Next Generation Outsourcing

Hype or Reality

Alliance Healthcare Svcs
Rod Andreoff
CIO

Biogen
Ray Pawlicki
Board Director/Retired CIO

Loeb & Loeb
Ken Adler
Partner

PA Consulting
Larry Scinto
Director

www.sig.org/eval
Next Generation Outsourcing: Panel Discussion Objectives

Global business and technology changes continue to dramatically change the sourcing marketplace. Suppliers and buyers are looking to structure “Next Generation” outsourcing deals but are these Gen2/Gen3 deals really delivering transformative value to clients or just a sales gimmick.

Panel participants will discuss “lessons learned” when developing, negotiating, implementing and managing these types of outsourcing deals

Key discussion points:

• What value are “next generation” outsourcing deals delivering?
• Key challenges in sourcing, negotiating, implementing and managing Gen2 / Gen3 sourcing relationships and suppliers
• How innovative is your sourcing deal and supplier?
• What does it take to move to the “next generation” and can your company successfully implement and realize lasting value from it
# Introduction – Overview of Panel Presenters

<table>
<thead>
<tr>
<th>Larry Scinto – Director, PA Consulting Group</th>
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<tr>
<td>Larry Scinto is a Director with PA Consulting Group and specializes in helping companies transform business and IT operations through innovative technology and sourcing programs. He is one of the leads for PA’s North American IT Strategy, Sourcing and Transformation service group and has over 20 years of business and management consulting experience with a wide range of global companies.</td>
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<th>Ray Pawlicki – Retired CIO - Biogen</th>
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<td>In his role as CIO at Biogen, Ray was instrumental in restructuring and transforming IT into a strategic asset pivotal to the $10 billion biotech company’s success. Prior to Biogen, Ray worked for Novartis Pharmaceuticals, A.G., serving as both U.S. CIO and Global CIO. Ray also served as Chairman of the IT Subcommittee of the Board of Trustees for UMass Memorial Healthcare and is currently on the Board of Harvard Pilgrim Healthcare.</td>
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<th>Ken Adler – Chair, Tech/Outsourcing – Loeb &amp; Loeb LLP</th>
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<td>Ken has over 25 years of experience advising on global and domestic outsourcing (ITO and BPO) and technology transactions. He has significant experience with cloud computing, multi-sourced environments, as well as renegotiation and termination of existing outsourcing and IT agreements. Ken has advised clients across a host of industries, including financial services, healthcare, insurance, retail, consumer products and technology.</td>
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<th>Rod Andreoff – CIO – Alliance Healthcare Svcs</th>
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<td>As a Transformational Leader through periods of change, risk, and upheaval, Rod has progressed through executive positions with Alliance Healthcare Services – a leading provider of radiology and radiation therapy services, - Kaiser Permanente and IBM. Rod, in his current role as Alliance’s CIO, has transformed the IT organization into a strategic asset in midst a dynamic business environment.</td>
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Company Background – Alliance Healthcare Services

Founded in 1983, Alliance HealthCare Services is a leading national provider of diagnostic radiology and radiation oncology services. With over 30 years experience, Alliance has partnered with hospital and healthcare providers to maximize the quality of care, operational efficiency and profitability of these essential service lines, which typically account for a significant portion of their revenues.

With approximately 1,800 team members committed to providing exceptional patient care and exceeding customer expectations, Alliance provides quality clinical services for over 1,000 hospitals and other healthcare partners in 43 states. Operating nearly 500 diagnostic radiology and radiation oncology systems, the Company is the nation’s largest provider of diagnostic radiology services and one of the leading operators of fixed-site imaging centers, with 127 locations across the country.

And, with 30 radiation therapy centers providing treatment and care for cancer patients, including 18 stereotactic radiosurgery facilities, Alliance is among the leading providers of stereotactic radiosurgery nationwide.

For more information: www.alliancehealthcareservices-us.com
History and Background: Founded in 1943, we are an independent, employee-owned management consultancy. With over 2,000 employees worldwide, we pride ourselves on our ability to deliver success for the leaders of today and develop the leaders of tomorrow.

Mission: Our Shared Services and Outsourcing team helps organizations optimize services delivery by thinking differently about how to be more agile, support growth, reduce costs and achieve service excellence.

Our client’s agenda is our focus and with a deep understanding of the industry sectors in which we operate, we excel in resolving complex challenges, offering a truly independent viewpoint and helping our clients maximize value and manage risks. We create market-leading shared services and sourcing strategies, facilitating not only the process but the design and implementation of organizational change across the whole lifecycle.

www.paconsulting.com
Company Background – Loeb & Loeb LLP

Founded in 1909, Loeb & Loeb LLP is a multi-service law firm with more than 300 attorneys.

- Offices in Los Angeles; New York; Chicago; Nashville; Washington, DC; Beijing; and Hong Kong
- Focus on select core industries and practice areas, rather than endeavoring to be all things to all clients.
- Established history and nationally recognized reputation in Outsourcing and Technology, including consistent high rankings in Chambers USA, Best Lawyers and The Legal 500.
- Partner attention and involvement is the cornerstone of our service model; teams are kept to an optimal size to provide the highest quality advice, efficiency and cost-effective services.

For more information on Loeb’s Technology and Outsourcing Practice, please click here.
Discussion Agenda - Next Generation Outsourcing

• Why change? What is wrong with Outsourcing 1.0?

• What is Next Generation Outsourcing? How is it different?
  • Characteristics of NGO deals

• What challenges does Outsourcing 2.0+ present?
  • Are clients really seeing benefits?
  • Lessons Learned

• What does it take to successfully realize value?

• Q&A
What’s wrong with Outsourcing 1.0? Why Change

Pros / Cons

• Customer Satisfaction?
• Value / Total Service Costs?
• Overall service quality?
• Flexibility / speed?
• Ability to adapt / leverage new technologies innovations?
• Risk sharing?
• Others?
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What is Next Generation Outsourcing (NGO) – Awareness but no common definition or understanding of behaviors

As part of our research, PA interviewed a number of key business stakeholders and leaders to gain an appreciation of the background, context and current levels of readiness for next generation sourcing models.

**Question: How do you define ‘next gen outsourcing’?**

- **29%**: No response or vague understanding
- **41%**: Utility/managed services model
- **18%**: As-a-Service model
- **12%**: Business outcome service model

**Answer:**

**Interview feedback raised a number of questions**

- “Moving from our technical mindset will be a fundamental shift”
- “A key concern is our vendor’s ability to deliver our platform as a service”
- “This is a change from leadership and everyone is not convinced”
- “We will need to get the same operational reports to make sure they are doing it right”
- “The culture has to change on both sides”
- “We are hung up on technology, but our main focus needs to be service outcomes”
# What is Next Generation Outsourcing – Key Characteristics

<table>
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<tr>
<th>Generation</th>
<th>Gen 1 (Traditional)</th>
<th>Gen 2 (As-a-Service)</th>
<th>Gen 3 (Brokering)</th>
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<td>Characteristics</td>
<td>• Task oriented • Control centric • Labor centric • Contractual</td>
<td>• Outcome based • Automation enabled • Customer driven / self-service • Labor optimization</td>
<td>• Asset-less delivery • Real-time enablement (Agility) • Ubiquitous service (Utility) • Consumer driven • Mobility (Access)</td>
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<td>Transformative Elements</td>
<td>• Labor arbitrage • Rightshoring • Task efficiencies • Shared services</td>
<td>• Self-service and automation • Outcome-based delivery • Integrated / bundled services • Proactive service delivery and management</td>
<td>• Cloud-enabled • Agile-like development/ deployment • Continuous Change • Dev-Ops • Service/Supply Brokering</td>
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Key Challenges & Lessons Learned

Challenge Areas

• Strategy?
• Sourcing?
• Legal/Contracting?
• Governance?
• Financial Model / Funding?
• Integrated Service Delivery?
• Change Management?
• Others?

THE INNOVATION KILLERS*

• Fear (of risk/failure)
• Lack of focus
• Engine failure (ability to scale)
• The wrong ROI
• Reluctance to invest

*Based on PA’s 2015 Business Innovation survey
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Experience shows NGO deal is based on achieving the following outcomes:

- Trust
- Collaboration
- Effectiveness
- Innovation

....through management of:

- Relationships
- Performance
- People
- Environment

*Note: This proprietary model is based on PA research conducted with over 250 organizations*
Are you ready for Next Gen Outsourcing – Critical Success Factors

<table>
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<tr>
<th>Area</th>
<th>Key Considerations</th>
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<td><strong>People</strong></td>
<td>• Have the business stakeholders defined business outcomes from the service?</td>
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<td>• Do technology stakeholders how sourcing and procuring a NGO deal might differ from a typical Gen 1 outsourcing deal?</td>
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<td>• Is the leadership comfortable to give up the decision-making on resourcing needs and naming specific resources to the service provider?</td>
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<td>• Does the business feel comfortable with trusting the service provider with the service?</td>
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<td>• Is there service integration and management capability/ expertise within the organization?</td>
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<td><strong>Process</strong></td>
<td>• How will service provider’s solution integrate into your operating model?</td>
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<td>• Have you accounted for how potential tweaks in your business processes will impact service provider’s delivery?</td>
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<td>• Have your security and DR requirements been factored into the service delivery?</td>
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<td>• What is the remedial action (beyond financial penalty) to ensure service quality and delivery?</td>
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<td><strong>Technology</strong></td>
<td>• Do technology components (physical and capability) exist to migrate the managed service to a different model (e.g., insource or traditional service provider) should the need arise? Is there a plan around this?</td>
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<tr>
<td></td>
<td>• Has technology risk been factored in to the decision making?</td>
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Q & A – Key Takeaways

- How do you most effectively capitalize on Next Gen Outsourcing?
  - Common understanding and goals?
  - Case for change & business case (TCO)?
  - Operating model, people & technology implications?
  - Flexibility / adaptability to future changes?
  - Relationships management & governance?
Panel Presenter Information

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