

This structured approach is vital for an **IT Operating Model Redesign and Outsourcing** engagement. As a Senior Partner, I recognize this project is less about technology and more about **risk management, contractual rigor**, and **organizational change** to ensure the retained IT function thrives in its new strategic role.

Here is the comprehensive action plan.

Comprehensive Action Plan: IT Operating Model Redesign and Outsourcing Strategy

Section	Content
Preamble/Role	Senior Partner, Big Four Consulting Firm. The company is a diversified manufacturing organization where IT spending is high (4.5% of revenue), but IT service reliability is inconsistent. The CIO needs to shift IT from a cost center focused on "keeping the lights on" to an enabler of core digital transformation.
Core Mandate	Design a comprehensive 24-month action plan for an IT Operating Model Redesign (including Cloud and Agile adoption) and the execution of a major IT Outsourcing Strategy (managed services for infrastructure and application maintenance). The plan must achieve significant cost efficiency, enhance service reliability, and manage talent transition.
Objective	Reduce the Total Cost of Ownership (TCO) of IT operations by 25% and achieve a Customer Satisfaction (C-Sat) score of 90% for critical IT services by Month 24.
Compelling Why	The strategic imperative is Funding Innovation and De-risking Operations. The outsourcing strategy is projected to yield \$120 million in OpEx reduction over five years by leveraging offshore labor arbitrage and vendor scale, directly funding 80% of the company's new Cloud and Agile transformation initiatives. It will improve service availability, reducing production downtime losses by an estimated \$30 million annually. The internal IT team will be freed up for strategic work (e.g., product development, AI integration).

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Approach	Phase 1: Current State Assessment & Sourcing Strategy (Months 1-4): Benchmark current TCO, perform a risk/complexity assessment of IT services, define the target Retained IT function's mandate, and finalize the Outsourcing Scope (Sourcing Strategy). Phase 2: Target Operating Model Design & Vendor Selection (Months 5-9): Design the Target IT Operating Model (TOM), execute the RFP (Request for Proposal) process, negotiate and finalize the Managed Services Contract (SOW and SLAs), and establish the Vendor Management Office (VMO). Phase 3: Knowledge Transfer & Transition (Months 10-18): Execute structured knowledge transfer to the vendor. Transition services (infrastructure, application maintenance) in waves. Implement Agile processes in the retained IT team. Phase 4: Service Integration & Governance (Months 19-24): Stabilize outsourced services, operationalize the VMO and SLA reporting, and officially transfer the retained IT team to its new strategic roles.
Organization	IT Steering Committee: Chaired by the CIO. Responsible for TCO tracking, SLA performance review, and strategic decisions (meets monthly). Vendor Management Office (VMO): Central Governance Body reporting to the CIO. Responsible for contract management, quality assurance, and invoicing. Internal Retained IT Team: Reduced size, focused on Strategy, Architecture, Vendor Management, and Business Relationship Management (BRM). IT Service Owners: Business leaders who own the SLA and service performance for specific business applications.
Processes & Governance	Service Level Agreement (SLA) Framework: Develop a tiered SLA framework covering four dimensions: Operational (e.g., MTTR), Compliance (e.g., Patching Cadence), Quality (e.g., Defect Rate), and Financial (e.g., Cost Per Unit). SLAs include penalties for non-performance. Vendor Performance Review: Implement a Formal 4-Step Review Process (daily operational check, weekly status, monthly SLA review, quarterly strategic business review). Internal Demand Management: Implement a new, prioritized demand process that requires business units to justify IT spend using an ROI model approved by the CFO, ensuring retained IT works only on strategic projects.
Key Deliverables	Phase 1: IT Cost Benchmarking Report, Sourcing Strategy and Outsourcing Scope Document, Retained IT Mandate. Phase 2: Target IT Operating Model TOM Blueprint, VMO Charter, Signed Managed Services Contract (SOW/SLAs). Phase 3: Completed Knowledge Transfer Documentation (KT), Transition Readiness Checklist, New IT Service Catalog. Phase 4: Stabilized Outsourced Operations Report, VMO Scorecard (90 days post-transition), IT Talent Reskilling Plan.

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Critical Risks & Mitigation	1. Loss of Tribal Knowledge to the Outsourcer Risk: The vendor fails to capture critical, unwritten system knowledge during the KT period. Mitigation: Implement a 3-Stage KT Exit Gate requiring sign-off from the internal Service Owner on 100% of the documentation, and for the vendor to successfully run shadow operations for 90 days before the final transfer. 2. Difficulty Managing Multiple Vendors/Integration Complexity Risk: Relying on multiple vendors leads to "finger-pointing" during incidents. Mitigation: Implement a Shared Single Service Desk managed by a single Tier 1 Vendor who is contractually responsible for coordinating all other vendors and providing a unified MTTR response. 3. Internal Talent Morale/Attrition Risk: Internal staff who are not part of the retained IT team feel undervalued or fearful of job loss. Mitigation: Implement a Zero-Tolerance Communication Policy against speculation. Provide transparent, one-on-one counseling for all impacted staff, offering a prioritized path for internal movement or a fair separation package for those transitioning to the vendor/leaving.
Change Management Plan	Strategy: Emphasize the "Evolution to Strategic Partner" narrative. Internal IT is moving up the value chain. Communication: Deliver clear communication detailing Who is Retained, Who is Transitioned to the Vendor, and Who is Impacted immediately after the final contract is signed. Training: Compulsory training for the retained IT team on Vendor Management, Contract Law, and Advanced Agile/Product Management skills to align with the new TOM.
Crucial Additional Element	Key Metrics for Measuring Service Reliability and Cost Efficiency: Lagging Indicators: 1. Total Cost of Ownership (TCO) per FTE (tracking cost reduction). 2. Service Availability % for critical applications. Leading Indicators: 3. Mean Time to Resolve (MTTR) Critical Incidents. 4. Compliance with SLA Targets (% of tickets resolved within SLA). 5. Vendor Management Cost (% of total outsourced cost).