



CASE STUDY

Client Overview

Incorporated on February 16, 1881, Canadian Pacific Railway Corporation is a North American, Class A railroad with a freight rail network that spans Canada and the U.S. and with strategic partnerships with other railways and trucking firms which allows them to provide services anywhere in North America including Canada, U.S. and Mexico. The company employs 16,000 employees across North America. Revenues in Fiscal Year 2008 were \$4.9 billion.

CANADIAN PACIFIC RAILWAY

Portfolio Optimization

CHALLENGE

In 2005, Canadian Pacific Railway, under extreme pressure to reduce their operating costs, implemented a significant cost reduction initiative for their IT Department. Since the organization had never placed any importance on detailed tracking of work requests or effort involved to support applications, they had little data to go on. At best, Application Management Services (AMS) managers were able to show how many incidents they responded to but could not associate any level of effort with respect to these incidents. Furthermore, CPR did not track volume or effort with respect to information requests, defect fixes, enhancements etc.

Since there was little information to base their decision on, CPR took the approach that they would simply set a target cost reduction of 25%. Using that percentage, each team was told to trim their staff accordingly. AMS managers were completely unarmed and had no way of fighting this. Every AMS manager told the director of AMS the same thing with respect to risks, impact on application stability and their ability to enhance and grow the applications. However, they did not have the metrics they needed to prove their cases.

OUR SOLUTION

Sierra Systems was the exception. Having had an AMS team supporting applications at CPR for ten years, they had implemented their AMS methodology and proprietary tools, support applications and skills. These tools were the saving grace for Sierra's AMS manager and team. Since the team had been for years, faithfully tracking work requests as they came in and carefully logging the effort required to close each work request, the Sierra AMS manager was armed with a plethora of metrics around each application they supported.

Using these metrics, Sierra's AMS manager was quickly able to establish the extreme risks associated with such a high target and the crippling effect it would have on productivity or their group's ability to simply keep the applications up and running.

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Together with the director of AMS, Sierra's AMS manager used these metrics to determine what an appropriate level of reduction would be while assuming reasonable and acceptable risks. They also used them to build new maintenance strategies based on the level of importance of the application. Where high value applications suffered no cutbacks, medium and low had their services reduced significantly resulting in three new maintenance strategies: Gold, Silver and Bronze.

Once these service levels were defined, applications were then slotted into them based on the application importance or value (high received Gold service, medium received Silver, and low value received Bronze). The metrics were then used to determine how much savings could be obtained by cutting out the various services as you moved from Gold to Silver to Bronze. What this showed was that instead of cutting 21 staff, which was the original target, Sierra should only cut 10 people.

“Sierra’s solution manager did not tell us anything different than any other managers. They simply had the metrics to prove it.”

The next step in the process was then to vet with the business, what level of importance their application was and what level of service they would receive as a result. This was done by CPR's Director of AMS and the result was the business effectively negotiated a number of their applications to higher levels of service. This once again decreased Sierra's target to now only 6 people.

The final step in the process was to see the impact of the technical skills lost by the impending layoff of these six people. Using Sierra's proprietary Skills Gap Analysis tool, the AMS manager ran a report showing what technical skills were being lost and which mission critical applications would be put at risk because of those missing skills. Taking a before and after view of the report to CPR's Director of AMS, CPR agreed the risk was too great and granted Sierra a \$10,000 training budget to shore up the skills gap.

Benefits:

While we ended up cutting only 6% of our staff, all other AMS groups at CPR were forced to trim 25%. What Sierra provided through their metrics was the ability to see the implications of a decision before it was made. And in the end, Sierra's AMS team was the only team who did not suffer any major outages due to lack of staff.

While in the past, these same metrics were used to show CPR what Sierra was doing on their own to optimize their application portfolios. In this case, they were used to show what would happen if blind cuts were made. Canadian Pacific Railway benefited from Sierra's culture of capturing and reporting on application metrics and using those metrics to optimize their application portfolios in an informed, logical and low-risk method. In addition, because the maintenance strategies were well defined and communicated to the business beforehand, CPR had the business's buy-in and acceptance of the reduced levels of service and associated risks.

Learn More

To learn more about how Sierra's expertise can help improve the effectiveness and efficiency of your organization contact:

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