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DCG provides a comprehensive set of services to outsourcing partners facilitating their needs from high level contract frameworks to specific software application outsourcing contractual elements such as the establishment of effective and meaningful service level measures.

- Establishing Effective Service Level Measures
- Vendor Evaluation and Selection
- Offshore development and support

Establishing Effective Service Level Measures

Application software development and maintenance (AD/M) outsourcing arrangements are established on the basis of a **contractual partnership**, with both sides having a vested interest in the success of the business relationship. The measure of that success can be defined as the effective and efficient delivery of services for a fair market price. Contractually, both parties must agree to the terms and conditions that define the service.

Objective, focused, **quantifiable service level measures** determine the effectiveness of that service and the efficiency of the delivery. Service level measures must be of value to both the customer and the provider. They should measure the value provided to the customer, and assuming successful execution of the service, they must allow for a positive return on investment for the outsource provider.

Critical Tasks

Properly identifying and developing service level measures is a major factor in building a successful outsourcing contract. The development and **governance of these measures** involve tasks that must occur while the contract is being negotiated (pre-contract) and tasks that will occur after the contract has been signed (post-contract). In the Service Level Model on the following page, pre-contract tasks are identified within the discovery and positioning phases. Post-contract tasks, which take place during the life of the contract, are identified within the execution phase. The phases are sequential and must be fully executed to ensure success.

Identify Service Level Measures Before the Contract

Far too often, the customer and the provider agree to incorporate service level “place holders” into the contract. Their intent is to revisit the assignment of service level measures at some point after the commencement of the engagement. However, once the contract is signed, it is very difficult to bring everyone back to the table to negotiate additional terms and conditions. The lesson learned is obvious: establish your service levels **prior to contract negotiation**. The following model provides a suggested approach to the effective establishment of service levels. It assumes a large, multiyear outsourcing deal in which the entire application development and maintenance organization has been outsourced. With a few minor modifications, the approach can be adjusted to fit smaller, more specialized deals.

DISCOVERY PHASE



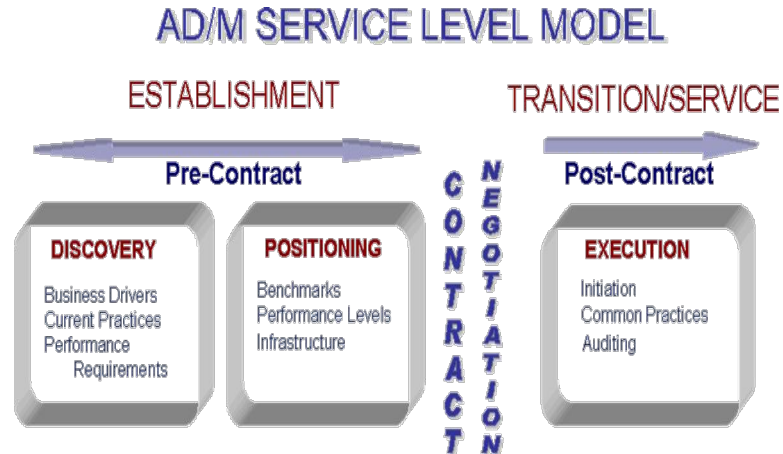
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The *discovery* phase (business drivers, current practices, performance requirements) establishes the alignment of the outsourcing arrangement relative to business strategies, effectiveness of current software practices, and performance requirements. The **business drivers** define the goals and objectives — why the deal is being done. An

understanding of the current software practices and the nature of the development environment aids in directing the definition of the service level measures.

Performance requirements provide the framework for how the level of service will advance from its current state to the achievement of the stated business goals. The information gathered and analyzed in this phase forms the basis

for creating the proper service levels. The service levels must be defined so that they effectively drive the proper behavior relative to the attainment of business objectives.



When defining what will be measured in **monitoring the performance** of service delivery, the business objectives must be considered. Each service level measure should directly or indirectly support the advancement of the business goals. For example, if cost reduction is a business driver, there should be a set of service levels that will monitor those service elements that impact costs.

Establishing your performance profile

Understanding current software practices allows for the creation of a profile of performance, which will identify inherent strengths and weaknesses in the current software environment. This **qualitative view** of development practices focuses the service level measures on the particular areas that could ultimately become barriers to the achievement of stated business goals. For example, if lowered costs and improved levels of productivity are business goals and the current software practices do not demonstrate the capability to meet those stated goals, service levels should be established to drive behavior toward improvement of those software practices.

Measure for the Right Reason

The key to developing effective service level measures is to ensure that you are establishing measures that will effectively **drive a change** in current development practices, rather than simply leaving project management measures in place. Ultimately, you should not concern yourself with the “how” of the service delivery, but rather the effectiveness and efficiency of the service.



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The successful completion of the discovery phase results in a proposed set of service level measures that will monitor the effectiveness of the service delivery in support of business and technical company goals.

POSITIONING PHASE

The *positioning* phase (benchmarks, performance levels, infrastructure) includes the development of benchmarks, which will be used as a baseline for establishing contractual performance levels and making comparisons to industry performance benchmarks.

Benchmarking Performance

Benchmarking activities are conducted to **establish measures of performance** such as product delivery cost, cost of quality, time to market, performance productivity, level of service and customer satisfaction. The benchmarks are established to reflect current levels of performance. The benchmark data reflects a **quantitative** assessment of the development environment. During the discovery phase, we define what will be measured. The benchmark results are used to define the quantitative level of performance that will be associated with each service level.

Once established, performance levels provide for **contractually defined** service levels that will monitor service performance trends over time. For example, if we have identified the need to measure a cost per unit of work and reduce our costs over time, we need to set reasonable targets for cost reduction based on current costs. A contract is sure to fail if performance levels are established without some basis in reality.

Use Industry Benchmarks

By using industry-accepted measures such as function points, organizations can access and incorporate **industry standard performance levels** and/or **best-practice performance levels**. Industry benchmarks can be used to establish annual performance targets, or they can be used to recognize best-practice levels of performance. They bring a sense of reasonable expectation regarding performance levels to the both the customer and the provider.

The positioning phase is complete when benchmarks have been established and reasonable performance targets are defined.

EXECUTION PHASE

Once the service level measures have been established and the performance goals have been appropriately defined, the process of **monitoring performance** and service level begins. This is represented as the *execution* phase (initiation, common practices, auditing).

Contract Problems

If problems occur in an outsourcing relationship, they typically occur during the execution phase. Properly defining the service levels and setting expectations of performance are critical to



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mitigating the risk of contract failure. The **execution phase** usually begins with a start-up or transition period, which typically lasts for the first several months of the contract. This offers an opportunity to initiate the processes necessary to support the service level measurement activities. The effective and accurate collection of data, the phase-in of specific service levels, the fine-tuning of report formats and displays and the collection of baseline data are activities that may take place during the initiation period.

Expert Support

It could have been necessary during the discovery and positioning phases to use outside consulting expertise to define and evaluate the service level measures. The need for **outside expertise** may also extend temporarily into the contract execution period. For example, if function point metrics are being used, an organization may need to invest in the training of internal resources before they can effectively use the function point metrics.

Communicating to the organization

Socialization is another common practice during the execution phase, and it's a critical success factor when any shift in the environment and culture occurs. Frequent communiqués and information sessions to explain outsourcing objectives, roles and responsibilities and expected outcomes can ease the transition. In addition, **standardization of policies and procedures** will significantly enhance the execution of service level measurement activities.

Summary

The definition and documentation of service level measures prior to contract negotiation is critical to the long-term success of an outsourcing arrangement. These measures should be established beforehand by benchmarking current performance levels and creating links to business goals and objectives.

Vendor Selection

In today's IT environment, outsourcing has become very common. IT outsourcing has **increased each year** since the mid-90s, and continued growth is predicted. The IT labor shortage and the need to skillfully manage IT costs has driven many firms to utilize third parties to meet the needs of their customers. In addition, offshore outsourcing has matured into a serious option for companies wishing to infuse talent while optimizing cost.

To effectively leverage the skills available through the use of outsourcing, it is **critical to match the right provider** to the task at hand. Just any vendor won't do. How will you negotiate your way through the myriad of outsourcing opportunities?

The David Consulting Group (DCG) is in the business of **matching IT organizations** with the right provider to obtain the best solution to the IT requirements. We will guide you with support in the following areas:



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- Outsourcing opportunity identification

- Requests for Information
- Requests for Proposal
- Vendor pre-qualification
- Writing contracts
- Sourcing recommendations
- Contract negotiation
- Scope management
- Service Level Agreements
- Relationship management

We will **augment your management team** with the resources and expertise required to identify the right outsourcing opportunities, engage best-in-class service providers, source the right solution with the right provider, ensure you get the best deal possible and help you maintain the quality of the relationship. We'll work within your current sourcing process, and we'll even save you money.

Our experience and **expertise** in Software Estimation, Quality (SEI/CMMI® & ISO), Software Measurement and Service Level Agreements uniquely position DCG to ensure your success in any outsourcing initiatives.

Offshore Development Model

Is your company strategically positioned for **successful outsourcing**? Are you partnering with offshore providers without preparing a foundation for success? Do you have the correct measures in place to monitor the contract and determine the success of your project?

Offshore development is a rapidly growing business practice worldwide - part of the global trend to migrate work to the most efficient producers. Let **The David Consulting Group (DCG)** demonstrate how their offshore development model may be customized to meet your unique application software requirements.

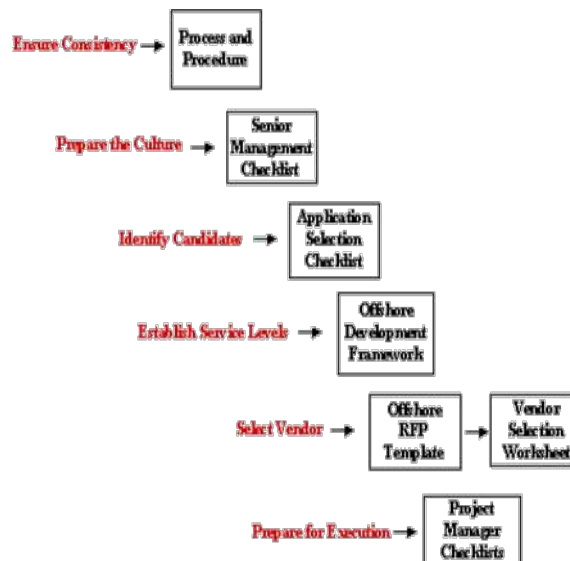
Tools for Successful Offshore Development

DCG customizes a common tool-kit of deliverables to ensure our client achieves a successful offshore development arrangement.

This tool-kit is comprised of templates, checklists and surveys that are custom designed to satisfy your specific contractual needs.

Our proprietary tool-kit provides the focus you need to:

- *Ensure Consistency* by utilizing our Process and



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Procedures for offshore development to **plan,**

execute and govern the contract.

- *Prepare the Culture* through our Senior Management Checklist that provide guidance and direction to aid management in setting the proper climate and culture for **organizational acceptance** of this development model.
- *Identify Candidates* by using a pre-defined Application Checklist to identify **viable projects or applications** for offshore development.
- *Establish Service Levels* through an Offshore Development Framework that identifies the **activities and responsibilities** between your organization and service providers.
- *Select Vendors* by utilizing an Offshore RFP Template and a corresponding **Vendor Selection Worksheet** to evaluate and select the most qualified service provider.
- *Prepare for Execution* through detailed Project Manager Checklists that resolve the **unique challenges** of global teams.

Proper planning ensures success

Offshore outsourcing, like most outsourcing arrangements, is dependent upon proper front-end planning and **effective execution and governance**. Let our years of experience work for you. Contact DCG before you begin your next offshore development project.

If you want to know more on how DCG can assist you in your outsourcing initiatives, contact us at 610.644.2856 or send inquiry e-mail to info@davidconsultinggroup.com

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