Introduction to ISG Services

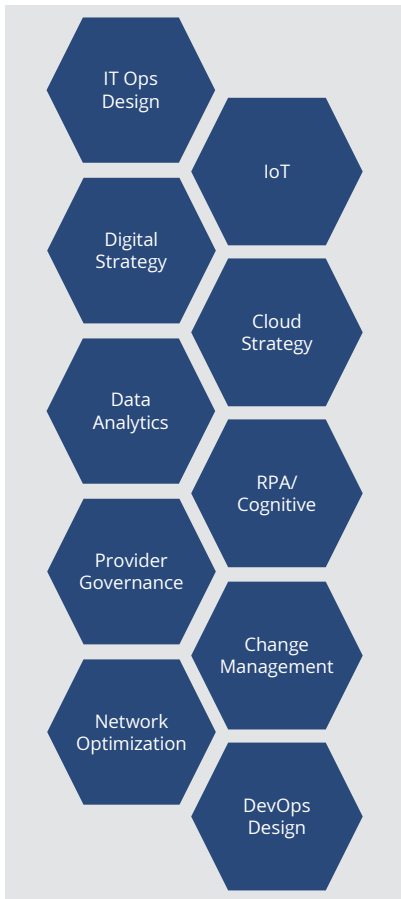**M&A**

15 September 2020

imagine your future®

ISG is an Unbiased Global Technology Research and Advisory Services Firm

20+ years helping our clients **assess, optimize, source, and govern** to achieve operational excellence.

20+
Years of experience as a trusted advisor

75
Of top 100 enterprises in the world

1300+
Operating in 40+ countries

ISG Draws from All of its Service Lines to Assist Clients in Transforming

Managed Services

- Supplier Management
- Managed Governance Services
- Performance Management
- Interim Management

Sourcing Solutions

- Outsourcing/HW&SW:
  - Request for Proposal
  - Request for Solution
- Transition and Transformation Management
- Captive Set-up
- Shared Services Build
- Change Management (OCM)
- Program Management (PMO)
- RPA Implementation

Research and Events

- ISG Sourcing Market Research
- Service Provider Research
- Satisfaction Benchmarking

Data and Analytics

- Operation Benchmarking
- Requirements Analysis
- Qualitative Assessments
- Process Maturity
- Contract Assessments

Digital Strategy and Solutions

- Digital, Automation, Cloud and Sourcing Strategy
- Operating Model Design
- Service Integration (SIAM)

Research and Events

Managed Services

Data and Analytics

Sourcing Solutions

Digital Strategy and Solutions

Merger, Integration and Acquisition Lifecycle – How ISG Helps

ISG offers valuable support in every stage of the
M&A lifecycle – for the operations and human sides of the lifecycle stages.

Operate and Evaluate
ISG Role: Assessments, operational support, consulting on ongoing improvement.

Design and Develop Strategy
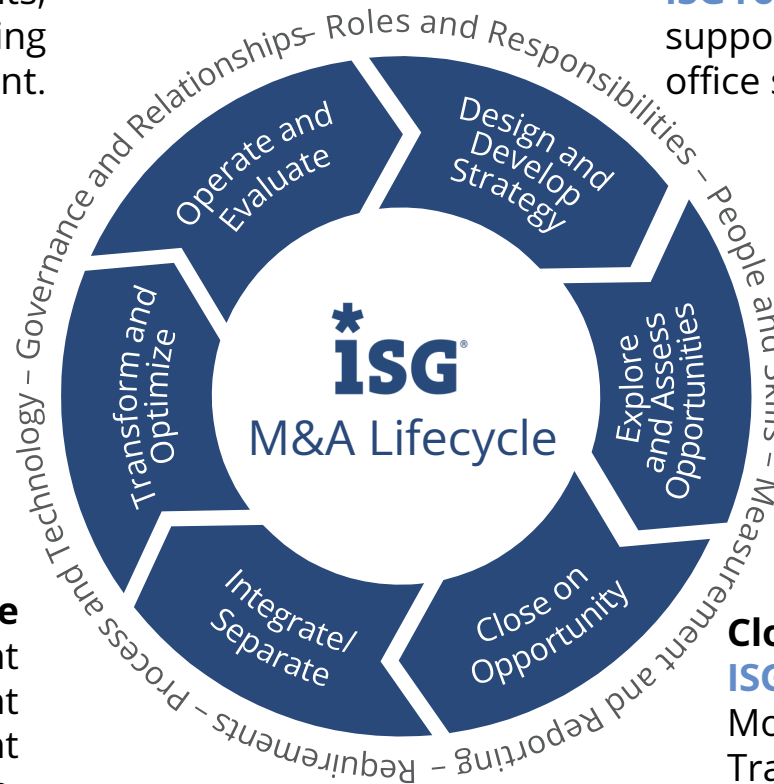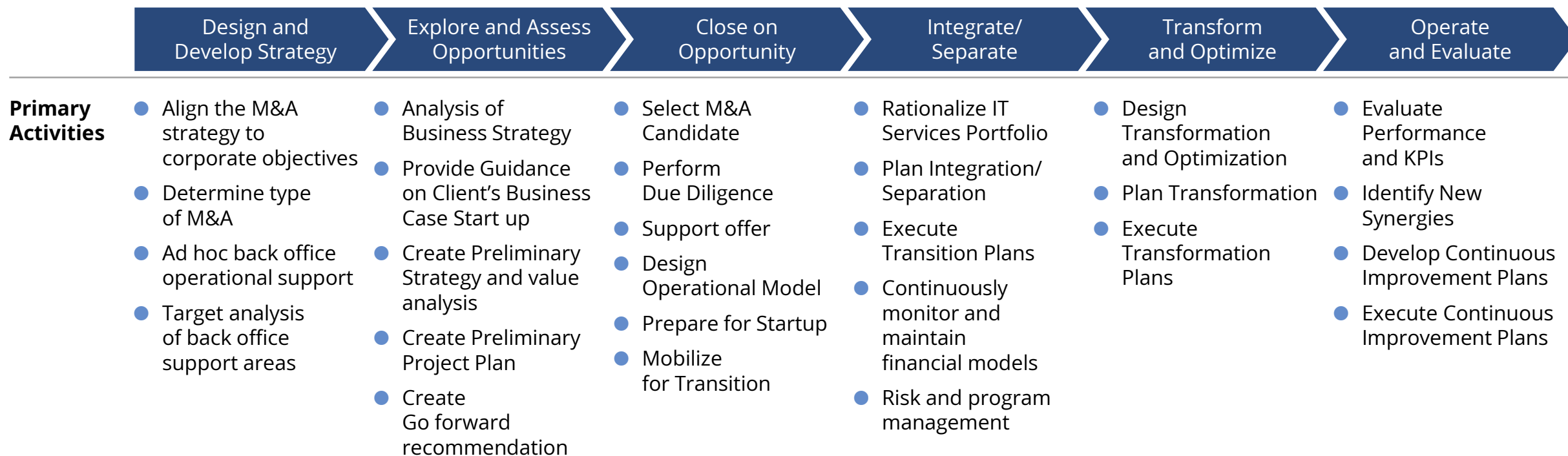**ISG role:** Ad-hoc back office operational support and target analysis of back office support areas.

Transform and Optimize
ISG Role: Based on initial integration or separation, create and implement the transformed organization; Achievement of acquisition value.

Assess Opportunities
ISG Role: Provide Operational Support & Analysis on Client Targets; reliable due diligence.

Integrate/Separate
ISG Role: Design and implement separation of services, implement operating model; Achievement of integration plan.

Close on Opportunity
ISG Role: Design Operational Models and Scope of Transition and Transformation efforts.

ISG® imagine your future®

M&A Framework

ISG plays an operational and strategic role in a merger, acquisition or separation.

Design and Develop Strategy	Explore and Assess Opportunities	Close on Opportunity	Integrate/ Separate	Transform and Optimize	Operate and Evaluate

Primary Activities

Design and Develop Strategy
- Align the M&A strategy to corporate objectives
- Determine type of M&A
- Ad hoc back office operational support
- Target analysis of back office support areas

Explore and Assess Opportunities
- Analysis of Business Strategy
- Provide Guidance on Client's Business Case Start up
- Create Preliminary Strategy and value analysis
- Create Preliminary Project Plan
- Create Go forward recommendation

Close on Opportunity
- Select M&A Candidate
- Perform Due Diligence
- Support offer
- Design Operational Model
- Prepare for Startup
- Mobilize for Transition

Integrate/ Separate
- Rationalize IT Services Portfolio
- Plan Integration/ Separation
- Execute Transition Plans
- Continuously monitor and maintain financial models
- Risk and program management

Transform and Optimize
- Design Transformation and Optimization
- Plan Transformation
- Execute Transformation Plans

Operate and Evaluate
- Evaluate Performance and KPIs
- Identify New Synergies
- Develop Continuous Improvement Plans
- Execute Continuous Improvement Plans

What Sets ISG Apart?

ISG reduces risk and cost with unparalleled assets and independence. Unlike competitors we do not sell down-stream solutions such as systems integration, ITO or BPO services, and therefore have no conflicts of interests.

Partner with Strategic Vision

Develop an Agile Operating Model

Industry Experience

Engagements with 700+ Clients annually

Experienced Advisors

Deep strategy, sourcing and domain knowledge

Market Intelligence

Cost, quality, productivity, technology enablement, Service Providers

Sourcing Transaction Experience

Services, Hardware, Business Services, Software, Network Contracts

Digital Expertise

Cloud, Automation, Cognitive, Analytics, Enterprise Agility, HR Tech
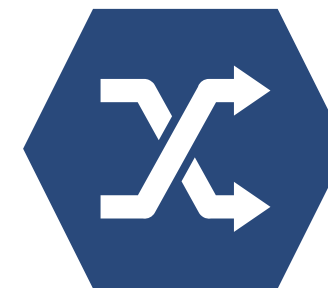
Breadth of Services

To provide ancillary services as necessary: Assessment and Benchmark, Transaction, Transition, OCM, Governance, Managed Services
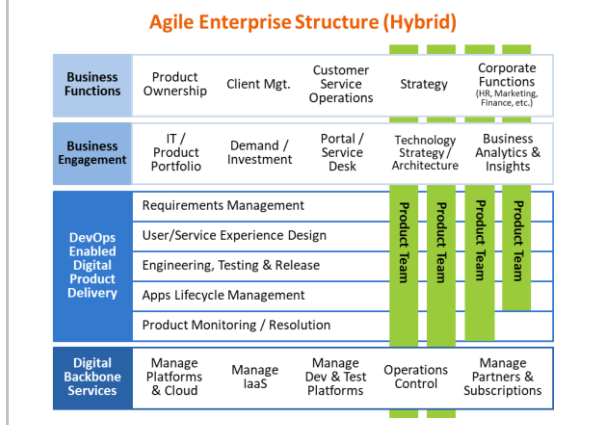
ISG has helped client's source over $60B of TCV of contracts over the last three years.

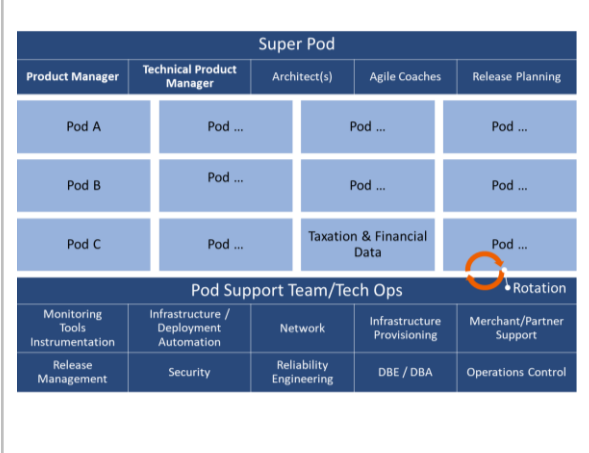# ISG Recommends Starting with a TOM which leads to an Org Design

Organization design can be emotionally and politically charged. To reduce churn, we follow a methodical process from an initial functional mapping, logical relationships, and as a final step, creating an organizational chart.

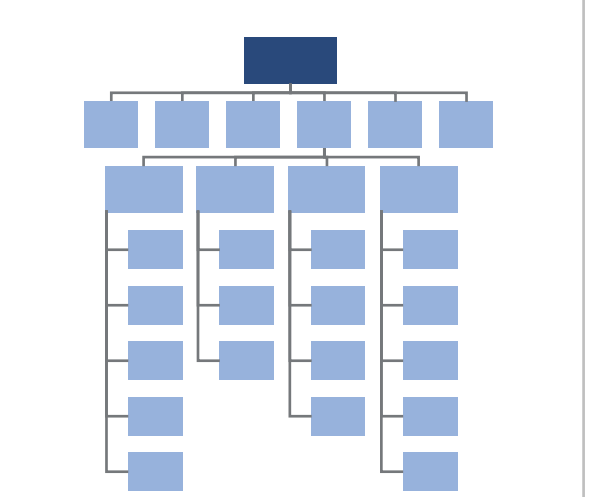| Target Operating Model (TOM)	Create Logical Relationship of Functions	Size the Organization	Create Organizational Chart
Contextualize Functions	**Logical Organization Model**	**Organization Sizing Matrix**	**Physical Organizational Chart**
Validate the TOM with key responsibilities and roles per function across what may be multiple delivery models.	Agree the logical organizational model and position the functions in the wider IT and/or Enterprise hierarchy.	Define the size of each core function and optimal staffing model for the retained organization	Create a view of the departments and jobs with titles/names

Organization Sizing Matrix table:

Role	Prod1	Prod2...	Shared	Total
Product Owner	1	1	4	6
Reliability Engineer	1	0	3	4
Database Administrator	0	0	2	2
Contract Manager	0	0	3	3
Architect	1	1	3	5
Developer / Engineer	7	9	3	19
...	...	...	...	...
Total	10	11	18	39

TOM Workshop → Logical Model → Workforce Skills Assessment

ISG® imagine your future®

What do we mean by an Operating Model?

How will we know we are meeting our goals and the goals of the business?
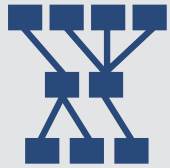
How can we streamline our workflow to support the speed of the business?

Are there new roles and responsibilities and/or different skill sets?

Where do we take advantage of new technologies and automation?

Does my organizational need to realign?

All Components of the Operating Model are Considered

Product/Service portfolio and enterprise architecture

Defining a **portfolio of products/services and relevant architectures**, recognizing different types of products, their business value and customer centricity may drive **different delivery models.**
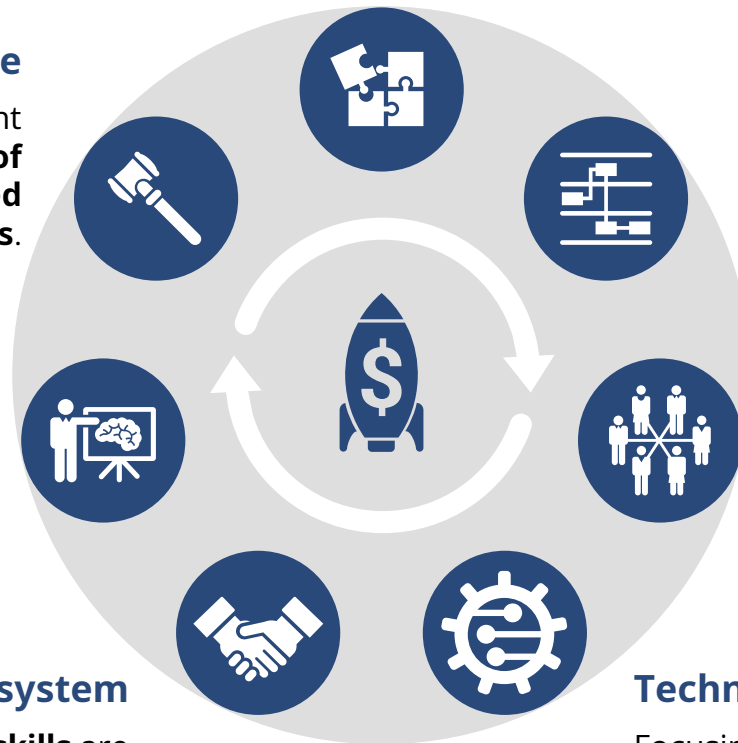
Governance and performance

Providing the governance of the environment through appropriate **controls, visibility of performance,** legitimized **shared accountabilities** and clear **decision rights**.

Delivery models and value streams

Simplifying workflow across the multiple **delivery value streams** and appropriate SDLCs as speed to market, technology, provider landscape, and objectives change over time.

Culture change and enablement

Acknowledging and enabling the **cultural change** adoption. Fostering **employee-driven learning, new skills, adaptability** and **accountability.**

Organization/teams/roles

Organizational constructs that enable a **business/ customer centric culture** which include business-aligned and flexible team environments with **new empowered roles** while rationalizing **shared IT services**.
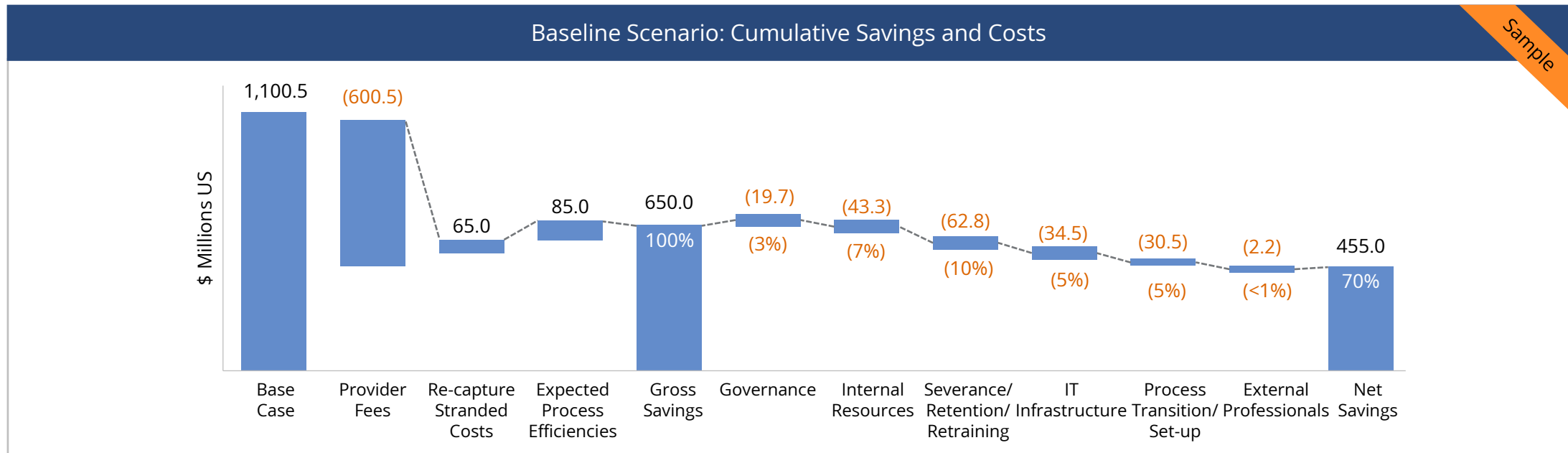
Partner ecosystem

Creating an ecosystem of **partners** where **scarce skills** are available and/or **innovation** is shared; engaging culturally and managing the **ongoing relationship**.

Technologies and platforms

Focusing on the **experience of the skilled worker** and **select platforms** – Enabling **collaboration, free flow of information**, and applying **automation** to repeatable process and flow.

A detailed Business Case is developed to Compare Base Costs with TOM

ISG has detailed Business Case templates which can
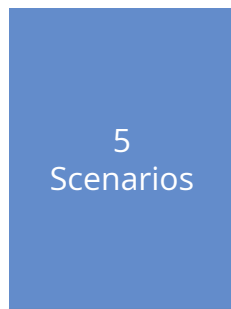model delivery models and ensure all investments are contemplated.

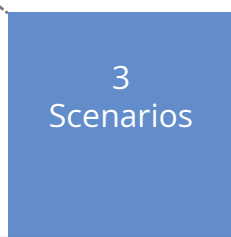| Base Year Budget	Base Case	Future State Sourcing Scenario	Business Case
Estimate of current spend, inclusive of internal and external expense categories, as well as direct and indirect costs.	A forecast of future "business as usual" spend, using a set of projection factors as a guideline.	Develop targeted resource units for pricing in-scope services and prospective volume breaks and/or clawbacks.	Comparison of sourcing scenarios against base case, reflecting costs and volume fluctuations; pricing analysis and sensitivity.

Baseline Scenario: Cumulative Savings and Costs

Sample

$ Millions US

- Base Case: 1,100.5
- Provider Fees: (600.5)
- Re-capture Stranded Costs: 65.0
- Expected Process Efficiencies: 85.0
- Gross Savings: 650.0 (100%)
- Governance: (19.7) (3%)
- Internal Resources: (43.3) (7%)
- Severance/ Retention/ Retraining: (62.8) (10%)
- IT Infrastructure: (34.5) (5%)
- Process Transition/ Set-up: (30.5) (5%)
- External Professionals: (2.2) (<1%)
- Net Savings: 455.0 (70%)

ISG® imagine your future®

ISG will evaluate and recommend the best service delivery
scenarios including scenarios which best support the business objectives.

Sourcing Scenarios
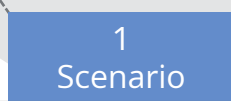
Considered

5 Scenarios

Relevant

3 Scenarios

Final

1 Scenario

Criteria

1	Rapid and sustainable IT **spend reductions**
2	**App distribution**
3	Reduced transformation **risks**
4	Reduce complexity by **standardization** to support business operation
5	**Ability to adopt** strategic moves in the biz, vol. change, local needs

Scenario "Risk Averse"

Savings **15%**

Rationalization | Modernization

- Many shift and lift approaches in the first place → low risks
- Present but sub-scale
- Complex to establish global operations and End2End SLAs
- Strong understanding of business needs
- Higher ability to meet local needs

Scenario "Hybrid"

Savings **25%**

Rationalization | Modernization

- Transformation volume is in balance with timeline and available resources
- Significant scale
- Proven track record for global operations
- Limited company-specific business understanding
- Higher capability to adopt to change of volume and business changes

Scenario "Cost Savings

Savings **35%**

Rationalization | Modernization

- High number of retired apps and SaaS approaches with many changes
- Present but varied scale
- Heavy lifting required to establish global operations
- Limited company-specific business understanding
- Easiest to switch supplier

Sample

○ low ● high

- Identify best-in-class delivery models for the scenarios.
- Apply SWOT analysis to adapt the potential sourcing scenarios to meet Clients objectives.
- Conduct strategy workshops to reduce number of scenarios.
- Choose final scenario for detailed business case and risk analysis.
- Develop supplier selection criteria for each scenario.

ISG will advise on partners that are:

1. Service providers

2. "Horizontal" vendors who can create and operate:

   a. Regression Testing Factory (if found appropriate during the assessment).

   b. Global Customer Data Management Platforms.

   c. Partner Interfacing Platforms – when it comes to creating standard security and interfaces to SaaS/XaaS providers.

   d. Vertical BPaaS providers who can provide the capability.

Qualification Criteria / Supplier	Current business with Client	Planned business with Client	Industry know how and skill availability	Adequate pool of qualified resources	Relevant technology experience	Perceived relevance of Client as a customer*	fit with *
Accenture	✓	✓	◗	●	●	●	Sample
Capgemini		✓	◖	◕	◕	●	
Cognizant		✓	◑	◕	◕	●	
CSC			◔	◕	◑	◖	
CGI			◔	◔	◔	◑	
TCS	✓	✓	◔	◕	●	●	
Wipro			◑	◔	◕	◖	
Infosys			◔	◕	◕	●	
HCL			◑	◑	◑	◔	

We will Leverage Our Best-in-class Supplier Selection and Contracting Process
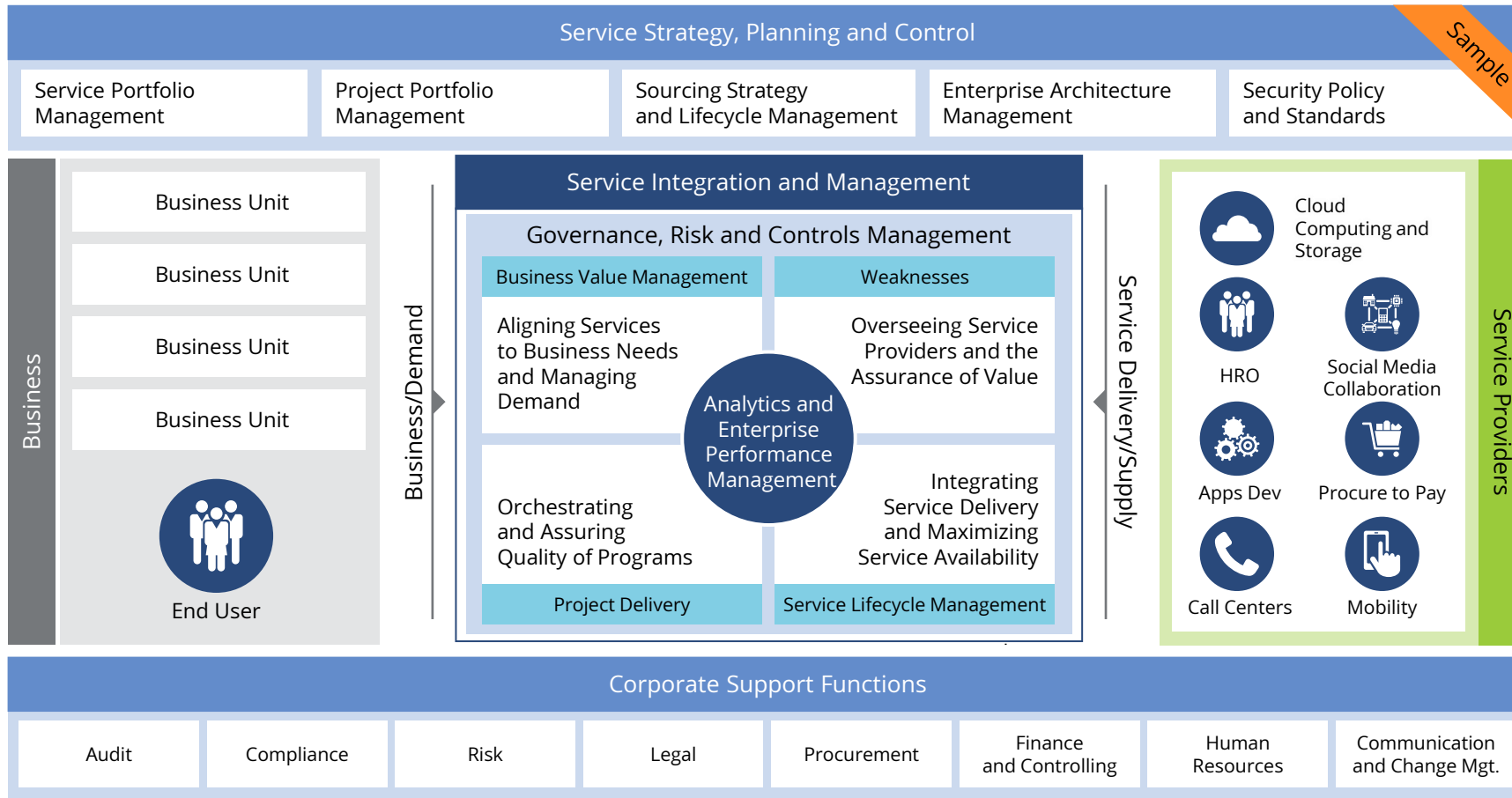
An agile sourcing approach (RFS) that is structured to align with the latest emerging technologies and services.

Sample

	Week 1	Week 2	Week 3	Week 4	Week 5
Phase 1 – Exploration	Prepare Project	Develop Engagement Package	Solution Collaboration Session #1	Solution Collaboration Session #2	Go Forward Roadmap
Activities	Stand up the Project	Client/Provider Kick-off	Hold Initial solution collaboration	Providers Present their Proposal	Develop and Agree Roadmap
Outcomes/ Deliverables	Long list bidders (~10-15) Project staffed and draft plan complete.	Validate objectives, scope and plan and engage Bidders (6-8).	Initiate Q&A and agree solution Direction with each Bidder.	ISG solution analysis and Client Evaluation Scores.	Benchmark and Final Down select Agreed (from 6 or 8 down to 2).

	Week 6	Week 7	Week 8	Week 9	Week 10
Phase 2 – Qualification	Finalize Key Docs	Solution Collaboration Session #3	Inbound and Outbound DD	Solution Collaboration Session #4	Evaluation and Roadmap
Activities	Client is reviewing the ISG drafted key Docs.	Client/Provider Kick-off	Conduct reference calls and interviews SMEs/Q&A process.	Finalize Q&A, DD interviews, calls and visits.	Walkthrough and evaluation of Solution and Redlines.
Outcomes/ Deliverables	Notify down-selected Bidders and release contact docs.	T3 Plan review and feedback	Vetting the Solution and the proposed Delivery Team.	Bidder's Submit Updated Response with firm pricing.	Down-select Recommendation (Can also keep 2)

	Week 11	Week 12	Week 13	Week 14	Week 15
Phase 3 – Contracting	Plan Negotiations	Negotiations with Bidder	Negotiations with Bidder	Final Negotiate/Pricing	Sourcing Decision
Activities	Benchmark Proposals and Update risk register, open issues log and Develop Negotiations Plan.	Client/Provider Kick-off	Negotiate with Preferred	Bidder present final pricing and Parties close remaining issues.	Develop sourcing decision analysis and presentation.
Outcomes/ Deliverables	Negotiations issues list and plan Release final contract documents.	Closed issues and updated, contract documents.	Closed issues and updated, contract documents.	Issues are all closed, and documents are in final review.	Sourcing Decision

ISG also Reviews Proper Governance Practices are in Place

ISG will take an enterprise wide view to recommend how to manage the
provision and delivery of the services to ensure its integrated seamlessly into the operation.

Service Strategy, Planning and Control

Sample

| Service Portfolio Management | Project Portfolio Management | Sourcing Strategy and Lifecycle Management | Enterprise Architecture Management | Security Policy and Standards |

Business

| Business Unit |
| Business Unit |
| Business Unit |
| Business Unit |

End User

Business/Demand

Service Integration and Management

Governance, Risk and Controls Management

| Business Value Management | Weaknesses |

Aligning Services to Business Needs and Managing Demand

Overseeing Service Providers and the Assurance of Value

Analytics and Enterprise Performance Management

Orchestrating and Assuring Quality of Programs

Integrating Service Delivery and Maximizing Service Availability

| Project Delivery | Service Lifecycle Management |

Service Delivery/Supply

Service Providers

- Cloud Computing and Storage
- HRO
- Social Media Collaboration
- Apps Dev
- Procure to Pay
- Call Centers
- Mobility

Corporate Support Functions

| Audit | Compliance | Risk | Legal | Procurement | Finance and Controlling | Human Resources | Communication and Change Mgt. |

ISG® imagine your future®

And we can Help Drive the required Change through the Organization

We become the change agent and guide that not only knows IT and F&A Best Practices,
but also has the tools to help DivestCo execute the program – including managing the change required.

ISG Change Management Methodology

Set-up and Governance

OCM plan with aligned goals and roles.

Stakeholder Management

Plan that identifies and engages key stakeholders and employees to participate in critical path for success.

Education

Series of programs that increase end user knowledge over a period of
time to prepare for the changes the transformation brings.

Communication

Centralized plan that can be adjusted to meet local needs, language and culture utilizing credible channels.

Organizational Alignment

Role development and alignment to future state operations. Alignment Optimization for identification and measurement of alignment issues.

Performance Management

Activities that support project team members through the process including project team alignment, career management, and support of key project team events. Post-implementation User Performance Management.

ISG® imagine your future®

ISG (Information Services Group) (Nasdaq: III) is a leading global technology research and advisory firm. A trusted business partner to more than 700 clients, including more than 75 of the top 100 enterprises in the world, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 digital-ready professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data.

isg-one.com