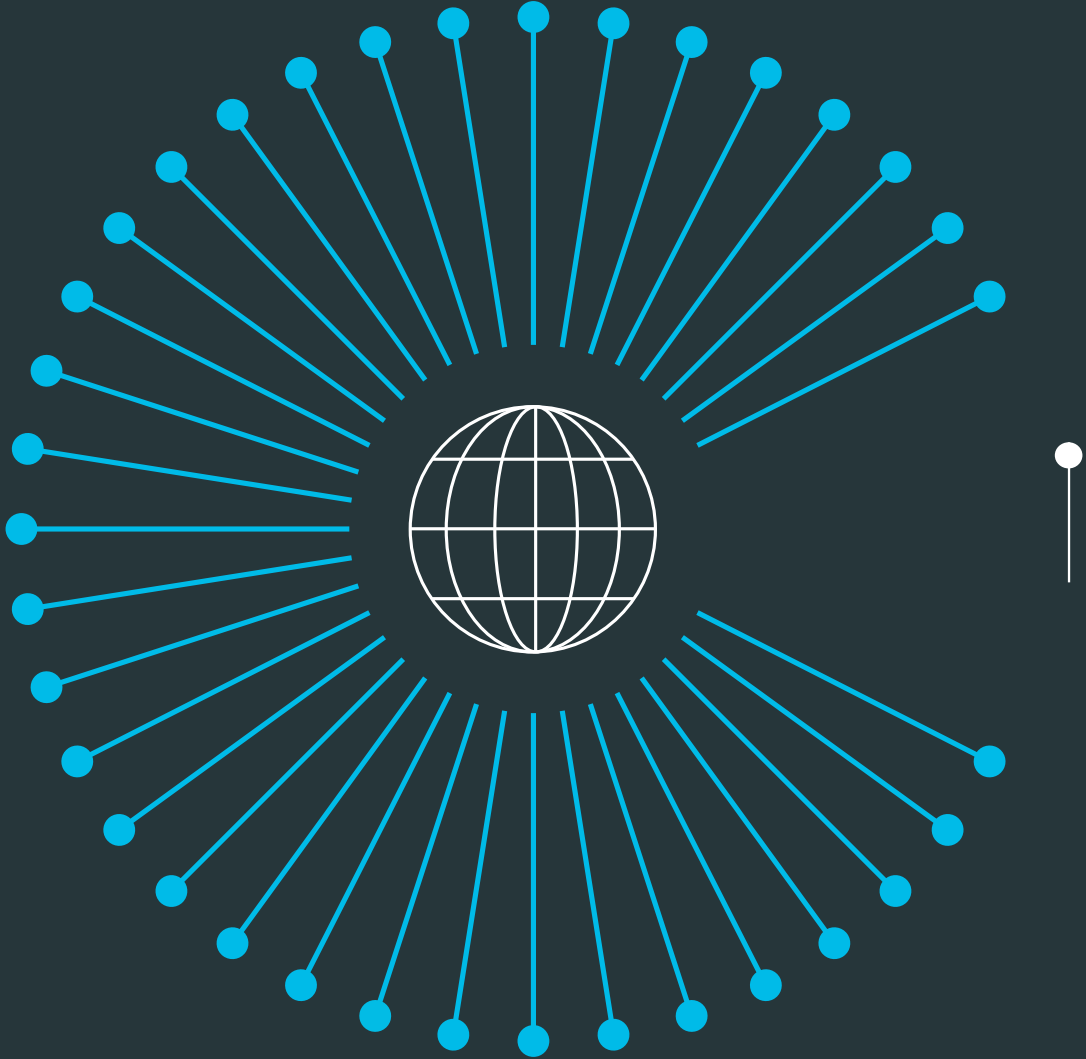


OUTSOURCING FOR SUCCESS



White Paper

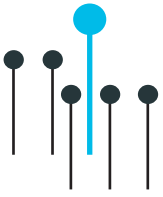
January 2013





This paper intertwines key points from the recent panel discussion hosted by BMIT with a wider outlook onto the world of successful outsourcing.

The panel, featuring Alan Alden (Kyte Consultants), Dr Tonio Fenech (FFF Legal), Markus Golder (GO plc), Ivan Refalo (Playmobil) and Christian Sammut (BMIT), brought up a number of highly interesting points, all valuable to anyone tasked with technology within their company or business. This paper attempts to combine the findings of international research with best practices in the industry as well as the key points brought forward in the panel discussion.



Outsourcing is very often viewed mainly as a strategy for producing cost savings. However, by simply following a traditional cost-focused approach, countless companies may be missing opportunities to add value and gain further competitive advantage. **Outsourcing should not focus solely on cost considerations, rather it should be concerned with building a competitive edge.**¹

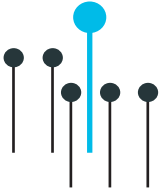
In the past, the factors which gave organisations a competitive edge included:

- > Differentiation
- > Higher efficiency in production technology
- > Lower capital and production costs
- > Effectively managed tax exposure.

Nowadays, these factors are coupled with other considerations which include people and leadership and making one's company a point of attraction not just for knowledge-seekers (i.e. the customer), but also for the appropriate knowledge-holders.

¹

Dr Tonio Fenech - [Fenech Farrugia Fiott Legal](#)



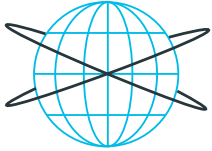
Outsourcing offers other advantages, including:

- > Organisation and staff can increase their interactivity with the greater world
- > Credibility with stakeholders and regulators is further developed.

One big difference between today's outsourcing market and that of a decade ago is that outsourcing is no longer an innovative and risky undertaking as it may once have been perceived. In this day and age, outsourcing is a mainstream strategy that has been successfully adopted across the corporate universe by companies large and small. Companies have started to understand that they have to focus their limited resources on their core business and not the supporting technologies. **We all drive cars and use electricity as they both are essential to our daily needs, but we do not build cars or power stations ourselves, as to maintain them ourselves would be economically unfeasible and it is best to let specialists deal with such technical concerns.**²

The decision to outsource should not be purely an economic consideration. The ability to react to changes in the business with timely delivery of quality services plays a major role in a company's decision to outsource discrete business processes or services.³

² Alan Alden - [Kyte Consultants](#) ³ Ivan Refalo - [Playmobil](#)



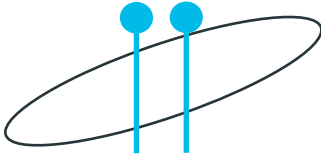
2013 may very well be a watershed year for outsourcing. Increasingly over the past few years, outsourcing has been recognised as a key tool in obtaining better knowledge management and enhancement as well as better cost planning.

Notwithstanding the recent turbulence in the world economy, in fact perhaps partly due to said turbulence, the phenomenon of outsourcing has continued to grow on a global scale. It has driven on cutbacks to both the public and private sectors without compromising the integrity of services.

Such is the growth of outsourcing that in 2011, the London Magic Circle law firm Norton Rose reported estimates of US\$100 billion worth of new outsourcing contracts⁴ are signed every year.

⁴ Outsourcing in a brave new world - Norton Rose - www.nortonrose.com/files/a-smart-approach-to-sourcing-ii-57727.pdf

OUTSOURCING WHAT IS IT REALLY?



It has been argued that the term outsourcing is an unfortunate misnomer denoting simply the offloading of any number of business processes onto outside parties. Indeed, a number of companies do exactly this. That being said it is not surprising that these same companies later report disappointment in their arrangements. Outsourcing blindly and without due diligence is a poor idea.

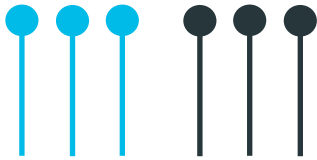
When carried out judiciously, outsourcing is not so much outsourcing as the term above denotes, rather [the ability and will to access knowledge and expertise by acquisition and partnering](#)⁵, as opposed to exclusively organic knowledge creation and development.

In fact, outsourcing could very well be called 'know-how sourcing' were that phrase not so clumsy in rolling off one's tongue.

From the viewpoint of the outsourced provider, [outsourcing is all about taking the notion to adapt to customer requirements in terms of solutions and working with them to support them](#).⁶

⁵ Dr Tonio Fenech - [Fenech Farrugia Fiott Legal](#) ⁶ Christian Sammut - [BMIT](#)

OUTSOURCING WHAT IS IT REALLY?



The best practices of outsourcing have been outlined in surveys of successful outsourcing clients⁷ and they reveal that key success factors in outsourcing include;

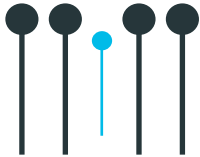
- > Judicious planning
- > Careful vendor selection
- > A commitment to collaborative relationship management.

The ability to outsource any number of IT functions across the spectrum, from end-user support functions to the IT infrastructure itself, has created limitless possibilities for competitive advantage and levelled the playing field for start-ups as well as established global corporations.

The opportunities of outsourcing provide:

- > Cost savings
- > Enhanced expertise
- > Flexible, tailored sourcing.

⁷ Six Key Success Factors for Outsourcing - IT Outsourcing News - www.itonews.eu/files/f1289395538.pdf



By ignoring the advantages and opportunities afforded by outsourcing, decision makers face risk in two ways:

- > Falling behind financially
- > Stumbling into a competitive situation in which their competitors, having successfully sourced externally, have additional capital to invest in new markets and advanced technologies.

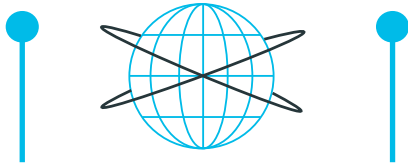
However, rushing into the outsourcing decision without clear goals can result in hugely misaligned expectations. An increased management overhead, and end-user satisfaction issues may put the entire project at risk. A structured strategic planning process, documentation of goals and objectives, inclusion of all stakeholders in the outsourcing process is required for decision makers to set themselves up for success, rather than resistance and disappointment.

The decision makers' search should be for an outsourced knowledge partner that can become part of one's management team. The outsourced partner must take on ownership of the business process or service, in turn assuming responsibility and accountability for it through a detailed understanding of the concerns and requirements of the company entrusting them with key business processes.⁸

A considerable degree of dedication and loyalty will be required in order to ensure that the partner's goals are aligned with the CIO's and indeed with the company's. The outsourcing partner would be well served if stakeholder status were conferred onto them, in that the company's gains also become the outsourced partner's.

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Alan Alden - Kyte Consultants



Additionally, a total alignment with customer priority allocation and responsiveness is to be expected while adopting a long-term, relationship-driven view of profit is advisable in a number of scenarios. A transition, perhaps even on a philosophical level, must be made, in order to change the arrangement with and perception of a mere service provider to fiduciary to seamlessly deliver competencies and expertise.

A world class service provider will already have this viewpoint and will be heavily [investing in infrastructure, people, expertise and customer relationships](#).⁹

Successful long term outsourcing relationships require:

- > A common world-view between both parties
- > Compatible work-ethics value systems
- > A clear match of expectations to be achieved during negotiations
- > A win-win approach which is adopted by both parties
- > An openness by all parties to periodic re-negotiation as a specific tool in relationship management.

However, what's most important is a clear recognition by both parties that a long term relationship is like a marriage. [Just like a marriage, the outsourcing relationship is only as strong as it is fragile, so a mutually nurturing approach cannot stop at the "I Do" stage, but must carry on throughout! Open and frequent communication between the involved parties is key to the continued success of the 'marriage'](#).¹⁰

⁹ Markus Golder - [GO plc](#) ¹⁰ Alan Alden - [Kyte Consultants](#)



1. Clear Goals and objectives

The first practice that draws universal consensus among outsourcing advisors is the necessity of understanding the personalised needs of the company, define them as goals and set clear objectives to reach the targets.

Communication and participation between all decision makers is critical, in fact one of the issues which is often named by project experts as a key of project failure is the lack of stakeholder involvement. Similarly, a lack of inclusion can also cause issues internally as it creates unacceptable risks for outsourcing programs as unlike many typical IT projects.

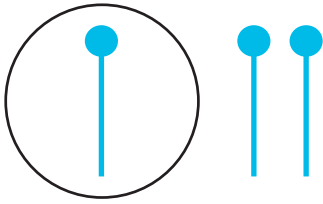
Outsourcing not only changes processes and implements new technologies but it also affects the prospects and daily operational activities of a number of employees. **Without an appropriate level of inclusiveness, an outsourcing drive risks unleashing the typical change resistance associated with any project, inflaming emotions and flaring up internal politics as job responsibilities are seen to be on the line.**¹¹

Four important factors to consider when implementing any outsourcing project include:

1. **Goals:** the macro-level business results the company hopes to achieve
2. **Objectives:** the granular outcomes the company is expecting of outsourcing
3. **Success factors:** critical elements that have the highest leverage and which will be focused on in the measurement of outsourced outcomes
4. **Criteria:** what is the outsourced partner expected to bring to the relationship in terms of services and guarantees?

This approach can additionally ensure that expectations are properly set and agreed upon for both the client and the provider. Setting the stage for the selection and negotiation process to follow can be invaluable at a later date while also enabling the client company to clearly and unequivocally state its success criteria, which can then be codified contractually.

¹¹ Christian Sammut - BMIT



2. Dream team considerations

When talking outsourcing, mediocrity will not do. Is the A-team in place? Do you have your company's best people working on negotiating, liaising with or managing the outsourcer, and does the outsourcer's have their best team working on your project?

This is a set of practical considerations with huge implications. Ensure that your best people in the area are well involved in the outsourcing process, and additionally, carry out your due diligence with regards to the outsourced partner. Does the outsourced partner or provider hire people in the top of their field, and do they keep them, or is their employee turnover a cause for concern?

Ensure that due diligence in this respect is carried out with utmost thoroughness. Ascertain that you are dealing with a reputable company which hires and retains the best talents in the field, and not some fly-by-night operation.

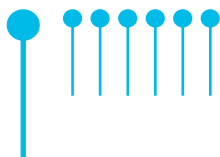


3. Time is of the essence

While a number of very advantageously priced outsourced partners can be found in all corners of the planet, there is wisdom in not selecting an offshore outsourcer that is too far or too many time zones away.

While the price considerations may weigh heavily in one's mind, one ought to also consider the massive inconveniences associated with 'following the sun'. One of the disadvantages presented by these massive outfits in far-flung corners of the globe is that support is an operation of massive scale, thereby guaranteeing that in your hour of need, you would be talking to a stranger and not support personnel who are intimately aware of your business and its requirements. As mentioned previously, frequent and open communication with the provider is critical to continued success of any partnership. [Ease of access to one's provider is therefore a fundamental issue in supplier selection.](#)¹²

¹²
Alan Alden - Kyte Consultants



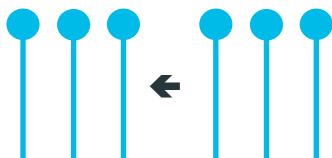
4. Scalability

The outsourced provider needs to be perfectly positioned to meet growth requirements, so don't restrict yourself to examining only their current capability offered, but ensure that you look at their ability to scale. Just as your company will need time to ramp up skills and staff, your outsource provider needs time to react to your needs. The shorter this time is, the better for the client it is.

It's very unlikely that the outsourced partner has a coffer filled with resources ready on demand as needed and if so, rest assured that your company is paying for it in some way. Partnering with your provider means sharing your strategy and goals (without compromising your corporate mission) as much as possible however this is necessary in ensuring that your outsourced partner can scale up (or down) as needed and as rapidly as possible, as after all, **to be more flexible and change as your requirements change is important. A need for a service provider that can grow with you is crucial.**¹³

¹³

Dr Tonio Fenech, Partner - [Fenech Farrugia Fiott Legal](#)



5. Match the right work to the right partners

There is a temptation to bulk outsource everything from IT services to back office, recruitment and more to a single provider, but that is poor a recipe for success. What one needs to do is find a best-in-class provider for a particular area or vertical and hire accordingly. Hiring one firm to carry out vastly diverse services is not wise; instead focus on finding the best provider in the class, and outsource discrete processes and services to them.

If we are to consider IT, the outsourced partner or supplier will know technology much more and to a greater details than the customer. It's a matter of core competencies. Making changes in-house will be slower, more expensive and will detract from the customer's core knowledge. This is why the right partner needs to be found.

The key term here is rightsizing your outsourcing needs, meaning making adjustments when it's time to add or subtract resources as your business grows or contracts. Part of rightsizing is understanding what the actual needs are regardless of whether you are outsourcing infrastructure or your technical skills. That comes early on in the process when requirements are written by the customer.

The second part of rightsizing is that of choosing the right partner. We have been told that in the case of IT outsourcing, **it's best to partner with people that are specialised and whose core competence is in IT. The approach BMIT took in partnering with us won us over.**¹⁴ The same proviso applies to any other specialisation your company might require a helping hand with; find the best and make them the best for you.

We're on a journey to reposition our company to become one of the leading data centres and cloud with more customers looking into growing their business whilst being more flexible in making their business a success.¹⁵ Without such a commitment from the outsourced provider, ascertaining that companies 'see eye to eye' and are in complete agreement would become rather a more complex affair.

¹⁴ Dr Tonio Fenech, Partner - [Fenech Farrugia Fiott Legal](#) providing testimonial for BMIT Ltd

¹⁵ Christian Sammut - [BMIT](#)

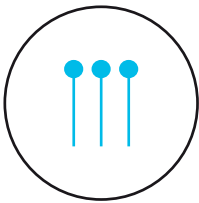


6. One plan, one goal

Ensure that your outsourced partner uses the same measurements for success as you. Make these assessments with honesty and with full disclosure. Be open with the outsourcer if the arrangement isn't working out, and figure out what is required in order to fix things. After all, **the quality of the work or service you receive depends in great part on the specifications and requirements and their clarity. If the requirements are poor, the quality of the product will suffer, so make sure that the specs and the overall plan are as clear as day so that complications are avoided later on.**¹⁶

Finally, ensure that there is an agreed-upon contract in place which is well established and communicated and ably governs the service your company will receive from the outsourced provider.

¹⁶ Markus Golder - GO plc



7. Evangelise the Change Internally

Companies are more likely to be successful in their outsourcing efforts when they market and communicate their underlying rationale for outsourcing, using it as an opportunity to generate enthusiasm rather than fear and resentment for the outsourcing decision.

These internal marketing efforts are more likely to be successful when senior managers clearly demonstrate their belief in, and commitment to, the outsourcing efforts. A number of outsourcing providers go so far as to insist on an internal executive champion who clearly and emphatically states to stakeholders that the decision is strategic. **It's absolutely critical that this outreach program be a participative process and not just a one-way broadcast, not only to ward off resistance but also because both client and outsourcing partner need the full cooperation of the entire stakeholder community in order for the project to be successful.**¹⁷ All too often, it is the front-line employees who actually know exactly how processes actually work, where unsanctioned processes take place, and understand the shadow support structures that may not be visible to the CIO. Bringing everyone onboard allows for an experienced outsourcing partner to assist clients in developing elegant and persuasive campaigns that solidify and reinforce corporate strategies and encourages enthusiasm and cooperation from end users which is a measurement of success in and of its own in any case.

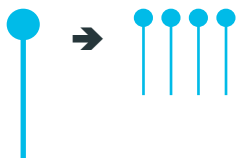
¹⁷ Christian Sammut - BMIT



BMIT is Malta's leading Data Centre, Cloud and Managed Services provider. It has established itself as a trusted international data centre with a varied portfolio of customers in sophisticated industries such as online gaming, financial services and telecommunications.

The company's services are supported by a highly-specialised team of dedicated professionals, all of whom consider complete customer satisfaction to be one of their core priorities.

BMIT is [ISO/IEC 27001](#) and [PSI-DSS](#) certified, ensuring complete peace of mind in terms of information security compliance.



BMIT are experts in providing outsourcing services ranging from data centre services and hosting to managed and cloud services. As regional leaders in the area of IT, hosting and colocation, BMIT hires the best and brightest talents in the country and provides flexible and customised services around the clock to a wide range of companies.

For more information about what we do, and how we may help you, contact us:

sales@bmit.com.mt or visit www.bmit.com.mt

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