Outsourcing IT

How to lower costs with outside service vendors **Interviewed by Chelan David**

Reducing the amount of fixed costs can work wonders on the bottom line. Usually, however, reducing a fixed cost is a dicey proposition. For example, if you cut payroll expenses, your output might decline.

That's where outsourcing comes into play. With human resource expenses typically consuming the majority of IT budgets, outsourcing some of your network needs might be a smart decision.

"When you outsource, you have a business that charges you only for the work that they do. You don't have to worry about additional payroll overhead," says Hormazd Dalal, president of Castellan Inc.

Smart Business spoke with Dalal about how to best leverage IT budgets, the benefits and drawbacks of outsourcing, and how to find a qualified technology partner.

Where is the bulk of IT budget spent in a small to medium-sized business?

Clearly, the largest expense is human resources: the cost of the engineers and network administrators that support an IT infrastructure.

In what ways do you think these costs can be mitigated?

There are several skill sets that are required to manage your IT infrastructure, which includes employees ranging from a $90,000-a-year highly experienced engineer down to the desktop-level engineer who may be earning $40,000 a year. What business owners and chief information officers need to carefully manage is where these resources are spending their time.

You don't want your high-level person running around taking care of small desktop issues. On the other hand, you don't want your low-level desktop engineers trying to fix complex issues that are related to your server and the basic core of the network.

One of the better ways to mitigate this is by deciding what you need in-house and outsourcing the other part. If you are very satisfied with one high-level engineer's strong skill set, you should outsource the desktop support. Or if you have lower-level engineers who are handling the desktops of a larger

Hormazd Dalal
President
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organization, you should outsource the core engineering.

How would you define outsourcing, and what are some of the benefits of using this approach?

By outsourcing, I mean hiring a consultant or service company that can come in and handle either your desktop or higher-level support needs. One benefit is that it can be extremely lucrative. When you outsource, you only pay for the actual hours that your support is required for.

Another benefit is that there is no risk of network engineers leaving the job and taking all of your intellectual property with them. When you outsource, you are working with a company whose engineers are cross-trained.

When outsourcing, what specific items should be included in a contract?

I don't think that you should be forced into a long-term agreement. Make sure that your contract is short-term or month-to-month. If you're unhappy with the company you hired, you should be able to fire them on the spot.

Make sure that there is a guaranteed response time to your needs. A contract is just a piece of paper, so I think that the

more important thing is checking references. When you're looking for an outsourcing partner, call companies that they are currently working with and find out if they are happy or not.

What are the drawbacks of outsourcing?

One drawback of outsourcing is that you need to match the company that is coming in and taking over with your culture and application needs. If you're strongly into ERP (enterprise resource planning) or if CRM (customer relationship management) is one of your major applications, then you want to make sure the company you hire has that expertise.

The other concern is that many business owners feel that they lose control and that their intellectual property can be accessed by outside employees. That's a distinct risk. You need to trust your network outsourcing company.

How should you choose the right company for your IT needs?

You need to match them with your applications. For example, if you have a wide-area network that's connected with Cisco routers, then you need to make sure that they have that skill set. If you are a Microsoft shop and your primary servers are running Microsoft Exchange, Microsoft CRM and Microsoft SQL, then hire a Microsoft Gold Partner or someone who has the backing of the software manufacturer and is authorized, trained and skilled in working with these applications.

How important is it to have the support of the manufacturers when you outsource?

It is important to outsource to a company that has access to the support of the software manufacturers. A Microsoft Gold Partner has direct access to top-tier support at Microsoft for mission-critical troubleshooting.

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