



▶ What's IT Worth?

Emtec consulting group helps Axcan gain both insight and foresight into tech spending.

Technology is clearly critical to modern business, but organizations have historically been frustrated in their attempts to quantify the value of their IT investments. Many executives have come to regard the notion of IT value measurement as an essentially impossible proposition, much like time travel, perpetual motion and sneezing with your eyes open.

However, Axcan Pharma (“Axcan”) is convinced the task not only is possible but essential to its future growth. With assistance from Emtec, the multinational pharmaceutical company is gleaming unprecedented insight into its IT spending while developing a definitive strategy for aligning IT with its operational and business objectives.

Axcan is an international company with offices in the U.S., the European Union and Canada. The company employs more than 500 people worldwide. The company develops and markets a broad line of prescription products to treat a range of gastrointestinal diseases and disorders. In February 2008, Axcan went private after having been acquired by TPG Capital. The acquisition was the first step in a multi-year growth strategy designed to help the company increase market penetration of its existing products, develop new products and seek suitable acquisitions.

Information, Please

As part of this effort, the company embarked upon a comprehensive review of its IT infrastructure. Axcan has always employed a somewhat “virtual” approach to business technology, with IT management-level staff in all locations but a heavy dependence on outsourced services. As such, it was imperative to have an extensive assessment of its key outsource provider to ensure it could keep pace as Axcan moves forward.

“I would say we depend on outsourced services for about 80 percent of our IT needs,” said Jean Morin, Senior Director of Information Technology and Solutions, Axcan. “Having such a heavy dependence on outsourcing, it is important for us to be sure we can rely on our vendor and that we’re going in the same direction. We had some concerns about the levels of contractual obligation the vendor had with us, and we needed to be sure they would be able to grow with us through our next acquisition.”

Axcan knew that traditional metrics such as uptime and application response times wouldn’t provide the type of business-centric information necessary to make an informed decision about its outsourcing arrangement. That’s why Morin and IT Service Delivery Manager, Gilles Hébert, began looking for a partner with the tools and expertise to aggregate all of the typical IT-centric measurements and present them in an easy-to-understand format for business unit executives and end-users.

“We talked to four or five companies to help us evaluate our outsourcer, and we went with Emtec based on the level of detail they provided, their VBM methodologies based on value, and the credibility of their resources,” said Morin. “What impressed us was the number of subject-matter experts they could bring to bear on this project. It wasn’t going to be just one person sent on-site to do the job. Of course, we had a key contact, Renée-Claude Lafontaine, who made management of the project easier, but Emtec also had a team of subject matter experts with expertise in a variety of areas — from contracts and help desk processes to staffing levels and disaster recovery — that ensured all aspects of this project were properly addressed.”

Planning Ahead

The Emtec team headed by IT Strategic Value Consultant, Renée-Claude Lafontaine, began by soliciting proposals from a half-dozen other IT solution providers in order to develop benchmarks for assessing Axcan's outsourcing partner. These concrete measurements of services, including key cost and quality metrics, provided the rationale for Axcan's eventual decision about its IT strategy. In addition, Emtec provided a detailed report describing the pros and cons of four possible scenarios: engage a new provider, bring all IT functions in-house, renew its contract with the current provider on a short-term basis, or renew on a long-term basis with contingencies for a range of improvements and investments to be made by the current provider.

Axcan ultimately chose the fourth option.

"Emtec helped us identify and confirm what we were looking for," said Morin. "We knew going in that the level of maturity of our outsourcer wasn't very high when it comes to the ability to produce formal documents and agreements on the services. But it was also clear that our outsourcer was extremely dedicated to helping us.

"This assessment confirmed for us that in the short term, were we are better positioned staying with our existing partner because they have extensive understanding of our technical environment and there will be no significant impact on end-users. However, if we were to double the size of our workforce through a merger or acquisition, our outsourcer would need to expand to support us. Emtec helped us develop a performance-improvement plan in conjunction with our provider to address the weak components of our current service offerings and plan for future growth."

Making a List

The key improvement has been the development of a detailed IT service catalog, which is essentially a database or structured document that ideally should describe all live IT services, including information about deliverables, service levels, staffing levels, prices, contact points, ordering and requesting services. Morin admits that the previously "loose" relationship between Axcan and their outsource provider did include a catalog but not with much detail.

"We basically had an agreement with about 20 lines of defined services, which really were only very conceptual ideas about servers, desktops, monitoring and a few specific applications," said Morin. "A lot of services were being supplied, but we couldn't tell which ones were included in the catalog and which ones we should be billed extra for."

Emtec has counseled the provider in how to develop a user-friendly catalog in which IT services and processes are described in terms end-users can understand, written in non-technical terminology, and address immediate concerns or needs. The catalog now has grown to more than 150 detailed services, grouped logically in user-related, infrastructure-related and project-related services.

"Now we have access to a stronger, more efficient service catalog," said Hébert. "With this, we have a clearer picture of the IT services we're offering to our users, so we're able to measure the value associated with it."

Identifying Value

As the catalog grows and Axcan gains more insight into the cost and value of its IT services, the company is moving closer to what Emtec calls Value-Based Management (VBM). Today's businesses need IT departments that are business partners rather than merely service providers. Emtec's VBM approach is designed to give IT managers the ability to demonstrate value to the business in terms of performance, cost and risk.

As a supplementary element of this project, Emtec has introduced Axcan to its four-step methodology for creating a VBM. These steps include understanding business goals and assessing the availability of metrics and data, creating a structured model that includes performance expectations and budgets, gathering data and populating the value model with the data.

"With this concept of value-based management and the value chain, we're able to create a more strategic view of IT," said Morin. "We're improving things, but we're also developing the ability to look forward. When you look at our alignment of services now, we describe subcomponents and multiple connections to other services. We have the ability to rate our services as good, fair or poor based on feedback. Now if management wants to go in a certain direction, I have the ability to identify the services IT needs to provide, whether that service needs improvement and where I need to shift my focus. With the tools Emtec has given us, I have a roadmap for continuous improvement. We can clearly identify the additional costs required to improve on any given area and we have specific reference points for precisely describing the impact to the organization."

"Emtec is helping us realize our strategic plan— To evolve our IT division from someone who just delivers PCs or support to an integral part of organization bringing solutions and strategies that truly accelerate corporate strategy and goals. We are changing the value of IT to our organization."

Established in 1964, Emtec, Inc. is a systems integrator that provides IT services and products to the federal, state, local, education and commercial markets. Our market leading value-based management methods, coupled with best-in-class IT technology, consulting and development services, address a wide range of specific client needs, as well as support broader IT transformation initiatives. Emtec's service capabilities span the United States, Canada and countries around the globe.