

Outsourcing IT: Addressing Risks and Cutting Costs

Presenters

Shirley Hughes, City of Beaufort, SC

Joe Foster, VC3



Outsourcing IT

Advantages of Public / Private Partnership

The three steps to a solid relationship...

- **Decision Making Process**
 - ▣ “Should we outsource our IT department?”
- **Shopping for Your Partner**
 - ▣ “Now that we made the decision, how do we find our new partner?”
- **Setting Expectations**
 - ▣ “Creating the guidelines for the relationship.”

Decision Process

Real World Examples – Case Studies

Risks

Costs

Triggering Events

Case Study 1 - Challenges

- **Small City -11,000 population**
- **Technology state**
 - **AS400 Mainframe system**
 - **City owned but out of warranty**
 - **Dumb Terminals – few PCs**
 - **Network – Poorly maintained Token Ring**
 - **Communications – Web based email provider**
 - **Financial software**
 - **Private sector package tweaked to “act like fund accounting package”**

Case Study 1 - Challenges

- **Current State of Affairs**
 - ▣ **Fall 1999**
 - ▣ **Y2K Looming**
- **IT Environments**
 - ▣ **High IT staff turnover**
 - ▣ **Existing staff's knowledge base too narrow**
 - ▣ **No management skills**
- **Summary**
 - ▣ **Hardware, software and IT department below effective standards**

Case Study 1 Solutions

- **Reactive vendor solution**
 - ▣ **Full time FTE dedicated to city**
 - ▣ **Onsite as needed**
 - ▣ **24/7 coverage**
 - ▣ **Supported mainframe during transition**
 - ▣ **Management support**

Case Study 2 Challenges

- **Small City -12,000 population**
- **Technology state**
 - **Client server domain**
 - **Network**
 - **Fiber and 10/100 MB Ethernet**
 - **Unstable**
 - **Communications – Email services and web site**
 - **Financial software**
 - **SQL Based public sector targeted**

Case Study 2 Challenges

- Current state of affairs
 - ▣ Departmental isolation
 - ▣ Senior management transition
- IT environments
 - ▣ Self taught
 - ▣ No management skills
 - ▣ Urgent remediation without resolution
 - ▣ Incapable of providing consistent service level
- Summary
 - ▣ Hardware and software – State of the art but poorly configured
 - ▣ Staff – below effective standards

Case Study 2 Solutions

- **Managed Services Vendor**
 - ▣ **Selected through state level contract**
 - ▣ **Transitioned from one onsite FTE to managed services**
 - ▣ **24/7 coverage**
 - ▣ **Management level support**

Risks

- Response times
 - A diminishing risk with remote technologies
- Availability
 - The outsourced company's schedule is now yours
- Security
 - Background check, Background check, Background check
- Issue tracking
 - Accountability to you and staff

Costs

□ In – House

□ Minimum staff requirements

■ 2 FTE

- Salary
- Benefits
- Equipment
- Training

□ Continually escalating costs

□ Coverage (24/7)

- Holidays, overtime, training, lost opportunity

□ Expertise gap

Costs

- Outsourced IT
 - Staff requirements
 - Set FTE by contract
 - No salary, benefit, equipment or training expense
 - Contractually set costs
 - Coverage (24/7)
 - Appropriate to need
 - Ramp up or down based on need
 - No expertise gap

Triggering Events

- ❑ Organic IT department
- ❑ Lack of professionalism
- ❑ Departmental funding challenges
- ❑ Building a cohesive disaster recovery process
- ❑ Illegal activities by IT staff
- ❑ Spread too thin

Partner Shopping

RFP

Vendor Selection

Standards

Partnership

Request for Proposal

- **Work with surrounding jurisdictions**
 - ▣ **Review successful RFPs**
 - ▣ **Interview both organizations**
- **RFP alternatives**
 - ▣ **State or cooperative contracts**
 - ▣ **State or regional governmental associations**

Vendor Selection Considerations

- Coverage area
- Contract management
 - Set internal expectations to meet contract
 - Include all departments in expectation setting
 - Adoption of policies
 - Holding the vendor to our policies
 - Review vendor suggested policies

Vendor Selection Considerations

- **Type of outsourcing**
 - ▣ **Full staff replacement**
 - ▣ **Proactive services**
 - ▣ **Reactive services**
 - ▣ **Consulting**
- **Costs**
- **Capabilities**
 - ▣ **Skill review**
 - ▣ **Management synergy**

Standards

- Practice methodology
 - ▣ ITIL (Information Technology Infrastructure Library)
 - ▣ SMI (Service management institute)
- Manufacturer best practices
 - ▣ Microsoft
 - ▣ Network vendor (Cisco, HP, Extreme, ...)
- Documented processes
 - ▣ Service metrics
 - ▣ Roles and responsibilities
 - ▣ Service Level Agreements (SLA)

Partnership

- **Tangible**
 - ▣ **Vendor assigned IT manager**
 - ▣ **Mutually agreed upon measured metrics**
 - ▣ **Joint project management**
- **Intangible**
 - ▣ **Interview vendor staff**
 - ▣ **Set vendor staff on probationary status**

Setting Expectations

Initial Engagement

Ongoing Relationship

Governance

Initial Engagement

- Assessment
- Clean Up



Assessment

- Physical Environment
 - ▣ PC
 - ▣ Server
 - ▣ Network
 - ▣ End users
- Business practices
 - ▣ Policy
 - ▣ Processes
 - ▣ Work environments

How to Clean Up

- **Repair**
 - ▣ **Fix what's broken quickly**
- **Resolve**
 - ▣ **Determine long term resolutions**
 - ▣ **Assign ownership of resolution**
- **Implement**
 - ▣ **Changes, resolutions and new equipment**
- **Document**
 - ▣ **Everything**

Ongoing Relationship

- **Contract management**
 - ▣ **Monthly reporting**
 - ▣ **Periodic internal review (Annually)**
- **Vendor staff flexibility**
 - ▣ **Ability to replace staff**
 - ▣ **Outsourced staff must meet your standards**

Governance

- Communication hierarchy/escalation
- Dedicated management
- Monthly report
- Quarterly steering committee meetings
- Annual budget review

Contact Information

Shirley Hughes

City of Beaufort, SC

**Assistant City Manager and
Chief Financial Officer**

shughes@cityofbeaufort.org

Joe Foster

VC3

**Virtual Chief
Information Officer**

joe.foster@VC3.com