A Strategic Approach to Outsourcing – How to Partner with your Service Providers

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Introduction

The purpose of the Central Florida YMCA is to improve the lives of all in Central Florida by connecting individuals, families, and communities with opportunities based on Christian values that strengthen Spirit, Mind, and Body. The objectives we develop in information technology all tie to this objective. Building strong kids, strong families, and strong communities is the associations' vision. Building strong technology solutions is the IT vision. A big part of building strong technology is developing strong partnerships.

In the beginning of 2002 I lead a team of executive staff and board volunteers in the selection of a new computer system. The association's revenue had grown from 9 million dollars in 1993 to 40 million dollars in 2002 with project growth up to 70 million in 2008. Staff had doubled from 1,000 to 2,000 over those same 10 years, while membership had more than doubled to almost 100,000. Our systems were mostly manual processes with the exception of membership and back office. These areas ran on an old AS/400 utilizing green screen technology to management membership, bank draft, pay bills, and dump data into a general ledger for reporting. They had been running the same system for since 1985.

After a year of evaluations and test drives, the selection committee agreed to spend 2.8 million dollars for the purchase and implementation of Oracle eBusiness suite v11.5.9. This coming from a company that historically had spent about $10,000 a month on technology.

I Need Help!

Whether you starting new systems implementation or are struggling to maintain what you have, this applies to you. You need help…especially if you part of a mid-size organization and even more if your part of a non-profit organization. Once the decision was made and we wondered if we had bit-off more than we could chew. We were going to have to find help and it needed to be at the right price. I knew there wasn't going to be money to throw at problems and it would take relationship building up and down, inside and outside the organization.

First, position your IT Organization. The Central Florida YMCA is positioned to promote continued business innovation and agility through five primary IT goals. Goal 1: To enable and support the development of member relationships through technology. Goal 2: To enable and support the optimization of business functions through the delivery of technology products and services. Goal 3: To establish and maintain robust, scalable, flexible, and cost effective information technology infrastructure that supports the current needs, and anticipates the future needs of the Central Florida YMCA. Goal 4: To establish and maintain IT policies and procedures which protect the YMCA's investment in technology and delivers exceptional customer services in three areas: problem resolution, service requests and project delivery. Goal 5: To strengthen the performance of the Information Technology department through the recruitment, retention, ongoing development of staff and the establishment, building, and monitoring of technology partnerships.

Once the IT Organization is positioned, next task is to understand and document your internal human resource capabilities. Second, write down what your need to be successful, and third identify the gaps. This is iterative, meaning it needs to be done consistently and frequently. The biggest mistake we made was to only look at the application and hosting providers as partners. When I say to look at your internal capabilities you need to look at: Leadership in the organization, business and executive sponsors, internal IT staff, the network provider, security administrator, webmaster, super users, system administrator, people that can develop training material, trainers, business analyst, variety of development and programming skills (reports, discoverer, forms, java, xml), data base administrator, server and desktop administration, help desk, volunteer and board support, email administrators, electrical power supplier, communications, and so much more.

Multi-Sourcing is picking multiple partners and building relationships with and between them. They all need to work together. The Oracle account rep needs to know my outsourced application support manager, my outsource DBA needs to know my network administrator. They need to talk to one another. There needs to be transparency. The IT customer (either the end user or customer of the company) doesn't care who is responsible for technology not working. They don't care if it is Embarq, Oracle, a consultant, or even the power company. If it doesn't work, if I can't do or get something system related, IT is to blame. That's my culture.

After you've identified what you need, you then need to set out to find them.

Who Do I Pick as My Partner?

There are seven considerations when selecting a partner. The assumption is that you've already gathered a pool of potential partners and now are ready to sit down work the list.

One – Cost. What will be the impact to our over all goals if I select the least costly provider? The outsourced services on paper are the same. Find out how they are able to charge less. Are they accepting lower margins, using less qualified staff, or do they have partnerships the enable them to offer the same services for less.

Two – Culture. Can I work with this company? Can they work with my boss? There can be a lot of misunderstandings simply because of the way people perceive how information was communicated.

Three – it's a person. Find out who is managing the work and if possible doing the work. Get them all in the room and interview them as if you were going to hire them.

Four – Processes Exist. Obtain documentation of the procedures and forms the use to manage the work and relationship. Do they have a risk management process, change management, configuration management, and project management process? Understand their development process and what will be delivered for technical documentation. Obtain Visio diagrams of the network, backup procedures, and responsibility matrixes. All IT services require processes and the only way to ensure they exist is if it is documented.

Five – Negotiations. Start the process early by asking how much it will cost me. They normally like to save that until the end by saying they don't know enough about our needs. Both sides will have a tendency to exaggerate so come up with an approach that emphasizes transparency. Use this time to develop the relationship and determine if this can be a long term relationship. Always know what is important to the other party and what will drive them to action. Tease out the underlying need verses the stated need and understand your bottom-line and theirs.

Six – Leverage after the negotiations. Know where you will obtain your leverage going forward. Do you have something to offer or holdback? These don't always need to be built in to your service level agreements, but if you can put penalties or bonuses in your agreement you should.

Seven – Ability and propensity to deliver. How many times have you heard, "We will get it done; don't worry about it." Worry is what we do best. I'm inclined not to trust anyone, and if so only up to a point. Never go by what they say. They need to show you, and get references, that they have done it before.

These considerations can only be made by spending time with your potential partner. Visit them in their offices, take a tour of their data center, and by all means visit their other customers and talk with the people that both manage and benefit from their services.

When Partnerships Go South

You've picked the perfect partners… or at least you thought. The first big crisis raises its ugly head and tests the partnership. Are they willing to go the distance with you or do just enough to appease. Are they will in invest in the relationship and at what cost.

There are actually two scenarios' that can cause partnerships to go bad. The second is a gradual unwinding of the relationship. Typically the vendor starts to take the customer for granted. They get comfortable and are not proactively managing either the partnership or the service they are delivering.

What works best is holding the check. If you not happy don't pay. Unless they are the utility company, they will not cut you off. It's the best attention getter that I know. Secondly, run it up the chain of command. There have been many instances were I've gone all the way to the CEO. This can cause enough discomfort that people will start talking and more importantly listening again. It clarifies the magnitude of the problem. Play good cop bad cop. Those in your organization with key interests should have a role and all agree what you want in the end. If you're separated geographically, demand a face to face meeting. Work out the details of the problem and document the action items with due dates. Meet weekly until the issues are resolved or significant progress is being made. Both groups need to get small wins and be sure to build on them. If a vendor has let you down before, don't believe it will be different the next time.

Getting all the Parts to Work Together

The difficult part is getting all of the parts to work together. When one is working well the other suffers. Its like having 4 kids and relishing the rare moment that everyone is happy, getting along, and doing well. There are a couple of things you can do to increase the chances.

Always go back to the originally objective of the organization and evaluate if your helping the organization achieve their goals.

Conclusion

There are several key skills that are needed to succeed. The person most responsible for delivering business value through technology needs to have project management, technical, and people skills. When you're asking yourself how you got into the situation and it is getting out of control, you need to look for help, the right help. Choosing the right partner and working on both the relationship side and the services side of each vendor. And then putting all the pieces together.