



Safeguarding Service Provider Ecosystem Value

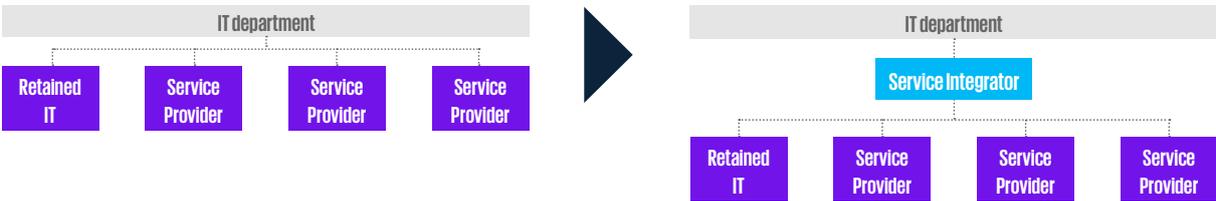
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01 Executive summary/abstract

The evolution in Outsourcing the last decade has shown a trend where companies moved from a single provider to a best of breed multi-supplier landscape leading to an increased complexity requiring more overarching governance.

The demand for coordinating multiple service providers in a diverse outsourced environment became increasingly relevant as more and more smaller specialist suppliers became part of the delivery ecosystem.



Service Integration and Management (SIAM) provides this overarching layer accountable for the management and delivery of all services managed by both internal and external service providers.



02 Managing an increasing number of service providers in an ever-increasing complex IT landscape

As organizations grow fast on digitalization, on cloud and adoption of other technologies, the service provider landscape of a single organization becomes more complex. IT services are facing several (new) challenges to support the digital journey:

- Delivery models of involved parties are often contradictory resulting in governance misalignment and an extension of service lead times.
- The majority of contracts are based on a bilateral agreement structure neglecting interdependencies between all parties (e.g. end-to-end SLA, OLAs).
- Limited coordination attention with regard to the interdependencies between parties influence end-to-end sourcing performance negatively.
- Due to unclear boundaries of IT domains and services vendors become opportunistic, which increases the degree of mutual competition.
- A lack of collaboration between parties result in tactical and operational demand and supply delivery issues (e.g. incomplete requirements, unclear forecasts, resistance in sharing knowledge and experience).
- Neglected attention of knowledge management hinders operational exchange of information to ensure service performance.
- Dispersed geographical delivery of services require cross-vendor coordination of ICPM (Incident, Change, and Problem Management).
- Effectively leveraging new technologies for business impact: cloud enablement, mobile and collaboration technologies, mega data centres, consumerization of IT, managing / operating big data, social media, etc.
- Continued cost pressures and business value demonstration
- Increasing the sophistication of IT management capabilities (i.e., running IT as a business)

Neglecting the challenges as described above affect client and vendor organizations significantly, such as:

- Additional management attention as a result of ambiguous responsibilities between parties.
- Financial disputes as a consequence of incomplete or conflicting contracts.
- Redundant coordination cost due to unclear service boundaries between parties.
- Increased lead times of service delivery agreements.
- An expiration of the transition phase (extra cost, resources).
- Severe tensions between client and vendors and between vendors.
- Fluctuating resource allocation plans.
- Decreased level of trust and satisfaction.

SIAM enables IT organizations to effectively deliver end-to-end IT services from different sources. (*“an approach to managing multiple suppliers of services (business services as well as information technology services) and integrating them to provide a single business-facing IT organization” – source wikipedia*). It aims at seamlessly integrating interdependent services from various internal and external service providers into end-to-end services to meet business requirements.

SIAM’s integrated and modular approach supports independent management, oversight, and delivery of IT services from objectives to post-implementation. It aims to unify and enable management and reporting on a unified set of IT Services to the business by aligning people, processes and tools across multiple in-house, external and cloud-based (service) suppliers.

Next to that, SIAM also aims to work towards ensuring all providers in the IT ecosystem adhere to defined standards, policies and procedures to guarantee seamless and consistent delivery.

Implementing a service integration organization with harmonized processes across service providers will result in reduced process management challenges and fosters collaboration across providers.

By optimizing the supplier ecosystem, the complexity is significantly reduced, resulting in optimized operational costs, business agility and improved operational efficiency whilst decreasing the (operational) risks.

An optimized ecosystem will also enable agile delivery transformation by avoiding vendor lock-in with the greatest potential to change the landscape for public transport.

03 Defining your Service Integration and Management strategy

When designing a SIAM strategy, we address three perspectives that form a prerequisite to establish a sound way of working (see figure x). First, the scope of SIAM needs to be identified and next divided into tasks that are performed by an organization (client) awhile the other tasks need to be performed by vendors. These

tasks correspond to the scope of SIAM activities. Second, a SIAM delivery model needs to be defined that address the way tasks are organized and who is responsible to execute these tasks (see figure x). Third, a tooling strategy need to be defined that shows how SIAM tasks are supported by tooling platforms.



The SIAM model and supporting tooling are determined by the services and their scope provided by the SIAM organizational function. Should the SIAM scope be limited to safeguarding conformity and overall governance of the involved suppliers, implementing the COBIT domain "EAN" (Evaluate, Direct and Monitor), for instance could be sufficient, and the SIAM organization could be staffed solely with in-

house resources. In such case basic tools as file shares, spreadsheets and presentation software might be sufficient. If the SIAM function is to provide services in the form of a Service Desk, Security and Service Management Operations, the model is most likely to be fully outsourced and making the tooling landscape more complex directly impacting the SIAM delivery model.

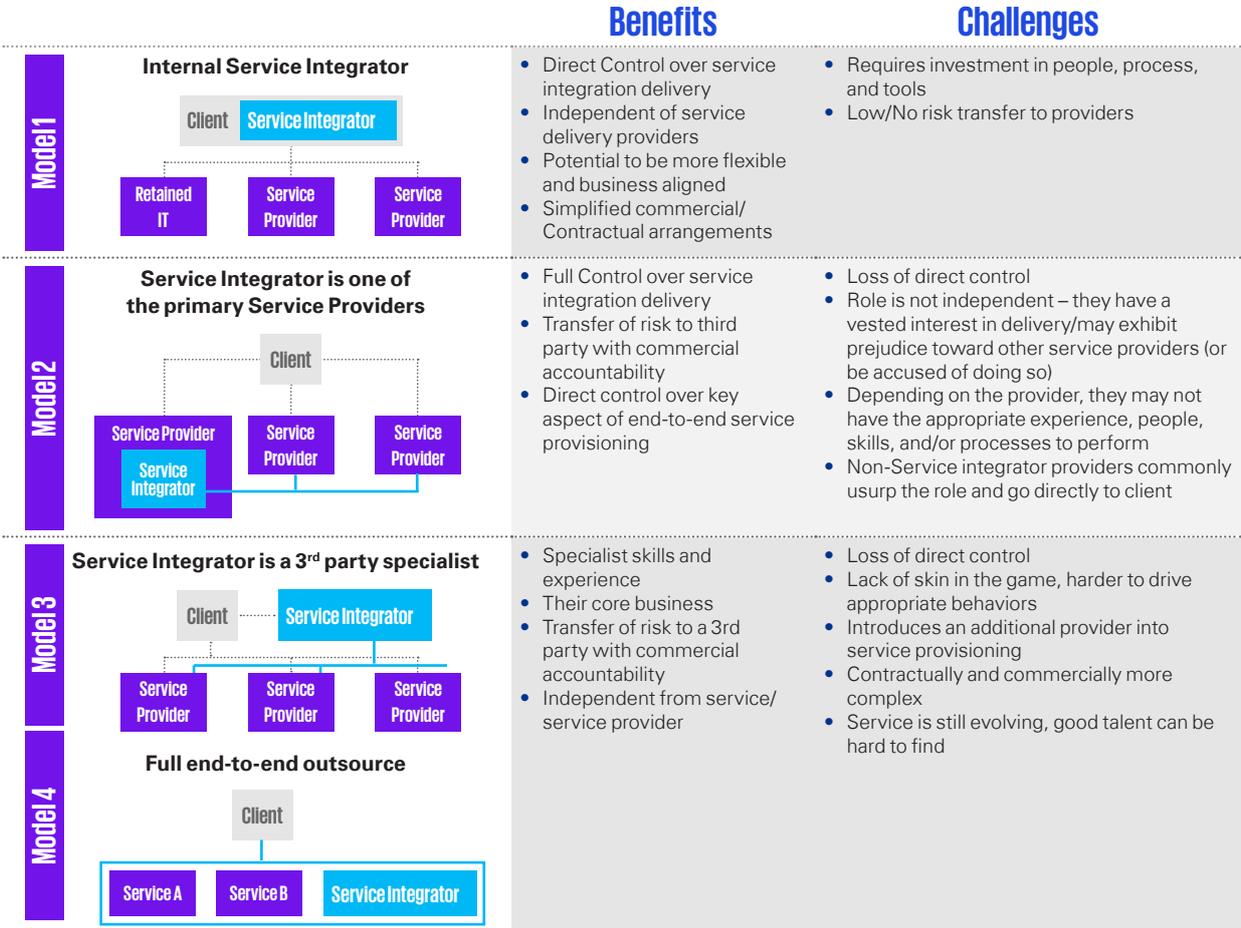


Figure 1 SIAM delivery model

When designing SIAM, the entire IT operating model can be a potential scope and is not limited to a single IT Service Management Framework or methodology in the likes of ITIL or COBIT. SIAM can also deliver benefits in additional domains such as Project Management and Contract Management. SIAM is not merely a process and/or framework but can be an enabler to meet your business requirements. When designing SIAM, it is necessary to consider that each service provider has its own processes, standards, frameworks and possible tools. Therefore, achieving harmonization can be challenging.

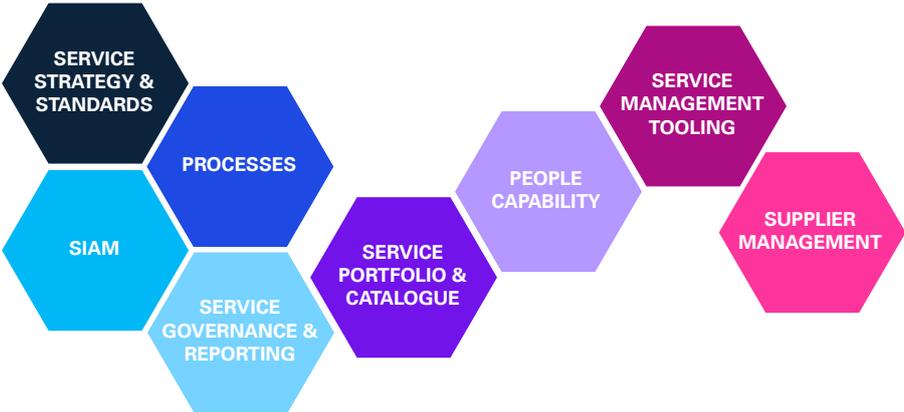
approach and implementing features in line with expiring outsourcing contracts or tool upgrades and/or replacements. Migrating to SIAM hence requires an understanding of the various exit timelines of any existing legacy services contracts for the functions that will transition to SIAM. If a phased approach is adopted, the long-term strategy is to start with an adequate tooling landscape that supports the SIAM journey in order to avoid having to replace the tools at each stage. The transition to a SIAM model thus requires a clear and consistent definition of the "as-is" and the desired "to-be" state, including the investments and projects needed to implement this vision.

SIAM does not require a Big Bang approach to implementation; it allows taking a phased

04 Implementing SIAM

A successful SIAM implementation depends on careful planning, preparation and coordination. Not only with the various service providers involved, but also internally, as SIAM will bring along a culture change within your company. This aspect is too often underestimated.

While implementing SIAM, the following building blocks must be addressed:



- Share the **Service Strategy** and Service Guiding principles with involved suppliers and get adherence sign off
- Detail the **Governance** regarding the project and ensure that all participants in the various governance bodies have the appropriate authority and knowledge, given the nature of these governance bodies and the agreements that will need to be met. These Agreements will need to be detailed in Service Level Agreements (SLA), performance measurements with Key Performance Indicators (KPI) and cross-provider co-operation via Operational Level Agreements (OLA)
- **Process** and process roles mapping per participant in the SIAM ecosystem with a RACI per role and process must be carefully designed and aligned.
- Conduct a **People Capability** assessment to identify gaps and develop the people management plan
- The different supplier **Service Portfolios and Catalogues** require alignment, integration and dependencies mapping and linkages to make sure these services deliver the Objectives and can be managed end to end across providers
- **Supplier Management** by defining Harmonized Master Service agreements, Collaboration, Shared Service Levels, Operating Level Agreements and Key Performance Indicators as well as the SIAM organization (including governance principles and methods), for collaboration between the SIAM service integrator and Service providers. Contracts and incentive structures need to be aligned where possible including harmonized agreements to achieve end-to-end service performance metrics and Objectives
- **Project** governance with Quality Gates, defined deliverables, project plans with clear and agreed upon input and output requirements per deliverable between service providers, detailed dependencies and RISKS
- **Tooling landscape** already in place or to be adapted to accommodate the required SIAM and provider’s landscape. The tooling landscape will drive the Automation Strategy based on the service catalogue and what can be automated. The automation strategy sets the foundation for the integration strategy with third-party ITSM tools. The Integration strategy should include all the basic data needed to enable the ITSM platform and data interactions with the various vendors providing a single system of record for tracking performance and delivery to make sure that with controls, data sharing and process integration are met for all services.

4.1 Potential Risks

As each service provider brings its own internal Process framework and tooling stack to the table, each customization to these to align to the SIAM requirements might imply an un-forecasted cost and associated ecosystem wide risk. It might be challenging to find consensus on topics such as:



- The unified CMDB design, level of depth of CI details and CMDB maintenance across providers: This is the foundation to success of the SIAM model and will require time and iterative implementation steps. A badly designed/populated CMDB (Configuration management database) or mapping of Business services to IT services will make it impossible for the service providers to adequately assess the impact of changes or incidents on CIs they manage and thus jeopardize business services and most likely the linked IT services of the other service providers.
- Agreements between service providers on RACI and clear cooperation in the different processes: Preventing avoidance of responsibility (e.g. during Incident resolution) is essential. Insufficient detailed or missing OLAs between service providers will result in bad collaboration between providers.
- Adequate SIAM involvement in the operational processes: service provider might have a service management centre to operate the different processes, SIAM should not become an operational service management centre on top of these as this will increase overhead and cost and decrease its legitimacy. Involving SIAM in process activities without an added value will make SIAM a blocking factor requiring needless effort and costs at service provider level and SIAM level
- How to establish end-2-end service management across service providers and how certain activities can be automated. Designing, developing, and maintaining an automated ticket exchange between Service Management tools can be complex, costly, and labour intensive for all participants in the ecosystem. The costs of such automation should be analysed and compared against alternatives such as manually copy/pasting information between tools or using alternatives as email to assess if the cost justifies the added value and ticket volumes.
- Aligning SIAM function implementations in line with contract expirations or major business reorganization to avoid too many changes to existing contracts. Implementing certain SIAM functions which are already in place via an existing contract will not only lead to redundant costs but also to disarray in accountability and responsibility.
- Adjusting existing contracts to implement new KPIs, OLAs to adhere to SIAM and the additional FTEs and tooling required (It must be done with a Win-Win objective). Complex tooling configurations and integration are prone to failure and will require high maintenance during tool and organizational updates.
- Representation in the different governance bodies. SIAM will introduce additional governance bodies requiring knowledgeable and empowered participants which might not be forecasted or available, leading to incorrect casted non-performing governance bodies.

4.2 Good Practices

During the SIAM Strategy, Scope, Design and Implementation Approach detailing activities following good practices can be taken into consideration per deliverable:



- Governance** - Install a healthy governance, populated by adequately empowered and **knowledgeable participants**. This is enabled by clear and agreed upon governance charters per governance body that ensures that goals are being achieved and defining how decisions are made.
- Service guiding principles** - Work-out an Incentives plan that encourages innovation and improves delivery by service providers.
- Detailed procedure templates** - Maintain and manage a consolidated Continuous Service Improvement Plan across the Service Providers, with measurable improvement targets.
- People-Management Plan** – Establish a Competence Matrix, define the roles and responsibilities per role and per process, decide on the Training approach to close capabilities gaps.
- Toolset** - Choose the right tool that fits the long-term SIAM strategy. List the basic tooling requirements for the functions that the to-be SIAM will provide and map those to the features of the available tools, start with the tool that ticks most boxes. Changing tools might be more costly than starting with the costliest tool. Practically tools must enable efficient and timely data exchange to avoid data re-entry, data translation, information alteration or data loss between providers.
- Operating Policies** - Map vendor (inter) dependencies and their impact on SLAs, Work-out OLAs between vendors involved and pursue SLA harmonization across service providers.
- Contract Alignment** - The transition phase between an old and a new core service provider can be an opportunity to launch a SIAM initiative whilst harmonizing the processes, the governance and the tools.

05 Industrial client business case

5.1 Background & current issues

The IT Organization of a global (industrial minerals) company has outsourced most of the IT services towards a large external IT service provider. Besides these Information Technology (IT) services that are used for data-centric computing and in support of corporate functions, Operational Technology (OT) services (that are used to manage and control physical devices existing and operating in the industrial operations environment) are provided by multiple internal and external parties. With the aim of managing and integrating these parties – and

providing a single business-facing end-to-end service delivery the company’s SIAM function for IT services was outsourced to the market. To increase the value of the IT function, the objective was to position OT services under the same SIAM umbrella, to be managed and integrated by the external SIAM service provider. However, as the setup of the SIAM function for IT services was not properly aligned with the client’s expectations and needs this would first to be improved before adding the OT services under the same SIAM umbrella.

5.2 Realigning SIAM activities

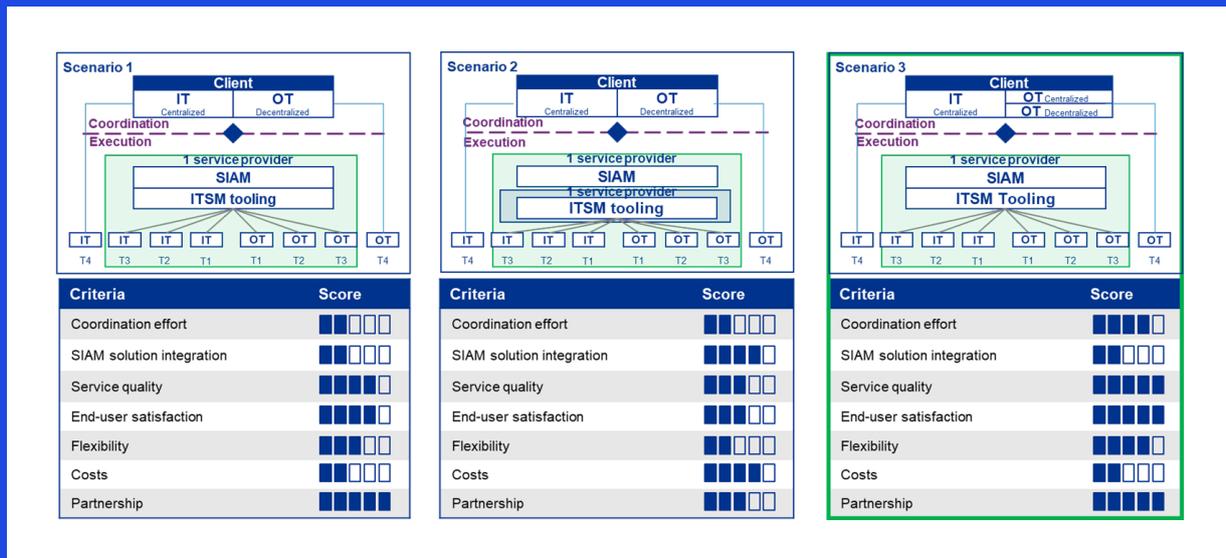
Sprint 1: Performing an As-Is analysis; A Review of the current outsourcing contract was performed which revealed a significant deviation between expected responsibilities by both the client and the external service provider with regards to the service integration and management of service providers. Moreover, multiple IT & OT issues were identified in the context of SIAM, of which the following are examples:

- | | |
|---|--|
| <ol style="list-style-type: none">1. The SIAM Service Provider is unaware of the client’s SLAs with other third parties and does not perform on-boarding of new providers effectively.2. The incident management process is implemented incorrectly and lacks guidelines.3. The client’s IT organization is understaffed to govern and manage | <ol style="list-style-type: none">4. The IT and OT departments are not integrated, nor aligned with each other.5. OT support by the SIAM service provider was not included in the transition to the service provider. |
|---|--|



Sprint 2: Create a high-level design for SIAM core activities; To develop the future SIAM strategy, 14 design principles and 9 design assumptions were defined such as, but not limited to:

1. SIAM is based on a 'as-a-Service' delivery model.
2. Client will outsource operational SIAM and ITSM tooling activities.
3. SIAM service provider's scope includes both internal service towers and Third Parties' cross-functional processes.
4. SIAM scope corresponds to core (Tier 1) and non-core service providers (Tier 2, Tier 3);



Sprint 3: Create a high level design for SIAM coordination activities; A review of the current ITSM tooling was performed during which new requirements for improvement were identified in order for the service integration and management service to be properly implemented. 7 main improvement actions were identified:

1. Ensure that the ITSM Tool configuration is standardized.
2. Decrease the number of custom classes for CIs to OOB (Out of the box) classes in order to effectively leverage the CMDB.
3. Use the Discovery function to populate and maintain the CMDB.
4. Leverage Application Performance Management (APM) for Application Lifecycle Management (LCM) and also use it to define the CSDM (Common service data model).
5. Streamline processes around CMDB data updates.
6. Improve the Change process, change risk methodology, and the communication between client and its ITSM tooling provider regarding the change process.
7. Reconfigure the SLA measurements in ITSM tool to align with the needs of Service Performance (SP) team and ensure E2E responsibility of the SIAM service provider.

5.3 Lessons Learned from this Business Case

In our own experience, implementing SIAM successfully has always been enabled by assessing and conducting an organizational change management exercise as a prerequisite to success.

- 1. A preliminary review of the whole provider ecosystem had to be done before initiating a SIAM project.
- 2. SIAM can be interpreted differently according to the context; several scenarios had been highlighted to analyze the impact of the changes and identify the most aligned with the company strategy.
- 3. Unclear demarcation of SIAM roles and responsibilities leads to misalignment in coordination of and between in-house and outsourced teams.
- 4. Establishing mutual trust with your providers is a must for a successful integration of services.

06 Final note

There is no 'one-size -fits-all' SIAM solution and it can be interpreted differently by the different providers according to the context, but its modularity ensures SIAM can be designed fit for purpose for any company and supplier ecosystem. SIAM brings an integrated solution to resolve issues faced by companies working with multiple providers resulting in a seamless, standardized, and integrated customer/end-user service experience but also involves a cultural change impact which should not be underestimated.



Miles Underwood
Partner
T: +41 79 848 58 49
E: milesunderwood@kpmg.com



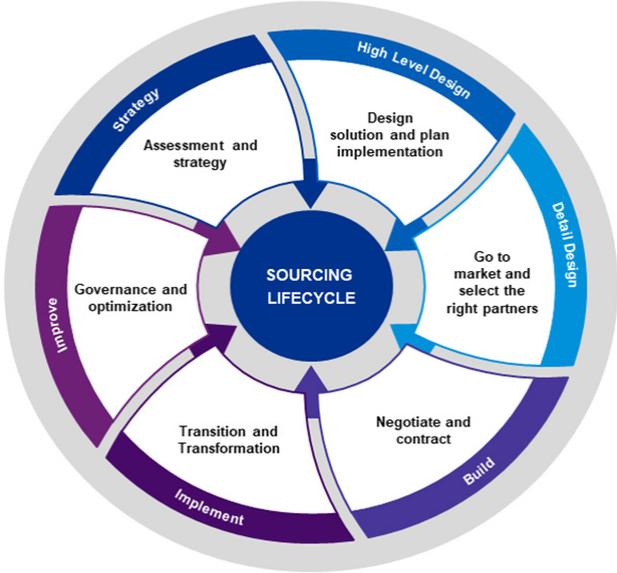
Lutz Gerhards
Senior Manager
T: +41 79 136 04 71
E: lgerhards@kpmg.com



Ben Short
Senior Manager
T: +41 79 583 98 60
E: bshort@kpmg.com



07 Appendix: KPMG SIAM Sourcing Roadmap



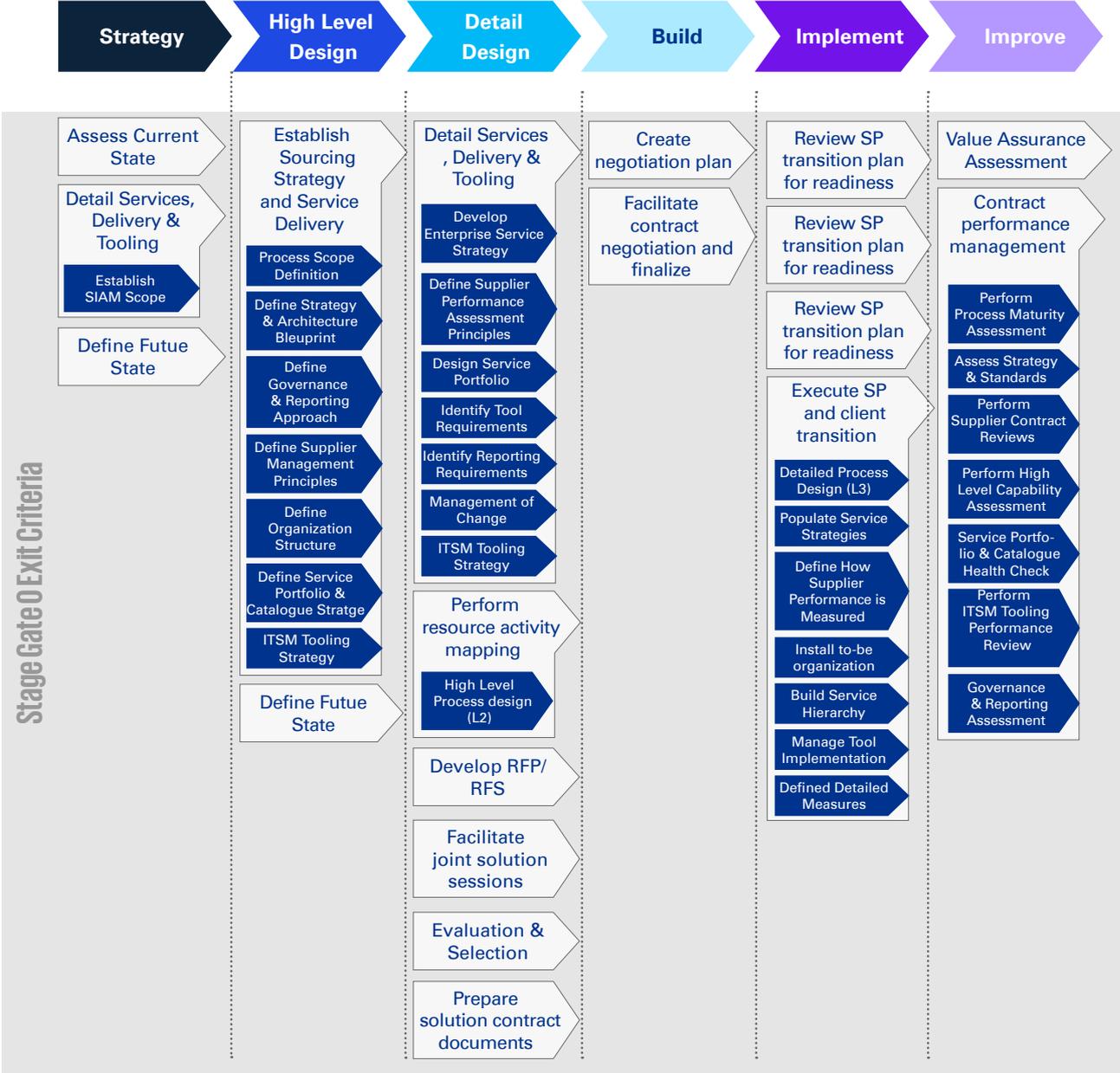
KPMG has developed an integrated approach to sourcing. This approach consists of six phases that run parallel to the life cycle of a sourcing process. Within the different phases we have defined a set of SIAM specific activities and deliverables in order to support you with the entire process, but also with services that are specific to a certain phase. Our advisory teams can also help you manage your business risks throughout all phases of this life cycle.



SIAM phases in KPMG Sourcing Roadmap

Within the scope establishment in the **Strategy Phase** KPMG can assist in designing the fit for purpose SIAM providing the desired functions and roles. A due diligence can be performed to assess the current state and define the different scenario's to go from as-is to to-be.

The **High Level Design** phase delivers definitions for the process scope, the strategy and architecture blueprint , the governance and reporting approach and supplier management principles. During this phase we can also assist in designing the organization structure, defining the service portfolio or authoring the tooling strategy.



■ STEP □ SIAM Activity

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