



White Paper: Allied Digital Services Ltd.

Executive Summary

The competition in today's economy is more fierce than ever and IT organizations globally are searching for strategic methods to drive out cost, time and effort. Many organizations are becoming laser focused on their core business and the activities that are required to make them successful in

the current competitive landscape. With many organizations cutting staff, there are less and less resources available to support the corporate strategic initiatives.

It is well known that outsourcing non-essential business processes and operations has become a significant trend over the last several years. In fact Bruce Caldwell, a principle analyst with Gartner, believes that companies can generate upwards of 20-30% cost savings on internal operations through outsourcing. This can represent a substantial savings to an organization which cannot be easily ignored.

Outsourcing your help desk can appear to be an easy answer for reducing cost and improving service levels, however, there can be a dark side to outsourcing. There are significant challenges to finding the right vendor, ensuring a smooth transition and understanding the expectations and true costs. So how do you make sure you will gain the benefits of outsourcing and avoid the pitfalls? We have done the research and drawn from our own experience to bring you...

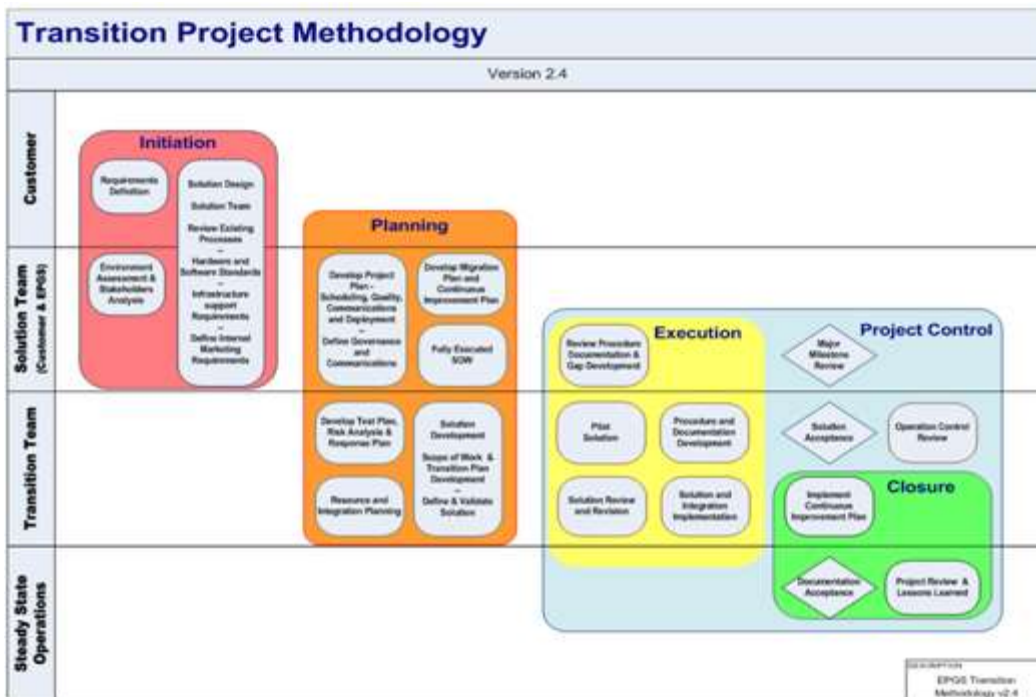
The 11 biggest mistakes companies make when choosing an outsourcing provider and how to avoid them:

1. Choosing based on price as the determining factor.

This would seem obvious, but in today's business climate price has taken on a more predominant role in many company's decision-making process. That might be alright if you are comparing PC's or mice, but outsourcing is such a multifaceted service and needs to be a partnership between companies. The lowest price should be seen as a red flag – often the lowest price company either doesn't understand the full extent of work required, doesn't plan on providing good service, or plans to make up for the lost revenue via extra charges. If it seems too good to be true, it probably is. In some cases, the most expensive provider might also be the best value and could actually save your company money overall via lowering your overall IT operating expenses (e.g. using root cause analysis to find and fix the actual problems rather than constantly applying band aids). Buy quality - cry once. Buy cheap – cry again and again.

2. Not taking the opportunity of looking at outsourcers to get an expert assessment of your current situation in order to properly diagnose your needs and propose a customized solution.

Any vendor can provide services that are within their own core competency, but each organization is unique with specific challenges. A vendor relationship must be managed from all parties involved, and each side must have a vested interest in a successful implementation. Instead of locking into a particular workflow or methodology, a vendor should focus a great deal of time and effort into the transition methodology prior to taking the "first call". Transitions can take anywhere from 30 days to 6 months, depending on the complexity of the organization. Getting a smooth transition from initial discovery to a steady state is perhaps the most important component to a successful implementation.



3. **Not choosing a provider with a strong, well-defined IT service delivery model including complementary services available in case additional outsourcing is desired/ needed at a later point.**

This is related to choosing based on price. Chances are the low cost providers are also low on the experience/ service delivery sophistication spectrum. Your long term success will depend on choosing a reputable, expert partner with both depth and breadth of experience with many different clients and a proven service delivery model that works across all situations.

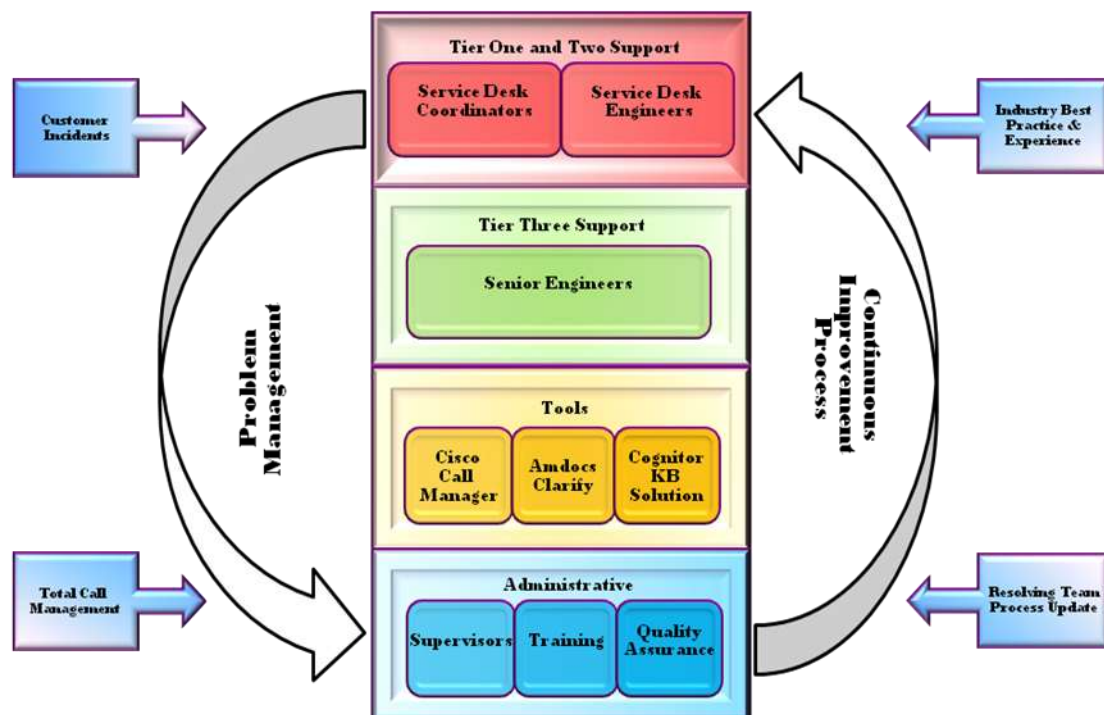
4. **Locking your company into a multi-year contract with large termination fees.**

More than one company has entered into an agreement with an outsourcing provider only to discover later that they were stuck paying outrageous prices for subpar services and there was nothing they could do short of forking over exorbitant fees in order to terminate the contract. Make sure you negotiate an out-clause that won't hurt your bottom line.

5. **Not implementing continuous improvement processes like Root Cause Analysis**

According to a recent article in CIO Magazine, "The most current outsourcing deals and models are outdated and ineffective because they are people-based and not demand-based. Companies have a need for resources to do the work that is required; they negotiate a rate with a vendor and determine contract durations. The contracts primarily follow a simple model: People x Rates x Duration.

It is easy to understand why a people-based model is being used today, since outsourcing grew out of the Y2K era. Companies first engaged outsourcing companies in staff augmentation models to address their Y2K needs, and hence, all subsequent outsourcing models have been people-based. While outsourcing companies have grown in leaps-and-bounds over the past three to five years in terms of their capabilities, there has been little evolution in deal structures. People-based outsourcing contracts are the equivalent of paying rent. The rent is due each month regardless of use. In a 'rental agreement' there is no mechanism or incentive to drive productivity improvements, efficiencies, higher-value-add-services, faster time-to-market, and deeper cost cutting efforts."Continuous improvement programs throughout the life of a service agreement will ensure that a vendor is staying relevant to the IT organization, and that the IT organization itself is staying relevant to the business.



Demand-based contracts and models are revolutionary and will drive unbelievable results if properly implemented, executed, and governed. IT organizations will become better-aligned with their business partners and CIOs will have much more flexibility in how they allocate and spend their funding.

6. Paying on a per-ticket or per-incident basis.

This seemingly innocuous choice automatically creates a conflict of interest between you and your outsourcer. They have absolutely no incentive to do any kind of root cause analysis or any other proactive steps to lower your ticket/ incident count. In fact, this arrangement is great incentive to turn one call/ incident into as many tickets as possible. Choose to go with a provider that bills this way at your own peril.

7. Falling in love with any one particular shore.

The right solution for you might be onshore support, offshore support, or a combination. Don't close your mind to any of these options. Today's business environment might cause you to lean towards one option, but who knows what kind of issues you'll be facing tomorrow? It is increasingly important to partner with a company that can seamlessly provide both options and dynamically adjust the ratios if your business requires it.

8. Allowing the outsourcer to define SLA's by themselves.

Again, this sounds obvious, but it is common for companies to defer to the outsourcer's boilerplate SLA offering without customizing it to their own individual needs. If the outsourcer isn't flexible enough to customize their offering according to your needs, what else will they be inflexible about? Make sure you are actively involved in setting your own SLA's, customized to the needs of your business.

9) Not understanding your business and its core competency.

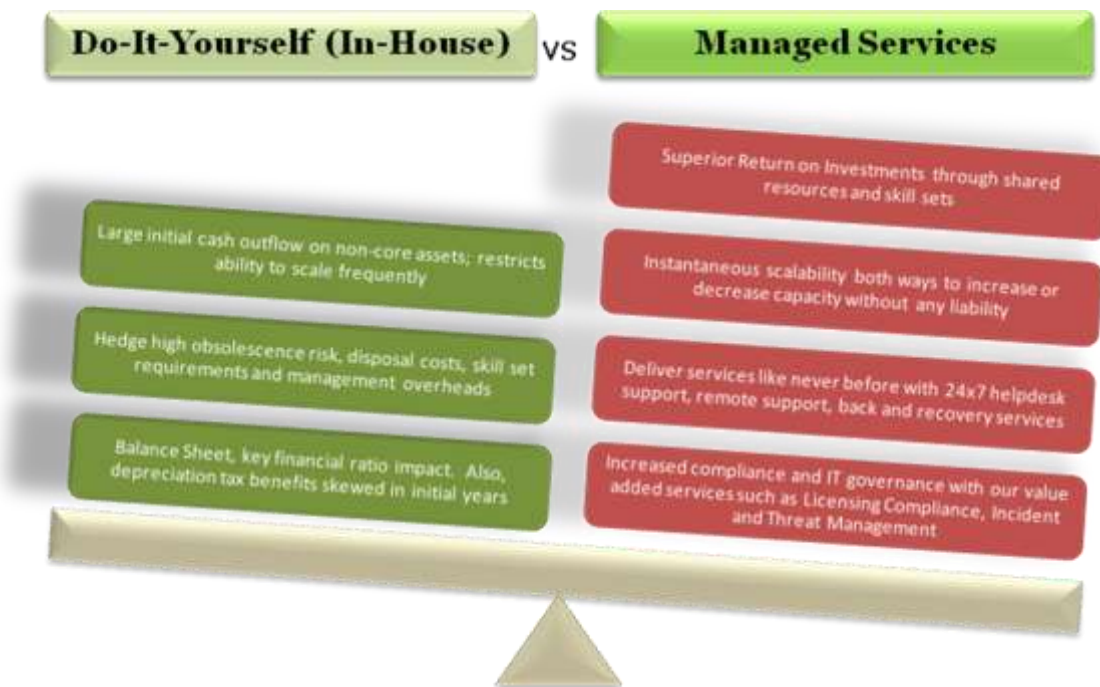
Whether your organization is in health care, manufacturing, finance or sales - all businesses have components that are core to the business. These components go far beyond customer satisfaction, such as having email capabilities or internet access. For example, the primary focus of health care is overall patient health and well being. Data records are vital to patient health and confidentiality. Having them available and protected for care is essential to the organization, whether those records are electronic or paper. Data Protection and Recovery in health care is a core component to the business and essential for the IT organization to maintain thus can and never should be outsourced. Knowing what's core to the business will also identify areas that are not critical, such as desktop management or hardware repair. Understanding the vital business components that IT must not only support but be key stakeholders in will allow the IT group to shift resources to the areas that allow IT to be a strategic asset rather than a cost center.

10) Not developing a Single Point of Contact service model

The concept of a Single Point of Contact (SPOC) service model has been around for some time, but few organizations do it. The idea is that events are handled at the lowest level possible, and that all information is funneled into a centralized location. This allows for two things; continuity and reduction in the total cost of ownership (TCO). Having a repeatable, mature process is at the backbone of the ITIL model, and without a centralized administration continuity cannot be achieved. It's a given that a seasoned engineer with 15 years of experience is a more expensive resource than a PC tech with less than 3 years in the IT field. A typical challenge in IT organizations is that the experienced engineer processes proprietary knowledge that has not been transferred to the less expensive employees. Without a centralized location for processes and procedures, actions cannot be tracked, information cannot be transferred and events cannot be handled in a more effective manner. Having a Single Point of Contact service desk allows for information to be tracked, categorized and ultimately documented for repetition, thus lowering the overall TCO.

11) Not understanding the true costs of IT Support

Most IT leaders can quickly determine internal hard dollar costs, such as dollar per hour or price of a PC. What is typically not factored in is soft dollar costs, such as employee loads or the cost of support. Typical load (the cost of benefits for an employee) is around 25% of the wage. A typical desktop priced around \$800 will require an additional \$5,867 in support costs for the life of the PC in an unmanaged environment. According to Gartner, effective management can cut total cost of ownership for desktop PCs by 42%. Understanding the true costs will allow IT leadership to make a more informed decision on whether or not to outsource a particular service.



About Allied Digital Services Ltd.

En Pointe Global Services is a consultancy provider of IT support solutions worldwide. En Pointe focuses on providing clients a portfolio of managed technology services for small, mid-market and large enterprises worldwide. En Pointe Global Services enables clients to reduce their total cost of ownership and improve end-user support satisfaction through our globally optimized service delivery model. We employ over three thousand technical consultants worldwide and have more than twenty-five hundred clients under contract.

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