



Report on benchmarking project at Helaba

Consistent outsourcing, consistent negotiation

Landesbank Hessen-Thüringen (Helaba) has outsourced the support for its PC workstation systems to an IT service provider. Maturity won the order to review the contract and prices during the contract negotiations to assess whether they were reasonable in the current market. This enabled CIO Jörg Raaymann to negotiate from a position of strength.

Jörg Raaymann is a well known proponent of outsourcing, "Anything that is not part of the core business should be outsourced", demands the Bank Manager who heads the Organisation and IT Department at Helaba. This outsourcing strategy to date has extended to the mainframes, the client-server architecture and the network of this financial services provider. These were outsourced as long ago as 2001 to the service provider Informatik Zentrum Bayern (IZB), previously a subsidiary owned jointly with Bayerische Landesbank and now a subsidiary of the merged savings bank service provider, Finanz Informatik. "To date we have come a relatively long way with outsourcing the operations departments", says Raaymann, "apart from in the subject of desktop management".

In a logical continuation of the bank's IT strategy, the CIO worked on improving the IT operations at Helaba as part of an all-embracing sourcing strategy. "The declared aim of this was to take a clear step in the production depth in the operations departments", explains Raaymann. The "desktop management outsourcing" project took a total of around 18 months to complete "because we invested a great deal of work in the quality of the contract draft". The focal point was the total of around 3,400 staff jobs. In addition to the provision of PC systems, external support including IMACD (installations, moves, additions, changes and disposal),

break/fix services as well as software distribution and patch management were all made part of the project. Overall it also included the service desk, parts of IT procurement, migration and finally project-related services.

The original long list comprised six service providers and this number fell steadily until such time as a decision was finally made to award the contract to Hewlett-Packard (HP). "Reputation and references" were two of the criteria which led to the choice of the IT heavyweight being awarded the contract according to Raaymann. "The customer profile of HP in the finance industry convinced me". In addition, in the experience of the CIO, this service provider is able to work well with other service providers. Since Helaba has already outsourced a large proportion of its IT to IZB, "multi-vendor management is an important topic for us". Ultimately the aim is to maintain a three-way relationship over a period of at least five years. Raaymann is also expecting HP to demonstrate an ability to innovate and a high level of flexibility. The fact that the American concern can also provide support in other countries, was another plus point for Helaba. However, this only relates to "the next stage" of the sourcing strategy.

After an agreement in principle had been reached with HP, the benchmarking team from Maturity came into play. CIO Raaymann wanted

Profile



Company

Landesbank Hessen-Thüringen (Helaba)

Website

www.heleba.de

Project

- Outsourcing desktop management for around 3400 workstations.
- Review of the contract and prices during the contract negotiations to ensure they are competitive.

Benchmark requirements

Reputation, references and the speed of implementation with clear expenses.

"Benchmarking is a valuable instrument which can be used to verify a company's own ideas and negotiating results."

Dr. Jörg Raaymann, CIO at Helaba

the team to verify whether the prices were competitive. In addition, Maturity was asked to review the contracts for possible loopholes and analyse them to ensure that they were “state of the art”. “This would enable us to check how our contract structure compares to comparable projects undertaken by our competitors and other companies”, says Raaymann. As far as the Helaba CIO is concerned, a review of the contract together with prices and services in a single benchmark is an essential combination. “The contract structure may result in consequences for the financial management side which in turn affects the entire case.” As a result the contract review was also a major part of the quantitative benchmark project.

The benchmarking process itself “went relatively smoothly for us”, says Raaymann. The contract documents were sent to Maturity during the drafting stage and the amendments were included gradually to ensure that the costs of the benchmarking project remained within reasonable boundaries for Helaba. The negotiations between the bank and the US service provider did not go entirely smoothly, however, admits the CIO, “Finally we found a resolution which both sides can work with”, reports Raaymann. The fact that both of the parties stand by their own views in contract negotiations is simply the nature of the beast. A total of 99 clauses in the blanket contract, the annexes to the blanket contract, the service level agreements (SLAs) and various detailed agreements relating to payment, organisation and processes were reviewed and analysed by Maturity.

In addition Maturity reviewed the negotiated prices and compared them to values from a peer group within its own benchmark database. This peer group comprised seven companies, primarily financial service providers, based in the German-speaking world and the Netherlands, each of which has similar outsourcing contracts to those being negotiated by Helaba. A total of five different IT service providers provide support for the members of the peer group ensuring the widest possible coverage of the sector. After a period of around six weeks the



The Helaba “main tower” in Frankfurt.

first meeting was held between Helaba and Maturity to discuss the results where, according to Raaymann, “our values were pretty much confirmed”. In addition the bank was given information on the point which still had to be ironed out in the contract negotiations.

Differences from the “standard” were found, for example, in the provisions relating to contract penalties “where Maturity told us that we had gone a little too far”, remembers Raaymann. Similar “over-ambitious” targets to those relating to contract penalties had also been pursued by the bank in liability matters. The analysis of comparable outsourcing contracts eventually allowed both sides to settle on where the liability level for the current market climate should be. Content improvements were also suggested. Overall CIO Raaymann believes that his intensive preparations paid dividends. “We managed to achieve almost all the points that we introduced into the contracts.” As far as prices were concerned, the bank also managed to negotiate levels which were considerably better than the peer group average.

Business advantages

- Review of outsourcing costs against the market level.
- Analysis of the contract components and comparison of the contract structure against similar contracts of competitors.
- Alignment of liability clauses and contract penalties with the market standards.
- Constantly updated position of strength in the contract negotiations.

The IT service providers themselves have nothing against benchmarks of prices and services if they are requested by their potential customers. The Helaba outsourcing contract with IZB had already been benchmarked. Raaymann continues, “The service providers go with the benchmark because they are hoping to receive confirmation that their prices are good.” In addition, Helaba agreed in the contract with HP that prices should be reviewed again after a period of two years. Ultimately outsourcing expenditure is under massive pressure which means that renegotiations are often very much worthwhile for clients.

Regardless of the partner the bank selected, Raaymann regards benchmarking as a “valuable instrument” which can be used to verify a company’s own ideas and negotiating results. In turn this enables clients of IT service providers to negotiate from a position of strength because it knows its own position in absolute terms. The reasons for choosing Maturity were similar to those in favour of HP – reputation, references and also the speed of implementation. ■

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