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THE IMF'S IT STRATEGIC SOURCING INITIATIVE: THE VIEW FROM THE STATISTICS DEPARTMENT

Supporting Paper

Prepared by Cathy Wright, Statistics Department and
Patrick Hinderdael, Technology and General Services Department
International Monetary Fund

I.   INTRODUCTION

1.   At the June 2006 MSIS meeting the IMF presented a paper on its IT strategic sourcing initiative. The initiative began in 2005 with the IMF's information technology department, the Technology and General Services Department (TGS), conducting extensive research into the opportunities presented by a global sourcing partnership. At the IMF primary responsibility for information technology resides with TGS. TGS is supported by strong partnerships with the IMF's business community, including the Statistics Department (STA). The Statistical Information Management Division includes an information management team that works closely with TGS to design, deliver, and enhance tools for the collection and management of data and the dissemination of our statistical products to internal and external clients.

2.   The objectives of the initiative were to improve the overall effectiveness of IT resource utilization in the IMF by adopting a global sourcing strategy and performance-based contracts for delivering IT services. Early estimates indicated the potential for significant savings--up to 30-40 percent--in labor costs for some IT services once the global sourcing approach is fully implemented. The implementation of global sourcing, which will initially be focused on the maintenance and operations of applications, and gradually be expanded to include applications development as well as potentially infrastructure services, began by establishing the overall framework for long-term relationships with one or two suitable strategic partners. Benefiting from extensive guidance of Gartner consultants who helped develop the RFP and contract negotiations and contributions from key business stakeholders, the global sourcing project commenced in earnest at the start of 2005.

3.   Main elements of the IT sourcing strategy:

    (a)   taking advantage of global sourcing to reduce labor costs and deliver IT services more efficiently for the long-term;

    (b)   moving towards performance-based contracting with strategic partners and reducing dependency on the current skill-oriented, staff augmentation model;

    (c)   developing a long-term IT staffing model and an enhanced organizational structure that best support the new sourcing strategy and that reflect industry best practices, and

    (d)   continuing to strengthen IT and information security processes (implementation of the IT Infrastructure Library [ITIL] processes for infrastructure, Capability Maturity Model [CMM] based processes for applications development and ISO 27001 security certification processes).

II.   DEVELOPMENTS SINCE JUNE 2006

4.   Since the presentation at the June 2006 MSIS meeting, a number of important milestones have been accomplished. The IMF is now ready to move forward with initiating the transition phase for 25 applications and to begin to realize the anticipated benefits of the global sourcing model. These applications vary from largely "commercial off-the-shelf" (COTS) applications such as the Document Management System (from Hummingbird/Open Text), to heavily customized Commercial of-the-Shelf (COTS) applications such as PeopleSoft HR and Financials applications, to in-house developed applications such as the economic data management systems.

Milestones

5.   These milestones are:

- An extensive **analysis of the proposals** received in response to the IMF's Request for Proposal (RFP) was conducted over the summer of 2006. Following due diligence, reference checks, and site visits to the finalists, the Bid Evaluation Committee selected Tata Consulting Services (TCS) as its global sourcing partner.

- Two relatively small **pilot projects** were identified to develop application software for the IMF and began in the fall of 2006. The pilots (Exchange Rate Wizard and Country Terminology) were planned to assess the gains that could be realized through global sourcing and to evaluate the global sourcing process and the relationship dynamics between the strategic partner(s) and the IMF. The pilots covered a 4- to 6-month period and were delivered in early April. Valuable experience was gained in working with an external partner. On the basis of the pilot results, the IMF will move into the transition phase towards a full-scale implementation of sourcing the maintenance and operations of applications.

- Concurrent with the pilot, the IMF undertook a **detailed portfolio assessment**, reviewing the 25 applications in depth. Assessments of sourcing readiness, risks, and mitigation strategies were performed by TGS and the application owners having primary responsibility for the application. The assessment also considered how to manage the transfer of knowledge from the present vendors to the sourcing partner. With the successful delivery of the two pilot projects, the phasing and timeline for outsourcing the IMF's portfolio of applications, as determined in part by findings from the portfolio assessments, has been confirmed.

- **Transition and implementation** plans for each application began to be prepared in the March 2007. A final determination of the timetable was completed--the transition of the 25 applications will be phased in from May 2007 through early 2008.

- The Statistics Department manages three of the 25 applications. The transition of the three will begin this summer:

  1) the Integrated Correspondence System (ICS) for data collection [August-September],

  2) the Data Dissemination Standards Bulletin Board (DSBB) for the dissemination of Metadata [August-September], and

  3) the Economic Data Facility (EDF) / Data Management for Excel (DMX) application for data management [August 2007-January 2008].

III. IMPLEMENTATION

6.   The plan is to transition to a multi-vendor sourcing model, following a phased implementation of applications over three years. The effort will take into account the potential for efficiency gains, the IMF's overall readiness for global sourcing, and sourcing maturity for major bundles of IT services. The first phase for global sourcing involves only applications maintenance services.

IV. STAFFING MODEL AND ORGANIZATIONAL ALIGNMENT STREAM

7.   The current IT staffing model, which heavily relies on a staff augmentation method, will need to change in order to provide greater visibility to business value activities and to accommodate new roles relevant in the output-oriented global sourcing environment. Internal staff resources now focused on delivering task-oriented services will focus on strengthening high business value activities, such as aligning business needs and IT solutions, developing enterprise and technical architectures, managing service levels, and leveraging technologies to better support core business needs. New roles will be needed to support the global sourced environment, such as business relationship managers, business analysts, performance managers and vendor relationship managers. Training programs will be established to help IT staff develop competence and skills in these new areas and the IT organizational structure may be adjusted to support a global sourcing model that reflects best practices in the IT industry.

V. CONTINUOUS IT PROCESS IMPROVEMENT STREAM

8.   Effective IT processes are central to enabling an organization to make the shift from delivering services to managing services. In parallel with global sourcing, TGS has been working on the development and execution of an IT Process Improvement Program that focuses on improving processes that are key to increasing overall effectiveness and efficiency and that support the global sourcing effort, e.g., change/incident/problem management, requirements definition, quality assurance/code inspection, testing, project management, etc.

  (a) Significant progress has been made towards the adoption of the IT Infrastructure Library (ITIL) processes, especially in the areas of change/incident/problem management, using the BMC Remedy system as a key toolset.
  (b) In addition, changes in software development processes using an industry standard methodology (based on CMM) for managing the development, acquisition and maintenance of software products and services have resulted in the first draft of a Systems Development Lifecycle in support of all application development and maintenance activities. Training and compliance programs will also be developed involving key business units. TGS will also develop sourcing management processes as experience in this area grows.
  (c) Finally, a third effort is aimed at achieving a high level of information security by seeking certification under the International Standards Organization or ISO 27001 certification standards.

VI.   KEY BUSINESS ISSUES AND CONCERNS FOR THE STATISTICS DEPARTMENT

9.   Despite the enormous effort dedicated by both TGS and business stakeholders like the Statistics Department, a number of key issues and concerns remain.

Governance

10.   From the outset both TGS and the business community have been aware that effective governance would be paramount to the success of the initiative. Achieving buy-in from the IMF's key business stakeholders has not been an easy process. Early on the IT department tended to view this effort as largely a technology matter likely to have little impact on the business side. The IMF is by nature a conservative organization and the business stakeholders have, not surprisingly, been cautious about this initiative. From the start the larger stakeholders were adamant about the need for full partnership with TGS and the sourcing partner.

11.   In response to these concerns, appropriate governance bodies have been established for both specific phases of the project and the longer-term oversight of the project. In addition to the Bid Evaluation Committee, the following groups were formed with members drawn from both business and IT:

- Business Advisory Group
- Transition Preparation Committee
- Transition Oversight Committee

Project Staffing and Continuity

12.   Because TGS relies upon a staff augmentation model, many vendors (as opposed to IMF staff) participate in the maintenance, development, and support of major IT systems. While arrangements have been made with existing vendor companies to entice key vendor staff to remain through the transition, it is expected that many vendors will depart when other opportunities become available to them, a fear that has already started to materialize to some extent. From both TGS' and the business' perspective this presents a significant risk to the continuity of ongoing projects. Also, as noted above, it is anticipated that this initiative will impact IMF staff in ways that cannot yet be appreciated from the business perspective.

Hidden Costs to the Business Stakeholders

13.   Technology projects at the IMF tend to fund the activities of the IT department but not the business departments. The global sourcing initiative has and will continue to place significant demands on the business departments. Statistics Department staff will dedicate significant time to assessing the readiness of our three applications for outsourcing, identifying risks and acceptable mitigation strategies, transferring vital business knowledge to the sourcing partner, and coordinating with TGS throughout the transition and thereafter. While it is clearly in the interest of the Statistics Department to be an active and effective partner, the sourcing initiative imposes time and resource costs for which the department is not reimbursed.

14.   In summary, there are definitely hidden costs in terms of time spent by both business and TGS users to prepare for – and probably to manage – the global sourcing arrangement. Gartner consultants estimated that the overhead on global sourcing arrangements (including for performance management, travel expenses, etc.) is typically on the order of 15-25% of the contract costs. However, even then, the savings remain truly substantial. Therefore, if the business risks can be managed properly and the service levels maintained, it is definitely a worthwhile undertaking.

Risks and Mitigation Strategies

15.　　Among the 25 projects proposed for outsourcing, a number are highly specialized and complex systems, including some of those managed by the Statistics Department. Although naturally everyone has the tendency to say "I'm different or my project is special," it remains to be seen how true those words are in the case of Statistics' projects. To reduce the risk for our most complex applications (the EDF/DMX applications for data management), we are currently exploring the feasibility of involving TCS in the testing of the application since we are in the process of preparing the rollout of a set of new features in combination with the migration to .NET and SQL 2005. This would offer the added benefits that (i) TCS has more time to familiarize themselves with the application than through the standard transition approach, and (ii) we can potentially leverage TCS' expertise in terms of QA/testing.

16.　　In addition, while the pilots were designed to increase the IMF's comfort level with the global sourcing approach, the scope and complexity of the pilot exercises was relatively small, and they were primarily focused on development activities as opposed to maintenance/operations activities targeted in the first wave of 25 applications. Therefore, some business users fear that the true test will come only as we transition the 25 applications.

VI.　　THE POTENTIAL FOR A POSITIVE OUTCOME

17.　　The concerns cited above are unavoidable in an undertaking of this scope and magnitude. The transition activities that will commence this summer will be a challenge for all parties and almost certainly bumps will occur. However, with the benefit of an active and effective collaboration between STA and TGS and our global sourcing partner it is expected that the anticipated benefits in terms of cost savings will be realized. The rigor that the TGS/TCS partnership will bring to application development, testing, and support will greatly strengthen our statistical applications in the years ahead.