THE ITO GOVERNANCE CHALLENGE

Overcoming Barriers to Achieve Operational and Financial Transparency

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INTRODUCTION

"You can't manage what you can't see, and you can't fix what you don't know."

According to ISG research, companies lose between 5 and 30 percent of the expected value of their outsourcing relationship through ineffective governance. A significant portion of this value leakage can be traced directly to problems around asset management; specifically, to the inability to manage what can't be seen, and to fix what's not known.

For one thing, integrating diverse sources of record is inherently difficult. A further challenge is managing a dynamic asset base that can change up to 30 percent annually due to typical retirement cycles and normal business demand. As the "book to floor" or inventory gap grows increasingly wider, organizations simply lose track of what they have, what they use and what they're paying for.

Asset management issues directly influence a range of cost drivers facing enterprises:

Costs from the service provider and/or from internal delivery

- Overbilling
- Providers not delivering services that are included in fees
- Lost opportunity in finding ways to optimize hardware, software and maintenance costs
- Multiple wall-to-wall inventory projects

Labor invested to support governance

- Validating asset information and exceptions
- Invoice reconciliation
- Managing contract deliverables and obligations

Risk to the business

- End-point security exposure
- Data loss exposure
- Software and compliance audits
- Unsupported infrastructure

BARRIERS TO CONSUMPTION MANAGEMENT GOVERNANCE SUCCESS

In the effort to close the asset management performance gap, companies struggle to achieve one or both of the following tasks:

1. Develop and execute effective processes that manage the information into actionable insight that can reduce both cost and risk
2. Gather and integrate accurate data from disparate tools and systems, especially if manual processes are involved

To achieve outsourcing success, companies need to employ market-tested governance processes on a foundation of complete and accurate information.

PROVEN GOVERNANCE PROCESSES CAN TRANSFORM INSIGHT INTO ACTION

While most outsourcing agreements define service expectations and cost parameters, they often lack well-articulated governance models for asset management supported by detailed processes to achieve operational and financial excellence. In these cases, severe performance gaps can develop soon after initial implementation. To improve asset management oversight and operational compliance, organizations need tools that can harness large amounts of complex details into accurate asset reports. In addition, effective operational compliance processes are required to ensure achievement of performance levels.

The combination of data gathering tools and operational processes provides the reporting capability, insight and actionable information necessary to make corrections to inaccurate data, close gaps where services are not being delivered and establish the basis for managing demand.

For example, invoices can be effectively validated (P*Q), where P is the price of the resource and Q is the quantity. Concise and accurate reports about assets, provided by the aforementioned tools, enable customers to understand, track and manage changes to data while validating the overall quantity. When services are not performed on assets, operations can insure that the services (for example, patches on desktops) are applied.

With effective processes in place to manage and act on the information generated y IT intelligence tools, customers can reduce the number of their assets and licenses, as well as cut maintenance and other costs, while insuring that services are delivered on the assets.
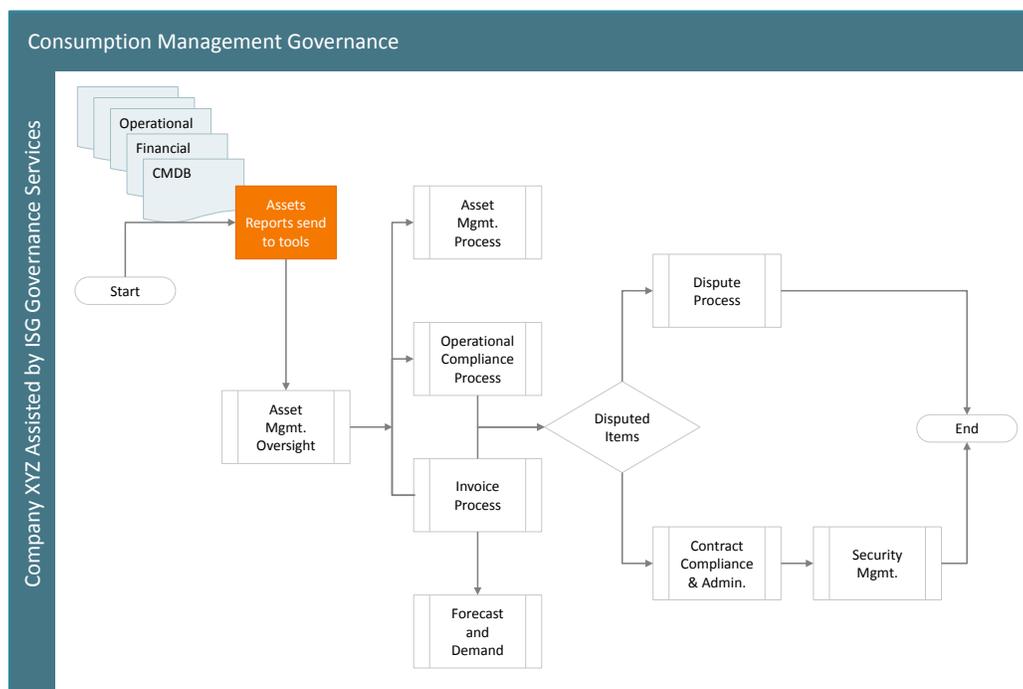
COMPLETE VISIBILITY IS THE FOUNDATION FOR EFFECTIVE DECISION-MAKING

No single management tool can see into every corner of a company's infrastructure or provide the transparency needed. Rather, accurate, timely data from multiple sources needs to be integrated, analyzed and presented in a user-friendly format to get a complete understanding of the environment and to isolate areas for improvement.

A consolidated database can reconcile different data sources and apply sophisticated rules to provide highly accurate results. This comprehensive approach transforms a standard system of record into a "trusted source of truth" from which everyone can operate.

CONCLUSION

With up to 30 percent of the financial value of an outsourcing relationship at risk, companies need to take action, and asset management governance is an area that deserves attention.

To close potential performance gaps and achieve relationship success, all parties need to jointly accomplish these objectives:

- Determine a complete and accurate set of data to be the trusted source of truth utilized consistently by all parties
- Develop a robust and effective governance model that incorporates market-proven processes to achieve operational and financial excellence
- Selectively address areas for improvement that offer the greatest opportunity
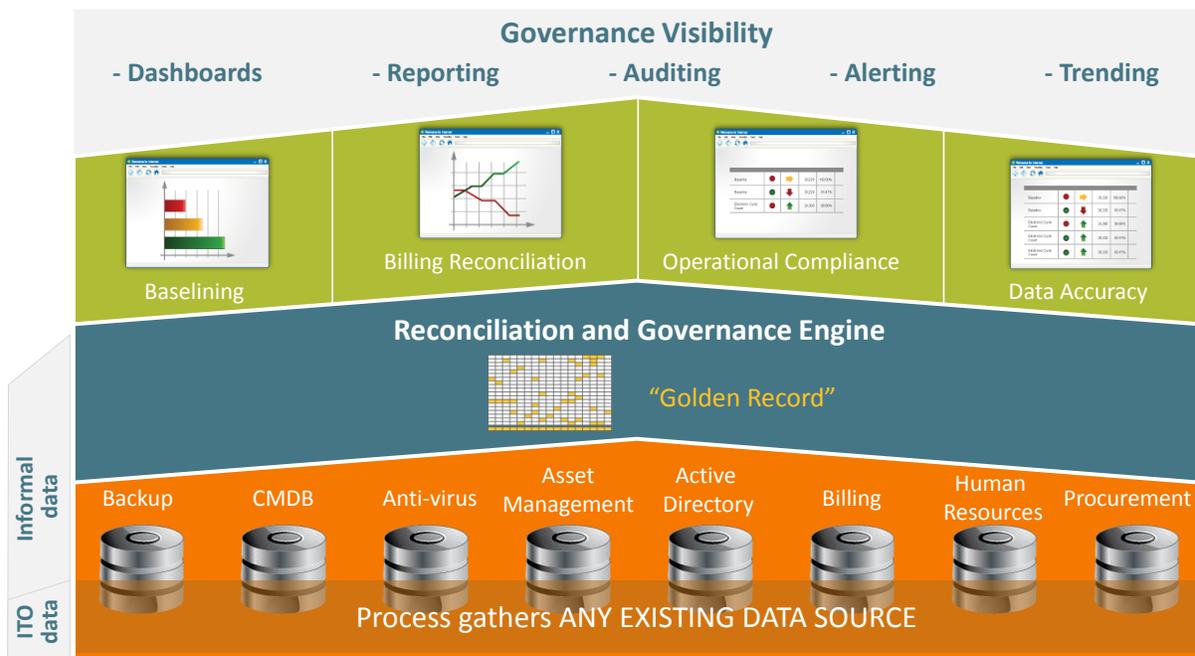
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