A FinCo Case Study -
Using CA Business Service
Insight to Manage
Outsourcing Suppliers

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Executive Summary

Challenge
FinCo, a large, US based financial services company, was spending a significant amount of time arguing with suppliers regarding monthly and quarterly performance and correcting supplier performance issues only when the reporting period had ended. In addition, the company typically failed to identify suppliers that were underperforming and, by extension, failed to collect penalties owed to FinCo. The company was looking to reduce the amount of service “over-provisioning” due to the lack of visibility of the “real” demand and to identify underperforming vendors and replace them as needed.

Opportunity
CA Business Service Insight was deployed to automate the Service Level Management (SLM) and reporting for FinCo’s outsourcing suppliers. The solution was implemented in a phased approach with the first stage intended to address the accuracy and veracity of the monthly reports from vendors. The second phase aligned performance levels with internal needs.

Benefits
As a result of the improved governance, FinCo was able to:

- Monitor vendor performance against contractual obligation
- Ensure standardization across vendors
- Create transparency between suppliers and FinCo
- Improve penalty collection but reduce the need to collect them
- Increase cost competitiveness between suppliers
- Right source service levels with outsourcing suppliers
- Establish penalties and credits that align supplier performance with FinCo’s internal requirements
Section 1:

About CA Business Service Insight

CA Business Service Insight helps the enterprise’s outsourcing manager and the supplier’s account manager, by providing a trusted and accurate reporting infrastructure between the two organizations. The solution aids in the establishment of Underpinning Contracts (UCs), monitors supplier performance against service delivery agreements, actively reports on this performance and facilitates a trusted supplier relationship over time.

Using CA Business Service Insight, outsourcing managers are able to:

- Ensure veracity of supplier provided information
- Reduce latency of supplier performance corrections
- Create price and performance competition between suppliers
- Align supplier obligations with enterprise commitments to internal business units and external customers

Section 2:

The customer challenge

Take, for instance, the experience of FinCo, a large, US based financial services company. FinCo outsources a number of key business processes such as network management, application hosting, etc. to IT service providers. These companies each provide monthly reports regarding performance; however, FinCo was having difficulty reconciling these reports with the true level of supplier performance. Instead of generating reports that clearly demonstrated performance levels of the “services” that were outsourced, suppliers reported aspects of the service that made performance appear in the best light. In addition, while these “services” were outsourced in response to the needs of the organization, there was little alignment with the services that were provided to internal business units and external customers.

“Each supplier was reporting performance in their own way,” says Outsourcing Manager A, “but we couldn’t really glean how the vendors were doing. In the wake of the post 2008 financial markets, this was particularly concerning. We were extremely concerned that underperformance on the part of our services supply chain, might result in substantive regulatory issues, and maybe even penalties, for FinCo.”

In addition to the regulatory risk, FinCo was:

- Spending a significant amount of time arguing with suppliers regarding monthly and quarterly performance
- Correcting supplier performance issues only when the reporting period had ended
- Failing to identify suppliers that were underperforming and, by extension, failing to collect penalties owed to FinCo and failing to replace seriously underperforming vendors
- Over-provisioning for services due to a lack of visibility of the “real” demand.
Section 3: Opportunity

Meeting FinCo’s outsourcing challenge

In order to address these challenges, FinCo elected to implement CA Business Service Insight. The solution was implemented to automate the Service Level Management and reporting for FinCo’s outsourcing suppliers and was implemented in a phased approach.

Phase One – Manage supplier performance

As FinCo doubted the accuracy and veracity of the monthly reports from its outsourced service providers, the company elected to attain control of the situation. Rather than attempting to reconcile disparate monthly reporting from the suppliers, FinCo elected to implement CA Business Service Insight and turn the solution into the corporate system of record for vendor performance. To accomplish this task, FinCo established a vendor facing “service catalog” in phase one of the project. This catalog normalizes the services that they outsource to external suppliers and enables FinCo to standardize these services across vendors. Moreover, as they negotiated service level contracts (i.e., underpinning contracts) on top of this service catalog, they are able to standardize the contracts, leverage learning, and reduce the amount of rework necessary across contracts. As underpinning contracts (UCs) are negotiated, FinCo includes information about what services are provided, metrics (e.g., KPIs, SLOs, Financial Metrics) that are used to measure performance, information sources that are leveraged, and business logic that is used to aggregate and correlate this event data.

To do so, FinCo renegotiated the supplier contracts such that the company has the right to access infrastructure data (e.g., event data from network monitoring tools, application monitoring tools, helpdesk systems) from each supplier. Then they implemented adapters in these supplier environments. With these adapters, the suppliers forward pertinent infrastructure event information to FinCo’s “master” CA Business Service Insight system. Leveraging the aforementioned contracts, metrics and business logic, FinCo is able to calculate performance reports for each supplier thus creating a system of record for outsourcing supplier performance.

Now, when suppliers produce monthly performance reports, the expectation is that they will not vary materially from those produced by FinCo’s CA Business Service Insight solution. To ensure this accuracy and to encourage collaboration, outsourcing suppliers are provided with a login to the FinCo outsourcing supplier dashboard. Each company can see pertinent performance reports for their company and ensure that service level reporting is in line with FinCo’s expectations.

Phase Two – Aligning suppliers with internal commitments

Just as internal components make up the IT and business services that organizations provide to their internal and external customers, outsourced services are often leveraged to provide these services as well. Unfortunately, there is typically a disconnect between the provisioning requirements that are needed to meet these customer facing commitments and the outsourcing supplier commitments that organizations make.

To address this issue, FinCo planned to connect their supplier management solution with one that manages internal Operational Level Agreements (OLAs) and Service Level Agreements (SLAs) in phase two of the project. Within this system, the customer facing service catalog defines the services that are offered, the metrics that establish performance, and the relationship to service components (e.g., OLAs) that make up the service. With the connection between the CA Business Service Insight for Outsourcing Management and CA Business Service Insight Internal Enterprise systems, FinCo is able to define outsourced services as service components of internal Service Level Agreements.
By establishing this relationship, FinCo is able to connect the performance requirements of outsourced agreements to the service delivery requirements for internal Service Level Agreements. This will enable FinCo to quickly identify areas where the company may be over-provisioning services and to identify areas where outsourced service performance is mission critical.

For instance, if the Service Level Agreements require a network performance of 95% availability but the underpinning contract that governs an outsourcing relationship for network services demands 99% availability, FinCo is overpaying for service provisioning and might renegotiate that contract. Similarly, if an outsourced contract for data processing affects FinCo’s ability to close transactions, it might be considered mission critical. FinCo might, therefore, elect to establish high penalties for underperformance.

Section 4:
Benefits

Phase one benefits
- Monitoring of vendor performance against contractual obligation
- Standardization across vendors
- Transparency between suppliers and FinCo
- Improved penalty collection and reduced need to collect them
- Increased cost competitiveness between suppliers

Phase two benefits
- Right sourcing of service levels with outsourcing suppliers
- Understanding of penalties and credits that align supplier performance with FinCo’s internal requirements

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