

Our approach

Businesses can gain tremendous value by ensuring that planning for the retained IT organisation is an integral component of both the business and IT strategies. Our approach involves following the Retained IT Organisation Path (figure 1), and combining this with our experience to help our clients understand their organisation and IT environment.

Review and enhancement of a retained IT organisation can happen at any time, during a fresh procurement exercise, as part of a merger or divestiture or reviewing a steady state.

This equates to undertaking activities prior to the change exercise beginning and throughout the lifecycle of the outsource contract(s) or shared service development.

Planning the capability of the function and the steps needed to be taken over the timeline is greatly enhanced by independent and unemotional advice.

Our experience

Global telecommunications organisation

Due to a commitment to revamp application development activities and outsource IT where possible, this organisation needed to make a rapid transition from service delivery to a supplier management role. PwC worked with the client to manage a programme of change, delivery management, financial management, and testing assurance. Such a fundamental shift required new behaviour, skills and training, supporting tools, process definitions and MI for decision support.

The business was able to hit the ground running after rapid cutover to the new contract. Embedded changes in behaviour and mindset will mean that the client's retained IT organisation will continue to evolve and improve after PwC's role has come to an end.

Why engage with PwC?

PwC is an independent and trusted advisor who has had the privilege of working with many clients, both Corporate and Government, helping them shape their retained IT organisations.

We have a global capability, drawing on over 3,500 consultants across geographies to advise in the IT space.

We have developed appropriate and flexible approaches and techniques to aid our clients throughout the lifecycle of their outsourced arrangements.

The full breadth of PwC professional services complement and enhance all our offerings to our clients.

“Using the experienced consultants from PwC enabled me to commence implementation of the Home Office IT Shared Services function much quicker than would have been otherwise achievable”

Peter Lowe, Director of IT,
Home Office (Mar 2007)

Technology Point of View The retained IT organisation

Who do I contact to find out more?

Neil Eastwood
+44 7899 062 513
neil.j.eastwood@uk.pwc.com

Sayer Crutchfield
+44 7765 898 089
Sayer.e.crutchfield@uk.pwc.com

Jason Sorby
+44 7932 665 486
jason.s.sorby@uk.pwc.com

For a large print version of this document, please contact Laura Dodds,
+44 (0)20 721 23261 laura.f.dodds@uk.pwc.com

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The positioning of the IT organisation within any business can make a real difference to the success of both. How an IT function works with and supports the business should be a matter of careful thought and intentional design, not the result of incidental or unplanned change.

While most businesses understand and support this approach to an in-house IT function, once some or all IT services are either outsourced or merged into a shared service centre, this careful planning and management can all too often be forgotten. Our experience indicates that creating and managing an efficient and effective retained IT organisation is equally important after outsourcing, and frequently more challenging.

A retained IT organisation must take responsibility for driving the strategic direction of a contract or service centre alongside the outsourcer, ensuring that value for money is achieved while the organisation remains closely aligned to the overriding business objectives.

A key point to remember while planning the retained IT organisation for a new or second generation outsource is that the immediate organisation and skills requirement is unlikely to be the requirement in a year's time. The retained IT organisation is a fluid entity, moving from one steady state to another as the business undergoes significant change brought about by an outsource or shared service centre implementation.

Not just retained IT, but a retained organisation

IT objectives should not be differentiated from overall business objectives. The CIO should work with the business to reach business goals rather than focus too closely on being a service provider. To achieve this, there needs to be a shift in perspective from both the business and the IT function: the business is outsourcing IT rather than IT outsourcing its services. In short, the CIO must raise the agenda from a focus on service to a long term relationship between the business and IT based on business value.

Business benefit comes from the retained IT function managing its relationships in both directions – the business and the outsourcer(s).

What does the business want from an IT organisation?

A recent PwC/Economist Intelligence Unit survey¹ asked senior executives about their impressions of IT, and what they want from the business. They said:

- **More** partnering with the business and be the best at it you can; **less** aloofness from the business
- **More** skills in relationship management; **fewer** bureaucratic/hierarchical people
- **More** focus on value and investment; **less** focus on cost containment
- **More** business value metrics; **fewer** IT-specific operational metrics
- **More** proactive stakeholder management; **less** reactive stakeholder management
- **More** innovation/adaptation to produce competitive advantage; **less** rigid following of emerging technologies.

There is a critical requirement to enhance the relationship management capability of the retained IT organisation, not simply in the way it looks outward to its suppliers, but also how it looks inward to the business that it supports.

A retained IT organisation should be developed, not inherited

Careful consideration and planning is needed to ensure the right team is in place at all phases during the development and ongoing management of a retained IT organisation. A skilled CIO will recognise this opportunity to champion the IT mission and drive efficiency, effectiveness and improved governance into IT services while moving from one steady state to another (see figure 1).

What does a retained IT organisation look like?

By taking the view that the business is outsourcing or consolidating IT, rather than IT outsourcing or consolidating its own services, it's possible to see a larger picture. No matter what kind of outsource situation you have, five core skills encompass a successful retained IT organisation. These skills are:

- **Leadership:** CIOs need to create strategic direction and tight coupling with the business. Having external suppliers deliver the service that a CIO is responsible for does not guarantee that tight coupling without strong guidance
- **Governance:** Introducing a robust governance model that integrates not only the retained IT organisation, but the business as well as a supplier or service centre function requires a practical and engaging approach for all parties
- **Business alignment:** Developing the skills and experience for IT staff to truly engage the

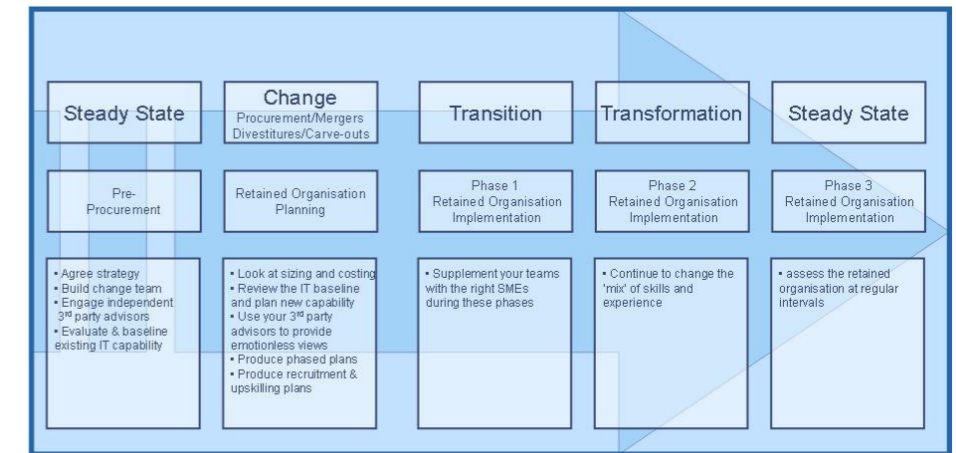


Figure 1: The Retained IT Organisation Path

business, and understand the risks and issues that it faces, is fundamental to providing a service that is recognised and not only supports, but enables.

- **Architectural design and strategy:** Retaining this capability is crucial to safeguarding your long term plan, and ensuring that suppliers are focussed on your key business objectives
- **Supplier management:** While a skilled and certified service management community is a pre-requisite, much focus needs to be on the relationship with the suppliers.

As the organisation moves through the stages of change from one steady state to another, the balance of focus on each of the key (and other) skills will change. Understanding the existing IT capability means gaining a deeper understanding of what experience and skill sets currently exist in the organisation. This will provide a baseline in order to shape, size and skill the future retained organisation.

What other questions should you be asking?

How much should your retained IT organisation be costing you?

How does the nature of what has been outsourced drive costs? Are you outsourcing high volume commoditised transaction services, or complex and bespoke multi-layered services? Ensuring the right level of investment is available is critical to ensure quality of service and value for money is maintained.

How do I find the right people?

The market for the skills needed by retained functions is not mature and people with the right skills can be hard to find, you may need to invest in re-skilling people in management and behavioural skills. Take a fresh look at recruitment and selection, skills analysis, training and development, performance management and definition of competency frameworks, with a particular focus on the new roles that are needed in the future organisation.

Challenges

- Recognising that developing a retained organisation can be an emotional experience for those staff remaining as well as for those who are not
- Acknowledging that there may be a conflict of interest for those planning the retained organisation
- Ensuring that plans for the retained organisation are made as early as possible in all scenarios
- Developing a change programme to ensure those staff used to managing their own services are now ready to manage a supplier who is delivering those services
- Breeding good relationships between parties
- A retained IT organisation looks both outwardly to the service provider and inwardly to the business; the correct interfaces must be engineered for both
- The challenge for the CIO is to realign their retained organisation and establish appropriate links to the business and service providers. The organisation must be agile, flexible and efficient.

¹ Economist Intelligence Unit survey, January 2007, with 420 Senior Executives, both IT and business, as respondents