HEROES VS. PROCESS DISCIPLINE

Operational Excellence in Managed Services

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The business culture of many client IT organizations is characterized by individual talent and initiative, and a commitment to solve problems. By contrast, the business model of most service providers is predicated on repeatability, consistency, and process discipline.

When these cultures collide, inefficiency, duplicated effort, and declining productivity often result.

This white paper examines management issues related to global sourcing relationships. Drawing on lessons gleaned from a recent analysis of a global managed services ADM operation, the authors examine the characteristics of an individualistic, "hero" approach to service delivery, the implications of this approach for operational efficiency, and steps that both parties can take to re-invigorate their commitment to process discipline and performance improvement.

TALE OF TWO CULTURES

ISG recently conducted an analysis of an offshore application development and maintenance environment operated under a managed services model. The analysis concluded that a high degree of cooperation existed between the client and service provider teams. Both the client – a U.S.-based Fortune 500 firm – and the service provider – a major India-based firm – were found to be team players, mutually committed to the partnership and proactively seeking ways to optimize and integrate operations. The analysis found, moreover, that client satisfaction among business users was at acceptable levels.

On further examination, we found that this inordinate focus on cooperation and teamwork came with a cost. Senior staff members on the client side were consistently supplementing the service provider team, doing menial tasks, duplicating the efforts of the service provider and unintentionally circumventing process with the intent of satisfying business user requests. As a result, opportunities to increase stability and focus on business innovation were thwarted.

This lack of discipline and failure to adhere to standardization hindered productivity, created ambiguity in roles between client and service provider, and ultimately contributed to an inability to achieve contractual obligations. Ironically, all of these problems could be traced back to the seemingly positive core objective of achieving business satisfaction.

This single-minded commitment to user satisfaction, meanwhile, had its roots in the business culture of the client organization. The IT enterprises of many Fortune 500 companies are considered ideal workplaces and attract top-notch talent. The culture at these companies is all about people, client satisfaction, and personalized service. It's about teamwork and collaboration. When a problem occurs, people swarm to fix it. They stay up all night if they have to. They aspire to be heroes.

The trouble with the hero approach is that it's very reactive and ultimately inefficient. Hard work and long hours under stressful conditions become critical success measures. The heroes are rewarded, further reinforcing this behavior. In this environment, people lose sight of the value of a disciplined process. An IT organization can't predict workload requirements and the execution of tasks when everyone is reacting to the moment and earning a reward.

By contrast, service providers must be very process-oriented in managed services models. Ultimately, the purpose of is to measure and manage service and performance against service level metrics. ADM service providers need the process discipline and CMMi maturity to delivery services according to their business model. They need consistency, repeatability, and predictability in their operations. This requires commoditization of knowledge, and the leverage of a shrinking percentage of highly experienced service provider resources.

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THE HERO PREVAILS

When the individualistic "hero" culture of the client organization confronts the process-driven managed services model in an outsourced environment, the client's hero culture typically prevails. One reason is the service provider's natural tendency to want to please the client and to adapt to its way of doing things. Moreover, within the client organizations, the hero culture is championed by IT leadership, as well as recognized and rewarded by business users.

Meanwhile, many service providers, particularly the offshore ones, have experienced tremendous growth over the last five years or so. As a result, the mid-level people on the operational front line tend to lack the experience to push back on the client and promote process discipline. Instead, they accommodate the client's approach.

Another concern is that the hero culture is often characterized by a high degree of collaboration between the client and provider teams. This can foster a sense of satisfaction with the overall relationship, while glossing over performance issues. For example, the can-do attitude that motivates senior-level client staff to step in to solve problems that service provider staff can't handle not only results in inefficiency, it allows knowledge and skill gaps to persist without being addressed.

Put simply, because everyone is always willing to go the extra mile to lend a hand, they're less inclined to solve the underlying causes of problems.

In addition to being self-perpetuating, the hero culture can also be difficult to change – because it requires the support of the individual heroes. Yet, the nature of that change – repeatable processes, consistency, commoditization – can make the heroes feel marginalized or threatened, because their individual talent is less visible and potentially less valued. The challenge, therefore, is to create incentives that give the heroes a stake in the implementation of process discipline.

It's important to note that the hero syndrome is not confined to outsourced environments, and can impact performance within internally managed IT organizations as well. For example, ISG has observed instances where internally-managed ITIL initiatives are resisted by departmental IT heroes, who perceive that the implementation of process discipline will diminish their role within the organization. *(For more information on this topic, see "ITIL Benefits" on the ISG web site).*

ASSESSING THE PROBLEM

ISG analyses indicate that, following a transition to a new outsourcing partner, some movement toward the institution of process discipline typically occurs. However, this progress tends to plateau prior to maturation.

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For the client organization, characteristics of an "immature" environment can include – in addition to the continued focus on individual heroics – a lack of business and root cause analysis skills, and a reluctance to trust the service provider and an unwillingness to delegate. This leads to ambiguity and overlap regarding roles and responsibilities for the governance and delivery functions, as well as duplicated effort. Ultimately, the ability to manage business demand – critical to an effective relationship – goes lacking.

Immaturity on the service provider side can manifest itself in incomplete knowledge acquisition, inadequate organizational design, dual reporting structures to accommodate|the duplication of effort, and a lack of discipline, which can also be characterized as "shyness" toward the client – an unwillingness to push back and insist that rules and processes be observed.

When a managed services environment reaches this "plateau" stage and progress toward process discipline stalls, an operational assessment aimed at identifying the root causes of performance issues is essential. The comparative analysis leverages industry best practices across several broad areas of consideration:

1. **Financial:** Linkages to business case, financial provisions within the contract.

2. **Contractual:** Obligations and deliverables tracking.

3. **Process:** Demand management and prioritization, incident/problem/work request management, and etc.

4. **People:** Attrition levels, induction programs, client/service provider interaction points.

5. **Organization:** Sizing, design methodology and metrics for assessing resources.

6. **Metrics:** Relevance of SLAs, incentives for desired behaviors and outcomes.

7. **Sourcing Management:** Priorities for driving improved operational performance and quality of service.

TOWARD A SOLUTION

The operational assessment allows the respective executive teams to re-focus on the initial business case and reinvigorate the transition to a more process-centric operating model.

The elements of a "get well plan" comprise specific actions tied to key objectives. For example, role definition workshops and mentoring programs can be put in place to clarify functions and facilitate specialization. Subsequently, the newly defined roles can be reassessed against the organizational skills roles matrix.

Critical success factors throughout this process include clearly defined leadership objectives, fixed and aggressive time-frame for implementation, and concurrent changes between the client and service provider.

As part of this process, periodic benchmarking against the business case systematically drives re-assessment and re-commitment to change. Quantifying the initial opportunity and, subsequently, quantifying progress toward the targeted end state, ensures that the savings and benefits defined in the business case are not eroded through value leakage.

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