LEAWARE

Starting a collaboration with an IT supplier

Business guidance

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INTRODUCTION

As we are forced to adapt to an entirely new way of doing things, the world as we knew it has changed forever. As we continue to navigate through these unusual Covid-19 times, many of us aren't aware of the benefits of outsourcing. Outsourcing your business's support services raises questions and concerns for the majority of business owners. However, it is critical to understand how IT outsourcing can help your business grow significantly, keep your staff safe, and reduce technology costs.

Not many companies fully realize the benefits of IT outsourcing. When considering outsourcing for your business, there are questions that you need to ask yourself. Are you working at an optimum cost? Are your resources being utilized effectively? Is there a quicker, more effective way to handle this process? The advantages of outsourcing your IT services are that you can control operating costs, lower infrastructure investments, and maximize the ROI (return on investment).

This article will guide you from the moment you first decide to outsource your IT services through to the end of your collaboration. An IT service provider's collaboration process will be explained in this guide, along with some helpful advice on what to keep in mind as the relationship grows. The article will guide you through the IT outsourcing lifecycle to ensure that your outsourcing project is successful.

DECIDING TO OUTSOURCE

The first stage of outsourcing is decision making. The buying company conducts a thorough assessment of their sourcing needs. As this stage involves developing a project plan, identifying a leadership team, and reorganizing training resources, it is often the most difficult.

PROBLEMS THAT OUTSOURCING CAN SOLVE

To ensure the smooth operation of IT resource in the business, it is necessary to keep several employees with various administrative skills in the organization's staff (software setup specialist, server engineer, network installer, hardware master, technical consultant, IT designer). By using IT outsourcing services, you have access to specialists. Their extensive experience and the professionalism of the team will make your IT operations run smoothly. Using the services of a contractor provides a number of advantages:

1. Saving money – The cost of IT outsourcing is much lower than the cost of maintaining a full-time employee. Workers won't be salaried, the workplace won't need to be maintained, and you won't need to train a specialist. You do not need to make tax deductions, pay holidays, or sick leave.

2. The quality of the services provided – The specialization of an IT outsourcing company allows them to provide services of the highest quality.
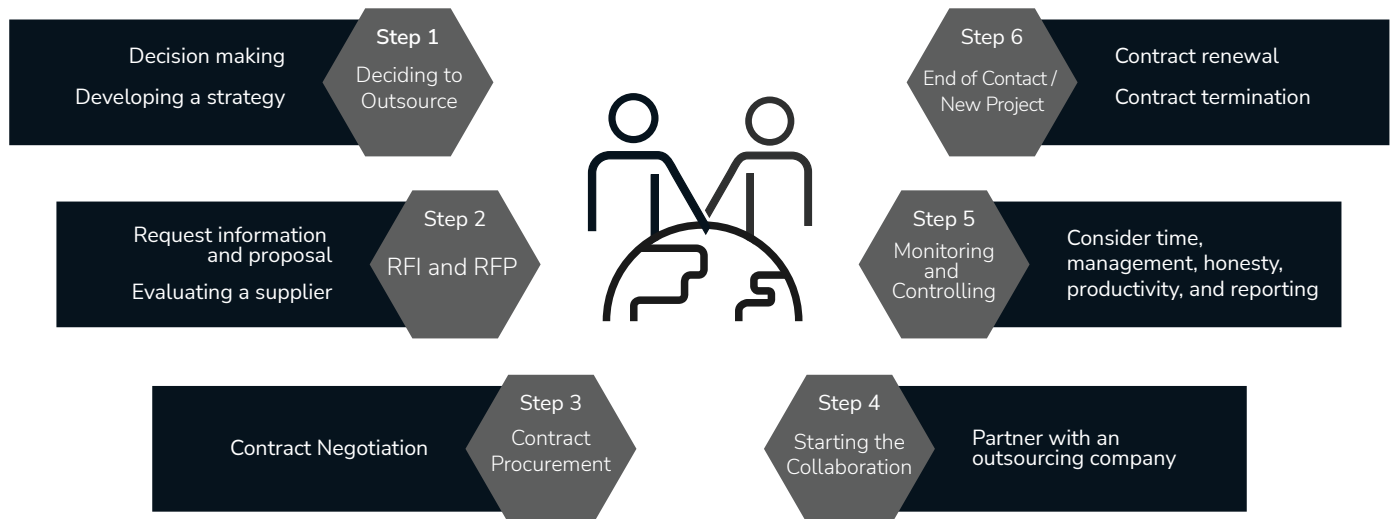
This is due to extensive experience, teamwork, the availability of the most modern equipment and software, and well-established and debugged solutions.

3. Quick response – Remote support allows you to solve all "non-physical" problems at any time and in a short time. It is convenient and beneficial for both the customer and the contractor as it significantly saves time and minimizes downtime. If on-site work is required, the incoming system administrator leaves the facility as quickly as possible.

4. Problem prevention – Comprehensive IT outsourcing involves proactive monitoring of infrastructure health. The likelihood of problems is reduced as all equipment is configured and constantly monitored.

5. Availability – If a full-time system administrator is on vacation or sick leave, technical support is always available at the time indicated by the contract.

The combination of all the advantages makes IT outsourcing a powerful tool for small, medium, and large-sized businesses.

Step 1	Step 6
Decision making / Developing a strategy — **Deciding to Outsource**	**End of Contact / New Project** — Contract renewal / Contract termination
Step 2	Step 5
Request information and proposal / Evaluating a supplier — **RFI and RFP**	**Monitoring and Controlling** — Consider time, management, honesty, productivity, and reporting
Step 3	Step 4
Contract Negotiation — **Contract Procurement**	**Starting the Collaboration** — Partner with an outsourcing company

SOFTWARE SUPPLIER VS. FREELANCER

Working with a software supplier or with a freelancer is going to depend a lot on the scope and level of detail that you require. In addition, you need to consider how you are developing your product. It is not that something is better than the other: it depends on what you need. If you work with a freelancer:

• There is no need to invest in space or material.
• It does not imply the development of a contract (sometimes).
• It is oriented according to the objectives established.
• It has wide availability.
• The cost of running your activities tends to be very little.

As you can see, it is practical to work with a freelancer, but you must evaluate that they may have limited resources so the work they can do is limited. As previously mentioned, choosing between hiring a freelancer or a software company depends on what you are looking for.

If you hire a software supplier:

• You have a wide range of products and services that you can enjoy.
• You can delegate many responsibilities.
• You get advice during the development of your product.
• You can get help in different surroundings than those related to your product.
• You can request statistics and a detailed analysis of the activities you have outsourced

As you can see, there are some aspects in which it is more appropriate to hire a freelancer or a software supplier and everything is based on what you require. Hiring a freelancer can be used to execute and delegate a series of activities that need to be done. However, if you are looking to manage, control, and measure your growth in the areas where you are advising, hiring a software company may be better for you because they may have a more consolidated approach and qualified tools.

STRATEGY DEVELOPMENT

One of the most important components in the success of an outsourcing effort is executive and management buy-in, as well as a knowledge of your goals. Having an outsourcing strategy in place can help you acquire the essential support from management, as well as give your project direction. Having a strategy will help you keep your projects on track in the long run.

The cost of the effort of outsourcing is also a significant factor to take into account. To be sure, it is important to not overlook the corporation's other non-monetary objectives, such as integrating innovation into your organization or completing regulatory requirements so that you can return to your core business.

Below are some questions that you may want to consider when considering the overarching goals of outsourcing for your strategy:

1. What are the strategic goals of the company?

2. What are the core competencies of your business and of your IT department?

3. Which IT skills do you need the most (greatest need for training, greatest difficulty in recruiting or retaining staff)?

4. What is the gap between the current state of your services or products and the expectations or needs of your customers?

5. Which product or service requires increased speed to market?

6. Do you want to use outsourcing to maintain your organization's competitive position or be the source of your competitive advantage?

IT OUTSOURCING MODELS

IT outsourcing is a practice of hiring an external team to do some or all the IT functions the client's business requires. In general, there are three kinds of contracts to choose from and these are:

Time & Materials – In this type of contract, hourly rates are established for the various members of the software team, in addition to materials, which may include items such as the purchase of a software license. Time and materials contracts are typically utilized for short-term projects and necessitate a high level of confidence between the two parties.

Fixed Price – One-time fees are common in this type of outsourcing agreement, which accounts for the entire outsourced software development job. This largely shields the customer from any additional charges incurred throughout the course of the project as a result of the provider.

Target Cost – Depending on the terms of the agreement, a project could be continuing or have an undefined scope altogether. This contract gives the supplier a lot of flexibility.

Full process outsourcing	Dedicated team	Staff augmentation

Customer's side

Vendor's side

</> Development   🄱 Team management   ★ Quality control   ⚠ Risks management

Sources on **ScienceSoft**

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SELECTING AN IT SUPPLIER

A lot of companies aren't just outsourcing in order to save money or get a competitive advantage; they're also doing it because they want to function more efficiently and have access to a pool of skilled professionals. Choosing an IT outsourcing supplier isn't rocket science. Do your research, speak with others in your field, and look at their deliverables rather than what they say they can deliver for you.

COMPLETING A REQUEST FOR INFORMATION AND A REQUEST FOR PROPOSAL

Sending a request for information (RFI) to an outsourcing provider is a way of requesting that the provider show off their skills based on high-level specifications developed by your company. It is common for businesses to use a RFI when they do not already have a small list of reliable service providers or just want to learn more about the options available. Good practice is to follow up a RFI with a request for proposal (RFP).
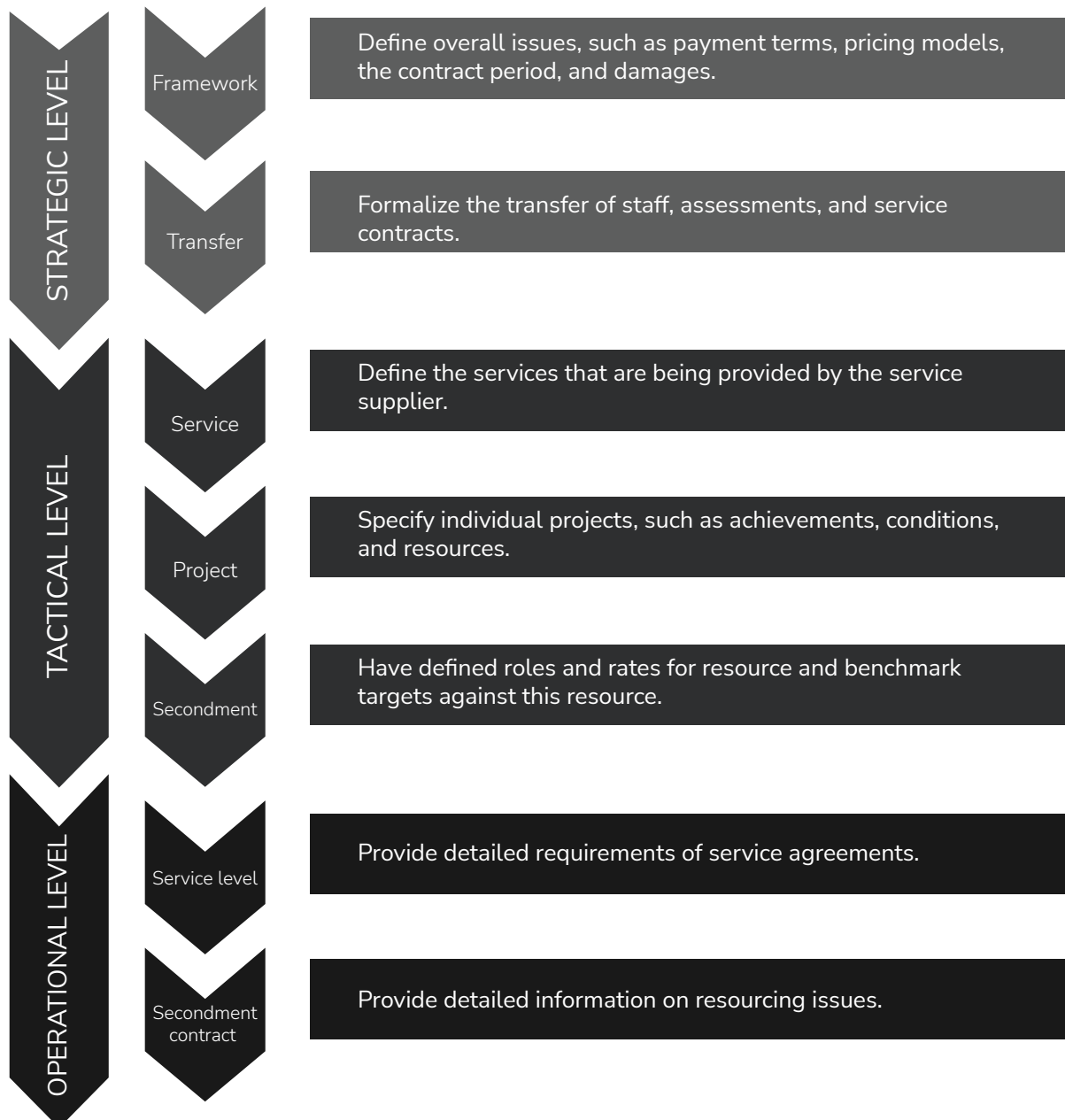
A RFP may be made without a RFI. As a general rule, the RFP is submitted to a smaller number of outsourcing organizations, such as those who have already established themselves to be good candidates for the project at hand. The RFP should be based on the principles you generated for your outsourcing strategy and contain considerably more information about what you hope to achieve.

EVALUATING IT SUPPLIERS

After receiving responses from a number of IT outsourcing businesses in response to your RFI or RFP documents, it is time to identify a number of prospective suppliers and begin the supplier comparison process. To minimize the risk of failure for your company, compare a variety of suppliers, considering variables such as the suppliers' experience, geographic location, infrastructure, and capabilities.

CONTRACT PROCUREMENT

When it comes to IT outsourcing partnerships, contracts are critical because they provide both sides with a sense of control over the partnership. Having a clearly defined outsourcing strategy can assist you in defining what is important to you and what you hope to achieve through outsourcing, which will be beneficial when negotiating contract terms and conditions.

STRATEGIC LEVEL	Framework	Define overall issues, such as payment terms, pricing models, the contract period, and damages.
	Transfer	Formalize the transfer of staff, assessments, and service contracts.
TACTICAL LEVEL	Service	Define the services that are being provided by the service supplier.
	Project	Specify individual projects, such as achievements, conditions, and resources.
	Secondment	Have defined roles and rates for resource and benchmark targets against this resource.
OPERATIONAL LEVEL	Service level	Provide detailed requirements of service agreements.
	Secondment contract	Provide detailed information on resourcing issues.

Some aspects which are extremely important but tend to get missed off the contracts include:

• Intellectual property rights, e.g. for the software that the IT company produces for you.

• Non-disclosure agreements (NDAs).

• Arrangements for how to make changes to contract terms.

• Responsibilities of each party in relationships involving more than one outsourcing provider.

• Clauses ensuring that the IT provider uses the latest technologies.

• Requirement for implementing a recognized practice on information security (e.g. ISO 27001:2013).

• Regulations on subcontractor use.

• 'Rolling forecast mechanisms' – agreeing to indicate in advance the resources required for a given project.

• Exit strategies for circumstances of contract termination, including transition plans and transfer files.

• Clear dispute resolution procedures and escalation paths.

CONTRACT NEGOTIATION

Getting everything covered in your agreements is one thing. However, having everything agreed to by an outsourced partner is another thing entirely. Having your best negotiators prepared for such a situation is essential. Leaving the talks to your legal or procurement departments may be a bad idea because they are likely to prioritize pushing a lower price. As a result, you run the danger of downplaying aspects other than the price tag that are essential to you (such as quality or specialized services), and you may also lose your potential partner as a result of your decision.

STARTING A COLLABORATION

Collaboration is defined as the process through which the company and the outsourced partner together plan and implement the software development requirement, as well as collaborate on the creation of the program. This means that when product software requirements are outsourced, they are not solely the responsibility of the contractor, rather it is a phenomenon known as the double handshake.

Reasons why collaborating with the outsourcing partner is important:

• **The company's in-house development team might not have the required skill set to complete a particular project.**

• **There might not be adequate developers available to start working on the project or even to enhance an existing one.**

• **This could help meet stringent time-to-market requirements.**

• **Collaboration with the outsourcing software developers can also help gain the understanding of their expertise on a particular project.**

Outsourcing has increased in recent years, causing a broad shift in business thinking. Rather than hiring an in-house staff to handle the same job, the company prefers to partner with an outsourcing partner to save money and time. Outsourcing your development needs and receiving the best answers to any software related challenges in a timely manner is a move every firm should take.

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MONITORING AND CONTROLLING

In the end, the project belongs to you, even if you put your trust in a software development outsourcing company. In other words, you are still responsible for the outcome even though you are not physically involved in the project. Putting a thorough monitoring system in place to ensure that everything is operating as planned is what this entails for the smart business.

Reasons why collaborating with the outsourcing partner is important:

Time management – If there is a time zone difference, is the team meeting their commitments to put in agreed hours and at agreed times?

Honesty – Are you being charged for time that wasn't actually spent working on your project, such as time spent on the internet or indulging in other activities unrelated to it?

Productivity – Is the project progressing according to the timeline agreed?

Reporting – Are you up to date with all aspects of the project's progress?

If your software team is located in a different country, it is crucial to remember that your IT partner must be trusted. You can rest assured that the final product will satisfy your requirements.

EVALUATING IT SUPPLIERS

When it comes to the success of an outsourced project, communication is essential. In order to effectively relay your vision to the outsourced team, you and colleagues who deal directly with the outsourced team must be aware of your company's goals and be excellent communicators. The outsourcer is more likely to inform you of an issue as soon as it occurs if you have built a relationship of trust and openness with them. Communication is made easier when there is trust and transparency and communication is essential for the project to move as smoothly as possible.

THE END OF THE CONTRACT AND THE NEW PROJECT

Contracts are frequently extended or renewed to include additional projects or services with high-quality IT outsourcing firms. As soon as you have decided to terminate a contract, it's time to examine if the exit strategies and transition plans specified in the contract are working. In order to benefit from your outsourcing experiences in the future, you should keep a 'lessons learned' document in your firm.

When a contract comes to an end, a choice must be made as to what should be done next. There are three possibilities:

- Contract extension – the same contract is extended for another period.

- Contract renewal – a new contract is drafted.

- Contract termination – contract is terminated and the cooperation ends.

CONCLUSION

Although outsourcing has traditionally been seen as a way for businesses to cut costs and improve efficiencies, it is increasingly being viewed as a strategic tool for growth. In order to gain a competitive edge, companies know that IT outsourcing some functions can provide businesses with access to expertise and innovative technologies that they do not have in-house. It can also allow them to deliver products or services more quickly. Although IT outsourcing is extremely complex, and there are a number of things to be aware of before beginning the collaboration, the cost-effectiveness and increased workload flexibility make IT outsourcing the preferred choice for businesses.

ABOUT THE AUTHORS

Since 2010, LEAWARE has been helping start-ups and already established companies build and develop their digital solutions, making them grow, boost their businesses, and succeed.

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