

Commentary

IT Services Contracts — Process Ownership Plan

A process ownership plan between a service recipient and provider defines the owners of key processes and the roles and responsibilities of process owners. It is critical for managing and evolving services under the agreement.

In today's complex business environment, with technology playing an ever-important role, it is essential that service recipient (SR) and service provider (SP) agreements include the formal identification of key process owners. The identifications must be accompanied by definitions of roles and responsibilities so that the SR and SP process owners, as well as both supporting organizations, understand the scope of the process owners' authority to plan, manage and evolve services.

Purpose

A process ownership plan documents the responsible individual for each key process provisioned directly via the service contract, as well as the key processes needed to manage the agreement between the SR and SP. A single process will likely cross several business or functional units (e.g., financials), therefore, it is essential that the SR and SP each name one person (and the organization to which the owner belongs) as the responsible individual for each key process.

An SR process owner is responsible for ensuring that the agreement with the SP is effective for delivering the full complement of services required to support the performance of an end-to-end process. Likewise, an SP process owner is responsible for delivering the full complement of services. Functional managers in the SR or SP organization generally would not be viewed as process owners, because their roles are focused on specific functions. The functions associated with the process area are identified in the plan to ensure that there is a mapping of line-item functions to an overarching process area.

A process ownership plan may include processes that are indirectly provisioned via the service contract; however, the owners of these processes are generally seen as stakeholders. It may also include process owners who affect the SR/SP agreement, as in the case of another external or internal source that delivers service. These process owners are generally named for coordination and integration purposes; however, they are not viewed as part of the formal plan used by the SR and SP to plan, manage and evolve service offerings.

Importance

At the highest level, a process ownership plan identifies the peer-to-peer relationships that are aligned by key process areas. The plan ensures that SP and SR process owners are defined and that their pivotal role in managing expectations, priorities and performance is documented. The process owners act as the gatekeepers for aligning objectives and value delivered. They represent the viewpoints of each of their respective organizations and, collectively, the viewpoints that enable the relationship to continuously deliver value.

The process owners have knowledge of the cost components and service levels associated with each of the service areas that are included in the agreement. They understand the affect of service levels on the business process requirements and objectives. The SP and SR process owners jointly identify opportunities to raise or lower the service-level bar to achieve business outcomes. The SR process owners understand the financial model in which the SP is delivering services. This knowledge is important for planning changes, additions, course corrections and innovation delivered via the agreement. The SP process owners understand the business outcomes that need to be achieved and the affect of service delivery on the achievement of those goals. This knowledge is important for managing service levels, communicating about performance and identifying improvement and innovation opportunities. The process owners are familiar with the functional-level stakeholders (or users of the services) and know when to involve stakeholders in planning, monitoring and management activities.

A process ownership plan is especially important when there are multiple SPs involved in servicing the enterprise. The formalization of roles and responsibilities helps all SP team members have a clear and consistent view about the role each SP member plays in the enterprise. In short, it helps to avoid finger-pointing among team members, especially when there is the potential for gaps or overlaps in roles and responsibilities.

Structure

A process ownership plan is composed of the following elements:

- Inventory of processes that are delivered via the agreement
- Inventory of processes directly affected by the services included in the agreement
- Inventory of process that are required to manage the agreement between the SR and SP
- Statement of process ownership roles and responsibilities
- Authority of the process owners
- Mapping of functions to processes
- Rules of engagement for the process owners

Examples

A process ownership plan is important in any service agreement; however, the characteristics of the plan will vary based on the type of service under contract. Some examples follow:

- *Outsourcing Agreement*

The plan will be focused primarily on processes that are affected by the services delivered via the agreement, with heavy emphasis on managing the agreement to the SR's and the SP's mutual

benefit. The process owners must have a keen awareness of the affect of services on the business outcomes, as well as the affect of service success and failure on the financial health of the SP. The process owners in an outsourcing agreement will seek opportunities to improve performance, introduce innovation, correct deficiencies and align priorities — all with an eye toward delivering value to the enterprise and providing an environment that enables the SP to deliver services profitably.

- *Systems Integration Agreement*

The plan will be focused on processes that are affected by the development of new processing capabilities, and the owners will manage end-user expectations, schedules, approvals, test and acceptance criteria, and the cost of the project. The process owners must have in-depth knowledge of the business requirements driving the project, including critical milestones that must be achieved. They must understand the requirements and the affect of scope changes on schedule and cost. When necessitated by scope changes, they may be authorized to negotiate schedule and cost modifications.

- *Consulting Agreement*

The plan will be focused on processes that are under evaluation for change, often significant change, as in a new business model that will replace current processes or consolidate several process threads under one new process. The SR process owner in this type of agreement will likely be the project sponsor or manager, given the impact of the decisions being made. The SR/SP process owners will strategize, evaluate options, identify change required in the enterprise and lead communications within their respective organizations. The SR process owner must ensure that all stakeholders are involved whenever necessary, and the SP process owner must ensure that consulting practitioners are fully prepared to engage in the project when called upon. Together, the process owners will manage the scope of work and may be responsible to authorize scope changes, approve deliverables, negotiate costs and schedule modifications.

Bottom Line: Good relations between the SR and SP is one of the most-important ingredients to achieving consistent value in service contracting agreements. Although good relations cannot be prescribed, a process ownership plan formalizes and documents the critical role that process owners play in planning, managing and evolving services.