

# Lifecycle Series: Sourcing

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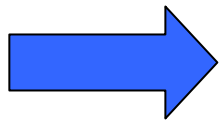
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# Agenda



- Sourcing Decision & Best Practices
- Contracts & Negotiations
- Running a Smooth Relationship

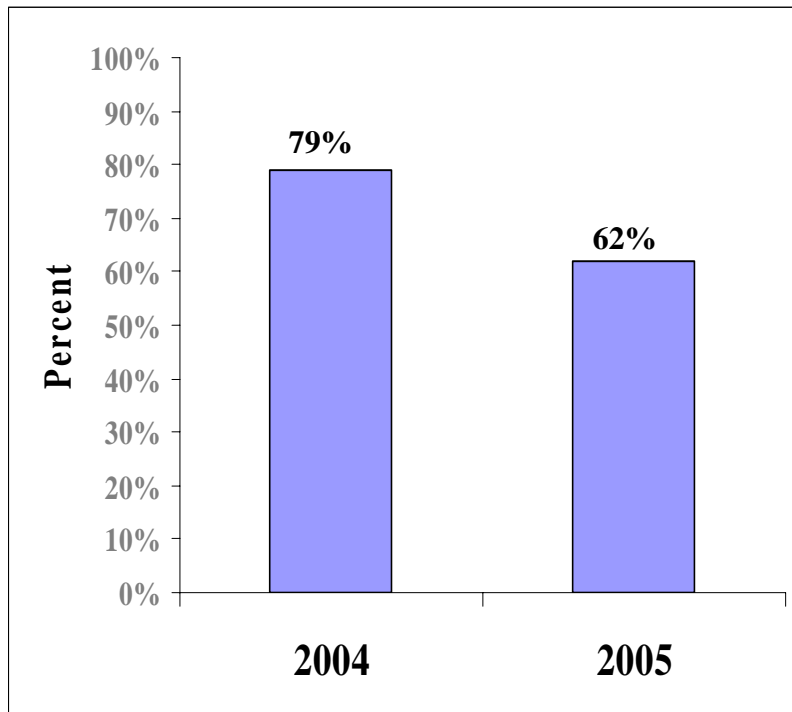
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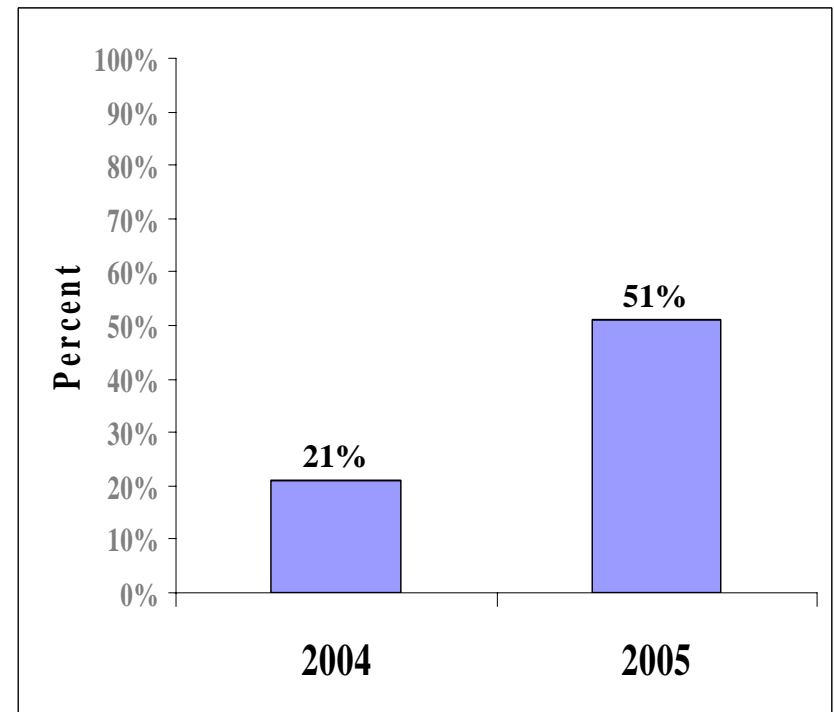
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# Sourcing Decision Importance

## Offshore Satisfaction



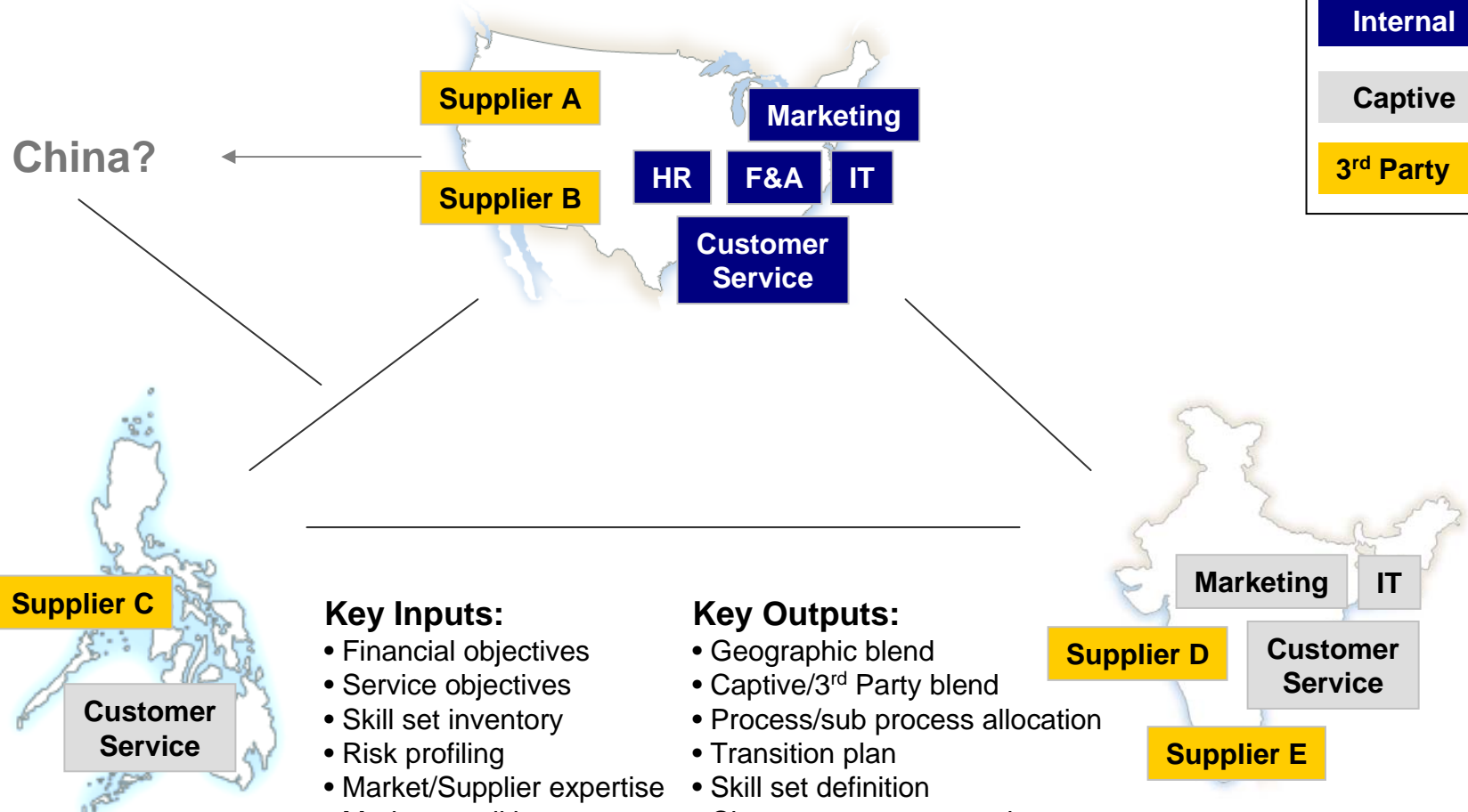
## Abnormal Terminations



Source: DCII 2005 Outsourcing Study

# Best Practices – End State

<b>Internal</b>
Captive
<b>3<sup>rd</sup> Party</b>

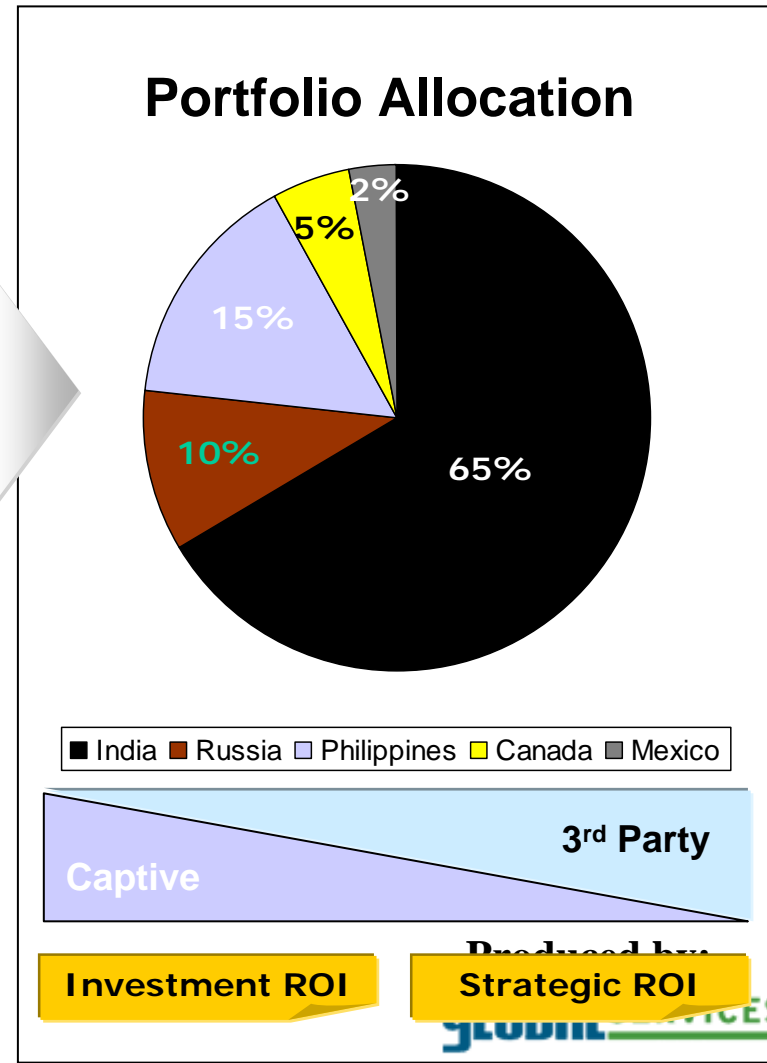
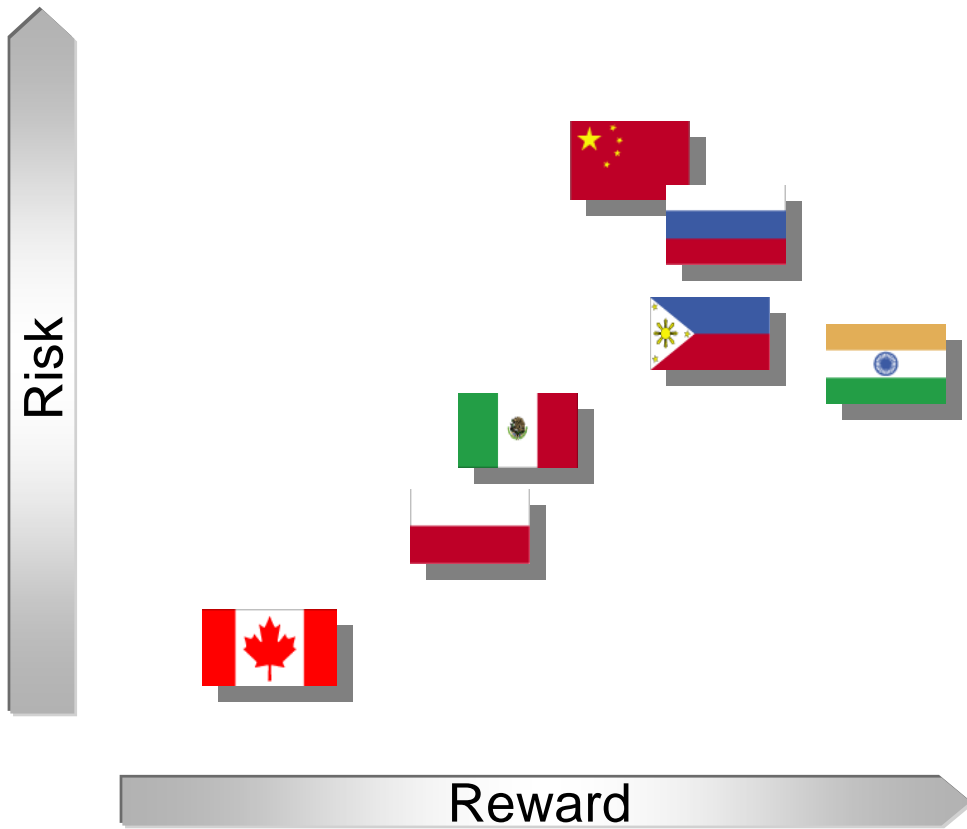


- Key Inputs:**
- Financial objectives
  - Service objectives
  - Skill set inventory
  - Risk profiling
  - Market/Supplier expertise
  - Market conditions
  - Organizational readiness

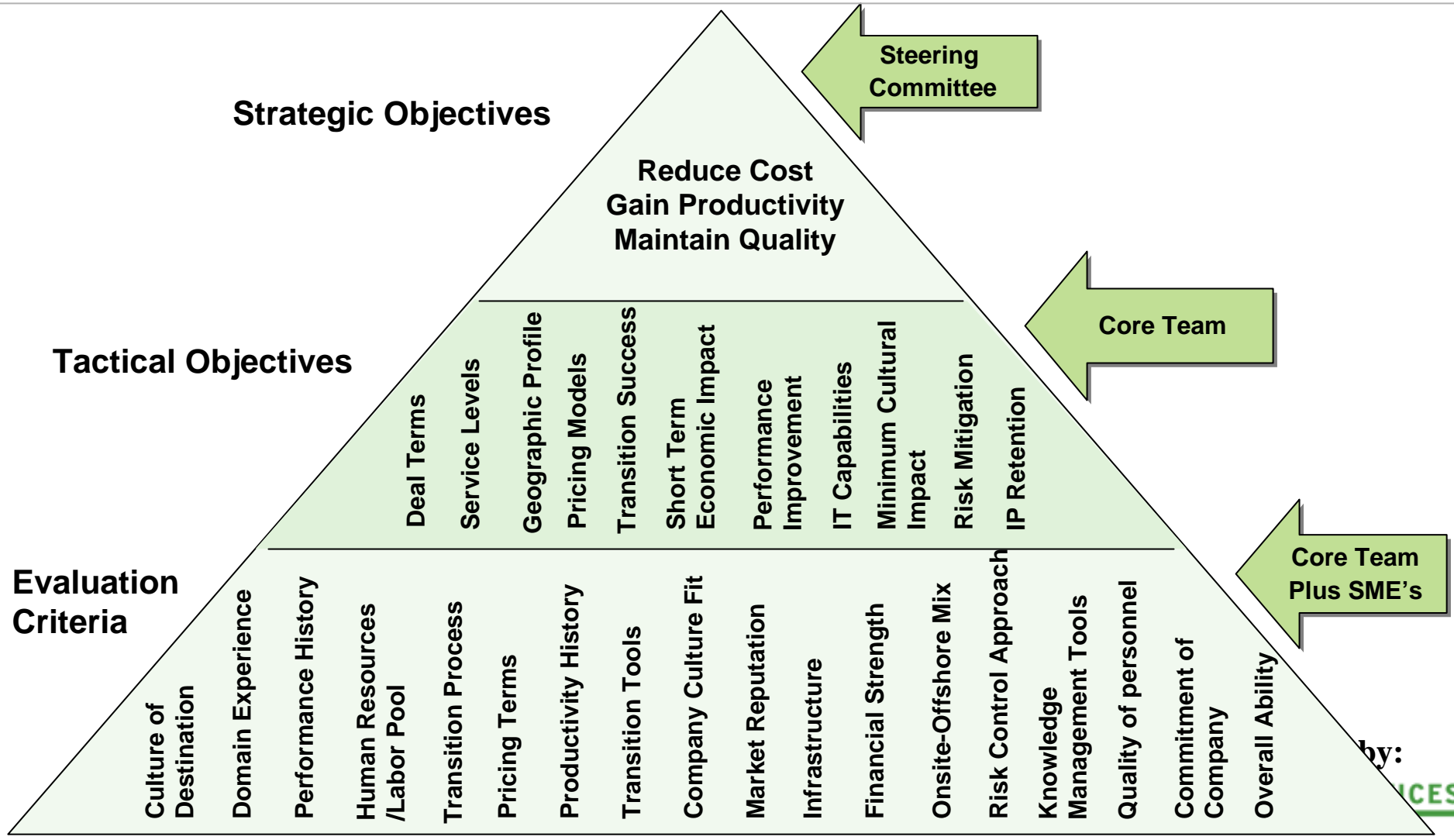
- Key Outputs:**
- Geographic blend
  - Captive/3<sup>rd</sup> Party blend
  - Process/sub process allocation
  - Transition plan
  - Skill set definition
  - Change management plan
  - Governance model
  - Risk mitigation approach
  - Expected measurable results

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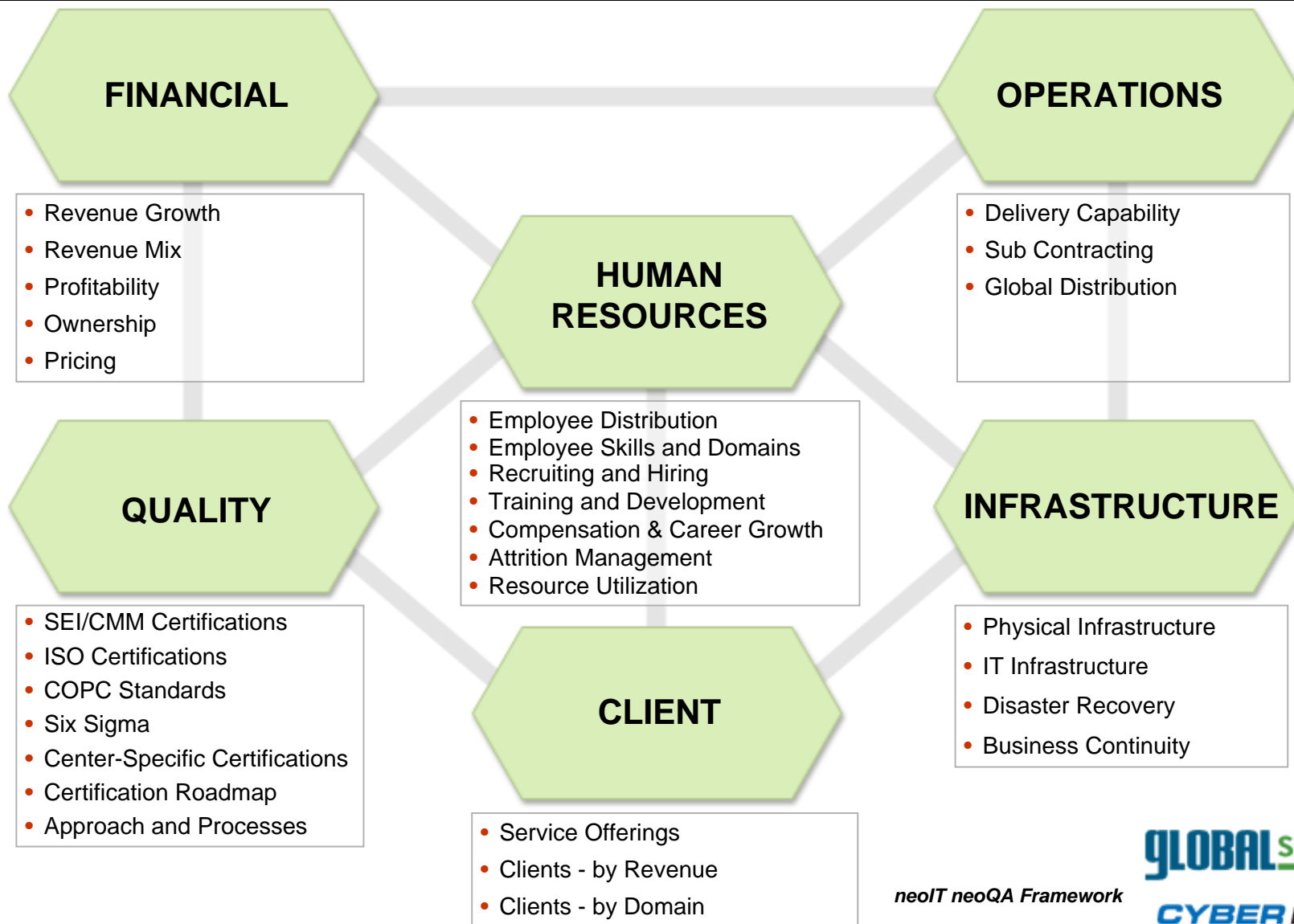
# Best Practices - Portfolio



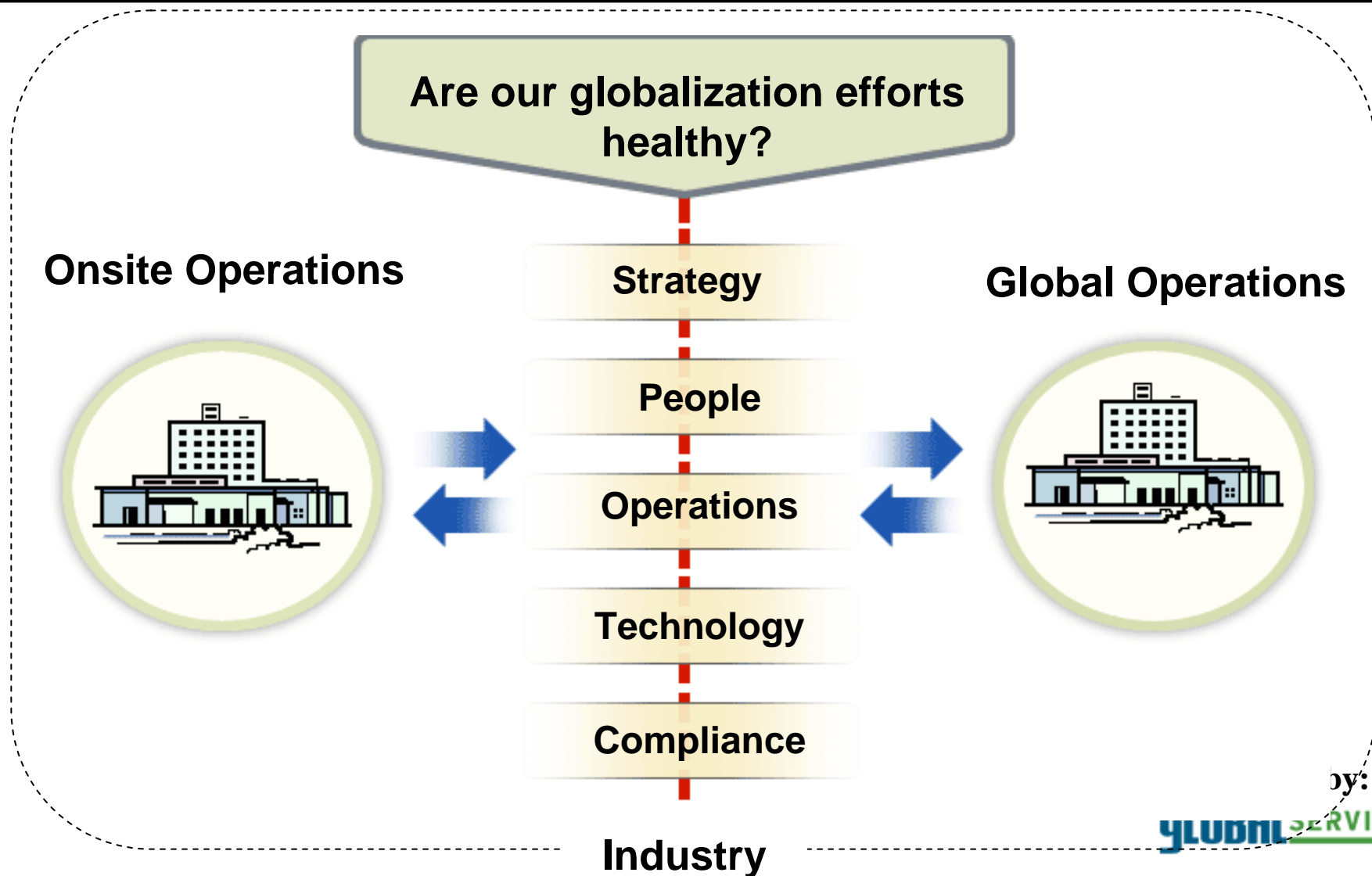
# Best Practices - Evaluation



# Best Practices – Due Diligence

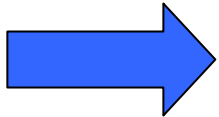


# Best Practices – Audit



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# Contracts & Negotiation

	TRANSACTIONAL	ENHANCED TRANSACTIONAL	COLLABORATIVE	PARTNERING
<b>NATURE OF SERVICES</b>	Commodity price and services	Moderate customization of services	Customized services	Customized services
<b>NATURE OF SERVICE PROVIDERS</b>	Many interchangeable service providers	Some specialized knowledge Many qualified service providers	Requires specialized skills not generally available	Specialized skills Capable of operating as an integrated business partner
<b>SPECIFICITY OF DELIVERABLES, RISKS AND REWARDS</b>	Highly specified deliverables	Some flexibility with deliverable, and associated services and service levels	Deliverables are solutions oriented	Structured around the concepts of shared investment and risk
<b>CONTROL OF DELIVERY</b>	Tight customer control of the method and manner of delivery	Mostly, Vendor controls the method and manner of delivery	Service provider controls the method and manner	Flexible

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# Contracts & Negotiation

## UNDERSTANDING AND MANAGING OFFSHORE RISK

- Geopolitical risk
- Immaturity of offshore providers
- Immaturity of offshore offerings
- Fear of the unknown
- Managing around the world
- Cultural and language differences
- Legal and regulatory risk
- Logistics risk
- Public relations risks

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# Contracts & Negotiation

## RISK MITIGATION STRATEGIES

- Pilot programs
- Shorter term
- Use of multiple vendors
- Use of U.S. based vendors
- Geographic dispersion
- Disaster recovery and business continuity planning
- Redundancy of infrastructure, including communications
- Mix of on-shore, off-shore delivery
- Extended transition
- Exit strategies

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# Contracts & Negotiation

## KEY CONTRACT TERMS TO MANAGE RISK

- Right to in-source or use third parties
- Right to approve or remove personnel
- Right to dispute charges and withhold payment
- Requiring continuity of service pending dispute resolution
- Termination for convenience with minimal termination charges
- Partial termination for convenience or cause
- Termination assistance provisions

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# Contracts & Negotiation

## PRICE PROTECTION

- Pricing structure
- Right to insource or use third parties
- Benchmarking
- Most favored customer
- Extraordinary events
- Working within the base case
- Evolution of services
- Incentives to reduce cost
- COLA
- Foreign exchange
- Currency translation

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# Contracts & Negotiation

## KEY LEGAL ISSUES

- SOX
- Data privacy
- Data ownership
- Intellectual property
- Non-competes
- Customs and duties
- Local country restrictions related to assets, people, or business
- Controlling law
- Jurisdiction and enforcement
- Export Administration Regulations – applicable to encryption technology and certain equipment
- International Traffic in Arms Regulations
- Embargoes
  - Countries
  - Individuals on Treasury's SDN list
- FCPA

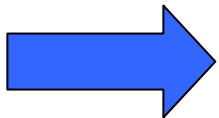
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# Offshore at TCS

- Offshore – Not – Outsource
- Initiated Offshore in 1993
  - Large projects: (Macro to command)
  - Small projects: (Repetitious / mundane)
  - Legacy only: (New technology development onsite)
- Year 2000
- PeopleSoft Conversion
- Assembler Conversions
- Staff Augmentation
- Baby Boomer Retirement?

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# Our Goals

- Reduce Cost
- Focus Resources on the Business
- Resource Availability
- Transitional Peaks
- Offload Repetitive or Mundane Tasks
- Hedge Against Business Downturns
- Development Support 18X5

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- Expensive & Time Consuming
- Things to Consider
  - Detail and accuracy of documentation
  - Availability of SMEs
  - Onsite pilot with offshore transition
  - Retention of initial personnel
  - Onsite project lead

*Pilots are for determining **how** it will work – **not if** it will work*

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# Relationships Communication

- Project Level
  - Process Coordination
  - Verbal communication
  - Time zone challenges
  - Frequency of video/telephone conferences
- Management Level
  - IT Governance & PMO
  - Staffing, skills and knowledge development
  - Relationships vendor management
- Executive Level
  - Meeting the primary goals of the relationship

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# Early Challenges

- Work Ethic
- Environment
- Time Off
  - Festivals, Holidays, Sick leave
- Listening Skills
  - Do they get it?
  - Do you know when they don't?
- Optimism Versus Reality

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# Management

- Hands On Is Critical
- Handshake Methodology
- Still Your Team
- Onsite Rotations
- Offshore Audits

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# Working The Model (The Game Plan)

- Strength of the Liaison is Paramount
- Ability to Communicate with Offshore
- Onsite to Offshore Ratios
- Maintaining Management and Oversight

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