

The need for **solid** governance model

This is the sixth in a series of excerpts from Atul Vashistha's book – 'Globalisation Wisdom: The Seven Secrets of Great Globalisers'



WHEN I make presentations at client conferences, I often ask this question: What is the single largest factor contributing to the failure of services globalisation initiatives?

The answers I receive range from "lack of proper planning", "supplier incompetence" to "miscommunication" to "internal resistance." But in my experience, a great percentage of services globalisation initiatives fail because of the client organisation's inadequate attention to governance.

Governance usually gets a lot of attention during the rollout period of the initiative. It's after steady state has been reached and executives have moved on to new initiatives that governance often gets forgotten – though it's as important during steady state as it is any other time. The most common problems that I've seen plague services globalisation initiatives post-rollout include a lack of executive focus after the contract has been signed, insufficient monitoring of performance and deliverables, contract amnesia and a loss of original objectives.

In the 1978 *Superman* movie, Christopher Reeve's Superman catches Lois Lane mid-fall and says, "Easy Miss, I've got you."

"You've got me?" Lois exclaims, "Who's got you!"

The question can be all-too-familiar in business, as everyone assumes that someone else has assumed responsibility. But in a services globalisation initiative, a lack of direct monitoring of performance and deliverables can lead to reduced quality and missed or misaligned expectations. Even if a client organisation is monitoring service levels, there are other performance criteria such as attrition levels that are critical to the continued success of the initiative. Without direct monitoring, the quality of service may suffer.

The successful governance model

operates on three levels:

- Organisational
- Functional
- Operational

The top tier in the pyramid reflects organisational governance. At this level, governance activities are primarily strategic and are engaged by the organisation's senior leaders. Organisational governance is where the big picture is reconciled, where the firm's business case for globalisation is aligned with the initiative itself.

This level of governance focuses on achievement of strategic objectives through services globalisation and monitors that progress. Lenovo's former CIO, Steve Bandrowczak, describes how governance was structured at the organisational level there.

"You've got to make services globalisation a business project and you've got to make it where the business leaders of all impacted functions are either on the steering committee or part of the regular executive update programme. The worst thing you can do is make your globalisation initiative an 'IT or HR or Finance programme'.

"You've got to have the programme where it's business-owned and business-led, and you've got to get the business to buy in."

At the functional level, the role of the governance group is to enable coordination, communication and control among key stakeholders and functional leads. Focus is on functional synergies and coordination rather than day-to-day management.

The operational level is the front line of an initiative's governance activities. This is where individual contracts and relationships are managed. The operational governance team is responsible for monitoring the day-to-day activities within the initiative as well as for reporting from-the-ground information to the functional and organisational governance teams.

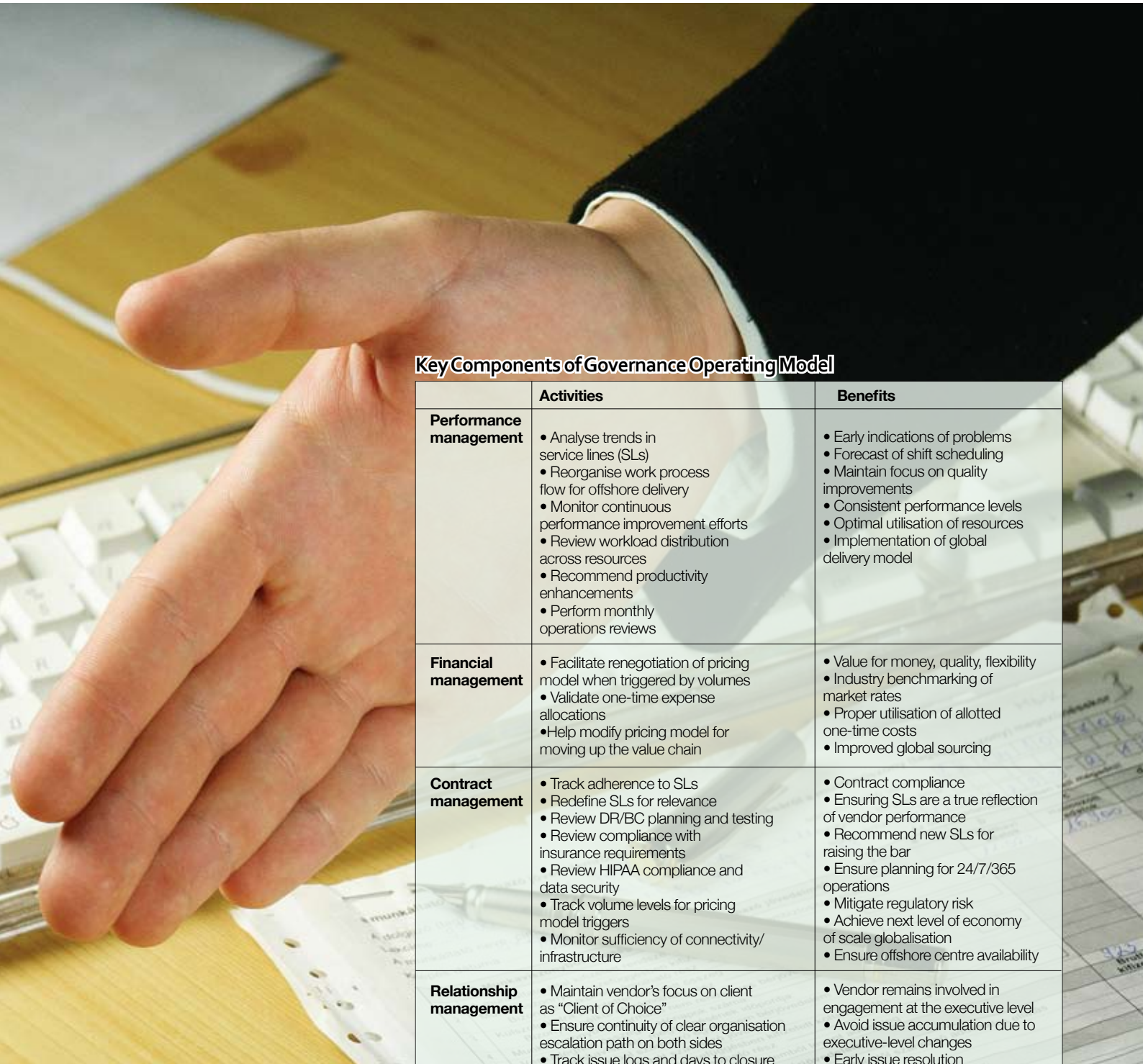
Because the operational governance team is directly responsible for managing the initiative on a day-to-day basis, large organisations may have several operational governance groups in place



across divisions or functional areas (*refer to table, right*).

At FedEx, tracking performance is a hallmark of the company's success. "Make sure you have a great tracking system," Rob Carter, FedEx CIO told me. "At FedEx, we use that data to make sure we understand the variability in our business and to solve problems and to continuously improve the business."

Leading firms are using tools like Oblicore, Enlighta, Digital Fuel or Janeva to report service levels and create enhanced transparency. ➔



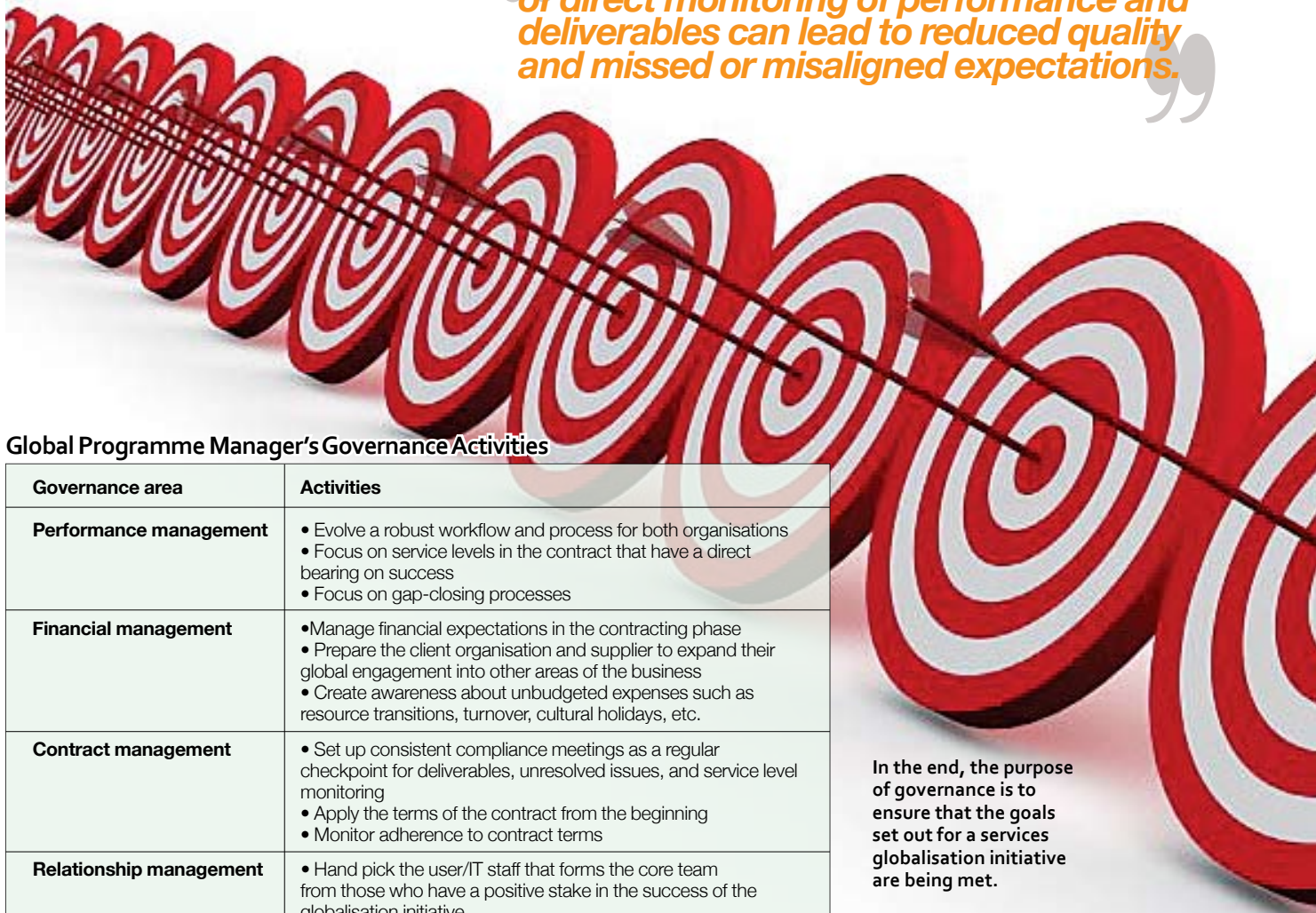
Key Components of Governance Operating Model

	Activities	Benefits
Performance management	<ul style="list-style-type: none"> Analyse trends in service lines (SLs) Reorganise work process flow for offshore delivery Monitor continuous performance improvement efforts Review workload distribution across resources Recommend productivity enhancements Perform monthly operations reviews 	<ul style="list-style-type: none"> Early indications of problems Forecast of shift scheduling Maintain focus on quality improvements Consistent performance levels Optimal utilisation of resources Implementation of global delivery model
Financial management	<ul style="list-style-type: none"> Facilitate renegotiation of pricing model when triggered by volumes Validate one-time expense allocations Help modify pricing model for moving up the value chain 	<ul style="list-style-type: none"> Value for money, quality, flexibility Industry benchmarking of market rates Proper utilisation of allotted one-time costs Improved global sourcing
Contract management	<ul style="list-style-type: none"> Track adherence to SLs Redefine SLs for relevance Review DR/BC planning and testing Review compliance with insurance requirements Review HIPAA compliance and data security Track volume levels for pricing model triggers Monitor sufficiency of connectivity/ infrastructure 	<ul style="list-style-type: none"> Contract compliance Ensuring SLs are a true reflection of vendor performance Recommend new SLs for raising the bar Ensure planning for 24/7/365 operations Mitigate regulatory risk Achieve next level of economy of scale globalisation Ensure offshore centre availability
Relationship management	<ul style="list-style-type: none"> Maintain vendor's focus on client as "Client of Choice" Ensure continuity of clear organisation escalation path on both sides Track issue logs and days to closure Clear up any cultural miscommunications Facilitate offshore-on-site interactions 	<ul style="list-style-type: none"> Vendor remains involved in engagement at the executive level Avoid issue accumulation due to executive-level changes Early issue resolution Seamless integration between client and supplier "One Team" atmosphere
Resource management	<ul style="list-style-type: none"> Review resource profiles for recruitment Monitor on-boarding processes Ensure smooth transition of key resources Review attrition figures and retention strategies Monitor skills/new process training Assist in employee recognition 	<ul style="list-style-type: none"> Right resource for the right job Early on-the-job productivity Attrition management Project continuity Process-specific, not people-specific delivery Knowledge management is built for future transitions, if any Prepare offshore for growth and moving up the value chain Increase individual productivity Generate loyalty to engagement

Done and dusted ... The most common problems plaguing services globalisation initiatives include a lack of executive focus after the contract has been signed.

“Globalisation is not just about IT – it’s an enterprise solution.”

“In a services globalisation initiative, a lack of direct monitoring of performance and deliverables can lead to reduced quality and missed or misaligned expectations.”



Global Programme Manager’s Governance Activities

Governance area	Activities
Performance management	<ul style="list-style-type: none"> • Evolve a robust workflow and process for both organisations • Focus on service levels in the contract that have a direct bearing on success • Focus on gap-closing processes
Financial management	<ul style="list-style-type: none"> • Manage financial expectations in the contracting phase • Prepare the client organisation and supplier to expand their global engagement into other areas of the business • Create awareness about unbudgeted expenses such as resource transitions, turnover, cultural holidays, etc.
Contract management	<ul style="list-style-type: none"> • Set up consistent compliance meetings as a regular checkpoint for deliverables, unresolved issues, and service level monitoring • Apply the terms of the contract from the beginning • Monitor adherence to contract terms
Relationship management	<ul style="list-style-type: none"> • Hand pick the user/IT staff that forms the core team from those who have a positive stake in the success of the globalisation initiative • Build trust, relationships and effective partnerships over time • Secure and check executive sponsorship throughout the organisation • Pro-actively manage issues so that they do not snowball • Communicate regularly, especially during periods of transition
Resource management	<ul style="list-style-type: none"> • Specify those key personnel in supplier organisation who cannot be reassigned without prior client approval • Prescribe a 10% resource buffer • Allow 2 to 3 weeks of overlap to transition resources • Agree on a process for the movement of personnel • Oversee investment in both technical and process training and management and professional training

In the end, the purpose of governance is to ensure that the goals set out for a services globalisation initiative are being met.

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“More often than not, the reason these managed service initiatives fail is because there is no single point of contact for the engagement.”

Programme Governance Office

The lack of a single, unified management office is a leading cause of initiative failure, says Ron Kifer, Group VP and CIO at Applied Materials. “More often than not, the reason these managed service initiatives fail is because there is no single point of contact for the engagement – for vendor negotiations, for vendor management, for contract management.”

Ultimately, it is the Programme Governance Office (PGO) that is accountable for the ongoing suc-

cess of the services globalisation initiative. That doesn’t mean that the PGO has to bear the weight of governance at all three layers – instead, it means that the PGO is where the proverbial buck stops.

“The PGO is key to long-term success. Certainly it’s key in negotiations. You can’t have every business leader in the negotiation – there has to be a single point of contact throughout the entire process and then a single management entity with responsibility across the whole enterprise. This is because globalisation is not just



Going south ... A great percentage of services globalisation initiatives fail because of the client organisation's inadequate attention to governance.



supplier's or an independent local third-party oversight organisation. Applied Materials leverages Neo Group to help it manage, monitor and improve IT supply relationships.

In most cases, I recommend that client organisations use an independent third-party oversight organisation that is in the same location as the supplier to act as the global programme manager. I never recommend that a client organisation rely solely on the supplier for governance, and the do-it-yourself model is usually only effective when a client organisation has a large presence in the location already and can leverage economies of scale.

Whichever global programme manager model is chosen, the best global programme manager will understand the cultural and business climate in the supplier country and have experience working with client and supplier organisations in global arrangements. Specifically, a successful global programme manager will have direct experience with and knowledge of supplier methodologies as well as an understanding of the client's business processes.

The table (left: "Global Programme Manager's Governance Activities") details the activities that a successful global programme manager will undertake in each governance area.

In the end, the purpose of governance is to ensure that the goals set out for a services globalisation initiative are being met.

Establishing a strong governance model helps to ensure that globalisation continues to be embraced and welcomed as a transformation lever; that the lifecycle is followed through; that business and globalisation objectives are consistently re-measured and realigned; and that the best people stay on the job.

It is only with strong governance that an organisation can secure the continued success of its globalisation initiative. □

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about IT – it's an enterprise solution," Kifer explains.

The PGO bears the ultimate responsibility for ensuring that good governance is being practiced within all three layers. A successful PGO will do that by:

- Ensuring that accountable resources are identified for individual programme management and execution (expectations should be clearly outlined as well as the consequences of failing to meet responsibilities).
- Ensuring that schedules and plans are synchronised for all project constituents.
- Ensuring that Client Business and Operations groups are linked and syn-

chronised.

- Ensuring executive sponsorship, user acceptance and buy-in throughout the engagement.

While the Project Governance Office is a part of the client organisation, a successful programme manager will assign a dedicated on-site manager (a global project manager) to act as a liaison between the client and the supplier organisations.

The global project manager may be a direct employee of the client organisation who relocates to the supplier country (the do-it-yourself model), an employee of the