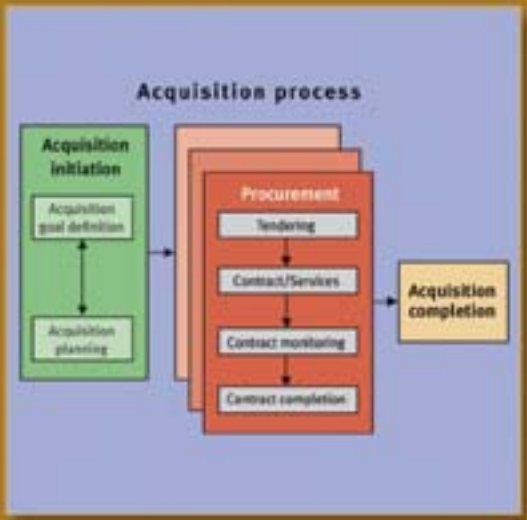
BEST PRACTICE

IT Services Procurement

based on ISPL®

A POCKET GUIDE



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Foreword

In the uncertain and fickle world of outsourcing, you need a strong process to support you. Controlling, making and complying with clear agreements, organizing, planning: all need addressing: if not the outsourcing can descend into chaos as control is lost.

ISPL is an example of an approach that is supported by practical application experience. The approach is based on best practice from large-scale IT-deals in the European private and public sector; the design of the approach is based on the philosophy that a 'one size fits all' approach doesn't exist. Instead, this particular approach contains heuristics and practical advice that depends on the characteristics of the situation. Each heuristic contains a description of relevance in specific situations. In other words, ISPL offers many methodical building stones for creating a customized approach. A thorough approach cannot be described in one page of short simple instructions, and ISPL certainly doesn't attempt this. In the same way that it requires effort to understand and control complex and continually changing situations, the ISPL approach offers various management instruments for understanding and control for those who care to take the time to follow it.

Against this background, ISPL helps customers and suppliers to build a professional and businesslike relationship during the course of the outsourcing. But what are the biggest benefits to be gained by using ISPL? To answer this question, I will distinguish customers from suppliers.

The following benefits concern customers. ISPL encourages them to follow an outsourcing strategy that is designed to identify and control the major risks. During tendering they are encouraged to

make use of competition, for example by making the proposals of suppliers comparable. During delivery, ISPL supports them in using the contract as an effective control instrument and organize decision-making. After all, the most important responsibilities of the customer are formulating a clear requirement and making appropriate and transparent decisions.

By following ISPL, suppliers are able to propose solutions which address the specific customer requirements in their proposals. During the course of the tender, they are encouraged to make the responsibilities of the customer organization more explicit and based on this, control delivery. Because the roles of both parties in joint control are explicit, it is much easier for the supplier to build a good relationship with his customer.

All of these benefits are based on the key concepts of the approach: decision, role, deliverable, strategy option, risk, situation factor and service requirement. In this pocket guide, Johan Op de Coul has concisely listed these key concepts and management instruments. The reader can get a quick impression of where the approach can be of help to his or her particular situation.

I believe the author has contributed greatly to further the introduction of ISPL and I sincerely hope customers and suppliers will be inspired by this book to create an outsourcing market that is more professional and businesslike.

Denis Verhoef[1]

1 Dr ir T.F. (Denis) Verhoef is a primary editor of ISPL, chairman of ISPG and partner of Ordina.

About this guide

ISPL, the Information Services Procurement Library, provides a framework based on best practices for the acquisition and management of ongoing services[2] and projects. As an open standard, ISPL mainly focuses on the customer perspective, and also provides valuable support for suppliers. Increasingly suppliers are required to make their offers or bids and manage their services based on ISPL.

This reference guide presents an overview of ISPL and a reference for those who apply ISPL in their job or in an acquisition process. This guide is not intended to be a course on ISPL or to document ISPL in detail; for these purposes other books on ISPL are more appropriate.

This reference guide is based on the 'official' ISPL publications by EXIN:

- Introduction to ISPL
- Managing Acquisition Processes
- Managing Risks and Planning Deliverables
- Specifying Deliverables

2 'Ongoing services' is ISPL-terminology for the delivery of continuous services, such as 'managed services', as opposed to 'Projects' which have a temporary lifecycle.

Contents

1. Introduction

Outsourcing of IT is nowadays a widespread phenomenon. Many organisations have outsourced their IT, or parts of their IT, to specialist suppliers. And many suppliers provide outsourcing services, either for the execution of projects or for managed services.

Outsourcing is therefore a topic of interest to general management, IT management, IT staff and of course suppliers. In previous years, outsourcing the execution of projects to suppliers was common. But today more and more organisations choose to transfer their IT departments (or some of the associated IT tasks) to specialised IT suppliers, primarily to obtain managed services. Numerous reasons are given for this, but in general, outsourcing is preferred because of the requirement for continuous availability of professional (and sometimes specific) IT knowledge and skills. Outsourcing can also help to keep a better grip on IT costs or even decrease them and enables the organisation to focus more on their core business.

In practice, the decision to outsource IT is a relatively easy one. But the realisation of an optimal outsourcing agreement and delivery of required services by a supplier is difficult and not without risk. In practice the selection of IT activities – which will be subject to outsourcing, supplier selection, the drawing up of a contract and setting-up of an operational co-operation between the customer and the supplier – are far from easy. Sometimes organisations attempt to simply transfer their current IT function 'as is'. They do not recognise that because of outsourcing, governance of IT changes fundamentally.

Derived from experience with procurement management in the EU (as documented in Euromethod) a standard of best practices for IT

procurement management was developed by a consortium of five organisations: FAST from Germany, TIEKE from Finland, the Sema Group[3] from France, ID Research[4] from The Netherlands and EXIN[5] from The Netherlands. Since the summer of 1999 this new standard has been available to the governmental and public sectors and is known as ISPL, Information Services Procurement Library.

ISPL provides a framework of activities and techniques to deal with the acquisition and management of projects and ongoing services, specifically in IT. ISPL deals with topics such as:

- designing an acquisition strategy and a delivery strategy, based on situational factors and (critical) risks;
- choosing, analysing and documenting IT systems and services subject to outsourcing;
- deciding on the service organisation, i.e. specifying the characteristics of the organisation that will supply the required services, as a basis for supplier selection;
- supplier selection;
- documenting deliverables, such as contracts and system documentation;
- contract management as a driver for continuous control over required services.

ISPL has proven its value in the outsourcing practice of major organisations in The Netherlands (as well as in other countries) where ISPL is widely adopted for procurement management purposes. It is used by organisations that intend to outsource, organisations that have already outsourced as well as suppliers that insource IT services.

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3 Currently part of Atos Origin.
4 Currently part of Ordina.
5 EXIN: the Dutch Institute for IT exams.

Besides continuous active management and development of ISPL theory, ISPL is supported by the Information Services Procurement Group (www.ispg.nl) an ISPL user group, and EXIN (www.exin.nl) for certifying ISPL professionals at the Foundation and Manager levels.

2. Context and Overview

Scope of ISPL

ISPL provides a framework for the acquisition and management of ongoing services (such as managed services) and projects (such as system development).

The acquisition process is the process of obtaining a system or service, or any combination thereof. It focuses on determining the acquisition goal, acquisition planning, and driving one or more procurements.

A procurement is the process of selecting a supplier (tendering) the preparation and signing of a contract and obtaining the deliverables and services defined within a contract.

A service is a process that is executed by one person or organisation for another and is the object of a procurement. ISPL identifies two types of services: projects and ongoing services.

A project is a process that is carried out to contribute to a change within an organisation, such as system development or system maintenance.

Ongoing services support the day-to-day functioning of organisations and are usually continuous. Basically, ongoing services refer to managing an operational situation (networks, servers and applications) and maintaining a stable environment (e.g. the continuous availability of an application to users).

The acquisition goal can be achieved by driving one or more procurements, while a procurement deals with one or more ongoing services or projects.

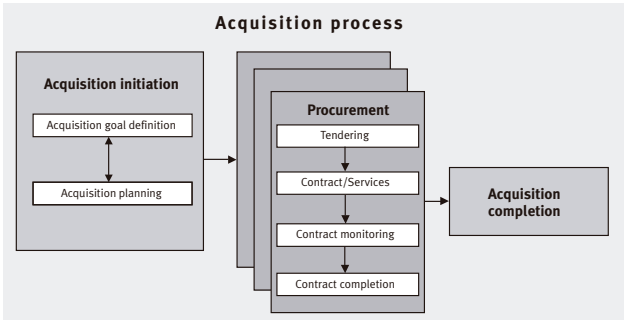

Figure 1 One or more procurements within an acquisition

The target domain is the organisation which will be affected by the outsourced services and can be characterised as 'the business and user organisations'. But all organisational entities affected by the services belong in the target domain.

The service domain is basically the organisation (supplier) which executes the services required.

Acquisition Processes: the Basics

ISPL provides comprehensive best practices for acquisition and procurement processes, to manage the acquisition of services (ongoing services or projects) and the associated procurement(s). The acquisition process covers the start of an acquisition, the start of one or more procurements, the closure of the procurements and the closure of the acquisition. For this five phases are identified:

1. *Acquisition initiation:* defining acquisition goals and planning the acquisition process.This is subdivided into:
   - acquisition goal definition
   - acquisition planning.
2. *Tendering (for each procurement):* supplier selection and the process of obtaining agreement through to signing the contract. This is subdivided into:
   - preparation of a Request for Proposal (RfP)
   - response preparation
   - supplier selection
   - contract preparation.
3. *Contract monitoring:* the process of managing the procurement, i.e. assuring a supplier delivers the agreed (and required) services (for each procurement).
4. *Contract completion:* the process of closure of a contract (for each procurement).
5. *Acquisition completion:* the process of closure of an acquisition.

Acquisition Initiation: Acquisition Goal Definition

In acquisition initiation, goals and strategies are defined and from this the procurements can be prepared and planned.The acquisition initiation focuses on:

1. defining the acquisition goal: why an organisation intends to outsource IT services and which goals should be realised (e.g. cost reduction or the availability of continuous and specific IT expertise and skills);
2. documenting the target domain: the environment, e.g. business processes, users and IT staff, who will be affected by the outsourcing;
3. documenting the required services by means of a service description, including the identification and selection of IT services, which are to be subject to outsourcing.

Acquisition Initiation: Acquisition Planning

The acquisition planning focuses on:

- determining service delivery scenarios;
- determining the acquisition strategy, e.g. based on a situation and risk analysis;
- determining the main decision points to monitor and manage the acquisition and procurement(s).

Tendering

After the acquisition initiation has been completed, the procurement phase is started. This begins with tendering, supplier selection, negotiation and signing the contract.

Tendering is carried out for each procurement, and phased into:

1. preparation of a Request for Proposal (RfP) and/or Request for Information (RfI)[6]; these documents specify all relevant information needed for a supplier to draw-up a response;[7]
2. response preparation: the activities of a supplier in preparing a response;
3. supplier selection;
4. contract preparation: the drafting of a contract with selected supplier(s)[8] and contract signing.

Contract Monitoring

When the tendering is completed and the contract signed, monitoring of the execution of the services begins. This is

6 Whether or not a RfI will be issued depends on the tendering strategy.

7 Also referred to as offer or bid.

8 To realise the acquisition goal, selection of one or more suppliers may be required and therefore one or more procurements will be started.

9 Decision points are predefined moments where a decision has to be made by the customer and/or supplier, based on predefined documents and executed by a predefined procedure. Note the difference between these and milestones, which define dates where an activity or phase is completed or a document is delivered.

accomplished by contract monitoring, including applying the predefined decision point[9] plan to the agreed contractual period.

Contract Completion

ISPL states the planning of a decision point where the supplier has provided all its services (e.g. the system is operational or managed services have ended), at which moment the customer has to confirm completion of the contract. This includes an evaluation of the services supplied and the deliverables delivered, as documented in the delivery plan (the plan documenting the delivery of services) and the contract.

Acquisition Completion

ISPL requires the planning of a decision point where the acquisition can be closed, on which a formal decision has to be made. This implies an assessment of the results realised with reference to the acquisition goal and a review of the completed procurements within the acquisition.

The Techniques: the Basics

ISPL provides a set of techniques and standards which support the acquisition and procurement processes. These techniques are applied during several phases of the acquisition and procurement(s). For example, situation and risk analysis is conducted during acquisition initiation . It will be conducted again, but at a detailed level, at the start of each procurement

Description of Services

The required services of a supplier are documented by means of:

- *a service description:*
  - for a project: the initial state (current situation) and final state (required situation);

- for ongoing services: the environment to be managed and services required, including their quality properties;
- *the target domain description:* basically the organisation and objects which are affected by the services;
- *the service domain description:* basically the organisation and processes by which the required services are delivered.

Well-documented service descriptions provide the customer with the means to manage the procurement and the supplier to set-up and deliver services as required.
During acquisition initiation (basic and global) service descriptions support the identification of areas of interest and the objects subject to an acquisition.

A project is defined by its initial state (current situation) and its final state (required situation), the target domain (organisation and objects affected by the services) and the service domain (the services to be executed by the supplier, e.g. the delivery of a functional and technical design, system building, testing and implementation).

Ongoing Services are defined by a description of the current (and intended future) situation, the target domain and the service domain (e.g. services as defined in ITIL, ASL or BiSL frameworks).

Situation and Risk Analysis
ISPL provides an enhanced framework to assess situational factors (properties of the situation which may impose risks) and associated risks. This analysis deals with the situational factors of the target domain as well as of the service domain. The results of the situation and risk analysis are used to define the most effective acquisition and service delivery strategies. It provides the customer, as well as the supplier, with the means to manage and mitigate all critical

risks and their situational factors and thereby deliver the services and results required, as well as ensuring quality.

An extensive list of situational factors is summarised in ISPL predefined tables and related to the uncertainty and complexity of a situation. Also identified and documented in the tables are the risks associated with these factors.

Situation and risk analysis is first conducted at acquisition initiation. An acquisition strategy is defined, based on this analysis. This will be high-level at this stage, since no procurements have been defined, and the subdivision of services are not detailed.

When defining the service delivery strategy at the start of the procurement process, a detailed situation and risk analysis is conducted. This analysis focuses on the specific situation (issues) of the procurement.

A situation analysis is executed by evaluating the situational factors. By identifying those situational factors that present a high degree of uncertainty and complexity, the associated risks can be identified.

Risk analysis is conducted by identifying the risks imposed by uncertain and/or complex situational factors, evaluating the identified (potential) risks, with regard to probability and impact, and identifying critical risks. For these critical risks in particular mitigating actions should be defined (as part of the acquisition strategy or service delivery strategy).

Design of Acquisition Strategy

When planning an acquisition, ISPL states several (strategic) options to design an acquisition strategy in order to maintain full control of

the acquisition process, such as options to mitigate risks, supplier management and contract options.
Basically the acquisition strategy is determined by a general (high-level) situation and risk analysis, and by current business policies (constraints, priorities, etc.).

Design of Service Delivery Strategy
The service delivery strategy focuses on options concerning the delivery of the services by the supplier.These options are fundamental to maintaining full control over the service delivery.

All options are defined to mitigate risks. Initially, these options refer to changing situational factors or managing risks. Subsequently, options are identified to define service execution (in ISP terminology: *the service execution approach*). ISPL provides standard options for project execution and gives guidelines for the execution of ongoing services. Finally, options are defined to control service execution *(the service control approach).*

Decision Point Planning
ISPL states the identification and documentation of decision points and the planning of the execution of these decision points.
This enables the customer (and supplier) to be in full control of the delivery of the servicesand to decide how to continue.

Decision points are predefined moments (or events) where a decision has to be made by the customer (and/or supplier) based on predefined documents and deliverables, and carried out by a predefined procedure. Note the difference between these and milestones, which define dates where an activity or phase is completed or a document is delivered.

A *decision point planning* defines the moments (or events) where predefined decision points will be executed.

Initially, a decision point planning is composed during acquisition planning, when the prime decision points (with regard to the overall acquisition and procurement processes) are planned. Subsequently, it is refined at the start of a procurement, when the prime decision points for monitoring the service delivery are planned, i.e. as a basis for contract monitoring.

Acquisition Plan and Delivery Plan

The acquisition plan and delivery plan can be characterised as the master plans for driving an acquisition and its procurements. They comprise all relevant information about the acquisition and procurements, including background information, analysis and the required deliverables and services.

The Acquisition Plan

The main deliverables and documentation of an acquisition (composed during acquisition initiation and updated during the acquisition) are documented in the acquisition plan. In this plan the following topics are documented:

- the acquisition background, such as business needs;
- the acquisition goal;
- a situation and risk analysis;
- the acquisition strategy (options regarding the execution of an acquisition);
- a (global) decision point plan for the acquisition;
- the description of deliverables with regard to the acquisition.

The Delivery Plan

The prime results, deliverables and documentation of the procurement processes, are documented in the delivery plan and

detailed in the project or service delivery plans. In these plans the following topics are documented:

- the procurement background;
- the required services (service description – initial and final state);
- a situation and risk analysis;
- the service delivery strategy, i.e. the approach to executing the required services;
- a decision point plan, i.e. the definition and planning of decision points for a procurement;
- the description of deliverables, e.g. requirements of the deliverables.

During the latter phases of an acquisition documentation will be available at a further level of detail. The delivery plan will be supplemented whenever new or more detailed documentation becomes available.

Deliverables

ISPL provides for a structured set of deliverables, standards and documentation.

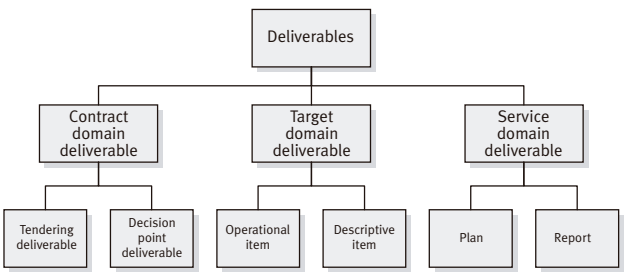

Figure 2 Overview deliverables

Contract Domain Deliverables

Contract domain deliverables are all the deliverables relevant to contract management and are composed of:

- *tendering deliverables* - e.g. the RfP, the contract and the delivery plan;
- *decision point deliverables* - e.g. the decision point plan for contract monitoring.

Target Domain Deliverables

Target Domain deliverables document all objects and systems, related to the target domain. They are either delivered by the supplier or the customer and are composed of:

- *operational items* - all objects to be delivered, which will be part of the target domain (as defined in the service description, e.g. an operational application);
- *descriptive items* - which contain information about the target domain and/or operational items (requirements such as a functional design of an application).

An operational item is documented by its description, its version and quality state.

A descriptive item is defined by a descriptive item profile. This profile defines:

- *functional properties* - by which knowledge about the target domain is documented;
- *quality properties* - by which the quality of a descriptive item is documented;
- *investment properties* - by which all costs related to descriptive items are documented.

Of each set of properties, so-called knowledge characteristics are defined (see chapter 17, paragraph 'Descriptive Item Profiles').

NB Descriptive item profiles can also be applied to operational items. These profiles define an operational item in more detail.

Service Domain Deliverables

Service domain deliverables document the service domain through:

- *service plans* - drafted by the supplier or the customer (such as project plans and service delivery procedures for ongoing/managed services);
- *service reports* - such as reports from the supplier or the customer about project progress, service level reports, costs, use of resources etc.

Roles in Acquisitions and Procurements

ISPL provides for a basic organisational structure which focuses on:

- managing acquisitions and procurements within the customer organisation;
- managing procurements within the supplier organisation;
- structuring communications and co-operation between both parties.

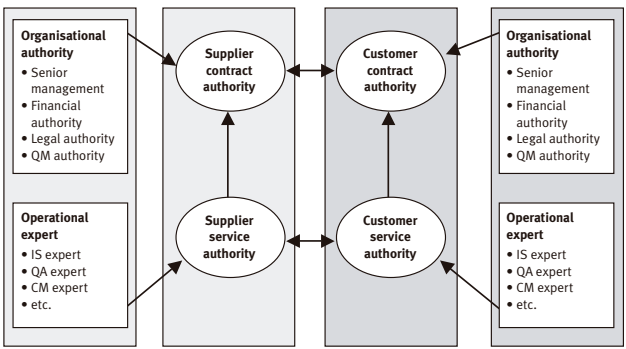

Figure 3 Organisation and roles in acquisitions and procurements

In this organisation structure, for both customer and supplier, the following principle roles are recognised.

Organisational Authority
The organisational authority gives assurance and guidance from the organisation to the contract authority. Representatives are for example:

- senior management
- financial authority
- legal authority
- quality authority

Operational Experts
The operational experts are the technical and delivery experts who are available to the Service Authority, e.g:

- information system expert
- technology expert
- quality expert
- configuration management expert
- service provision expert

These experts will generally be assigned to execute the required services.

Customer and Supplier Contract Authority
The customer contract authority is responsible for managing the procurement(s) and contract(s) within the acquisition, as a representative of the customer.

The supplier contract authority is responsible for managing the contract, on behalf of the supplier.

Both the customer and supplier contract authorities manage the procurement process for their own organisations, while working closely with each other, discussing and dealing with contract issues.

Customer and Supplier Service Authority

The customer service authority manages all issues relating to the required services, for example resolving service delivery issues of quality and conformity to agreed service levels and deliverables.

The customer service authority has responsibilities within the limits of the contractual agreement. Otherwise the contract authority is responsible.

The supplier service authority manages all issues with regard to service delivery by supplier's experts.

Both the customer and supplier service authorities are responsible for ensuring that both parties fulfil their responsibilities within the procurement.