

Outsourcing – Lecture 2

1. **WHY OUTSOURCE** - The act of obtaining services from an external source
 - Allows companies to focus on their core competencies
 - Increases the bargaining power of buyers that lead to competitive pricing
 - Increases the speed to market
 - Ability to scale with demand
 - Flight from CAPEX to OPEX {Capital Expenditures to Operating Expenses}
 - Business Process Outsourcing (BPO):
 - When an organisation turns over the management of a particular business process/function (such as accounting or payroll) to a 3rd party that specialises in that process .
 - The underlying conventional wisdom is that the BPO firm can complete the process more efficiently, leaving the original firm free to concentrate on its core competency
1. **ON-SHORING/HOME-SHORING**
 - Process of engaging another company within your country for services. In Australia, Onshore means contracting an Australian company to supply business services
2. **NEARSHORING**
 - Contracting a company in a nearby country, often one that shares a border
3. **OFFSHORING**
 - Contracting with a company that is geographically distant
4. **BEST-SHORING**
 - A term recently coined to describe which “shore” will offer better communication, higher productivity and reasonable costs
2. **BENEFITS AND RISKS** – bring greater value to customer/increase productivity
 - Increase sales opportunities
 - Reduce annual costs almost immediately
 - Enable business to focus on core competencies
 - Reduce or eliminate customer complaints
 - Increase customer loyalty
 - Free up resources
3. **PROCESS A COMPANY MIGHT USE FOR OUTSOURCING IT**
 1. Select an outsourcing model
 - Commodity – Specified features as delivered
 - Focus: Price and performance levels for the product
 - Association – Specified features as delivered + future support including features, not yet known, in upgrades
 - Focus: Price and performance levels for the product + the characteristics of and the relationship with the vendor
 2. Refine the requirements – Mandatory/Desirable Features
 - Product Features = Functional: what it does vs. Operational: how it works
 - Functional Features = Process/Data
 - Operational Features = Contract compliance, cost, interoperability, laws & regulations, maintainability, performance, product flexibility, security, usability
 3. Build a comparison matrix
 4. Specify a rating process
 5. Write an RFP
 6. Prepare and evaluate potential solutions
 7. Select, justify and demo the recommended solution
4. **HOW TO ORGANISE A WIN/WIN SOLUTION WITH AN OUTSOURCER**
5. **HUMAN ISSUES**
6. **CONTRACT TYPES AND DURATION**
 - Software License Types: Single Station; Single User; Network; Site
 - Lifetime vs. Fixed Period License
7. **BIDDING PROCESS: [RFI], [RFQ], [RFP]**
 - Request for information (RFI) - describes problem or need and asks for information
 - Request for quote (RFQ) - describes specifications; asks for price and conditions

- Request for proposal (RFP) - describes background and specification; asks how vendor will work with the client to solve the problem

8. **VENDOR SELECTION**

- Vendor features:
 - Vendor stability - staying in business over the life cycle of the product
 - Vendor support – providing a local office, strong balance sheet, good profits, patent/copyright protection, core group of talented employees
 - Vendor delivery record – meeting deadlines in timely fashion
- Features Evaluations
- Ranking Methods: Features list, Weighted Points, Economic value rating

The Global IT Industry – Lecture 3

1. GLOBAL BUSINESS STRATEGIES

- Global IT business strategies must include detailed information on the application of information technology across the organisation
- IT systems depend on global business drivers such as:
 - The nature of the industry
 - Competitive factors
 - Environmental forces

2. FOUR GLOBAL IT BUSINESS DRIVERS THAT SHOULD BE INCLUDED IN ALL IT STRATEGIES

- Global Customers
 - Customers who travel or companies with global operations and globe IT systems help provide fast, convenient, homogenous service
- Global Products
 - Products are the same worldwide
 - Global IT can help manage worldwide marketing sales and quality control
- Global Collaboration
 - The knowledge and expertise of colleagues in a global company can only be accessed, shared and organised by global IT systems
- Global Operations and resources
 - Common equipment, facilities, assembly processes, and people are shared by a global company and IT can track shared resources, geographic flexibility, operations, and global supply chains

3. GLOBAL ENTERPRISE ARCHITECTURES

- Enterprise Architecture – the plans for how an organisation will build, deploy, use, and share its data, processes, and IT assets
- Organisation must manage global enterprise architecture to support its global business operations

4. GLOBAL ENTERPRISE ARCHITECTURES WHEN EXPANDING OPERATIONS ABROAD

- Network
 - Improving operational efficiency
 - Dealing with different networks
 - Controlling data communication security
- Regulatory Issues
 - Dealing with trans-border data flow (TDF) restrictions
 - Managing international telecommunication regulations
 - Handling international politics
- Technology and Country-Oriented Issues
 - Managing network infrastructure
 - Managing international integration of technologies
 - Reconciling national differences
 - Dealing with international structures

5. CULTURAL, POLITICAL, AND GEO-ECONOMIC CHALLENGES

- Cultural Challenges – to do with differing/conflicting cultures
 - Languages; Cultural interests/preferences; Religions; Customs; Social attitudes; Political philosophies
 - It means that due to different languages/preferences of different cultures, e.g. a global website/server/laws
- Political Challenges – to do with different policies/law/politics/country governance/rules & regulations
 - Numerous rules and regulations surrounding data transfers across national boundaries (especially personal information), e.g. if the data is collected in one country, then it is that country's property, any transfer of that data out of the country requires passage of regulations/taxation/payments
 - Tax implications; Hardware and software importing and exporting; Trade agreements

- Geo-economic Challenges (geographic, economic) - refers to the effects of geography on the economic realities of international business activities
 - Even with instant communication via internet, setting up an overseas branch and/or travelling the physical distance of the globe create difficulties in the operation of multinational businesses
 - Time-zone, cost/style of living/travelling, labour costs

6. GOVERNANCE, COMPLIANCE AND ASSOCIATED FRAMEWORKS

- Governance – method/system of government for management/control
- Compliance – the act of conforming/acquiescing/yielding

7. GLOBAL INFORMATION ISSUES

- Businesses must have authentication, access control & encryption =>
 - That only authorised individuals gain access to the network
 - Have access to only those applications they are entitled
 - That information cannot be understood or altered while in transit

8. DIFFERENT GLOBAL INFORMATION ISSUES AN ORGANISATION MIGHT ENCOUNTER AS IT CONDUCTS BUSINESS ABROAD

- Deperimeterisation – Occurs when an organisation moves employees outside its firewall, a growing movement to change the way corporations address technology security
 - Focus: beefing up security in end-user devices and an organisation's critical information assets
- Information Privacy – Concerns the legal right or general expectation of individuals, groups, or institutions to determine for themselves, when, and to what extent, information about them is communicated to others
- Trans-border Data Flows – Occurs when business data flows across international boundaries over the telecommunications networks of global information systems
 - Viewed in most countries as a violation of sovereignty

9. GLOBAL SYSTEMS DEVELOPMENT

- Transform and customise an information system into a global application
- Set up a multinational development team
- Use centres of excellence
- Outsource the development work

10. IDENTIFY GLOBAL SYSTEM DEVELOPMENT ISSUES ORGANISATIONS SHOULD UNDERSTAND BEFORE BUILDING A GLOBAL SYSTEM

- **Strategic alignment:** Linking business and IT so they work well together. Typically, the lightning rod is the planning process, and true alignment can occur only when the corporate side of the business communicates effectively with line-of-business leaders and IT leaders about costs, reporting and impacts.
 - Aligning resources e.g. IT, human resources & etc. to the business goals
- **Risk management:** Instituting a formal risk framework that puts some rigor around how IT measures, accepts and manages risk, as well as reporting on what IT is managing in terms of risk.
- **Performance measures:** Putting structure around measuring business performance. One popular method involves instituting an IT Balanced Scorecard, which examines where IT makes a contribution in terms of achieving business goals, being a responsible user of resources and developing people. It uses both qualitative and quantitative measures to get those answers.
 - Also called KPI – Key Performance Indicator
- **Resource management:** One way to manage resources more effectively is to organize your staff more efficiently—for example, by skills instead of by line of business. This allows organizations to deploy employees to various lines of business on a demand basis.
- **Value delivery:** Making sure that the IT department does what's necessary to deliver the benefits promised at the beginning of a project or investment. The best way to get a handle on everything is by developing a process to ensure that certain functions are accelerated when the value proposition is growing, and eliminating functions when the value decreases.
 - Achieving the expected target

11. ORGANISATIONAL TRENDS – Going Green

12. VIRTUAL WORLDS – Social networks, gaming, telecommuting, Extranet