How to decrease operational cost of EBS maintenance and improve user's satisfaction

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Hypo Group Alpe Adria Leasing Case study: outsourcing of maintenance services for EBS instance used by five companies in three countries; different maintenance models comparison; maintenance services transition to new supplier.

Introduction

Hypo Group Alpe Adria Leasing (HGAA) decided in 2005 to implement new Leasing application, integrated with standard ERP (System). Oracle EBS was chosen and implementation started in Hypo Leasing Kroatien. Production started in 2007, and very soon two roll-outs were implemented (Bulgaria, Macedonia). At that moment, system was used by more than 350 users. System consists of Oracle EBS Financials, with some customizations, and modules related to leasing business, developed as EBS extensions. Information exchange with the outside world is extensive and therefore there are a lot of interfaces. The System architecture is shown in picture below.

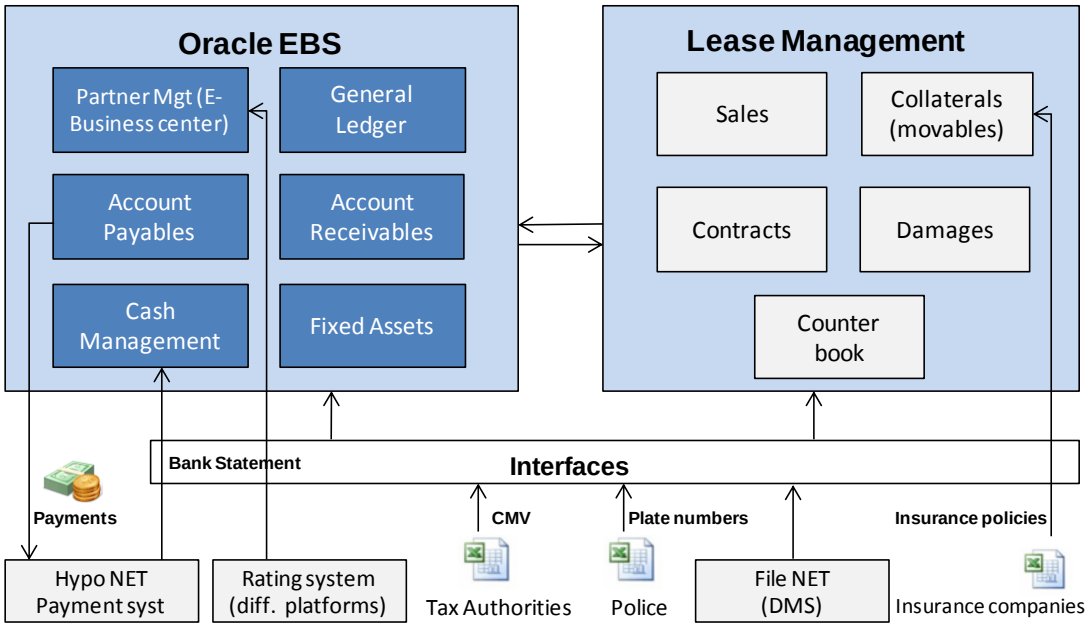

Illustration 1. System architecture

New internal company was established in Zagreb as a shared service centar for System maintenance, employing around 30 people. Maintenance agreement was signed with the company that implemented

the system, but the goal was to develop internal resources to support as much maintenance activities as possible, including reports development.

That was the first of three maintenance models HGAA Leasing passed through six years being in production: shared service and competence centar owned by HGAA Leasing, and maintenance agreement with global supplier (bug fixing, extensions development).
The first model was too expensive and not efficient. Also, the quality of services and deliverables from external supplier was not satisfactory. Therefore, after two years, HGAA Leasing decided to change the supplier, and to some extent, change the maintenance model.

The second supplier, also global one, offered model with local functional support and development in India (so-called "right-shore"). Transition project lasted for 5 months. Documentation delivered throughout the transition project was detailed and extensive, but, despite of that, and despite having competent EBS development team in India, user' satisfaction wasn't improved. Delivery time increased and cost was still high. Another two years passed.

IN2 heard about HGAA Leasing dissatisfaction and offered them different maintenance model with reasonable price. Transition project lasted for three months. The project price was significantly lower when compared with the previous transition project. Very soon, user satisfaction improved, and maintenance cost went down.

New maintenance model

New maintenance model tried to solve recognized problems: to decrease delivery time, to streamline requirements definition, to proactively advise how to improve the system and processes, etc.
Major features of new maintenance model:

- Rather than having different teams for bug fixing and customization development, functional consultants and developers are specialized per business areas
- Functional consultants and developers work at the same location, they cooperate on daily basis.
    - That ensures the best solution design and decreases the risk of incomplete requirements definition.
- Business know-how on supplier side.
    - Necessary to suggest improvements, and to discuss requirements with key users.
- Supplier's consultants are actively involved in requirements definition in order to propose the optimal solution.
- Number of instances for development and testing was decreased (*Illustration 2*.). This requires stronger maintenance management (taking care of 'parallel testing' activities and how they can influence one another), but decreases system administration cost and increases quality of testing.
- Maintenance manager has deep understanding of the functional system architecture so he can understand importance of a request and interdependences. He is responsible for monitoring issue resolution to determine whether the root cause of the problem has been removed, or the problem could happen again. Maintenance managers are the most experienced EBS consultants, with management skills. Very often they are invited to advise client on strategic System related issues.

Maintenance model also depends on client's involvement in maintenance. Some clients have a strong IT team; they can do a lot of maintenance activities by themselves. So, the maintenance model for a client should be tailored to suit client's needs.
Also, our goal is constant improvement of operational maintenance model and processes. Circumstances are changing, people performing a role are changing, so operational model should be revised periodically. Supplier should be flexible enough to adapt to changes and SLA also.

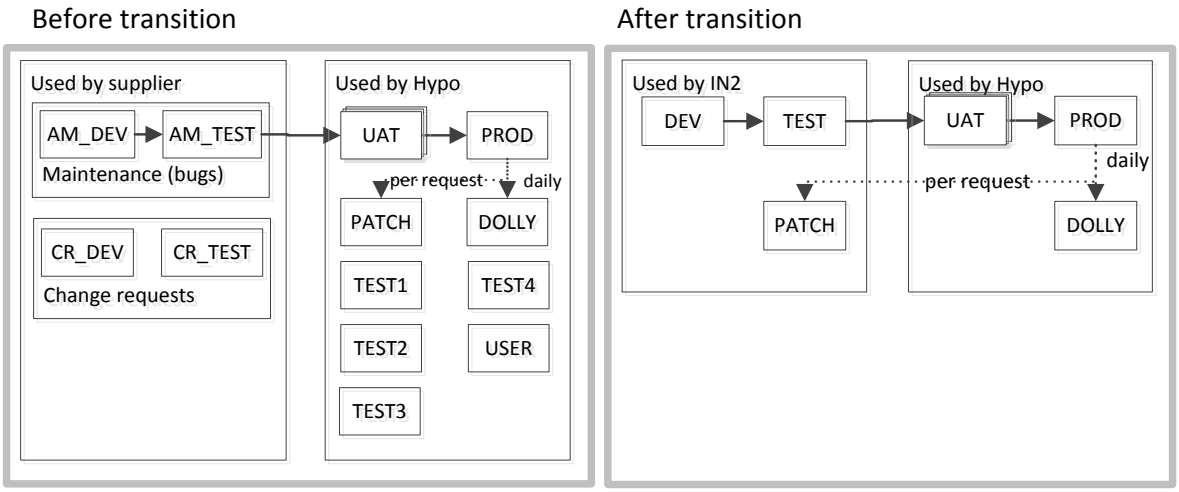

Illustration 2.

Transition project

Transition project (from second supplier to IN2 in 2011) lasted three months. There were three streams: functional (processes), technical (customizations, interfaces, reports), system administration (DBA, services).
After setting up teams and working procedures, workshops per business areas were organized, in order to understand business processes and critical activities. Key users were involved in functional workshops, having the opportunity to point out issues. IN2 functional team collected those issues and very soon they came out with suggestion for improvements.
On technical workshops, previous supplier provided IN2 developers with documentation and installation scripts. Complex customizations were presented and discussed. Open change requests (in development) were analysed in detail. In that process IN2 suggested a few changes (realization of one complex change request is even stopped, after comparing complexity and business benefits).
Functional and technical workshops lasted for two months. The third month was *shadowing*: IN2 as new supplier was analysing some requests, and solving them in parallel with existing supplier (on different instances). Results were sent to a person on client side, so he could compare services from both suppliers. The client wanted to be sure that new supplier is ready to take over the system.
During first month after the 'cut-off' day, previous supplier still kept some team members ready to support new supplier if necessary (for critical activities).

Before workshops, we analysed service requests submitted during the last six months/ a year, to identify critical parts of the system. After workshops, we discussed internally those areas, trying to find improvements (process changes, customization changes, or other).
At the end of transition process, we compared our maintenance approach with the approach of the previous supplier and we were able to identify areas for service improvements.

Service level agreement definition

KPI's are related to response time and resolution time (*time to resolve*), and they are defined per problem severity, having in mind expected percentage of certain severity level in total amount of problems. Values for KPIs are defined per processes:

- Incident management and Problem management
- Change request and Service request

We have two challenges in KPI definition:

1. If percentage of high level severity requests is higher than assumed when KPI is defined, resolution time may be below required, resulting in a 'bed' KPI. Consultants can spend some time to persuade users to decrease severity level to get better KPI, or percentage can be taken into account in KPI definition to avoid spending time on unnecessary discussions between consultants and users. We have chosen the second option. For example: resolution time is 10 hours for Severity level 2, and expected percentage of severity level 2 problems is 24%; if there is 48% of Severity level 2 problems, expected resolution time is 20 hours.
2. There are situations when a complex change request should be realized as soon as possible. There is a monthly number of man/days planned for change requests, and if suddenly more man/days is required in short period, the price could be higher. To keep the same price, we agree with client to postpone work on some issues if they are not important, to move as much resources as possible on change request realization. That flexibility will end with longer 'time to resolve' for some issues, and KPI should be defined so supplier is not 'punished' for flexibility: should take into consideration the number of man/days spent on change requests in comparison with planned one.

No matter what is KPI definition, there are 'satisfaction' elements which can't be measured easily. We mutually agreed that number of escalations is an important element of maintenance quality and it should be reported regularly.

DWH and BI solution

Reporting is very demanding in HGAA Leasing case. Besides legitimate and internal management reports, there is a regular monthly set of reports which each leasing company should send to HGAA and regulators. To decrease time needed to generate report and to decrease operational risk, a DWH&BI solution was built (Oracle Business Intelligence). DWH&BI integrates all information sources and became a unique source of information for business operations and reporting.

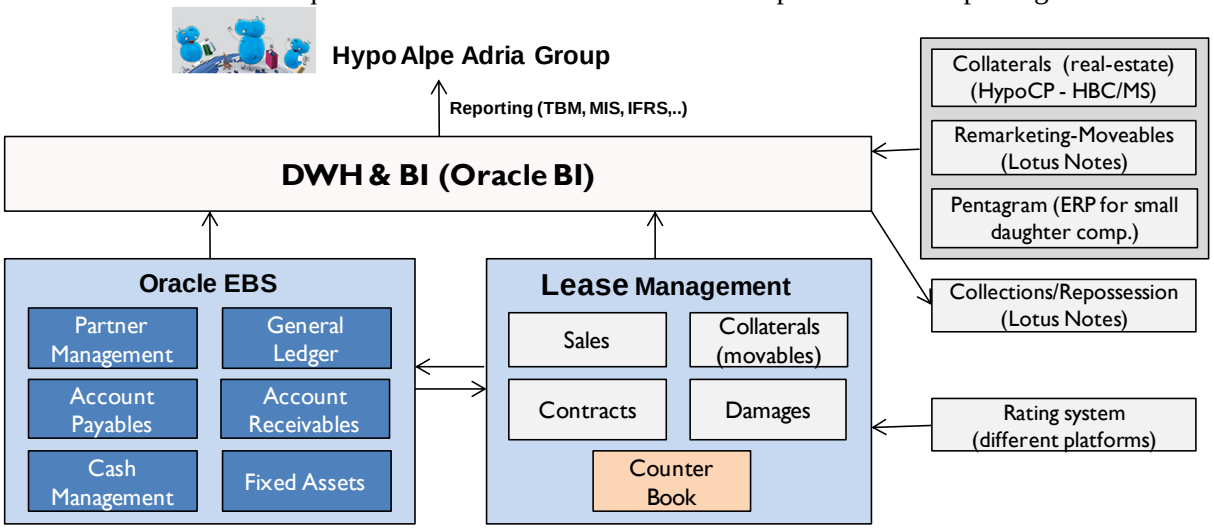

Illustration 2. DWH&BI

Conclusion

If a client is not satisfied with maintenance service, supplier change is possible. Transition process should be carefully planned and it could be used to identify possible system improvements. Maintenance model is important. Experienced consultants with business knowledge, and their tightly cooperation with developers ensure quality of solution. KPIs should be defined encourage supplier flexibility in unexpected situations.

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