



CASE STUDY

COST REDUCTION

SUMMARY

This client was concerned by rising costs and declining performance in its exchange trading service. A benchmarking review highlighted the primary causes and created the agenda for the subsequent improvement programme focused on:

- cost
- system stability
- service quality.

Substantial cost savings, equating to 12% of the operational budget were achieved within six months by:

- rationalising outsourced support services
- eliminating excessive staffing levels
- modifying the scope of facilities contracts to make them more economic thereby reducing prices.

Meanwhile service quality was improved dramatically through a programme which:

- focused support staff attitudes on customer service
- improved pre-go-live controls to reduce the number of incidents occurring
- improved incident management controls to speed resolution and eliminate root causes.

The results demonstrate that it is possible to reduce costs while raising service quality levels. However, it requires a disciplined process, commitment to detail, and a willingness to address all the dimensions of technology, process and people.

INTRODUCTION

A client in the financial sector was increasingly concerned about the rising costs and declining performance of its exchange trading service and commissioned a benchmarking review. This highlighted shortcomings in many aspects of the service, both in IT operations and in application development and support. The team were asked to continue implementing a performance improvement programme, focused on operations. This paper illustrates some of the sources of excess cost and underperformance and the improvements which were achieved during the first 12 months.

The key objectives of the programme were to:

- reduce cost
- improve the stability of the systems supporting the trading floor
- improve the quality of service offered to users

COST REDUCTION

Our initial targets concerned four areas:

- unclear and overlapping terms of reference for outsourced support services, leading to under-utilisation of contracted staff and confused responsibilities for issue resolution
- excessive staffing levels in some areas of technical infrastructure support, for the network and desktop environments
- excessive number of external supplier contracts for facilities & services leading to fragmentation, small uneconomic work packages, confused responsibilities and unnecessary workload in contact supervision
- unsuitable, overpriced, and under-performing suppliers in some services.

The actions carried out to achieve these targets were:

- consolidation of outsourced work packages into larger, more cost-effective units; rationalisation of contract boundaries; re-negotiation of contracts, and in some cases terminated; to create clear lines of responsibility and accountability; with cost savings of £240,000 per annum
- reduction of excess staffing levels in infrastructure management resulting in savings of £260,000 per annum.

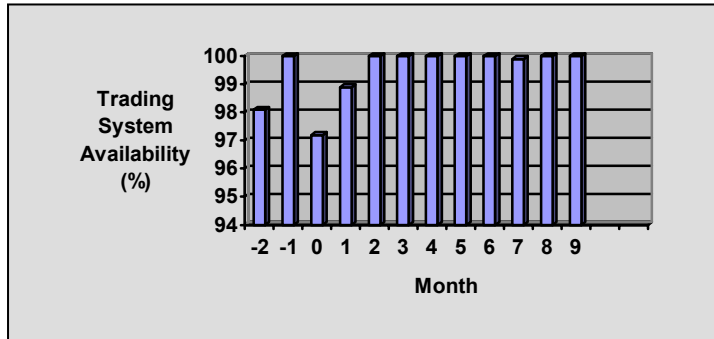
The total annualised saving was therefore £500,000, equivalent to 12% of the operational IT budget, without the need for any capital investment or remedial development effort. The payback period on the cost of the consultancy fees to identify and deliver these savings was less than six months.

SERVICE PERFORMANCE

We quickly established that the priority area of focus was on improving the direct user interface, i.e. the service provided by the Help Desk. Our assessment had revealed that the service was technical in nature, with little business focus and mainly comprising contract staff. It was renamed the

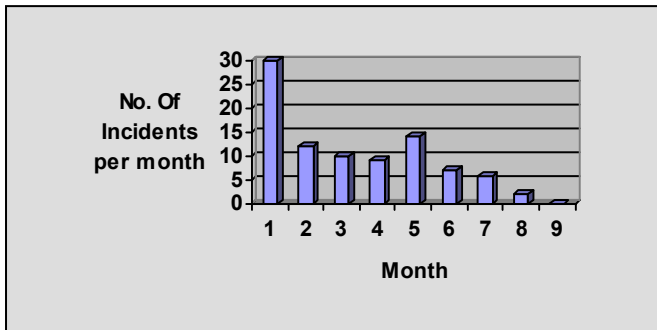
SERVICE PERFORMANCE (Cont'd)

Service Desk and a new team of permanent staff was recruited and given three months of detailed business training, to ensure they understood the problems and pressures on users. We also introduced enhanced communication processes with the users to keep them immediately informed of the status of any incident that affected trading. The improvement in perceived service quality among users was immediate and dramatic.



System stability proved to be more complex issue, requiring work in a number of areas:

- training IT service delivery staff, to recognise the importance of service quality to users, thereby changing attitudes and motivation
- a formal incident-management process was implemented to manage outage events more effectively and to ensure follow-up to fix root causes
- improvements in the change control process, to prevent untested changes being put into the live environment
- improvements in application support processes used by IT staff, to help diagnose growing or recurring problems
- introduction of an Operations Acceptance Testing process, to allow Operations to test new releases prior to go-live.



This remedial work resulted in a steady reduction in the number of incidents occurring, the speed of resolution, and elimination of knock-on incidents where a fix triggered another fault.

OUR APPROACH

We aim to maintain the balance between cost and service quality. We use an initial diagnostic benchmarking phase to set the cost and service targets, and then tackle a programme in 3 phases:

- drive out duplication, inefficiency, & underperformance, to eliminate unnecessary cost. This is a low-cost, high-return activity
- work with users to re-configure business demand & IT cost drivers, to a lower cost level. This takes time and some investment to change user demand patterns responsible for high costs
- re-architect/replace systems to reduce maintenance and operating costs; consolidate data centres and networks into larger, more cost effective units. This requires a higher level of investment and longer timescales.

OUR BACKGROUND

NixonBrooke is a specialist IT advisory team. Our role is to help the business obtain the best possible return from its investment in Information Technology. Our teams comprise experienced consultants who have specialised in this field for many years. We were formed as an agreed spin-out from KPMG, with whom we have a licensing arrangement for our methods, and with whom we continue to work collaboratively for some clients.

Our services cover:

- IT strategy
- IT performance management
- Governance & organisation
- Outsourcing
- Strategic programme management.



CONTACT US

Telephone
+44 (0) 1483 566 354

Fax
+44 (0) 1483 566 216

Email
info@nixonbrooke.com

Web site
www.nixonbrooke.com