



Advisor

Out-Tasking As an Alternative to Traditional Outsourcing

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Given the poor track record of success for long-term, large-scale outsourcing agreements, it is no wonder that a growing number of organizations are seriously considering taking a new path for their sourcing strategies. Rather than give up on the idea of outsourcing entirely, many organizations are adopting a more selective, or "out-tasking," approach aimed at downsizing the scope of their third-party agreements in order to increase the likelihood of their success.

There are a number of fundamental flaws with traditional outsourcing agreements. First, most organizations are seeking to offload IT operations that are "broken" and need significant investment in order to meet their business objectives. Yet they are hoping to gain additional business value from their IT operations at a substantially lower cost.

IT outsourcers facing intense competition have been far too willing to accommodate these doomed expectations. But in order to meet their customers' cost expectations, they have also had to impose strict change management, helpdesk support, and technology refresh policies that have generally failed to keep pace with their customers' evolving needs.

The result of these countervailing objectives has been escalating disenchantment among customers

and declining respect for out-sourcers. In many cases, failing megadeals cannot be repaired by modifying the original agreements because the outsourcer's cost structure cannot accommodate significant changes. In other cases, a level of mistrust has set in that prevents the two parties from working collaboratively to resolve the situation.

In either case, a growing number of organizations are letting their disillusionment toward large-scale outsourcing mislead them into believing that they have to "back-source" their entire IT operations in order to satisfy their business requirements. In fact, a new generation of targeted services is making it possible for organizations to selectively outsource or "out-task" specific IT management responsibilities or tasks to third-party service providers.

These out-tasking services include Software-as-a-Service (SaaS) and managed services. In the case of SaaS, a rapidly expanding array of new and established independent software vendors (ISVs) are assuming the responsibility for delivering applications so organizations can benefit from the software functionality without the deployment and administration hassles and infrastructure costs. While Salesforce.com's customer relationship management (CRM)

and salesforce automation (SFA) solutions have gained the greatest market attention, a much wider assortment of accounting, collaboration, human resource management, supply chain, and other on-demand applications can also be out-tasked today.

Managed desktop, network, server, security, storage, and other services are also gaining acceptance among customers of all sizes. Some organizations are using these services to augment their internal staff and systems. Other organizations are replacing their in-house resources with external managed services.

In addition to reducing the scope of the third-party relationship to a more manageable size, SaaS and managed service providers enable organizations to adopt their solutions on an incremental basis with variable, short-term agreements that mitigate the financial risks as well as the potential for operational disruption.

While many of the early application service providers (ASPs) and managed service providers (MSPs) disappeared in the dot.com debacle, the remnants of those models have proven to be both viable and valuable to organizations that are seeking an out-tasking alternative to traditional outsourcing arrangements.

About the Author

Jeff Kaplan is a Senior Consultant with Cutter Consortium's Sourcing & Vendor Relationships practice. He has developed expertise in helping IT enterprise decision makers with their sourcing strategies. In addition, he assists solution providers with their marketing strategies and venture firms with their investment strategies.

Formerly, Mr. Kaplan, who is founder of THINKstrategies, served as VP of Marketing and Business Development at InterOPS Management Solutions, an Internet operations management services provider. Prior to joining InterOPS, Kaplan was Director of Strategic Marketing at Lucent Technologies Worldwide Services, as a result of its acquisition of International Network Services (INS). Before his position at INS, Mr. Kaplan spent 13 years as a leading industry analyst and market research consultant at IDC, the Ledgeway Group, Dataquest, and META Group.

Mr. Kaplan is a frequent speaker at industry conferences and a contributing columnist for Mass High Tech, NetworkWorld, Business Communications Review, Computerworld, InfoWorld, InformationWeek, eWeek, and the Financial Times of London. He serves as the Site Guide for ITworld's Utility Computing Web portal and is the Outsourcing Expert for TechTarget's SearchCIO and SearchSmallBizIT. He has served on the board of advisors of CeBIT America and ComNet Expositions, and is a member of the IT Services Marketing Association. He can be reached at consulting@cutter.com.