

The Keys to Successful Multisourcing

A Capgemini White Paper



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Executive Summary

“As outsourcing buyers turn away from the megadeal, new buying approaches are taking hold in global outsourcing markets.”

Forrester: “Outsourcing Providers Need a Strategy Rethink to Address Buyer’s Shift to Multisourcing”, Andrew Parker, July 5, 2007.

The outsourcing market has matured, and with age comes wisdom. It’s no longer all about cutting costs or reacting to business change. Today, outsourcing means deeper alignment of initiatives with business goals – being proactive in managing present issues and pursuing future growth. As such, multisourcing has emerged as a new facet of outsourcing that can drive businesses to new levels of agility and competitive advantage.

Capgemini believes that multisourcing is fast becoming the outsourcing model of the future and that organizations must be ready to embrace it. The concept of working with multiple suppliers – who are also competitors – in a trusted and collaborative effort is the cornerstone of delivering the benefits of multisourcing to clients.

Multisourcing must be a win-win-win situation – for clients, business partners, and the lead suppliers. The client’s success must be the single focus as consulting and technology firms – including fierce competitors – integrate and collaborate together to deliver services.

However, multisourcing is not the right solution for every organization. Management must be ready for and understand the complex governance it requires to manage all suppliers effectively. Organizations that do commit to the additional work and see the value can benefit greatly from the innovation and best-of-breed solutions of multiple suppliers.

Two multisourcing models have begun to mature. In the first, a prime contractor has responsibility for the management of all participating suppliers. In the second model, the client engages several prime contractors based on their core competencies to manage multiple tiers of outsourcing. Both models require clarity of focus, clearly defined contractual agreements and expectations, and a commitment to collaboration.

This paper discusses the importance of executing multisourced projects built upon a network of relationships rather than transactions. It explores both of the maturing collaborative outsourcing models and how multi-supplier ecosystems with best-of-breed suppliers by business expertise and innovation can work to deliver added value, innovation, and flexibility to clients.

**Client Profile –
Metropolitan Police Service**

The Metropolitan Police Service (MPS) is the largest police service in the UK. Capgemini is their information communication technology services partner, priming a seven-year contract to provide services in collaboration with Unisys and BT. The effectiveness of MPS' IT impacts crime prevention and resolution and the multisourced approach ensures robust, flexible and resilient services to support front line policing and also provide value for money. Services include management and support of desktop IT networks, telephony and mobile devices, which includes around 30,000 desktops and laptops, 38,000 telephone extensions and 8,500 mobile phones. The contract also supports over 50 software applications relating to crime reporting information, analysis and records storage.

“We are satisfied that [Capgemini, Unisys and BT] will provide our police officers and staff with the most appropriate and efficient technological systems support and are pleased to welcome the... collaboration to the family of partners who are helping to make London a safer city.”

Catherine Crawford,
MPA Chief Executive

Model One: Single Prime Contractor

This multisourcing model involves leadership of multiple suppliers by a single prime contractor, who takes responsibility for carrying out the objectives and measures set by the client. As such, the client relies on one outside source to take accountability and responsibility for risk, while still gaining the benefit of multiple suppliers' expertise below this primary contractual relationship. Ultimately, clients leverage the full breadth of their prime contractor's capability in consulting, business change, technology services, and outsourcing as well as their skills in managing other service providers and vendor alliance partnerships.

Choosing a prime contractor should be based on the contractor's ability to:

- Create and manage a successful supplier ecosystem
- Recognize that it's not the best at everything
- Use metrics to ensure that the focus is on client benefit
- Be experienced in the complex governance and decision-making required by multisourcing.

Appointing a prime contractor doesn't mean that the client gives up control. Committed first and foremost to a shared understanding of the evolving needs of the business, the client and prime contractor manage and control together. Collecting together a loose partnership of best of breed players is not necessarily enough. Just because certain suppliers offer market-leading solutions doesn't automatically make them right for the organization's needs. The issue is how to create a cohesive unit of transparent and connected relationships, providing access not just to the obvious players but equally to niche providers, so the best solution can be identified for each need.

Client Profile – Leading Automobile Manufacturer

In January 2006, a leading automotive manufacturer chose Capgemini to be a strategic partner in one of the world's largest IT re-sourcing initiatives. Capgemini assisted the company's Information, Systems and Services organization to support some of the program's key strategic elements, including the management of enterprise-wide application integration, which provides enterprise-level strategic planning, architecture, program management and verification/validation services.

Capgemini provides:

- Enterprise-wide application integration management
- Application integration management for the global purchasing and supply chain area
- Application integration management for the global sales, service and marketing area
- Application integration management for the business services area
- Sales and marketing systems support
- Dealer systems support

“After 18 months of due diligence and reviewing submissions from all major global IT providers Capgemini emerged as a strong supplier. Although traditional IT outsourcing represents a significant portion of this endeavor, Capgemini will assist us in key systems architecture management in the future.”

Group Vice President
and Chief Information Officer

Model Two: Multiple Prime Contractors

In this model, the client selects multiple outsourcing partners based on their perceived core competencies: this may be by technology or service (e.g. infrastructure management, applications management etc), by process area (e.g. engineering, sales & marketing etc.), by geography, or a combination of these. The client has control – and the challenge – of seeking, selecting, and managing the primary suppliers, and each primary supplier must then marshal the appropriate ecosystem to help it deliver these services.

This model is clearly more complex and difficult to manage for the client – it can often result that suppliers are at times both prime- and sub-contractors to each other – but it provides the most effective model when it works. Not only are primary suppliers selected on their specialized skills, but also a greater level of competition is nurtured. The success of this model is dependent on two key factors: the maturity of the client's supplier management practice and the ability to ensure that suppliers, especially competitors, work together collaboratively rather than in a confrontational mode.

While competitive tension has the potential to motivate each supplier to deliver its best solution, clients must be vigilant of any “backstabbing” that could slow down or sabotage any phase of the project. This model also requires the client to proactively oversee and motivate suppliers who may not be working up to expectations, as well as seek out and bring in additional suppliers as the project demands.

**Client Profile –
HM Revenue & Customs**

HM Revenue and Customs (HMRC), the UK Government Department responsible for managing over £400 billion in taxes, duties and other revenue each year, has set out a challenging program to transform itself by 2011. Their vision is to make it as easy as possible for taxpayers and businesses to pay what they owe and claim what they are due, and radically improve business operations to achieve efficiency savings.

Capgemini is responsible for IT systems and IT-led transformation services to HMRC, including managing a multisourced environment. Capgemini provides key services and also manages supplier relationships with core partners Fujitsu, Accenture and BT, another 30 business partners and the myriad of other suppliers that are part of HMRC's ecosystem.

“The contract underpins our efforts to change and improve business processes to meet customer needs through strong IT partnerships and aligns the supplier's service delivery to the business objectives of HMRC.”

HMRC Annual Report
2005-2006

Creating an Ecosystem to Embrace Wider Solutions

In order for either multisourcing model to be successful, a supplier ecosystem should be created to give the client access to the widest range of innovative solutions and best practices. In this way, the client can benefit not only from the core capabilities of prime contractors and the other participating suppliers, but also from a wider community of potential business partners who can contribute to various stages or tiers of the project. These suppliers are identified at the start of the project and are contacted to submit proposals and ideas as needed. This approach saves time and reduces the cost of procurement and the cost of sales for new initiatives within an outsourcing contract.

Because of the complexities of these ecosystems, acceleration techniques are often used during the early stages of vendor and product selection to shorten the selection process. As an example of this, Capgemini will often bring together a number of alliance partners to help craft a solution. The most suitable company will be identified as lead contractor for that development and they will contract with the subordinate players. The key strength of the alliance ecosystem is its ability to deliver benefits through innovation and continuous technological improvement. Innovation is fostered by encouraging collaboration between partners and nurturing small companies who may have something unique to offer. The approach provides a window onto the world of technology and how it can be applied to business requirements.

Suppliers can be tiered according to role and objectives, resulting in specific benefits delivered by each supplier function. The prime contractor collaborates with core partners and strategic partners – of which some are competitors – to deliver programs, projects, application support, depending on the needs of the client. All strategic and business partners attend scheduled governance meetings and have active executive or functional relationships to strengthen the partnership and give focus to business development activity and delivery performance. As a result, this ecosystem model can provide:

- A mechanism to maximize value from the partners and broader supply base
- An open door to the IT industry as a whole
- A channel for sharing client challenges
- A controlled environment to facilitate new ideas and innovative solutions
- A route to reduce delivery and commercial risk
- A strategic procurement function

Overcoming IT Challenges

Combining this ecosystem approach with a legacy of consulting and technology expertise, Capgemini has helped several clients overcome these prevailing IT challenges in multisourcing environments:

- Making IT a value-add instead of a cost center
- Providing flexibility when business circumstances change
- Being in control of governance and administration overhead in multisourcing strategies
- Providing tight integration of procurement and supplier management
- Ensuring that all suppliers drive innovation toward a common mission

Lesson Learned: Clarity and Collaboration Drive Success

To ensure the success of any multisourcing project, regardless of method, clients and suppliers alike must have crystal clear visibility into the contractual framework of the project, and most importantly, participation in decisions about the choice and management of collaborative partners.

The following key principles have emerged that help Capgemini achieve clarity and resulting success in multisourcing projects:

- Understand the client's expectations for outsourcing
- Ensure internal communication of expectations and goals
- Become the expert for the agreement proposed
- Execute a thorough knowledge transfer
- Retain incumbent expertise where at all possible
- Understand the operating environment and responsibilities
- Understand the client's specific requirements for reporting and operating responsibilities

These principles clearly define value for everyone involved, both at project start and throughout the engagement. Moreover, suppliers in the ecosystem have a detailed roadmap from which to align expectations and forecasts to ensure the expected delivery of project milestones and the end result.

Keys to Successful Collaboration

The right framework, clear goals, and standardized operational processes are critical to managing multisourcing partnerships. Capgemini has found these principles to drive successful collaboration among suppliers in the ecosystem:

- Clearly defined objectives and governance at the top level to determine direction and monitor performance
- Robust yet workable governance models for partners backed up by a tiered approach, which focuses on those points that are critical to successful delivery and offer the most client value
- Open and transparent processes and key process integration, which is shared with the client and partners and deliver on the ecosystem promise
- Being prepared to constantly innovate and offer up improved and lower cost solutions – even if this means reducing revenues for suppliers
- Taking partner ideas seriously and dealing with them professionally; involving client and partners where appropriate to understand and develop these ideas
- Putting everything in writing to ensure clarity beyond contracts. Teams change, people come and go, and messages can get distorted if not written down.
- Opening doors to partners to share client challenges and encourage active involvement to solve issues – in value and viability as much as in solution building and delivery.



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience.

Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration.

Capgemini reported 2007 global revenues of EUR 8.7 Billion and employs 82,000 people worldwide.

More information about our services, offices and research is available at www.capgemini.com.

Conclusion

Multisourcing is a trend quickly morphing into an outsourcing best practice for organizations that are ready to take on the complex challenges of a supplier ecosystem. Whether managed by the client or by a prime contractor, it is an excellent opportunity to gain access to top-tier suppliers and their market leading solutions, as well as easy and cost-effective access to a wide spectrum of niche suppliers. However, extracting value from this ecosystem of varied expertise and innovation is dependent on client focused goals, strict governance, and collaboration. Organizations that get it right will benefit from a truly aligned, innovative, and flexible IT solution that combines many of the most advanced technology offerings.

In the end, Capgemini believes that transparency, honesty, and trust are as important as any technical competency to create the right climate for successful multisourcing. Clients cannot simply dictate that suppliers cooperate, but rather employ the clear contractual agreements and metrics to support the project and each supplier's role from start to finish. Most of all, suppliers must view their partners in the ecosystem as allies in their success, removing barriers to knowledge or information and openly sharing their strategy and direction. Above all, the key to success is dependent upon the right leadership and culture being shown by the client: there is little chance of a successful and open ecosystem if the client has not embraced this way of working in the way it engages with suppliers and the example it sets in all supplier interactions.

For More Information

For additional details on Capgemini's multisourcing solutions, please visit www.capgemini.com or contact your local office.

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