9

Tips For Choosing the
RIGHT IT OUTSOURCING PROVIDER

An Executive Checklist to Identify IT Risk & Maximize Performance

WHITEPAPER BY XVAND TECHNOLOGY CORPORATION

NINE TIPS FOR CHOOSING THE RIGHT IT OUTSOURCING PROVIDER

Businesses seeking to outsource their IT function should undergo a "sourcing analysis" to compare its internal risks, service levels and costs to those of external vendors.

Where to start wth your IT outsourcing decision?

To streamline operations, save costs and create greater efficiencies, more businesses are outsourcing their IT function. According to *InfoTech Research Group*, median IT spending per employee rose to $7,284 in 2009 from $6,924 in 2008, prompting the move to leaner, more efficient IT operations.

Gartner reported in 2009 that the "*potential for outsourcing to address immediate cost pressures as well as long term recovery goals will be unprecedented*". However, the outsourcing process requires some time and investment to find the right vendor, build a working relationship, and allow employees to adjust. Therefore, businesses should undergo a "sourcing analysis" to compare its internal risks, service levels and costs to those of external vendors.

To find an IT provider that can deliver the best value for your business, you must first establish your goals for outsourcing and know what options are available. The following whitepaper provides essential guidelines to determine the best IT outsource provider and eliminate the uncertainty that impedes the process.

1. Establish business outcomes to ensure measurability and accountability

Determine the business results you wish to achieve through outsourcing. You should establish business objectives for outsourcing with clearly defined goals. This may sound obvious but having scheduled checkpoints to review the status of your outcomes is an easy way to ensure that the provider meets your standards. Otherwise you run the risk of a he-said, she-said confrontation.

2. Determine the "true" financial savings

The cost of doing business has substantially increased in recent years. While the trend to digitize documents has promised to streamline processes, many are overwhelmed by the related computer problems that hamper productivity. According to Accenture, 25% of executives who outsourced their IT reported first-day improvements in business processes. If reducing cost is one of your objectives, make sure the vendor-promise of lower costs doesn't compromise efficiency and potential for revenue improvement. For example, at an average hourly billing rate of $292 to $309 per hour for non-equity partners, a law firm of 25 attorneys stands to lose thousands in lost revenue for just one hour of downtime costs. As one IT coordinator of a mid-sized law firm told us, "We pay a premium for IT support to get premium service in return."

3. Choose a proactive business partner

Clients expect businesses to keep pace with their demands, and still work within very strict budgets and timelines. To combat this, an experienced computer network consultant should be able to identify problems, not just simply react to them. Merely reacting to problems can leave your employees wasting hours waiting for tech support. The provider should have proven skill levels, such as certifications or client references to ensure you avoid becoming their "guinea pig". Be certain that their services meet your standards by asking the provider to offer a trial period. A proven vendor should have no problem offering a trial of their service or software. Be wary of those who do not.

NINE TIPS FOR CHOOSING THE RIGHT IT OUTSOURCING PROVIDER

A reliable IT partner-should help you achieve your goals - at their risk and cost. Ask what kind of recovery and redundancy means the provider offers.

4. Select a provider that thrives off your success, not your 'problems'

Make sure your IT provider doesn't achieve their goals until you achieve yours. "Reactive" IT consultants promise to resolve your IT-related issues. But at what cost? How do you know he or she is truly solving your problems instead of milking them? If a provider's fee structure is directly linked with the number of computer problems, excuse yourself from the relationship. Review the service-level agreement (SLA). How will the provider monitor, measure and enforce it? Providers should present you accurate and complete information with realistic quotes and proposals.

5. Hire a business partner, not just a provider

Focus as much on strategic outcomes - like improved profitability, productivity and business growth - as you would upfront costs. Make sure the service provider understands how you intend to use the deliverables that they are agreeing to provide. 80% of executives surveyed by Accenture expressed commitment to permanent outsourcing. Partner relationships tend to have lasting power. "Providers" are usually only a temporary – and potentially costly – fix.

6. Use a shared-risk approach

According to Gartner, clients see a 15% to 20% reduction in costs by moving to shared IT services. But proceed with caution. A reliable IT partner should help you achieve your goals - at their risk and cost. Ask what kind of recovery and redundancy means the provider offers. The objectives to be achieved by outsourcing must be quantifiable and established as criteria at the start of the contract. If the customer can compare the performance with the pre-established objective, then the benefits of outsourcing are clear. Failure to meet the established service levels must result in a predefined penalty.

7. Achieve scalability & predictability

Some industries – such as the legal sector - are more prone to merging or disbanding, requiring administrators to take proper action to ensure that the integration or relocation process is done quickly and without disruption. Lesser commitments to fixed costs make outsourcing an attractive alternative. Your outsourcing provider should meet your growth requirements, not just your current situation. Be sure to review the service offerings to make sure that you only pay for what your company needs, allowing for scalability as needed. According to Gartner, you could be paying as much as a 50% premium for so called "added benefits".

8. Request data when you need it

In many IT outsourcing relationships, the vendor may protect its client data and applications at a secure, offsite location, such as a datacenter. This safety measure should provide added security–not added stress. For your peace of mind, make sure your provider provides tapes of your data when you need it. Quarterly tapes are typically the standard.

9. Have an "out" strategy

Lastly, remember that your outsourced provider is working for you. One of the greatest anxieties in social commitments is the fear of being "locked in". The same can be said for business relationships. Create provisions that allow you to terminate the IT outsourcing relationship if certain expectations fall short. Being held captive by an outsourced provider can make you lose your sanity, and ultimately, time and money.