

# HOW TO

OUTSOURCE YOUR IT

## A SMOOTH HANDOVER

MAKE A CHANGE AND PLAN FOR ALL EVENTUALITIES WITH YOUR IT, SAYS **BRYAN CLARK**

From mega-deal (all your IT for years) to established bounded services (e.g. payroll processing), outsourcing IT can cover a wide spectrum. Think carefully where on this range you want to be. Business drivers for this decision will include your scale of activities, attitude to staffing and investment cycle. As CFO signing-off the cheque, your input and understanding of the implications of outsourcing is vital.

There are many strategies. One that can be effective in medium to large enterprises is selective outsourcing. Bundling discrete elements of service lets you shop around for the best services from specialists with real economies of scale – but retain responsibility in-house to manage and integrate them.

Let the in-house team add value through superior knowledge of your business by directing the supplier and leveraging established in-house relationships. Manage the process one step at a time – as a bonus, get the sequence right and the set up can self-fund.

Think about this as a modular approach to your services e.g.: help-desks; technical infrastructure support; desktop

### THREE STEPS

**1 Build your strategy to match your needs. For each service specify your needs. Set ambitious goals. Think about the sequence of change.**

**2 Tender your needs. Use the market to define your solution and negotiate a thorough contract. Spend a lot of time communicating what is happening with all the people who are affected.**

**3 Make the transition positively and support your supplier in being successful.**

packaging; application support and maintenance; telecommunications – all outsourcing candidates. I like to keep the face to face modules in-house, e.g.: business analysis; desk-side support. Draw it on a piece of paper – where each module sits on the in/out-sourcing scale.

Treating people well is a critical factor. Employment law is clear on what must be done, but this is only the minimum you would want to do anyway. Early consultation and open communication are vital, plus details of any training offered, and clarity of options for affected individuals. If correctly done, the majority of people will either move with their jobs to a specialised supplier of those services, be re-trained or be re-deployed. Be open and up-front about the changes planned then keep everyone up to date. People appreciate it – it helps them plan their lives.

You need to articulate what success will look like – making the business case precise and setting out the savings to be achieved (but ease off on quantifying the intangibles). You also need to capture how precisely the quality will be measured – and improved.

If you are a CFO rejoicing at the thought of outsourcing a problem, think carefully before you pass this on to someone else. It doesn't take long for a boomerang to come back.

*Bryan Clark is chief information officer at KPMG Europe*

### KNOWN KNOWNS

The most valuable thing you have is the knowledge of your business. Make sure you leverage this by specifying precisely what you want. Take your time to make sure this is documented and understood by your supplier. Going to tender is easier if you can describe what you have and what you want. Build your business case before you go to market – set ambitious targets and listen to what the bidders say. For example: 'Refresh our telecommunications platform and save 20% operating costs.' Outsourcing can polarise opinion in your business – spend time communicating with all stakeholders, including the individuals who may be affected. Estimate how long it will all take and then add some – this is a lot of effort if you want to do it correctly. Manage everyone's

expectations of timelines – and don't put yourself under pressure to have to rush to sign a deal – you may regret your haste later. 'Terminate for convenience' clauses are hard to get without penalties. And always leave yourself the option of walking away from the deal if you don't feel confident.

### KNOWN UNKNOWNNS

Getting a specialist lawyer who you can work with to write your own contract may seem an expensive option. Their advice on how to structure the deal and what you can expect in today's market is well worth the cost. These are things you need to know.

It is hard to estimate precise scaling of a complex outsourced service – How many people? What will be the volumes? Make an estimate and expect to adjust it as the service develops. Fixed

price for a defined quality is one way – but somebody will have to take the risk of getting the estimate wrong. Pay as you go on a volume based tariff is another way – it is less predictable but is likely to be more cost effective and works well when outsourcing to a lower labour cost region. Billing is an area often overlooked. Be very clear how the bill will be calculated, and what exactly will be measured and how in order to prepare the bill. Ask to see the billing engine. More time and effort that you think can be spent in discussing whether the bill is correct.

### UNKNOWN UNKNOWNNS

Security of information is important and meeting demanding legal and professional requirements relating to personal and client data requires effort. Ensure there

are practical steps to ensure your requirements are met and these are built into your contract. It is worth taking advice on this. You need to be clear where all your data is and how it is secured. Imagine losing some data and it being on the front page of a newspaper – how confident are you that you have taken the necessary steps to prevent this? Expect any complex process outsourcing to hit issues. Plan for this, at contract stage, e.g. give yourself: step-in rights; ability to terminate; and clarity on how to transition the service. Make sure you are measuring the service quality and that your supplier must fix it, in a defined time-frame, before further efforts have to be applied under your step-in rights. Building strong relationships with your supplier at senior level will help ensure any issues that may come up are addressed effectively.