

Understanding Outsourcing

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From time to time I'm asked to consult with counties on various IT issues and solutions. The topic of outsourcing comes up on a somewhat regular basis. Having been exposed to the good, the bad and the ugly of outsourcing, I thought I would take a few minutes and try to put these thoughts down on paper.

Outsourcing can be useful only if it is considered as part of your county's overall strategic IT plan. If you don't have a plan and you outsource your IT function, you may or most likely will run into more issues than you bargained for. In short, your county needs to have the knowledge and ability to manage the outsourced functions. It might make sense to outsource your phone system versus hiring a staff to manage the phone system, but in our connected world, someone will need to know how the phone system integrates with your network and equipment.

Because this topic is complex and at times emotionally charged, I believe it important that parties have a good grasp of both the risks and the possible rewards.

According to Yvonne Lederer Anotucci in her article "The Pros and Cons of IT Outsourcing," those who consider outsourcing IT functions need to be aware of the following risks:

- 1) Some IT functions are not easily outsourced. IT affects an entire organization; from the simple tasks employees do every day to the complex automated aspects. Be sure the outside vendor is qualified to take care of your greatest needs.
- 2) Control may be lost. Critics argue that an outside vendor will never be as effective as a full-time employee who is under the same management as other employees. Other concerns include confidentiality of data and disaster recovery. However, a supervisor that is knowledgeable in managing an IT staff member will usually be required.
- 3) Employee morale may be affected. This is particularly true if you will be laying off employees to replace their job functions with an outsourced firm. Other employees may wonder if their job is at risk, too.
- 4) You may get "locked in." If the vendor does not document their work on your network and system, or if you've had to purchase their proprietary software, you may feel like you can't go anywhere else or take back your network. Many outsourced companies require you to sign a year to year contract which limits flexibility.

Anotucci also mentions many rewards you can expect when you outsource your county's IT functions:

- 1) Access to the latest and greatest in technology. You may have noticed how rapidly software and hardware becomes obsolete in this industry. How is one staff person going to keep up-to-date with everything? Outsourcing gives you the benefit of having more than just one IT professional. And since it's the core competency of the company, they can give you sound advice to put your IT dollars to work for you.
- 2) Cost savings. Outsourcing your IT services provides financial benefits such as leaner overhead, bulk purchasing and leasing options for hardware and software, and software licenses, as well as potential compliance with government regulations.
- 3) High quality of staff. Since it's their core competency, outsourced IT vendors look to hire staff with specific qualifications and certifications. You may not know what to look for if you're hiring someone to be on staff full-time, so you may hire the wrong person for the job.
- 4) Flexibility. Vendors have multiple resources available to them, while internal staff may have limited resources and capabilities.
- 5) Job security and burnout reduction for regular employees. Using an outsourced IT company removes the burden from your staff who has taken on more than he or she was hired for because "someone needs to do it." You will establish a better relationship with your employees when you let them do what they do best and what they were hired to do.

I present both the risks and rewards only in the effort to offer a balanced perspective and to raise some flags that outsourcing companies generally do not print in their glossy brochure.

Personally, I believe that all counties should have someone on staff that can manage their IT functions. Under the guidance of this position, the county or counties (under the right conditions, counties without an IT function could share this position) could then build a strategic plan that could include outsourcing as an element of this plan. The important point is that someone with the county's best interest at stake is watching over the outsourced functions.

Outsourcing IT functions should be a part of a plan and NOT the entire plan.

If you have any questions about IT strategic planning or other IT issues, please contact me at rharlow@iowacounties.org or 515.244.7181.