Applied outsourcing
Introduction

Leon Nieuwkoop

Studied Electronics, followed by Computer Science

Started in RSA for MIS Outsourcing Port Elizabeth 1995

Worked in Cali Colombia in 1998 for DirecTV

1999 Back to Holland in a startup company Xspirit

2003 Lead development team at Modulair

2004 Started Freelance

2008 Founded IT-Outsourcing Made Agile
Terminology

Outsourcing

Offshoring

Service Management
  – Handling issues
  – Service requests (custom 1 time reports, small configuration changes)

Infrastructure Management
  – Desktop / Application Management
  – Server Management
  – Network (adding hardware)
  – Network (changing configuration)

Application Management
  – Change process to applications

Other

Outsourcing vs Offshoring
Typical company / IT structure

IT Consists of:
- Support
- Network administration
- Desktop administration
- DB / Server administration
- Design
- Development
- Test
- IT Helpdesk
Outsourcing happens often

Individual
Individual uses:
- Phone
- Water
- Electricity
- Car repair

Within a company
Customer service department uses:
- IT Department
- Catering
- Human resources
- Facilities
- Security

Keep a helicopter view
Outsourcing happens often II

Intercompany
  - IT Outsourcing
  - Cleaning
  - Human resourcing
  - Administration
  - Security

Outsourcing doesn’t solve all problems
What can be Outsourced

Service Management
- Handling Issues
- Service requests (custom reports etc)
- Support (1st, 2nd, 3rd line)

Infrastructure Management
- Desktop / Application Management
- Server Management
- Network (adding hardware)
- Network (changing configuration)

Application Management (development)
- Change process to applications

Other

Everything can be outsourced but...
What can be Offshored

Service Management
- Handling Issues
- Service requests (custom reports etc)
- Support (1st, 2nd, 3rd line)

Infrastructure Management
- Desktop / Application Management
- Server Management
  - Network (adding hardware)
  - Network (changing configuration)

Application Management (development)
- Change process to applications

Other

Question to be asked is: “What is the required response time and can this be achieved”

Locality is an issue...
From In-house to offshoring

Company sends Request For Information (RFI)
Providers send information
Company narrows down list to 3 providers
Company sends Request For Quote (RFQ)
Selected providers do a due diligence
Selected providers send a quote
Provider is selected (but kept secret)
Plans are shared internally (need to know only... still a secret)
OR approved plans
Official announcement of provider
Certain staff doesn’t agree with outsourcing deal and leaves
Transition period starts

Why is it a secret?
From In-house to offshoring

Everything stays as is. But transition period has started
Personnel moves to new provider (Contracts, pay slip, HR etc.)
Slowly but surely things start to change
  – People move to another floor or even city
  – Interfaces are defined and become more strict
  – SLA / WLA etc. are put in place
After transition period is over, optimization starts
  – Does the job need to be done on-site? Can it be moved to... or even offshored
  – Can we remove certain jobs?
Training of offshore personnel (sometimes even in Holland)
Process documentation is updated (and approved)
Move work to offshore company

Document changes to procedures...
Issues of outsourcing

Not all people want to be outsourced (loss of knowledge)

People don’t like changes
  – Initially nothing changes
  – Personnel of provider are moved to 1 floor, access to other floors is restricted
  – People are replaced (move on to other functions)

Dutch (or European) Law, cannot easily fire people

Ownership of licenses

Ownership of intellectual property

If the company has problems, when the problem gets outsourced they are not immediately solved

The contract is made before SLA / WLA are in place
Positive elements of outsourcing

All functions are reviewed, check if extra training is needed

People become part of a new company, new opportunities

Job security

Company gets more insight in existing problems (as long as defined interface is used)
Issues of Offshoring

- Different time zones
- Different cultures
- Intellectual property
- Job loyalty
- Training people offshore
- Visa

Communication
  - Telephone (VOIP)
  - Email
  - Video conferencing
Issues of Offshoring

Hourly rates are rising in offshore countries
- People don’t stay for long on contract
- India now offshores to cheaper countries

There is not concept of specialists, everybody wants to be a manager. 2 Years of experience and they want to be a team lead

Culture
- India, China are not Catholic and therefore have different holidays and they are not in sync with Dutch public holidays
- Does yes really mean yes
Positive elements of offshoring

Eventually cost saving by
  – Higher throughput of projects or changes

Take benefit of different time zone
  – Test during the day and fix during the night
  – With offshoring companies all over the world it is easier to provide 24x7 support

Culture
  – Dutch people really value their spare time. A call in the weekend is not appreciated