2 PROJECT INITIATION

Summary

Objective:	Get started, in a structured way. Know what is to be done and who you are working for. Know what you are going to deliver, when it needs to be delivered and how the project will be measured. Get your project the support it deserves.
Actions:	Decide what you want to achieve and why Identify what you plan to outsource Decide on measures for the project Prepare a draft high-level project plan Enrol the project Board Prepare your funding proposal Agree your proposal with the Board

OK, so you've got your reasons.

Something or someone has said it's time that you looked at outsourcing your IT service. Or maybe it's time you looked at the success of your existing outsourcing arrangement. **There are lots of reasons for undertaking an outsourcing project.** Maybe your boss has told you to. Maybe you need to either kill or confirm the staff rumours that often precede such projects (along with the sudden plummeting of morale). Maybe you and your boss have had an "offer you can't refuse" from a supplier stirring the pot. Whatever. You're going to get it done and do it professionally.

But where do you start?

Congratulations!

You've made an excellent start by getting the Cookbook.

Now, what's next?

Do you go to your friendliest supplier and get them to handle it all for you?
Do you get a team of consultants to do a business study for you?
Do you go through a tender process?
Do you pick up the phone book and dial an outsourcer?
Do you do it all yourself and hope you get it right?

Well... how would you start any other project? **First, you need to sort out what you want to achieve and why.**

Let's start there.

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2.1 WHAT DO YOU WANT TO ACHIEVE AND WHY?

Think about why you are undertaking this project and list your reasons for considering outsourcing. Consider these general categories of reasons for outsourcing, categories where others have found benefit:-

* Financial
* HR
* Technology
* Management control
* Legislative
* Quality and performance

List the reasons why you want to do this project. Have a look at Section 10, Sample Reasons for Outsourcing. It has many of the reasons generally used to justify outsourcing - or at least to justify investigating its feasibility.

You may have others, or disagree with any of those in Section 10. Simply list YOUR reasons. It's not until you get to the Business Case phase of the project that you can identify the ACTUAL benefit.

Usually your reasons are driven by your business objectives in some way...either your high level business objectives or those of the customers of your particular Service. Maybe your customers are dissatisfied with the level of performance of the Service, or want it to be more responsive to change, or want it for less cost.

These are your reasons for wanting to do the project.

As the project progresses, you'll turn these "reasons" into "objectives" and will include these objectives in the Document. Successfully establishing your objectives and sensible measures that reflect attainment of those objectives puts you in an excellent position to monitor and measure the value of your outsourcing arrangement.

Then consider the deliverables from the project. These won't be the same as your reasons. They are more related to the outcomes of the various stages of your project, checkpoints along the path.

List what you plan to deliver. Some suggestions are:-

(1) A ranked list of suppliers with whom you could do the outsourcing business.

(2) A recommendation on the best supplier to undertake the work.

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(3) A recommendation on whether or not to outsource showing benefits and risks.

(4) A document defining the agreement, with

- commitment from all parties,
- the maximum variability of service cost,
- open book costing,
- shared risk/reward and
- guaranteed best-in-class value

(5) An error free, co-operative hand over of the service to the supplier, with no adverse user impact.

(6) An account of the process, outcomes, lessons learned and costs of the project.

(These are the deliverables of the project plan that the Cookbook follows - the one outlined in Chapter 1).

You can see from the deliverables list that you might stop at any point (although you may still undertake deliverable 6) depending on decisions you make as the project progresses.

Now that you have decided what you want to achieve, it's time to more accurately identify what you plan to outsource.

2.2 IDENTIFY WHAT YOU PLAN TO OUTSOURCE

You could outsource parts or all of your IT Service. Are you considering say desktop or mainframe, network or an applications development project? Perhaps applications maintenance? Or field support for your mobile sales force, PC installations or the HelpDesk or perhaps even management of your already outsourced services?

As you work through the project, you will have to specify what you are outsourcing very precisely in your Scope of Work, but for now, you need a general understanding. Get it clear in your mind and documented in bullet point form.

For example, if you were considering outsourcing your desktop service, you might list the following as your high-level scope of work:-

Desktop High-Level Scope of Work

(1) Supply and installation of new desktop equipment and software, including printers, plotters and scanners.

(2) Supply and installation of upgrades to desktop equipment and software.

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(3) Fault identification and remedy for desktop equipment and software.

(4) Recommendations on desktop standards such as suitable hardware and software configurations.

(5) Asset management for desktop equipment and software, including licence management.

(6) Make-safe, relocation and re-installation of desktop equipment as requested by users.

(7) Introductory training for new users about the desktop computing environment and their particular PC.

(8) Reports and recommendations on the desktop service such as frequent problems, training needs and capacity problems.

In Section 11, the Cookbook lists some other sample bullet point form scopes of work for other IT services. You could pick and choose from the samples to make up your own high-level scope of work - just make sure that the components you pick fit together sensibly.

Don't get too fancy with these lists - they are more an aid to you to get clear in your mind the general scope of work you will be looking to outsource...

It is worthwhile also compiling a list of related elements that you WON'T be including, such as, for the above desktop example:-

<u>What Won't be Included in the Scope of Work</u>

(1) Management or operation of the central LAN servers.

(2) Cabling infrastructure except from the wall port to the desktop equipment.

(3) Security standards, policy and procedures.

(4) The Help Desk, although we expect that we will have a single point of contact for the outsourcer.

(5) Anything to do with our inhouse developed applications, except where it impacts upon desktop configuration.

(6) The ABC project.

etc...

Don't try to be too specific initially. Just get the overall scope drafted. The detail will come later.

By now you should have four (4) lists - your reasons and deliverables, what's in and what's out.

Which brings us to deciding on measures for the project.

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2.3 DECIDE ON MEASURES FOR THE PROJECT

One of the keys to a successful outsourcing arrangement is having a good measurement regime, so that you know how your supplier is performing. The same principle applies to your performance of this project...

How will you and others measure the success of your work?

Don't measure yourself against all the "reasons" you set yourself earlier - they may not be achievable from the marketplace. It won't be your fault if no supplier can give you the business benefit you get from providing the Service yourself. (Indeed, it's probably a terrific credit to you and your staff if that's the case!)

Do **look at your deliverables**. Put a measure against each. For example, for the list of deliverables above, the measures could be:-

(1) A ranked list of suppliers with whom you could do the outsourcing business.

Measures: Extent of support by the Board. Delivered to plan. Quality of selection and ranking criteria and process

(2) A recommendation on the best supplier to undertake the work.

Measures: Extent of support by the Board. Delivered to plan. Quality of selection criteria and process

(3) A recommendation on whether or not to outsource showing benefits and risks.

Measures: Extent of support by the Board. Delivered to plan. Quality of analysis.

(4) A document defining the agreement, with

- commitment from all parties,
- the maximum variability of service cost,
- open book costing,
- shared risk/reward and
- guaranteed best-in-class value

Measures: Extent of support by the Board. Delivered to plan. Extent of support by the supplier.

(5) An error free, co-operative hand over of the Service to the supplier, with no adverse user impact.

Measures: Extent of support by the Board. Delivered to plan. Level of disruption to service. Level of staff satisfaction.

(6) An account of the process, outcomes, lessons learned and costs of the project.

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Measures: Extent of support by the Board. Delivered to plan.

And add another measure about *the quality of your Service continuing at its current level while the project is occurring*. It's very easy for your existing Service to suffer while your efforts and those of your key staff are focussed elsewhere. YOUR STAFF WILL FIND THE UNCERTAINTY DEMORALISING. Make sure that you don't make the project any longer than is necessary.

The "Delivered to Plan" measures are key to the success of your project.

Time to consider your project plan; time to prepare a draft high-level project plan

2.4 PREPARE A DRAFT HIGH-LEVEL PROJECT PLAN

If you've done any project work in the past, this should be a push over.

The plan you are about to prepare will be a draft and will be high-level. Don't get granular yet! There's no point getting into a lot of detail before you've got the go-ahead for the project. What you need to prepare is an overall structure for your project so that when you seek approval to proceed, you can look like you know what you're doing (!?).

At the same time, you will be expanding and refining your plan later on, so start your plan like you would any other major IT project. Use the project management tool/s available (if any). The Cookbook isn't a course on IT Project Management. **It assumes that you can run an IT project**, **and that what you want from the Cookbook is information about outsourcing**.

Think about:-

- *the amount of time (if you have a particular time constraint) until you have to deliver*
- *the activities you will need to undertake to deliver your deliverables*
- *the people you will need to work with you*
- *the amount of time those people will need to spend on the project*
- *the other work that you and others may be doing at the same time*
- *the size of your draft scope of work - the bigger that is, the longer you have to allow*

A good starting point for your plan would be the one in Section 1.3 of the Cookbook, "A Look at the Overall Process". That's the process (read plan) that the Cookbook follows. Try to make your own draft plan along the same sorts of categories. If you don't think you can work with a process like that one and have to put together a radically different plan, you will have to jump around the Cookbook instead of following it sequentially.

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The sample Overall Process has durations in number of days associated with each major activity heading e.g. “1. Project Initiation (5 days)”. The suggested durations are based on the work required to outsource a medium sized service, say a 500 to 1000 unit desktop service like the one generally scoped above. You will need to estimate how long each major activity will take, but don’t get bogged down with “is it 7 days or 8 days?” If unsure, take a slightly pessimistic view.

Make your time estimates realistic, not optimistic.

Your scope of work, quality and quantity of Service documentation and availability of other people’s time will drive your estimates of the time required for the project.

The availability of **service documentation is an absolute key to getting under way**. Section 12 lists the documentation you will need for each type of IT service. Now is the time to have a look at Section 12. A lot of information is common to all service lines. You may decide that the scope of work you are planning won’t require some of the information suggested in Section 12.

> Initiate as a matter of urgency the compiling of the documentation required for the Service you are outsourcing. Often, you can delegate someone else to do that for you, while you press on with the rest of the Cookbook.

> *Even if your project gets squashed in its infancy, there’s no harm in having your INHOUSE service documented*!

The process recommended by the Cookbook is a Tender (or Request for Proposal) process.

You may have another process in mind or that your business is compelled to follow. Perhaps you have already made up your mind on the supplier you want. More than likely this will mean that you can abbreviate the sample Overall Process into your own plan. As the Cookbook said above, the result may be that you will have to dip into the Cookbook rather than follow it from start to finish.

When you are thinking about the people that you will need to involve and how long you may need them for, by way of example, for the desktop service model used above, the Cookbook suggests the involvement of:-

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Person	Involvement	No. Working Days
Project Co-ordinator/Manager (you?)	Full-time	120
Service technician	Part-time	60
Your manager	Part-time	24
HR personnel	Part-time	5
Legal representative	Part-time	4
Tax representative	Part-time	1
Board members (each)	Part-time	2
The whole Service team (each)	Part-time	10
Document writer	Part-time	25
Auditor	Part-time	4
Team of 3 key users (each)	Part-time	2
Representatives from other IT areas (each)	Part-time	5

Consider too if you will need to bring in extra people (internal or external) to support the existing Service while you and some of your staff are involved with the project. This will depend on how much time people have available to contribute to the project e.g. what projects are already occupying their time.

Quite a list and obviously a large investment. Don't be tempted to "fudge" the time requirements.

The project will consume a lot of time and effort.

Don't put forward a plan that leaves you short of time and sets unrealistic expectations in the minds of your management and your staff

Comfort yourself with the knowledge that even if at the end of the day you don't find good reason to outsource, you haven't wasted your efforts. As by-products of your project, you will have gained:-

- ✔ A benchmark of your Service against those who would claim to be the experts
- ✔ Precise knowledge of your cost structure
- ✔ Understanding of your service level and service quality
- ✔ Verification of what your users actually want from the Service
- ✔ Better documentation of your Service

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- ✔ Considerable knowledge about the outsourcing marketplace
- ✔ Possibly some good ideas from the outsourcers on how to improve your own Service
- ✔ And maybe cleared the air so that you can get on with the job of running what has proven to be an excellent inhouse Service

Such information can only help you to improve your existing Service.

(You may even want to include some of these elements as aims for the project.)

Once you've documented your draft high-level plan, you need to consider who you will be working for on this project i.e. to enrol the Project Board.

2.5 ENROL THE PROJECT BOARD

Most organisations require a management group to oversee large projects. The team could be called the project board, the steering committee, the review board. No matter. The Cookbook recommends that you have one and calls it the Project Board. The objectives of the Project Board are:-

(1) To agree and approve the project's deliverables, scope and plan.

(2) To agree and approve the expenditure of funds on the project.

(3) To monitor project progress and take appropriate action to ensure its success.

(4) To agree and approve the business case developed as the way forward.

(5) To agree and approve the outsourcing arrangement with the preferred supplier.

(6) To report on the project's success and lessons learned.

Of course, when you get the Board together, they might decide to give themselves other objectives too. That's their perogative. But the objectives above should be the minimum.

Deciding <u>who</u> to have on the Board is not always easy. The Cookbook advises <u>keeping it small</u>, say maximum of five. Be cognisant of other projects that are happening. It's also smart to check with your boss too. He/she may have other suggestions. Of the five suggested Board members...

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- Two will be your manager and yourself. Ask your boss to be chairperson; you be the secretary.
- You should include someone from the finance area - cost analysis of outsourcing proposals and of the internal costs will play a big part in the Board's decision making, so enrol someone with authority and expertise in the finance area.
- The other two should be those for whom the Service is provided - make them reasonably senior business people whose staff are users of the Service, so they have concern for both the quality and cost elements of the Service.

You will need to **talk to them individually**, explain informally that you are initiating the project and preparing overall plans and reasons for wanting to do the project, and gain their commitment. **Follow up with a letter or EMail** to them summarising what you are doing, including your five lists (your reasons and deliverables, what's in and what's out, and measures), your draft high-level project plan, your funding request (which you are about to prepare) and your draft objectives for the Board.

Schedule the inaugural meeting of the Board. More about the meeting itself later.

What's all this work going to cost? You now need to prepare your funding proposal.

2.6 PREPARE YOUR FUNDING PROPOSAL

You need to decide roughly how much your project will cost, phase by phase, according to your high-level plan and to find someone who will fund that cost. The money has to come out of someone's budget!

By far **the most expensive item will be people cost**. Your business probably has a standard way of costing the time of your own staff. Then, if you use external resources for some of the skills, such as legal, you need to account for that cost too.

As a minimum, items you should consider for your costs are

- **?** People cost - for those working on the project or required to 'plug the gaps' while you and others in your team work on the project.
- **?** Legal cost - you should plan to get the Document reviewed externally.
- **?** Publishing cost - for documents such as the Tender documents, T&C, SLA and SOW.
- **?** Advertising costs - if your procurement policy requires advertisement of tenders.

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- **?** Travel/accommodation costs - you will need to visit suppliers and their customers.
- **?** Training costs - such as the Cookbook or classroom training on negotiation.
- **?** Entertainment cost - the morale of your existing staff will require special attention during the project.

Use your phase by phase list of costs to compile a list of cost items and associated costs for your project up to and including the stage where you will be seeking approval from your Board to proceed to an outsourcing arrangement with a preferred supplier i.e. in the sample process, "6. Business case". **This list of costs is really what you want sponsorship for initially**, with the expectation that the costs for the later stages will be included as part of the justification for proceeding to an outsourcing arrangement.

The cost of Post-Approval is difficult to identify at this stage, because it will depend on how your outsourcer approaches it. Just consider your own costs for the purposes of this costing exercise.

...So you will end up with documentation of:-

- the cost of each phase of your project (e.g. the nine phases of the sample process),
- the cost for work up to and including the decision to proceed, and
- the cost for subsequent project work to get the outsourcing arrangement in place.

Now for *"where's the money coming from?"*

Here the Cookbook politely but firmly leaves you on your own. It's up to you and your organisation. But...

...whoever does agree to fund the project becomes the Project Sponsor and you will need to keep the Sponsor aware of and happy with the level of project expenditure versus your funding proposal (particularly as these are very early estimates of cost and they will no doubt fluctuate).

All this activity is standard project management stuff. For now, you are just after "seed" money to continue your investigation.

By now you're probably champing at the bit to get on with it (or perhaps decided it's all too hard and you'll forget about the whole thing?). You've compiled a number of "lists"

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to help clarify what your project is all about - to help move the nebulous into ordered form.

Only one more activity in the Project Initiation phase - and that's to agree your proposal with the Board.

2.7 AGREE YOUR PROPOSAL WITH THE BOARD

When the day of your inaugural meeting with your Project Board comes, you need to **be well prepared**. This may only be an opening discussion, but if the Board doesn't see any value in the project, they could stop you then and there.

You've already warmed them up to the project through your initial individual discussions and through the pre-reading documents that you sent them earlier (i.e. your five lists [your reasons and deliverables, what's in and what's out, and measures], your draft high-level project plan, your funding request and your draft objectives for the Board).

At the Board meeting, you want the Board to agree and approve these documents. You want them to say

> "*Yes, this is a reasonable idea. Go ahead and put a little more flesh to your proposal, and if it still looks promising, we'll support you.*"

The first Board meeting will be an opportunity for the Board members to give you their ideas. They will all certainly have opinions on the pros and cons of outsourcing. Let them have their say.

Perhaps you will need to make some changes and get subsequent approval. The Board may have other reasons for you to consider. Remember that **your planning is high-level at this stage**. You're not really asking the Board to commit to the project for its full lifetime. You will see that at the end of the next phase, the Project Startup phase, you will have confirmed and expanded your plans, and be seeking further Board endorsement.

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WELL DONE...You have reached the end of the Project Initiation phase. Let's summarise what you've achieved so far.

Summary

Objective:	Get started, in a structured way. Know what is to be done and who you are working for. Know what you are going to deliver, when it needs to be delivered and how the project will be measured. Get your project the support it deserves.
Actions:	Decide what you want to achieve and why Identify what you plan to outsource Decide on measures for the project. Prepare a draft high-level project plan. Enrol the Project Board. Prepare your funding proposal. Agree your proposal with the Board.

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