



IT Asset Managers Have the “Ins” on Outsourcing

The Continuing Role of the IT Asset Manager Throughout the Outsourcing Lifecycle

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As technology becomes more complex, and technology expenditures continue to rise, IT departments are facing increased pressure to shed cost—especially fixed costs. One attractive approach is to outsource technology infrastructure to a third party service provider that is an expert in providing technology services. To the extent software applications are not mission critical, application development and maintenance may also be included within the scope of an outsourcing. The expertise and scale of the third

party service provider allow it to provide at least the same level of service as was being provided in house at a lower end cost—even after allowing for a margin of profit. In addition, assets, and sometimes personnel resources, can be transferred to the service provider, converting fixed costs to a recurring unit-based fee for service. Generally, these fees can be more easily allocated to the business unit that is incurring the IT cost for chargeback purposes, further reducing the IT department's budget.

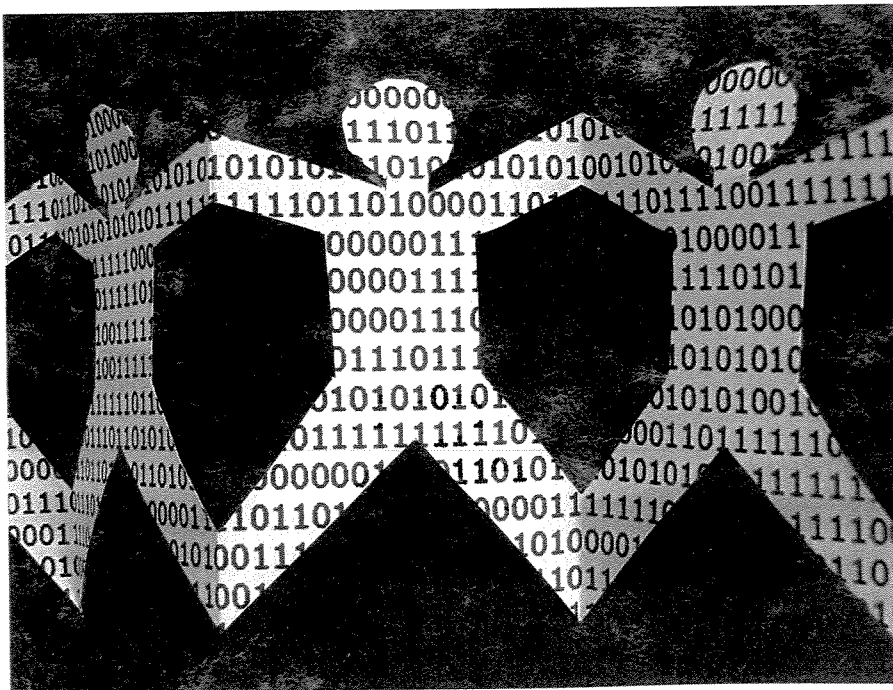
So your CIO has decided to outsource a portion of the IT infrastructure; what role does the IT asset manager play in this outsourcing process? Will you have a job when the

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outsourcing is complete? Fortunately, IT asset management has a key role in each of the three principle phases of the outsourcing lifecycle: (1) development of a request for proposal (RFP); (2) service provider due diligence and contract negotiation; and (3) service provider management.

RFP Development

One of the first steps in outsourcing any activity is to define what is to be outsourced and then describe that to the pool of potential service providers. This is traditionally done through an RFP. In order to prepare the RFP, a company will need to detail exactly what IT hardware and software assets (and associated service contracts and non-technology assets) are in play. Once these assets and services are identified, the company needs to determine which should be retained and



which should be transferred. Generally, those assets and services that are mission-critical and/or are business-specific should be retained while those that are standard, commodity-like assets and services should be transferred to the service provider. Licensing, leasing, and service agreements may also play a role in determining which assets and services should be transferred (e.g., a license may prevent transfer without significant cost).

The IT asset manager, having control over the asset information, will be in the best position to inform these decisions because it is he or she who knows the costs and legal constraints surrounding the company's assets. When no IT asset manager is involved in the outsourcing process, it is often unclear what assets exist, let alone what assets should be retained or transferred. Without knowing for what to ask: (1) the company will end up spending more for what it needs because the service provider will build into its charges a risk premium to mitigate the risk of incomplete information; and (2) the company may not get what it actually needs.

Service Provider Due Diligence and Contract Negotiation

Following release of an RFP to potential service providers, the company and the potential service providers enter a dance to match the best solution to the company's requirements. With the company continually delving deeper into the details of the service providers' proposed solutions (due diligence on the provider) and the service providers continually delving deeper into the details of the company's requirements (due diligence on customer), the service providers refine their solutions and the company refines its requirements until either a match is found, or the company determines that no service provider can meet its business requirements. Once a best service provider (or combination of service providers) is identified,



this dance continues through the contract negotiation process.

Again, the IT asset manager is invaluable in this process as the he or she will: (1) often have the answers to service provider questions regarding IT assets; and (2) be able to evaluate the portions of the service provider solutions surrounding IT assets to help determine the most cost-effective solutions. For example, the IT asset manager will be in the best position to identify opportunities to leverage service provider enterprise-wide software licenses where there is little barrier to exiting a software license currently held by the company for the same software. Without an IT asset manager, the company may not know it can exit the license (if it even knows it is bound by one).

Service Provider Management

Once the outsourcing contract has been signed it may seem that the job of the IT asset manager appears to be complete.

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tomers and service provider. To allow the service provider alone to manage the relationship would be like allowing the fox to guard the henhouse.

Although there are differing risks and responsibilities, the outsourcing agreement is at heart a large, complex technology asset and services agreement. For example, under an outsourcing agreement, the scope of control by one service provider will generally be greater than that held by any single vendor prior to the outsourcing. In addition, the units of charge will generally have changed to be based on the amount of service consumed (output-based) under an outsourcing agreement rather than based on the fixed-costs to provide the service (input-based). In most cases, the IT asset manager is ideally suited to manage the service provider as the IT asset manager is already skilled in managing the company's existing vendors and the underlying contracts for the equipment, software, and service contracts of the company prior to the outsourcing.

It is of course possible to outsource without the assistance of an IT asset manager. The result, however, is often a longer negotiation process that results in a higher price, a lower level of service, and a less well-managed relationship.