# IT Network Outsourcing Process

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# Overview of Presentation

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# Background

- The IT network outsourcing process has not been studied
  - Literature is very limited
  - Mainly statistics
- IT network is the most common part of the IT infrastructure to be outsourced
- 50% of all IT outsourcing project considered unsuccessful in 2003

# Research Problem

- How to accomplish an IT network outsourcing process successfully?
- objective was to explore what factors contribute to the IT network outsourcing process
- Supporting questions
  - What are the main advantages and disadvantages of the IT network outsourcing?
  - What are the different phases and the respective challenges in the IT network outsourcing process?
  - How to prepare a good request for proposal?
  - How can IT network service providers be evaluated?
  - What is the role of an external consultant in the IT network outsourcing process?

# IT Outsourcing

- IT outsourcing is generally defined as contracting with outside vendors to do various IT functions
- Player in the market
  - Consultancies/service providers
  - Hardware vendors
  - System houses
  - Generic outsourcers
  - Niche player consultancies
  - Niche player IT suppliers

# IT Outsourcing - Advantages

- Access to state-of-the-art technology
- Cost savings and quality
- Flexibility of vendor
- Transfer risk to vendor
- Job security for regular employees
- Ability to focus on the core business
- No need for in-house expertise

# IT Outsourcing - Disadvantages

- Media hype and outsourcing benefits
- IT is difficult to outsource
- Underlying economics
- Loss of control
- Less flexibility through contracts
- Giving up the opportunity to learn

# IT Network Outsourcing Drivers

- Continued migration towards more complex enterprise technologies and applications
- Heightened attention to assuring business continuity across the entire network
- Availability of new outsourcing options
- Desire for a single partner with multi-vendor expertise

# IT Outsourcing Process Model

- Different process models were analyzed
- 4 phase model was adopted from The Outsourcing Institute
  - Can be considered as standard

| Assesment | RFP development | Vendor selection | Governance |
|-----------|-----------------|------------------|------------|

# IT Outsourcing Process Challenges

- Assessment
  - Complexity of IT
  - Keeping up with the rapid evolvement of IT
- RFP Development
  - Definition of the exact specifications and requirements
  - Composition of RFP
- Vendor Selection
  - Finding the right criteria
  - Proposals not in the format specified by the customer
  - Evaluation and comparison of the proposals
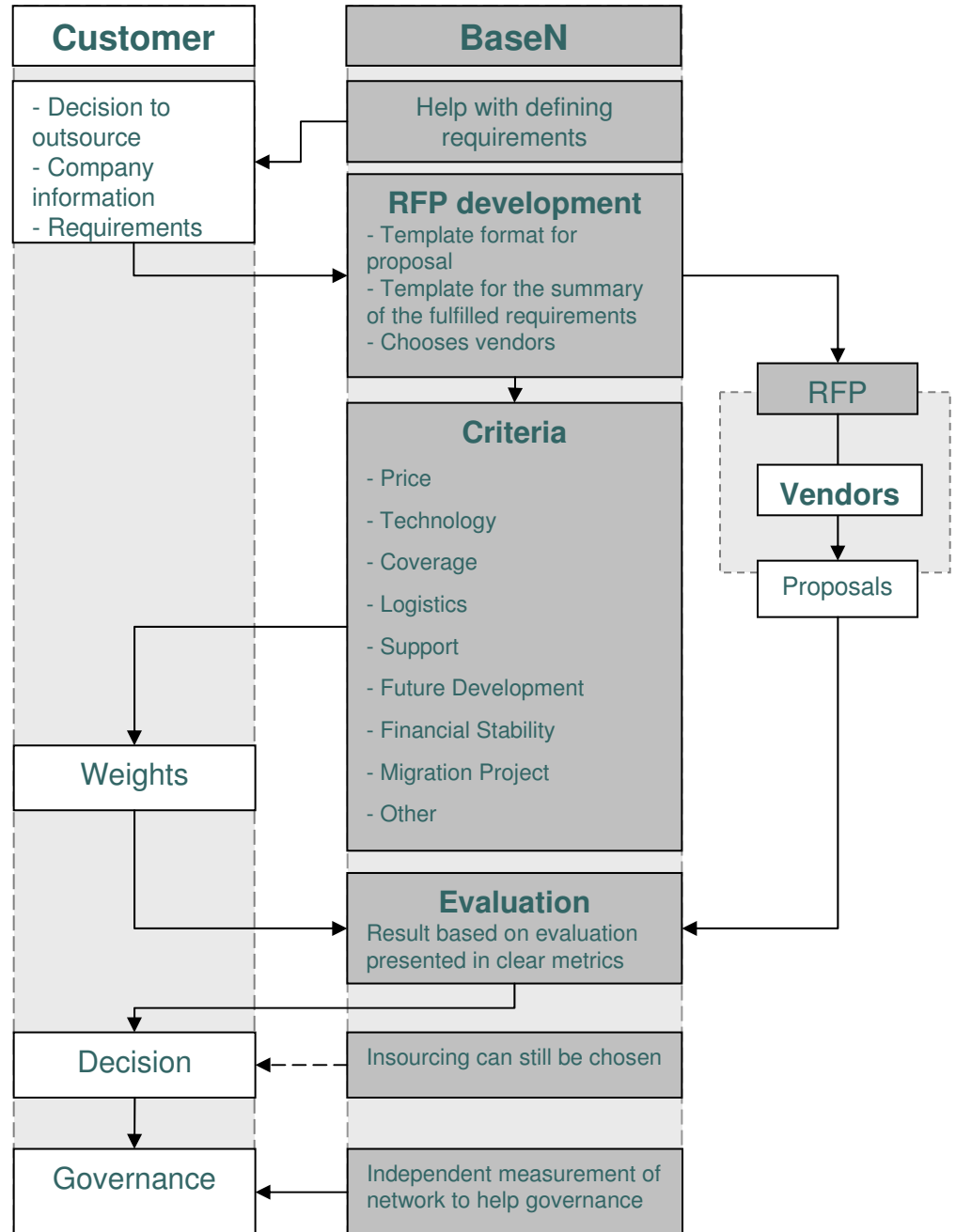- Governance
  - How to measure performance

# Case Study

- Material courtesy of BaseN
  - Single case
- Customer and 4 providers
  - Weights for criteria from customer
  - Proposals from providers
  - Evaluation values from BaseN

# Case – Framework

**Customer**

- Decision to outsource
- Company information
- Requirements

Weights

Decision

Governance

**BaseN**

Help with defining requirements

**RFP development**
- Template format for proposal
- Template for the summary of the fulfilled requirements
- Chooses vendors

**Criteria**

- Price

- Technology

- Coverage

- Logistics

- Support

- Future Development

- Financial Stability

- Migration Project

- Other

**Evaluation**
Result based on evaluation presented in clear metrics

Insourcing can still be chosen

Independent measurement of network to help governance

RFP

**Vendors**

Proposals

# Conclusions

- Main challenges during the IT network outsourcing process
  - Overall complexity of IT
  - Rapid evolution of IT
  - Defining the exact requirements in order to prepare a good RFP
  - Finding the criteria for vendor evaluation
  - Difficulty in comparing proposals
  - Overall measurement of the outsourcing performance.
- RFP should be clearly structured
  - Company profile
  - Performance expectations and service requirements
  - Detailed technology section
  - Instructions on the submission criteria
  - SLA
  - Terms and conditions
  - Template format for proposal
  - Template for the summary of the fulfilled requirements.
- A clear evaluation framework should be used
  - Criteria: Price, Technology, Coverage Logistics, Support, Future Development, Financial Stability, Migration Project and Other
- Using the expertise of a consultant in the IT network outsourcing process, may help the company to overcome the challenges and improve the accomplishment
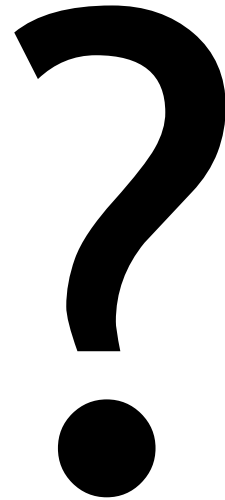
# Further Study

- Focus on the complete process
  - Thorough research about different phases e.g. RFP development or vendor selection
- Insourcing with or without the help of a consultant
- Comparison of different processes and making in-depth interviews
- Does the use of a consultant bring benefits

# Questions

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# Thank you

- Have a nice summer