

IT sourcing

Vendor and contract management

Torkel Thune

Who am I?

If you haven't found me on social media.....

Do I know the theme?

Goal for the day

Give you some insight from the real world

Give you examples to use for exam writing

Disclaimer

I will express my personal views – it might not correlate with the political and/ or academic correct views.
If I mention companies or other legal entities - I have no ownership/ relationships in these or other companies within IT.

Topics to be covered:

- Sourcing Governance
 - Contract development and contract lifecycle
 - The selection phase
 - The transfer phase
 - The operational phase
 - In partnerships
- Sourcing of Operations and Development
- Total Cost of Ownership
- Lifespan management
- Security
- Business Continuity

The basic problem!

- The customer wants:
 - As much work delivered as possible at the lowest cost possible.
- The «outsourcer» want
 - As much payment as possible for the lowest amount of work delivered.

...and this we are going to talk about today!

The important question – **what?**

-are you buying:
 - Specific competence
 - Support and operations
 -both?

.....this is one of the key questions!

The other important question – **why?**

-are you buying:
 - Lack of founding
 - Speed of change
 - Lack of competence

.....this is the other key question!

Oslo University Hospital Trust

Business

- Over 1 million patient treatments (level 2/3 hospital)
- Over 53 000 surgical treatments
- 114 Operation rooms
- Over 330 Intensive care beds
- About 18.300 FTE – 26.000 employees
- 22 billion Norwegian kroner budget
- Over 1 million square meters spread across 325 buildings
- Patient treatment takes place in over 40 different locations



Technology

- About 16.000 workstations
- About 2.500 laptops
- 10.000 phones
- **ICT budget – about 1.209 million NOK**
- **Sourcing budget about 1.100 million NOK**
- **Local investment budget about 40 million NOK**
- **Regional investments about 400 million NOK**
- **MTU Investments – about 400 million NOK**



Where are OUS when it comes to “sourcing”?

- Signed “strategic partnership” with HPE for 5+2 years sourcing contract.
 - Value about 1.800 mill. NOK/ year
 - One of the largest healthcare sourcing contracts in EU at present.
 - The largest sourcing contract in Norway (public sector)

This lecture is about what we have learned so far.....

Sourcing of Operations and Development

- Can it be done – Yes – and with great success!
- Can it go wrong – Yes – and great costs and huge risk!
 - Both to the company and you personally
- What are the success factors?
 - Never try to outsource an IT problem
 - The vendors will know this and charge you
 - You are probably the best to fix it
 - Be very, very aware of **why** you are «sourcing»!

Sourcing of Operations and Development

- What do you want with IT?
 - Integration versus Response
 - You can't have both!
- Where do you want your IT to be in 5 years?
- What are the business needs?
 - Consumer
 - Developer
 - Forefront
 - Follower

Sourcing of Operations and Development

- Economics
 - Cost savings/ reduction
 - Cost avoidance
 - Lack of funding/ investment capital
 - CAPEX vs OPEX – extremely important for the contract.

- Like it or not – Economics «drives the show»!

Sourcing of Operations and Development

- Competence
 - what makes you a good buyer?
- What type of competence do you need in the retained organization?
 - Strong commercial
 - Strong technical
 - Both – and can you afford it?

Sourcing of Operations and Development

Questions?

Sourcing Governance

Before we start

Remember

The process is never the goal!

Sourcing Governance

- Contract development and contract lifecycle
- The selection phase
- The transfer phase
- The operational phase
- In partnerships

Sourcing Governance

Contract development and contract lifecycle

– Before you start

- Evaluate what type of bidding process
 - Closed/ Open
 - With/ without negotiations
- Choose a standard contract
- Find a good lawyer and use her/ him right.
 - Do NOT let the lawyer steer the process
- Establish an owner and a steering group!
 - EMPOWER THEM!

Sourcing Governance

Contract development and contract lifecycle

– Before you start

- Establish internal procedures and responsibilities on contract handling
- Have established escalation procedures!
 - Always remember – if you go to court you have lost (even if you win)!
- What are your KPI's?
- How will you allocate cost in your organization?

My advice – seek partnership with your vendor!

- Both parties must gain from success
 - Too often we see parties that are focused on winning!

Sourcing Governance

The selection phase

- Be structured
- Be transparent
- Be accountable

- Listen to the other side – they might actually be smart!
- Build partnership – you are both in it to win!

Sourcing Governance

The transfer phase

- Be open – it's now you are laying the foundation for the long term
- Be prepared for all that you have not discovered before
 - How do you want to handle this?
- Make heroes of both your outsourced organization and your retained organization!
 - You retained organization will have emotions and feel loss.

Sourcing Governance

The operational phase

- Normal operations

- Focus on building relationships
- Train your retained organization
- Be flexible and pragmatic

- But always remember – if it don't feel right – act now!

- Action today! Far to many wait to long.

Sourcing Governance

- Questions?

Total Cost of Ownership

- Do not hide cost
 - There are often hidden IT cost
- Do not compensate for services not delivered
 - Take the discussion – solve it!
- Almost everybody underestimate the 0-alternative

Total Cost of Ownership

Questions?

Life span management

- Plan Ahead
 - Where are your organization in 5 years
 - What do you expect from your provider
 - If provider – how can you contribute to the success of your customer
 - If you are renegotiating or entering a new bid process – remember «changing costs»

Life span management Questions?

All the business of war, and indeed all the business of life, is to endeavor to find out what you don't know by what you do; that's what I called:

"guessing what was at the other side of the hill."

Arthur Wellesley, 1st Duke of Wellington

SO – WHAT'S ON THE OTHER SIDE.....?

Main drivers for the OUS security requirements – The Threat

General situation

- The assessments from government bodies describes a **threat situation in the Cyber Domain** that **has been escalating the last years**. The activity has been aimed at government, financial, and power/ power supply. In addition to this there has been increased activity around access to research- and development data/ activities.

OUS assessment

- It is **probable that OUS research activity/ data will be targeted** from state sponsored entities. It is **highly probable** that the main focus for this activity will be directed towards data that are of commercial or military value.
- It is **highly probable that OUS has been targeted in information gathering** operations to map out vulnerabilities in our cyber infrastructure.
- Those parts of OUS that **supports other government bodies** will **probably be targeted in vulnerability mapping operations**. These parts of the hospital will also be «high value» targets.
- It is **probable** that OUS **already are**, or in the near **future will be, targeted by APT's**. The focus of these activities will be access to, and information gathering about our ICT infrastructure.
- At a certain **national threat level** it is **highly probable** that OUS will be **targeted** with the purpose of disrupting the hospitals operations.

Security

(confidentiality and integrity)

- Never forget it!
- It will/ should guide all your actions
- Make it a integrated part of the contract
- It must have management attention
- Lack of it will come back and haunt you! BIG TIME!
- Some important questions:
 - Where are your data going to reside?
 - From where are your systems being managed?
 - **REMEMBER** – whoever has access and admin credentials has “the keys to the kingdom”!

Business Continuity and Security (availability)

- How will your company/ entity handle loss of IT systems?and for how long?
 - It's going to happen!
- Do your “Risk Analysis”
 - But never – ever think you can analyze everything
 - Always remember “shit happens”
 - Where are your data going to reside?

Business Continuity and Security

Questions?

Some advice at the end

- Do not try to «source» a problem – fix it!
- Be prepared for «noise» and «tough times»
- Remember «Not everybody wants this»!
- Never forget Security and Business Continuity
- Never forget «The WHY»

Questions?

Comments and later questions:

- torkel@thune.org (private)
- uxthtg@ous-hf.no (work)
- LinkedIn or Facebook