Our approach
Businesses can gain tremendous value by ensuring that planning for the retained IT organisation is an integral component of both the business and IT strategies. Our approach involves following the Retained IT Organisation Path (figure 1), and combining this with our experience to help our clients understand their organisation and IT environment.

Review and enhancement of a retained IT organisation can happen at any time, during a fresh procurement exercise, as part of a merger or divestiture or reviewing a steady state.

This equates to undertaking activities prior to the change exercise beginning and throughout the lifecycle of the outsource contract(s) or shared service development.

Planning the capability of the function and the steps needed to be taken over the timeline is greatly enhanced by independent and unemotional advice.

Our experience
Global telecommunications organisation
Due to a commitment to revamp application development activities and outsource IT where possible, this organisation needed to make a rapid transition from service delivery to a supplier management role. PwC worked with the client to manage a programme of change, delivery management, financial management, and testing assurance. Such a fundamental shift required new behaviour, skills and training, supporting tools, process definitions and MI for decision support.

The business was able to hit the ground running after rapid cutover to the new contract. Embedded changes in behaviour and mindset will mean that the client’s retained IT organisation will continue to evolve and improve after PwC’s role has come to an end.

Why engage with PwC?
PwC is an independent and trusted advisor who has had the privilege of working with many clients, both Corporate and Government, helping them shape their retained IT organisations.

We have a global capability, drawing on over 3,500 consultants across geographies to advise in the IT space.

We have developed appropriate and flexible approaches and techniques to aid our clients throughout the lifecycle of their outsourced arrangements.

The full breadth of PwC professional services complement and enhance all our offerings to our clients.

“Using the experienced consultants from PwC enabled me to commence implementation of the Home Office IT Shared Services function much quicker than would have been otherwise achievable”

Peter Lowe, Director of IT, Home Office (Mar 2007)
Not just retained IT, but a retained organisation

IT objectives should not be differentiated from overall business objectives. The CIO should work with the business to reach business goals rather than focus too closely on being a service provider. To achieve this, there needs to be a shift in perspective from both the business and the IT function: the business is outsourcing IT rather than IT outsourcing its services.

In short, the CIO must raise the agenda from a focus on service to a long term relationship between the business and IT based on business value. Business benefit comes from the retained IT function managing its relationships in both directions – the business and the outsourcer(s).

What does the business want from an IT organisation?

A recent PwC/Economist Intelligence Unit survey asked senior executives about their impressions of IT, and what they want from the business. They said:

- More partnering with the business and be the best at it you can;
- less aloofness from the business;
- More skills in relationship management; fewer bureaucratic/ hierarchical people;
- More focus on value and investment; less focus on cost containment;
- More business value metrics; fewer IT-specific operational metrics;
- More proactive stakeholder management; less reactive stakeholder management;
- More innovation/adaptation to produce competitive advantage; less rigid following of emerging technologies.

There is a critical requirement to enhance the relationship management capability of the retained IT organisation, not simply in the way it looks outward to its suppliers, but also how it looks inward to the business that it supports.

A retained IT organisation should be developed, not inherited

Careful consideration and planning is needed to ensure the right team is in place at all phases during the development and ongoing management of a retained IT organisation. A skilled CIO will recognise this opportunity to champion the IT mission and drive efficiency, effectiveness and improved governance into IT services while moving from one steady state to another (see figure 1).

What does a retained IT organisation look like?

By taking the view that the business is outsourcing or consolidating IT, rather than IT outsourcing or consolidating its own services, it’s possible to see a larger picture. No matter what kind of outsourcing situation you have, five core skills encompass a successful retained IT organisation. These skills are:

- Leadership: CIOs need to create strategic direction and tight coupling with the business. Having external suppliers deliver the service that a CIO is responsible for does not guarantee that tight coupling without strong guiding.
- Governance: Introducing a robust governance model that integrates not only the retained IT organisation, but the business as a supporter or service centre function requires a practical and engaging approach for all parties;
- Business alignment: Developing the skills and experience for IT staff to truly engage the business, and understand the risks and issues that it faces, is fundamental to providing a service that is recognised and not only supports, but enables.
- Architectural design and strategy: Retaining this capability is crucial to safeguarding your long term plan, and ensuring that suppliers are focussed on your key business objectives.
- Supplier management: While a skilled and certified service management community is a pre-requisite, much focus needs to be on the relationship with the suppliers.

As the organisation moves through the stages of change from one steady state to another, the balance of focus on each of the key (and other) skills will change. Understanding the existing IT capability means gaining a deeper understanding of what experience and skill sets currently exist in the organisation. This will provide a baseline in order to shape, size and skill the future retained organisation.

What other questions should you be asking?

- How much should your retained IT organisation be costing you?
- How does the nature of what has been outsourced drive costs?
- Are you outsourcing high volume commoditised transaction services, or complex and bespoke multi-layered services? Ensuring the right level of investment is available is critical to ensure quality of service and value for money is maintained.
- How do I find the right people?

The market for the skills needed by retained functions is not mature and people with the right skills can be hard to find, you may need to invest in re-skilling people in management and behavioural skills. Take a fresh look at recruitment and selection, skills analysis, training and development, performance management and definition of competency frameworks, with a particular focus on the new roles that are needed in the future organisation.

Figure 1: The Retained IT Organisation Path