

SIX QUICK TIPS

How To Succeed In Outsourcing

Establish Goals, Pay Attention To Contracts & Maintain A Good Relationship With Your Provider

by Cynthia Harvey

WHEN THE PRESSURE IS ON to reduce costs, many organizations decide to outsource some IT functions. While many enterprises are happy with these relationships, others report difficulties. In a 2011 survey of 500 IT professionals conducted by Lieberman Software, 62% of respondents said that their outsourcing agreements ended up costing more than they had anticipated. Even more disturbing, 77% of those surveyed said they thought their outsourcers had made up work in order to make more money.

Experts say that a careful, thoughtful approach to each stage of the outsourcing process can help make IT outsourcing arrangements successful for both parties.

Keep Your Goals In View

Near the beginning of the IT outsourcing process, you should explicitly state your goals for the project. "First, companies should look to themselves and ask, 'Why do I want a partner?'" says Ian Watt, director of application development and maintenance transitions for sourcing advisory firm TPI. "That done, selecting a partner becomes a much easier task, because the desired outcome is well known."

As they determine their selection criteria and negotiate the terms of their contracts, enterprises need to make sure that all of their decisions support those goals, warns David Brown, a principal in KPMG's Shared Services and Outsourcing Advisory Group. "Too many times, a buyer will go into a selection process with one set of objectives and by the end of the process has selected an outsourcing partner that does not fit the original intent," he says.

Structure The Contract Carefully

After you've selected the firm you will use, Brown says that having the right language in your outsourcing contract can help protect you from unexpectedly high costs. For example, he recommends variable pricing terms. "Companies need to account for variability in changes in their environment. This can include volume increases, environment changes, regulatory changes, or scope of services change," he says. "One of the easiest ways to protect yourself is to establish a variable component in your pricing structure that

allows you to adjust pricing within controls and predictable limits."

Brown says that a good contract will also include detailed supporting documents, such as statements of work that spell out the services the supplier will perform. "These documents should be structured at the right level of detail and managed throughout the contract life to help ensure both parties are aligned," Brown says. "In many cases, this is where scope creep occurs, as buyers and suppliers have disagreement on what was in the original contract, which can cause a rise in contract pricing."

Establish Good Contract Management Practices

After the contract is signed, you need to pay constant attention to the ongoing work and make sure the supplier is meeting the terms of the agreement. "When an outsourcing agreement is signed, transition is completed, and steady state operation begins, service management and governance must begin, as well," Watt says. "If it does not, unexpected costs and quality slippage will occur." He notes that service management and governance have four major components—performance management, financial management, contract management, and relationship management. Companies must pay attention to all four in order to prevent problems.

Brown also recommends that you manage to the terms of the contract, even in cases where you've developed a close working relationship with your outsourcing vendor. "Many buyers tend to delay the establishment of good contract governance and rely on relationships," he says. "Set your governance processes up at the beginning of the engagement and enforce the contract rules as defined in the contract language."

Treat Your Outsourcers Like Employees

Some enterprises approach their IT outsourcers as they would any other supplier. However, experts say that the most successful partnerships occur when buyers treat their outsourcers more like employees.

That mindset should be present as you go through the selection process, says Ben Trowbridge, CEO of outsourcing consulting firm Alsbridge. "Try to break down the sales process to where you can actually talk with them and spend time with them," he says.

"If you're going to outsource a function, you're going to work with this company for a long time."

TPI's Watt notes that the rockiest period of a new outsourcing relationship is usually the beginning. "It is only human nature to assume the worst of something new," he says. "However, when the relationship is operating in steady state, onsite workers will begin to appreciate the skills and availability of their service provider."

Trowbridge recommends that managers set goals and provide feedback for their outsourcers right from the beginning, much as they would with a new employee. "Being a good customer is as important as being a good employer," he says.

KPMG's Brown agrees, saying, "Outsourcing contracts should be viewed by buyers as an extension of their own team." He recommends that managers visit offshore outsourcing sites because "workers tend to have a positive perspective of individuals once face-to-face interaction occurs." ■

Best Beginning Tip:

Evaluate How Your Business Needs To Change

In the very beginning of the process, when your company is first considering outsourcing a particular process or function, think about what you will have to do differently once a contract is in place. "Evaluate completely how your organization needs to change, because your business needs to, in fact, change what you do on your side of the fence," advises Ben Trowbridge, CEO of outsourcing consulting firm Alsbridge. "It's rare that it's a complete process that's being outsourced. It's more often than not a portion of a process, and if you're not careful, you can create a lot of redundant costs on your end."

Most Practical Tip:

Start Small

If your company has never outsourced an IT function before, David Brown, a principal at KPMG, recommends that you "start small with functions that are mature in delivery and can provide immediate and high ROI." He notes, "Functions like help desk or service desk are a good first step into the outsourcing market, and many providers have the ability to offer the services to companies at all levels."

AMERICAN PORTWELL CAR-4010

by Kris Glaser Brambila

Modular Rackmount Servers Customized Your Way

AMERICAN PORTWELL'S CAR-4010 is a modular 1U rackmount communication appliance designed for network security applications, including firewall, VPN, IDS/IPS, and UTM, and for network management applications such as routers, gateways, and QoS.

The CAR-4010 features a modular design that can help companies maximize cost savings, says Mark Huang, senior product marketing manager at American Portwell. "We wanted to include as many options as we could in this product," he says. Customers can select the components that are best suited for their business. For example, the CAR-4010 includes a 3.4GHz Intel Xeon E3-1275 processor, a 3.1GHz E3-1225 processor, or a 3.3GHz Intel Core i3-2120 processor. Users can install up to 16GB of dual-channel DDR3 1333/1066 memory and up to two 3.5- or 2.5-inch SATA HDDs or SSDs.

For expandability, the CAR-4010 has eight GbE RJ45 ports or four GbE SFP + 4GbE RJ45 ports; two USB 2.0 connections in the front of the chassis; a single



American Portwell CAR-4010

A modular, 1U rackmount communication appliance designed for network security and network management applications.

PCI-E x8 port for proprietary interfacing; and one PCI-E x16 port for standard interfacing and use with Portwell's ABN and NIP network interface cards. Customers can also choose between a 250W 80 Plus full-range ATX power supply; a 275W redundant power supply; or a 250W DC48V input.

Regarding the CAR-4010's modular design, Huang says "...our customers have at least three choices for system placement: the basic configuration; a daughtercard connected via built-in PCI-E x8 Golden Finger; or their own third-party card."

BONUS TIPS

■ **Keep senior roles in-house.** Experts say that certain high-level roles should never be outsourced. "No-body but the company can finally decide which markets to enter or leave, which products or services to focus on, or where capital is best invested. These things should not be outsourced," says Ian Watt, director of application development and maintenance transitions at TPI.

David Brown, a principal at KPMG, also recommends strategic functions stay in-house. "IT strategist and senior business analysts are roles that typically remain within a company's retained organization," he says. "These roles tend to be highly skilled and require a deep knowledge of the industry as well as the company itself."

■ **Consider buying benchmarks.** Many outsourcing consultants usually serve

midsized to large enterprises, but many offer some resources for smaller firms, as well. "For small enterprises, it's often hard to justify [the cost of] hiring an advisor," notes Ben Trowbridge, CEO of Alsbridge. "But I do think they can afford benchmarks, and I would strongly encourage them to get IT benchmarks as a part of outsourcing so that they can see how their costs match up in the market."



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