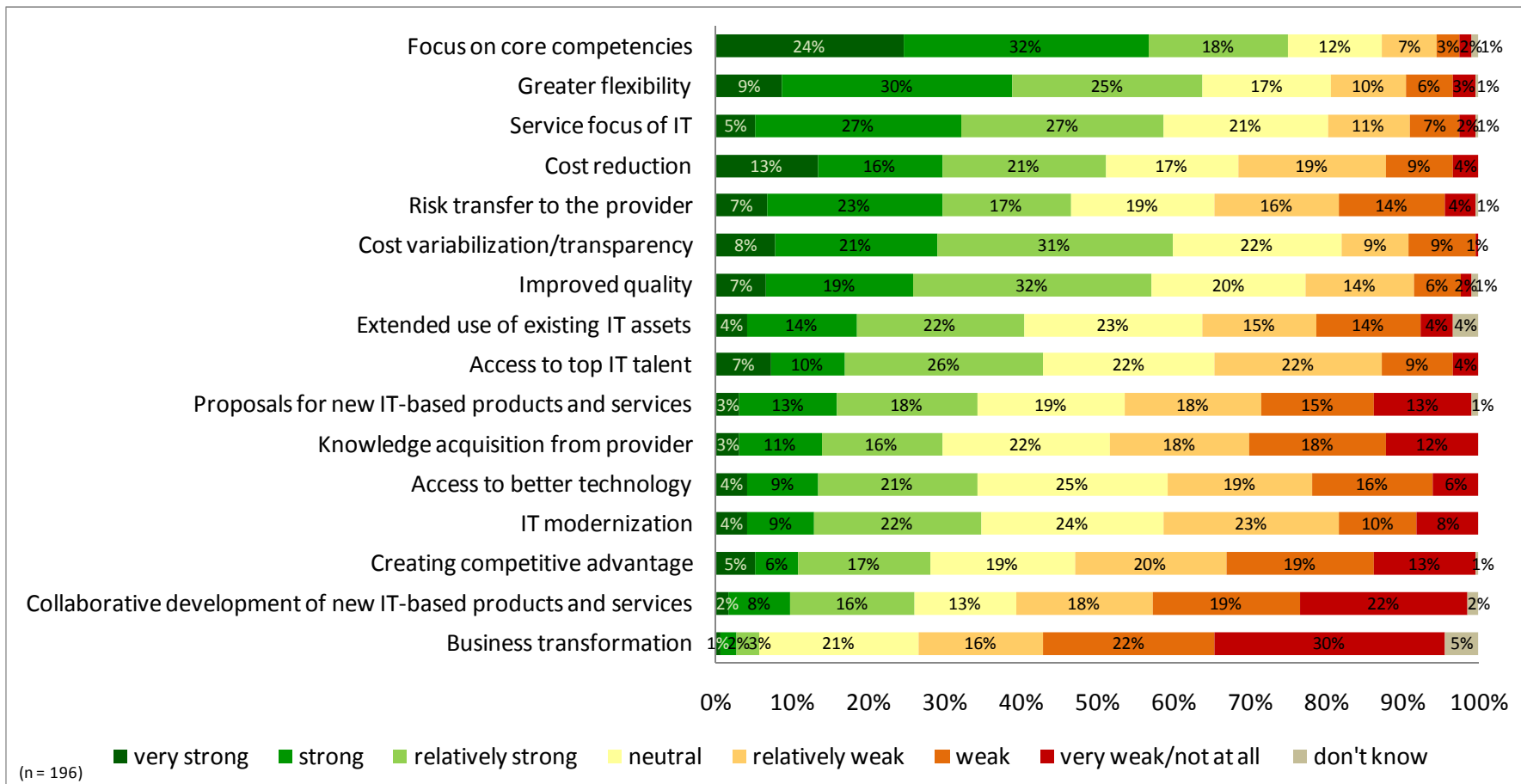
## Involving providers: Mixed success and satisfaction



(Source: TUM/SIS CIO Survey)



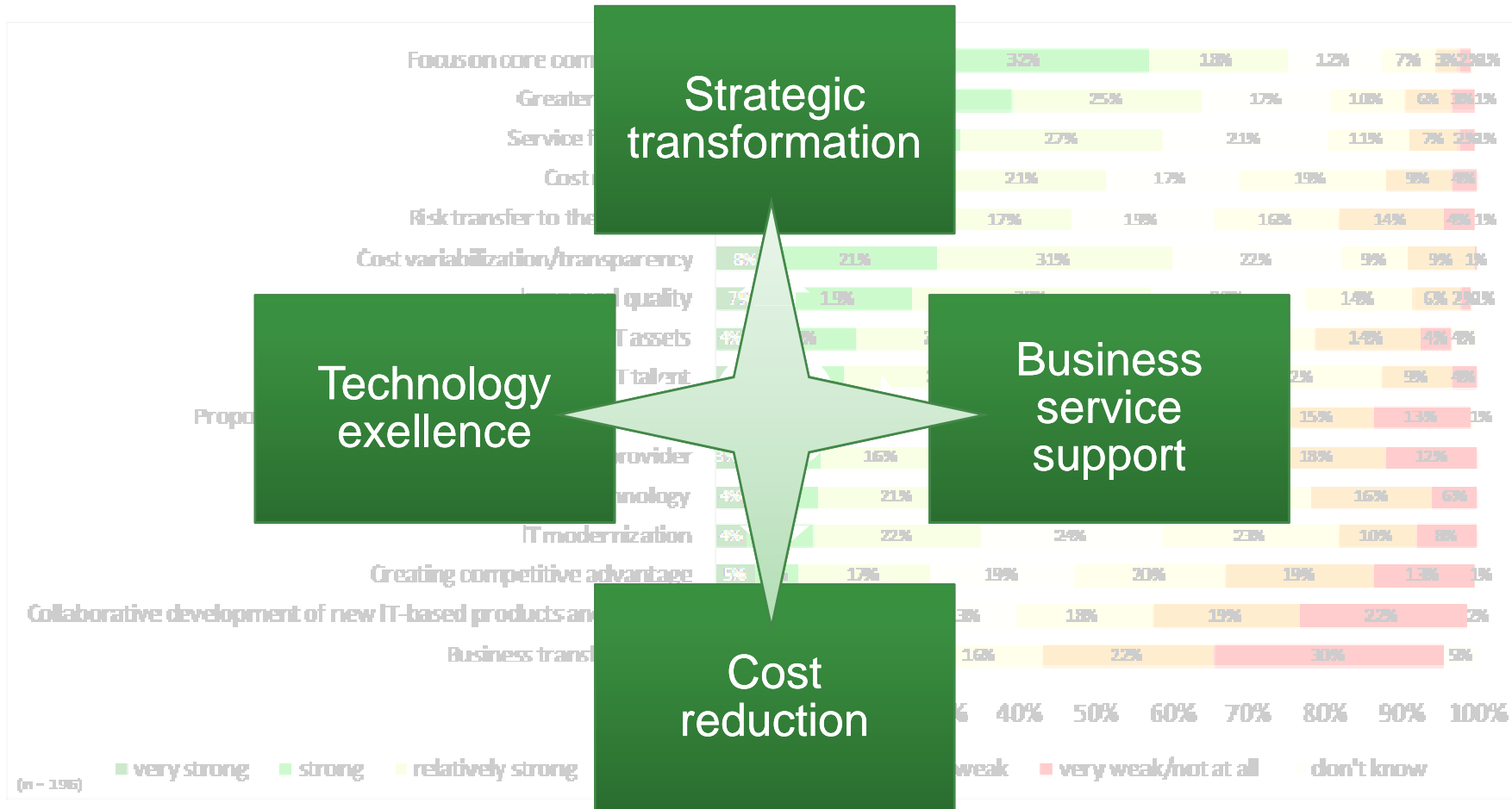
# Sourcing objectives: Expectations differ substantially



(Source: TUM/SIS CIO Survey)

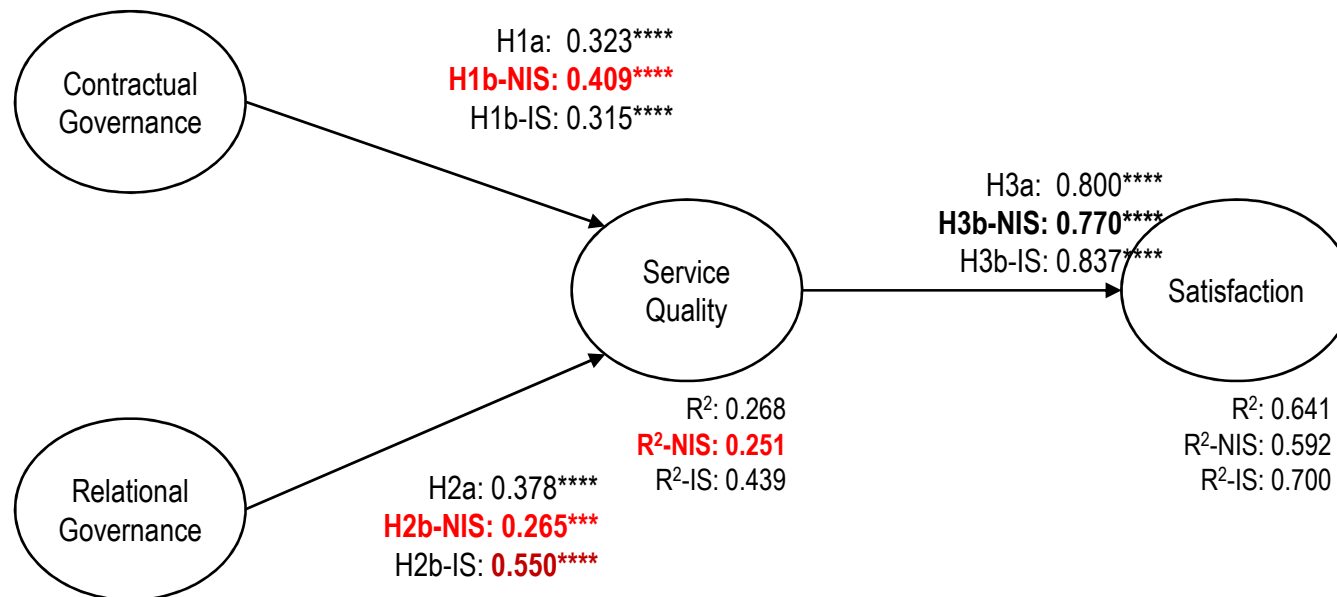


# Become a proficient navigator





# The need to tailor your approach



				<u>Level of significance:</u>	
#	p > 0.1	none	***	p <= 0.01	strong
*	p <= 0.1	low	****	p <= 0.001	extremely strong
			**	p <= 0.05	moderate

NIS: Non-innovation seekers (No IT-enabled innovations for business advantage expected)  
IS: innovation seekers (IT-enabled innovations for business advantage expected)

(Source: TUM/SIS CIO Survey)



## Four steps to successful service governance

