



Helping you piece IT together

Successful Outsourcing For the Small to Medium Business



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1. Successful Outsourcing for the SMB.

Today's modern business is more reliant than ever on information technology as more and more business information is stored on our networks. Ensuring that information is available and secure while at the same time minimising cost, is a challenge facing many small to medium businesses.

While these challenges also face larger companies, they are exasperated for many Small to Medium Businesses as they often do not have the same resources to look after their IT needs. Larger companies have internal IT departments with expertise available in the different IT disciplines such as networking, security, database management and development. Many Small to Medium Businesses have to rely on one or two overworked individuals to provide the same range of services. Indeed, many Small to Medium Businesses in Ireland don't even have full-time IT staff and the responsibility of managing the IT infrastructure often falls into someone else's job as part of their role.

The small business owner faces the challenge of trying to maintain the business competitiveness and advantages provided by IT, while at the same time keeping the cost of managing the IT environment down.

Outsourcing some, if not all, of the IT function is an option many small businesses should consider as a solution to this problem. However, before embarking on this road, the small business owner should carefully consider whether or not outsourcing is suitable for their business.

2. What is Outsourcing?

Many companies are already familiar with outsourcing as they probably outsource functions such as cleaning, deliveries, and building maintenance to third parties. Outsourcing the IT function is delegating the management and support of all or some of their IT systems and infrastructure to an outside third party. That outside party may provide the agreed service by deploying their own staff onsite full time, by having their staff visit the business regularly or they may provide the service remotely.

3. What Outsourcing is not?

Firstly, outsourcing IT is not the panacea to all ills. If there are fundamental problems either with the business processes the IT infrastructure is supporting or with the IT infrastructure itself, outsourcing the management and support of the infrastructure will not eliminate those problems.

Outsourcing should also not be seen as a short-term solution to a particular problem. For the business to reap the full benefits of outsourcing, it should develop a long-term relationship with the outsourcing provider.

Finally, while outsourcing an IT function is delegating the management and support of that function to a third party, outsourcing should not be seen as a means for abandoning the responsibility for that function. Ultimately the success of the business lies with the owner and management of the business and not with outside third parties. It is important that a company considering outsourcing some, or all of its IT, retains the responsibility for that function in-house.

4. Why Outsource?

There are many reasons why a small business should consider outsourcing some or all of its IT function.

- **Lack of skills**
The company may not have the required skills in-house to complete a process. This is particularly true of specialist functions such as email and/or database administration.
- **To replace a poor internal service.**
Whether due to lack of skills or lack of available resources, certain IT functions may not be provided at the levels required by the business. The cost of training existing staff or providing extra resources to address this problem may be too prohibitive.
- **Lack of internal resources**
With the growing reliance on ever increasing complex IT systems, there may not be enough internal resources available to complete all tasks and functions to the level required by the business.
- **The process is time consuming.**
Given the finite resources many small businesses operate with, any activity that is time consuming and ties up valuable resources will have a negative impact on the company's bottom line.
- **Reduce Costs**
A function that can be completed more cost effectively by a third party can help reduce costs by eliminating the need for that role within your company or by re-allocating existing resources into more revenue generating/supporting roles.

If any of the business' IT functions meet any or all of the above criteria then it should consider outsourcing that function to a third party.

5. The Advantages of Outsourcing

The primary advantages outsourcing can bring are;

- **Focus on core business activities**
By outsourcing non-essential or repetitive tasks, staff can focus on the more core business functions to better support the business and its customers.
- **Access to more resources.**
Outsourcing can provide a pool of more knowledgeable resources that can be referred to when required.
- **Improved Service Levels**
Outsourcing to a third party whose core business is providing the agreed services at an agreed level can provide for better levels of service.
- **Frees up resources**
Resources are no longer tied up with mundane tasks and can be re-assigned to more business valuable tasks.
- **Improved Cash Flow**
In some instances where a service is outsourced for a fixed fee, the company can better plan and budget its cash flow.
- **Shares the Risk**
Having a provider contractually bound to provide a service shares the risk of ensuring that service is delivered.

6. The Disadvantages of Outsourcing

However, outsourcing can bring a number of risks and disadvantages to the business, particularly if the outsourced agreement has not been thought through fully. It is important to consider and address these issues before committing to outsource any services.

➤ **Negative Employee reaction**

Employees may not view outsourcing of some of their tasks, no matter how trivial or mundane, as a positive step. Many may feel their jobs are at risk or that this is the “thin edge of the wedge” for outsourcing other more important tasks. Productivity may be impacted as a result or they may decide to leave the company.

If the outsourcing deal does result in some job losses then the remaining employees will need to be reassured as to the stability of their jobs and whether or not they are under threat.

➤ **Role duplications**

If not properly identified and demarked with the provider, some of the outsourced function may still be performed in-house and result in duplications of roles and tasks which in effect will not provide the expected efficiencies and advantages.

➤ **The service provider may cease to trade**

There is always the risk that the outsource provider may close down or cease to provide services in the area of the outsourced service.

➤ **Deterioration in service.**

The selected outsource partner itself may not have the required core skills or resources available to provide the agreed level of service.

➤ **Lack of flexibility**

One of the main advantages an Small to Medium Business has over larger competitors is the ability to be flexible and to change to suit the customers' needs. If the wrong processes are outsourced, this flexibility could be adversely impacted.

The above risks can be mitigated by careful planning and thorough research in the initial phases of outsourcing the services.

7. How to Successfully Outsource Your IT.

As with all business initiatives, preparation is the key to successfully outsourcing some, if not all, IT functions. Lack of adequate preparation has been the detriment of many outsourcing initiatives and the amount of time and effort spent before signing the agreement will pay dividends later on in the relationship.

- **Accept The Company Cannot Do Everything.**
There are few Small to Medium Businesses, unless directly involved in the technology sector, who can claim IT is their core competency. As a result, businesses should look at what IT processes are essential to their business and what tasks may be outsourced.
- **Identify What to Outsource.**
Identifying what the company is good at and what functions can be outsourced is the first key step to deriving the optimum benefit from your outsourcing agreement. Poorly run IT functions and/or routine or mundane tasks are the prime candidates to outsource. It should be noted however that responsibility for strategic functions should remain within the company as no outsider will be able to run your business for you.
- **Identify Problem Areas**
One certain way to fail at outsourcing is to simply offload the badly defined functions or problems to a third party. If the problems are due to badly designed IT processes or poorly understood business processes, then this simply moves the problem from one party to another and provides for a confrontational relationship. Instead, identify where the problems lie and agree what can and cannot be delivered.
- **Clearly define Responsibilities and Roles**
It is important when outsourcing some, or all, IT functions that the roles and responsibilities for various functions are clearly defined and agreed. Many outsourcing agreements fail because the roles and responsibilities for functions and tasks were not clearly defined resulting in extra costs.
- **Set Clear and Realistic Goals and Objectives.**
Clearly agreed documented service levels and goals that the outsource provider must meet will ensure that both parties are entering the agreement with clear and realistic objectives and goals.
- **Seek Outside Help.**
Unbiased experienced third party experts can bring their knowledge and experience to bear when deciding what to outsource and what should be demanded from the provider. Very often the money and time spent at this phase of the project will repay itself many times over during the life of the outsourcing agreement.
- **Review Track Records.**
Select a provider who has a proven track record in the field and particularly in providing services to the Small to Medium Business sector. Do not be afraid to ask the provider to provide evidence of their expertise and of their solvency so that they will be around in the future. Always seek customer references for companies with similar requirements and verify those references.
- **Meet Regularly**
It is important to establish regular meetings to support a structured reporting and communications process. These meetings should be an opportunity to work with the outsourcing partner to ensure that agreed objectives are being met, problems are being addressed and to share future plans so that both parties can better plan for them.

- **Be Prepared**
As with any relationship, an outsourcing relationship will have its problems. If both parties enter the agreement with proper planning and communicate clearly and honestly, these problems can be overcome with a mutual commitment to the long-term success of the outsourcing engagement.

7.1 Examples of some services to outsource

- **Scanning of email for viruses and SPAM**
Many ISPs and other third parties offer a service to scan your email for computer viruses and SPAM.
- **Website Hosting.**
Instead of hosting your website on your own server there are many hosting companies available who can provide this service at very competitive prices.
- **Security Testing**
Testing your network security devices such as firewalls is often better given to an unbiased third party.
- **Helpdesk**
The helpdesk is where users turn to when they have a problem. However, at least 80% of the issues are often known issues that can be easily fixed. Outsourcing this function to a third party can release valuable IT resources to concentrate on more strategic projects.

8. Contact Us



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