

# Adopt the right outsourcing strategy



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Chief Information Officers (CIOs) are under enormous pressure to align IT with business strategy in the face of rapidly evolving and changing technology developments. Technology has a significant impact on business, as it is the foundation of operations, and as such must be available 24x7. In addition, technology enhancements and upgrades are essential for agility and competitiveness in today's market.

Faced with these pressures, CIOs are debating the question of whether to insource or outsource various IT components, or utilise a combination of both models. However, while ensuring the lights stay on and infrastructure is available, CIOs are also tasked with ensuring IT delivers business value. Adopting the right outsourcing strategy, and working with the right outsourcing partner, can free the CIO from these mundane tasks. This will enable them to drive the innovation needed to take IT from a cost centre to an invaluable strategic business enabler.

Some of the common challenges faced by CIO's include the need to ensure 24x7 support of all IT infrastructure, as well as finding and maintaining the appropriate technology resources to enable this. Technology is always changing, and as a result ensuring resources have the necessary skills is a difficult and sometimes costly task. In addition, since IT is typically considered to be a support service, shrinking budgets are a reality, and IT needs to be managed within a cost saving structure. Demonstrating value to business, and delivering the latest technologies such as analytics, intelligence and cloud-based services thus also become a challenge.

## Outsourcing is not a magic wand

Many of these challenges are not new, and in the past have lead many organisations to examine the possibility of outsourcing various IT functions. However, outsourcing is not a magic wand that can be waved over IT, and problems cannot simply be transferred to someone else. This is where many organisations have fallen in their outsourcing strategy - they have not defined clear boundaries, roles and responsibilities for the outsourcer. This has resulted in the perceived failure of outsourcing, which has lead to organisations to once again bring these functions in-house, only to re-examine outsourcing a few years down the line.

In addition, it is generally not advisable to simply outsource the entire IT function, as this can result in losing control over the IT function. There are advantages and disadvantages to both insourcing and outsourcing, and organisations need to weigh up their own business requirements before adopting a strategy that fits their needs. Generally speaking, business-facing activities, architecture and design should remain in-house, while operations, maintenance and advisory services on new technology can be outsourced. Instead of simply outsourcing the entire IT function, organisations are now looking at collaborative multi-sourcing strategies.



## Aligning with organisational strategy

When it comes to selecting an appropriate multi-sourcing strategy, it is essential that this be aligned with the organisational strategy as well as its objectives. If the goal is cost saving, then it would be beneficial to outsource operational and maintenance tasks. If, however, increasing productivity and relevance is key, then the selection of functions to outsource will be very different. The CIO needs to work with management to identify key objectives for outsourcing, to ensure strategy can be aligned with this. Defining clear objectives up front will help to guide the entire process. Without this essential step, there is often a mismatch between expectation and delivery, with the result that outsourcing is perceived to have failed.

An outsourcing contract can be modelled in various ways, and may be based on delivery, service levels, innovation or any number of other criteria. However, if objectives are not clearly defined, they will never be seen to have been achieved. CIOs today have access to many different options with regard to outsourcing, and an effective strategy can be highly beneficial from many angles, including cost saving and optimisation of the IT landscape.

Aligning business to IT remains a key challenge for the CIO. With the right outsource partner or partners on board, the CIO will have the time they need to focus on delivering technology-lead solutions that enable business growth. By outsourcing day-to-day IT operations, CIOs are empowered to drive new innovations that add value in their business.

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