

# Good Outsourcer, Bad Contract: What Performance and Capacity Planners Need to Know

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# Abstract

With outsourcers playing a larger role in your business operation, making sure you have the right contract written up becomes vital to business success. But how do you make this happen? What needs to be in place to ensure that you get the service you paid for and expect? Performance and capacity planners are instrumental in drafting this contract; learn what you need to know so you can avoid the slough of outsourcer disillusionment.

# Agenda

- My background
- Types of outsourcing
- Pitfalls
- Solutions
- Getting in the door
- Q&A
- Summary





Architect

Capacity  
Planner

Performance  
Analyst

Programmer

Liaison



# Why You Outsource



# Types of Outsourcing

Applications

Systems

Datacenter

In-Shore

Off-Shore

# Application

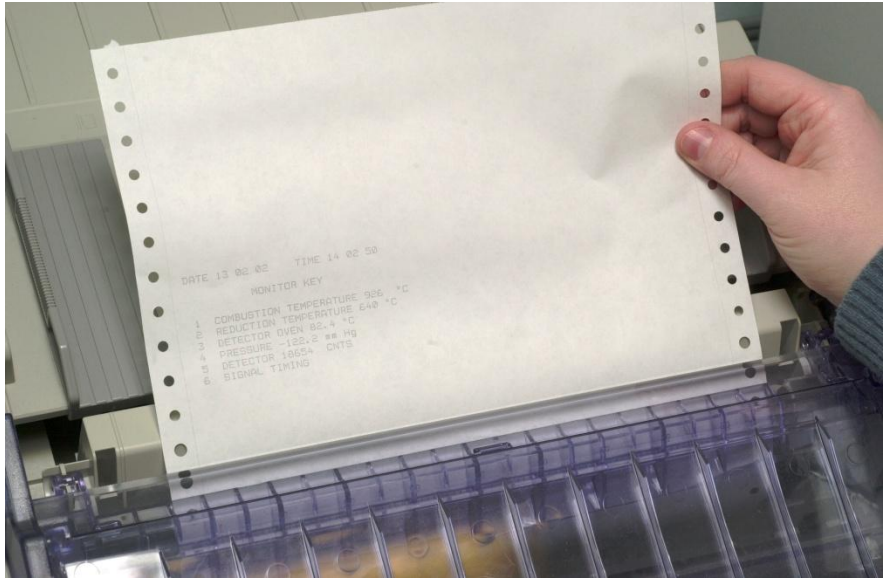
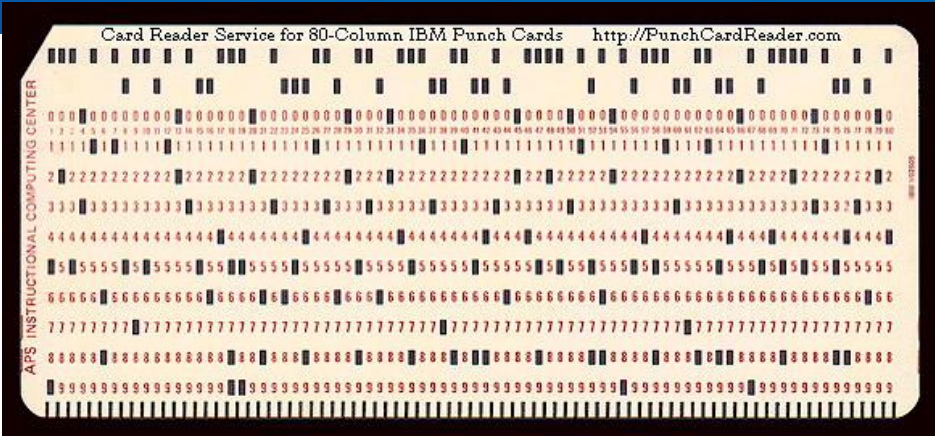
	<b>System /360 Assembler</b> Programmschema		
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Programmierer		Zeichen	
Datum		Lochung	

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# Systems





# Datacenter



# InShore versus Offshore



# Pitfalls



**OCO?**

**DESIGN?**

**VISIBILITY**

**SCALABILITY?**

**TOOLS?**

# System



**Reporting**

**Design?**

**Visibility**

**Expertise**

**SLAs**

**Terminology**

**Competitors**



# Datacenter - anywhere

**Skill Set**

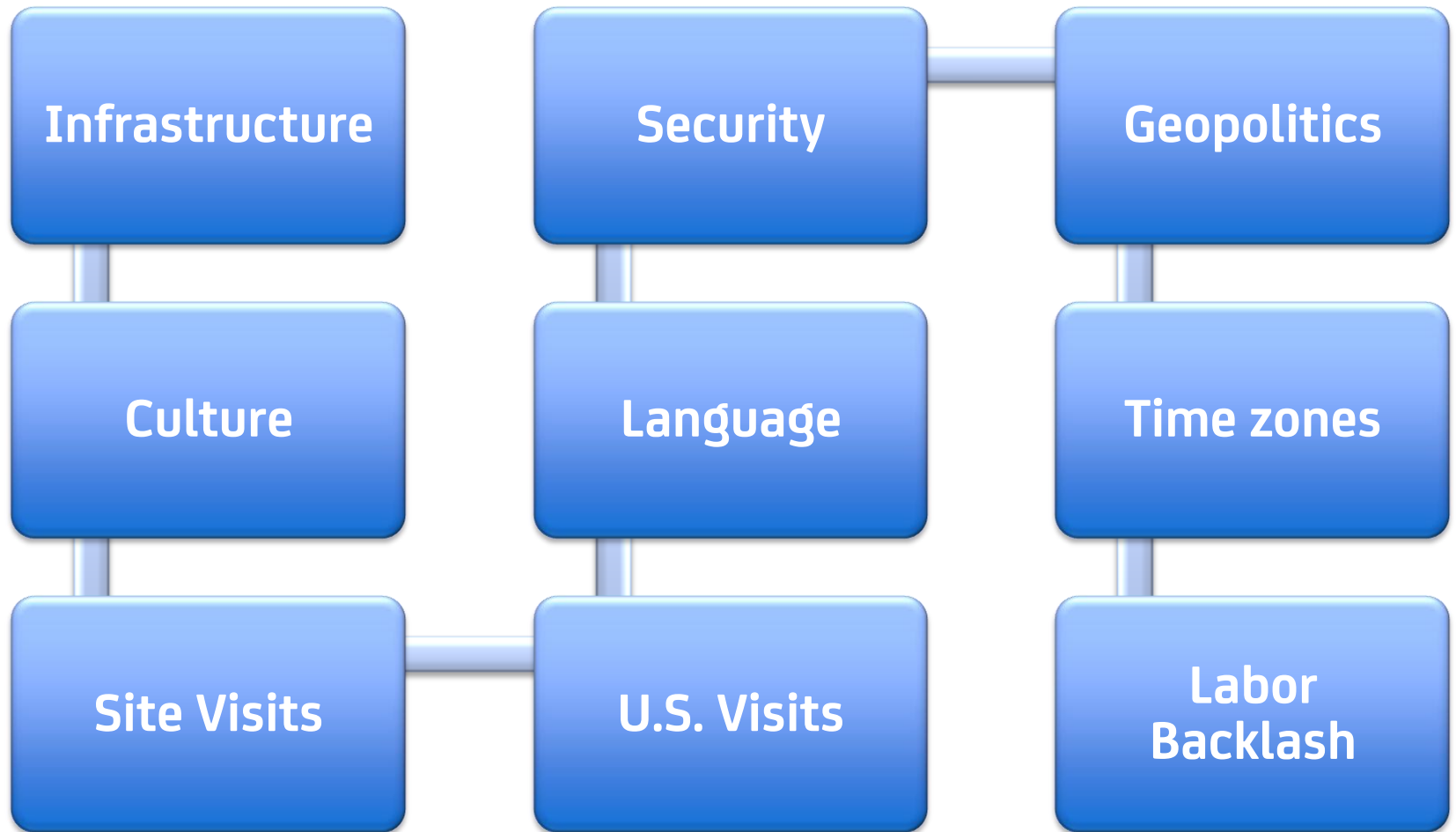
**Objectivity**

**Prices**

**Reputation**

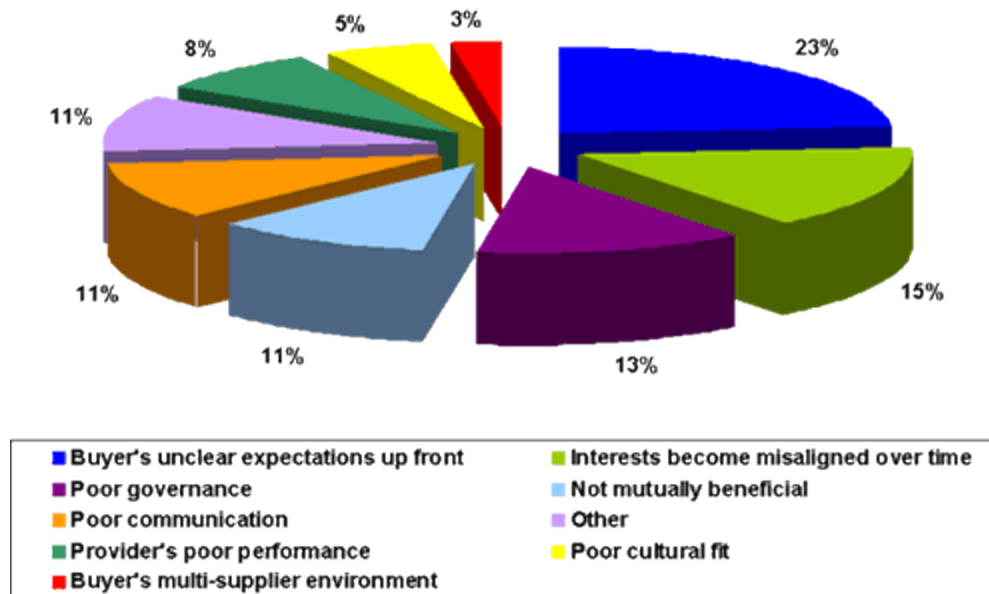
**Termination**

# Datacenter - offshore



# Know the Studies

Figure 1:  
Most Frequent Cause of Outsourcing Failures  
as reported in Outsourcing Center 2004 survey

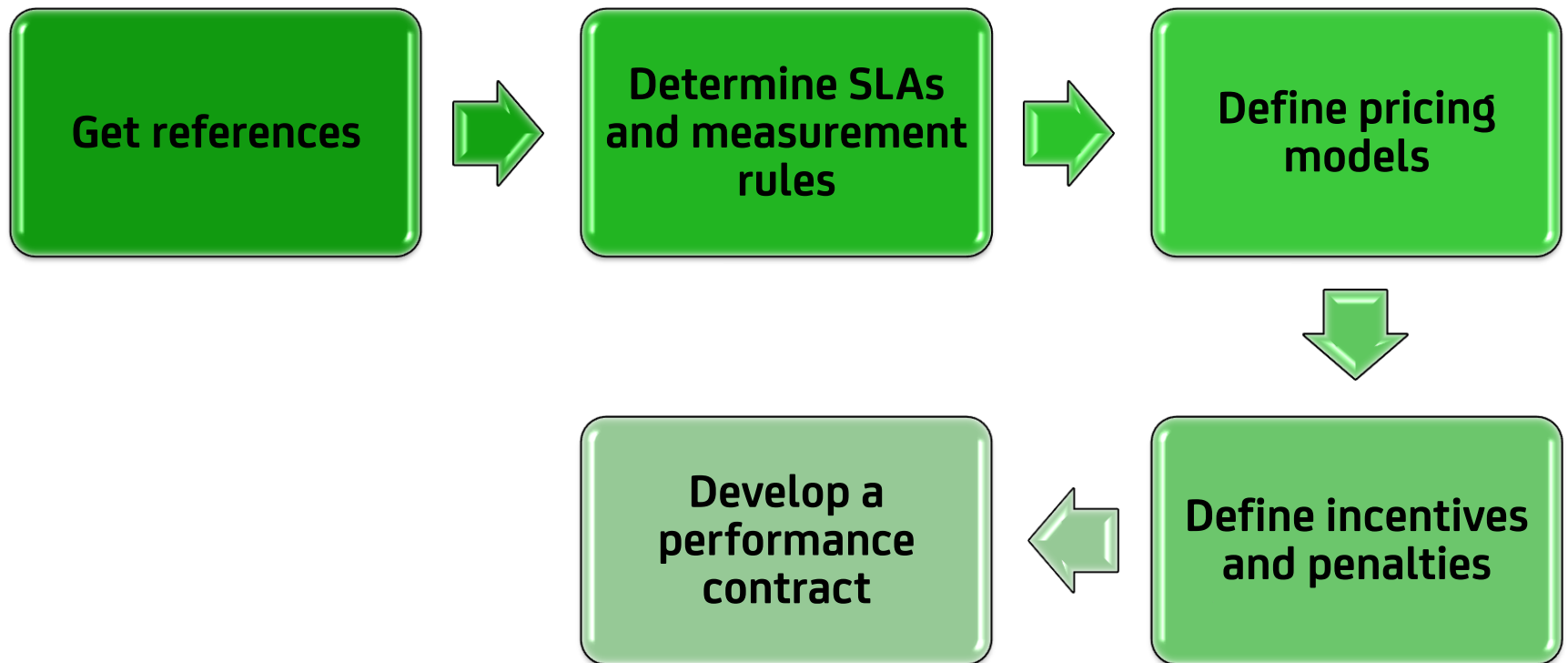


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<http://www.outsourcing-best-practices.com/failures.html>

# Opportunities

# Doing it Right





# Objectives

- Know what you want
- Know who can deliver it
- Know how to measure it
- Know how long it will take to create, deliver, convert....



# Performance Standards

- System Availability
- Response Time
- Tape Mount Response Time
- Scheduled Batch Production Complete
- Demand Batch Processing Initiation

# Sample Legal Verbiage

“Because the Client’s IS services are typically being rendered, prior to outsourcing to the Vendor, on a very different equipment configuration, with very different economies of scale, the existing performance measurements and costing the Client has been using to manage the operations may need to be significantly redefined in the outsourcing agreement. Definition of performance measurements may require significant negotiation, as the Client will typically be accustomed only to the performance measurements and costing models that it has previously used in its business, which may bear little relation to the range of performance measurements and costing models the Vendor will wish to use.”

# Service Level Penalties

- Earn-back provision
- Weighting of performance standards



# Risk Management

## ID

- Define risks
- Ex. Lack of resources, schedules, communication, culture

## Analyze

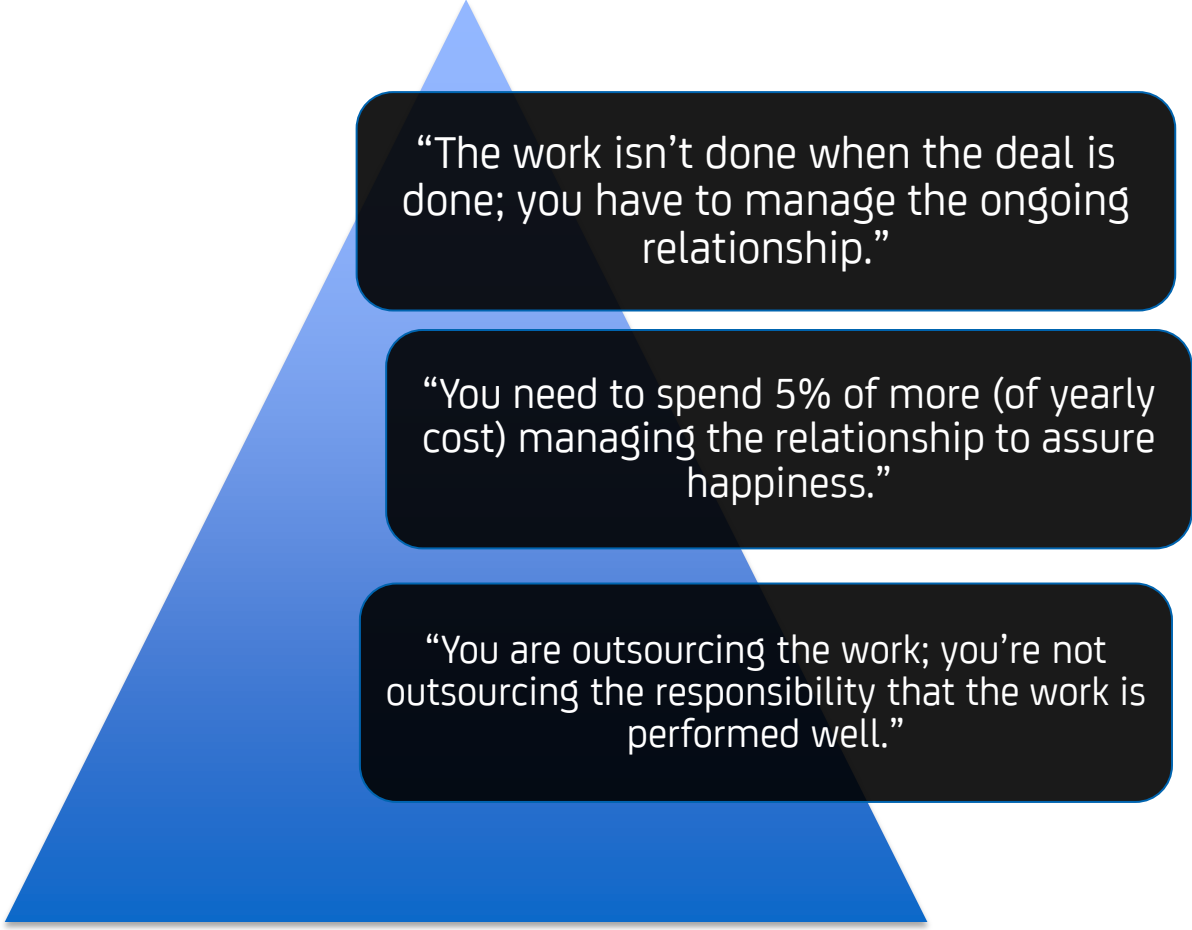
- Quantify each risk for cost and likelihood
- Create plan to address each risk

## Manage

- Track issues as they arise
- Monitor for new and known risks



# Relationship Management



“The work isn’t done when the deal is done; you have to manage the ongoing relationship.”

“You need to spend 5% of more (of yearly cost) managing the relationship to assure happiness.”

“You are outsourcing the work; you’re not outsourcing the responsibility that the work is performed well.”

Stan Lepeak, Mgmt Director of Research, Equa Terra

# Communicate



# Plan for the End

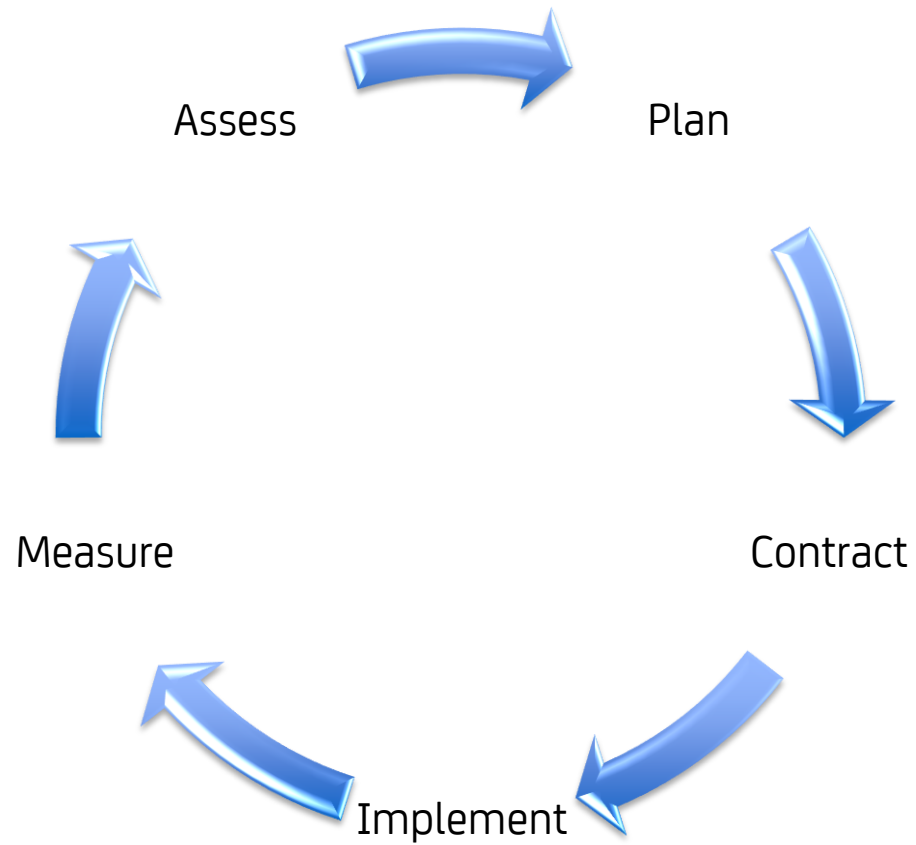
- Clearly define terms upfront
- Define termination rights and procedures
- Insist on legal review



# Q & A



# Summary





Failing to plan is planning to fail.

Alan Lakein



# Adventure is just bad planning.

## Roald Amundsen

