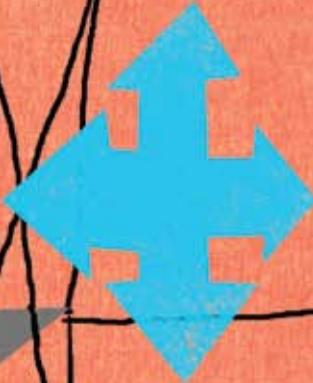


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# Escaping Services Addiction

Going in with an exit strategy and exploring alternatives promote self-sufficiency and can save money

**H**ELLO, MY NAME IS DAN, AND I'M A SERVICES addict. ("Hi, Dan"...)

Your department is in a bad way. You must roll out a major enterprise app on a tight deadline and you don't have the bodies to pull it off. So you borrow some money from next year's budget and hire a global services firm to help. "Relax," the services folks say. "We got your back. Nothing to worry about. And, while we're here, is there anything else we can do for you?"

Before you know it, a small army of consultants is bivouacked in your offices, "chilling and billing," says Patrick Gray, president of the Prevoyance Group and a former Big Four consultant.

It gets worse. Pretty soon the consultants know more about your apps than you do, and you need their help to keep everything running. Meanwhile, they've identified six other critical faults in your IT infrastructure that must be addressed immediately if not sooner.

You're gonna have to face it, you're addicted to services. But there is a way out. Our 12-step program can help wean you off unhealthy dependencies on service providers, consultants, and outsourcers — without having to check into the Betty Ford Clinic or make a tearful confession on Oprah.

As with all 12-step programs, your first step is to. ...

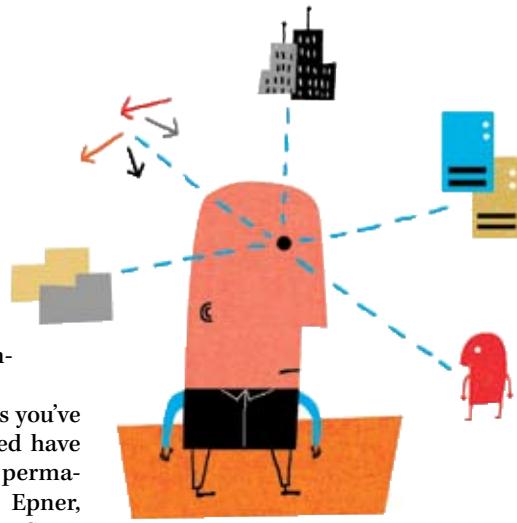
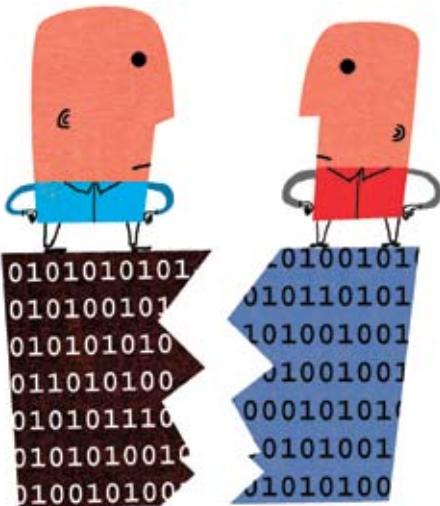
BY DAN TYNAN | ILLUSTRATIONS BY JAMES YANG

### Step No. 1 Admit You Have a Problem

How do you know if you've developed a dangerous dependency on service providers?

"One sign is when the temps you've hired to fill a short-term need have been there longer than your permanent employees," says Steve Epner, who founded the Independent Computer Consultants Association 30 years ago and is now a graduate student at Purdue University. "The other sign is when you can't afford to let a consultant go because they own all the knowledge of your processes and it would be difficult to run the business without them."

Other obvious clues? When you find yourself granting second and third chances after a consultant has screwed up, or you've lost track of how much your services habit has cost you, says Darius Brown, president of the Boland Hill Group and a former consultant at Andersen and PricewaterhouseCoopers. "If you need a consultant to tell you how much you've spent on consultants, you've spent too much," he says.



### Step No. 2 Make A Fearless Inventory of Your Company's Needs

Once you've copped to your consulting habit, it's time for some soul-searching, says Pamela Harper, president of Business Advancement and author of *Preventing Strategic Gridlock*. What services do you absolutely need to outsource, and what can you bring in-house?

Many firms get locked into consulting arrangements because they've made basic assumptions that may not be true, Harper says. They may think, for example, that they can't meet their objectives without the help of a consultant, or they might assume they must have a certain kind of help.

"Another may be that you absolutely have to meet a specific objective, such as cutting costs," Harper says. "But that may not be your only objective or your most important one. If you need to get a product out the door in six months, you may need to invest rather than cut."

### Step No. 3 Don't Let Money Already Spent Spook You

Many organizations are afraid to let a service provider go because they've already sunk so much money into it. That's a losing strategy, Gray says.

"You've got to look at what value the consultant has delivered, not how much money you've spent," Gray says. "It's like the stock market or gambling: pumping

more money onto the craps table won't suddenly make your luck turn." Instead, think of it as an investment in knowledge. Even if the project was a disaster, there's usually something you can learn from the experience, Gray says.

### Step No. 4 Limit Your Engagements

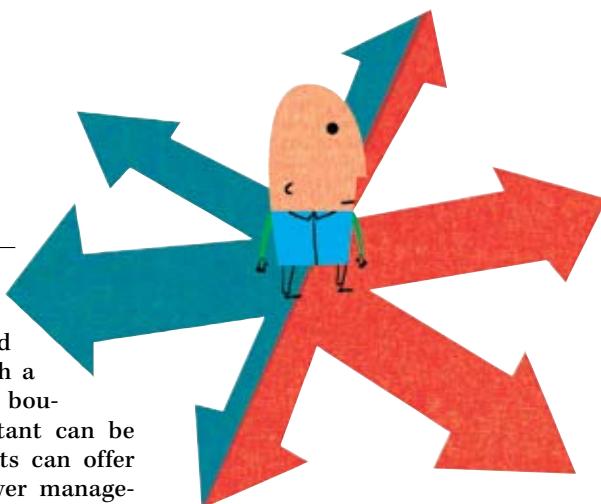
Weaning yourself off consultants doesn't mean going cold turkey or even just avoiding the Big Four. Sometimes a project will need the kind of people power or generalized know-how a big outside firm can bring.

"When we had 375 workstations that needed to be turned over, we hired a consulting firm to help us," says Monty Burdette, regional director of IT at Loews Hotels at Universal Orlando resort. "My staff was not going to gain any knowledge by boxing up old systems and shipping them off. It would have hurt their ability to do the rest of their jobs."

When Loews needed to consolidate its server farm last December, it engaged Optimus Solutions to help make the transition to VM and blade systems. But Burdette was clear that Optimus was there to help his four-person IT staff, not replace it.

"We weren't looking for someone to come in and take over, we were looking for a partner — someone to assist with the configuration, implementation, and training my staff," Burdette says.

Outsourcing basic IT functions is a good idea for small companies that don't have or need a dedicated tech department, Epner says. If the skills that companies seek are commodities, they should shop for service providers that offer the best price. But as firms get bigger and IT gets more strategic, Epner says it's better to bring those skills in-house.



### Step No.5 Seek Out Expertise

If you need specialized knowledge or help with a specific application, a boutique or niche consultant can be a better call. Specialists can offer deeper knowledge, lower management overhead, and more flexibility, says Thomas Reinsel, CEO of Pepperweed Consulting, which specializes in IT management design and implementation.

“Hiring a Big Four firm is like hiring a battleship,” Reinsel says. “We’re more like a Special Forces team — we go in, do the job, train the internal troops to accomplish their mission, and hopefully do a good enough job to be invited back as needed.”

Many one- or two-person boutiques are virtual firms that can scale to meet a project’s needs, Harper says. But niche consultants aren’t necessarily small in size. For example, AON IT Risk Management, which specializes in computer discovery and forensics for litigation firms, is a division of the \$10 billion AON. And Sierra Atlantic, a 1,000-person offshoring firm, has offices spread around the globe and provides software development services for what CEO Raju Reddy calls “the Oracle economy.”

“Using a consulting firm to do daily or weekly tasks doesn’t make any sense,” Loews Hotels’ Burdette adds. “But if I’m doing a network security audit I’ll hire an outside firm, because if I’m grading my own papers I’ll always get an A.”

### Step No. 6 Keep a Watchful Eye

Whether you need the kind of staffing or expertise an outside firm can bring, you can’t simply hire them and think

your job is done.

“While most companies diligently assess prospective consulting business partners, once [they’re] inside, the consultants are frequently given far too much room to roam,” notes Todd Ackerman, director at PRTM Management Consultants.

About a year ago, a large software firm in the Northeast brought in a Big Four firm to implement an SAP project, says Prevoyance’s Gray. Once a week they’d have a status meeting, where the Big Four project manager showed off a list with checkmarks next to all the tasks they’d accomplished. Six months later the software firm brought in another consultant to advise on the project. This consultant quickly determined that the Big Four firm had done squat; the firm had brought in a lot of people and held a lot of meetings, but the project had not moved forward an inch.

Gray says that it helps to have someone on staff who understands the tricks of the trade and can closely manage the consultants.

“Sure, you’re paying for management expertise, but you’re also paying for a service provider,” he says. “If you don’t watch your

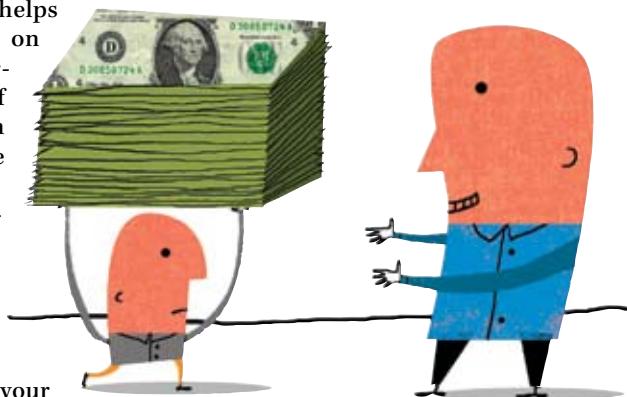
service providers and demand the excellence that they’ve promised, they may not deliver.”

### Step No. 7 Be Prepared to Buy Your Way Out

“If you’ve had a long-term relationship with a consulting firm, they may have a lot of information about your company that you don’t,” Harper says. You need to enlist the firm’s cooperation and develop a plan to transfer that know-how before you say *hasta la vista*.

The trouble is that many consulting companies — particularly large ones — tend to withhold knowledge from clients in order to keep their long-term business, says Jon Land, president of Vigilant Technologies, a tech services company. This kind of “black box” approach can end up costing you money, your intellectual property, and the ability to respond to problems and change requests, he adds.

For example, if you paid someone to write an application but didn’t secure intellectual property rights to the code, or the consultant fails to share knowledge about how a process or application operates, you may be stuck with that consulting company for a very long time. Your alternative? Pay them for that



knowledge by ponying up more consulting fees. “Money talks,” Land says. “If your information is already being held hostage, you have to look at paying the ransom.”

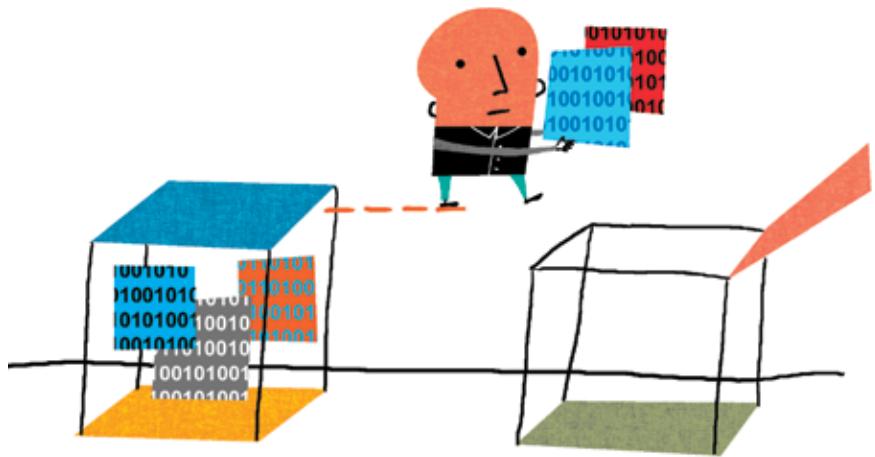
**Step No. 8 Hire Knowledge You Need** Unfortunately, knowledge transfer, training, and documentation are often neglected or left to the waning weeks of the relationship, when both parties are ready to move on. One easy way to transfer knowledge is to hire the consultants who have it, Epner suggests. If consultants are reluctant to sign on or their employers won’t let them go, you can ask the firm to help you hire and train someone to take their place.

“This can give organizations the sense of security they need, while letting the service provider know you’re not just throwing them out the door,” Epner says. “They know if they do a good job, you’ll come back to them the next time you need extra hands.”

Smart organizations will assign an employee to bird-dog the consultant from the start and learn everything there is to know about a service or application. But you still must carefully manage the process, Pepperweed’s Reinsel says. “It’s easy to let consultants do everything,” he adds. “Many clients don’t dedicate people to the knowledge transfer, or the employees don’t show up because they’re so busy fighting fires. Management needs to pay close attention to that.”

**Step No. 9 Start With the End in Sight: Include a “Wean Clause”**

To avoid hostage situations, smart organizations include a wean clause in every service contract that allows for knowledge transfer and a smooth transition, Land says. “In every engagement, Vigilant Technologies leaves cli-



ents with enough knowledge to decide if they want to start doing it themselves,” Land says. “We leave them with a foundation for the process and an approach toward managing it.”

You’ll also want an agreement that clearly defines the scope of the project, its goals and parameters, and how you’ll know when you’ve reached the end point, Harper says. Status meetings should be standard operating procedure. “The more you spell out at the beginning, the clearer the ending point becomes,” she notes.

**Step No. 10 Marshal Your Resources**

You can reduce the need for outsourcing by using in-house resources more efficiently. But that means figuring out exactly how well your resources are being used.

“Your first step is to get your own house in order,” says Leyla Seka, director of marketing at Primavera for Services, a unit of project management software vendor Primavera. “Who do you have, what are they doing, what can they be doing, and how much do you want them to do? Once you figure that out, you can do smarter sourcing.”

Primavera for Services is a Web-based app that lets organizations track how much time each employee spends on each task. So instead of hiring a contract programmer, you could use Primavera for Services to identify in-house developers who haven’t got a lot on their plates, Seka says. In that way, you could gradually transfer work from an outside source to an inside one, without abruptly ending the relationship with your outsourcer.

**Step No. 11 Ease Off Slowly**

Companies that have outsourced most if not all of their IT maintenance, call centers, or software development may find it challenging to bring these functions back in-house. Besides the logistical issues involved in the transition, there are also political ones — for example, you’ll probably need the outsourcers’

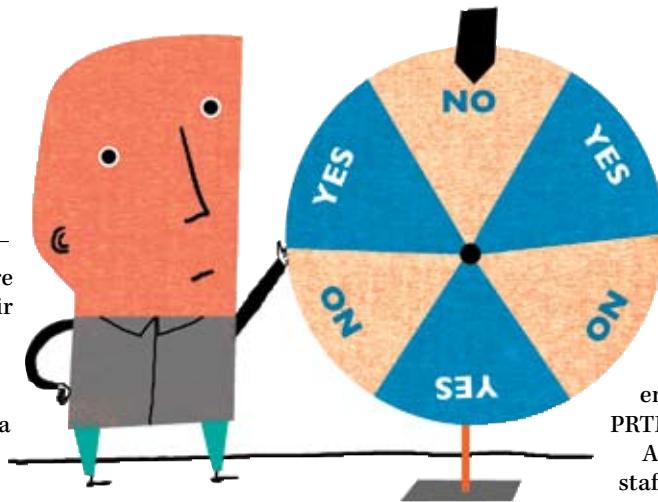
**Rx for Recovery**  
For best results, follow these 12 suggestions.

**Do**

- 1 Start with an exit strategy in mind.
- 2 Consider a boutique or niche consultant if you need specialized knowledge or help with a specific application.
- 3 Watch all service providers closely and demand the excellence that they’ve promised.
- 4 Include a “wean clause” in every service contract that allows for knowledge transfer and a smooth transition.
- 5 Consider paying the ransom if, for example, you paid someone to write an application but didn’t secure intellectual property rights to the code.
- 6 Hire only the expertise you need.

**Don’t**

- 1 Grant second and third chances after a consultant has screwed up.
- 2 Stay on the services treadmill solely because of the wads of cash you’ve already invested.
- 3 Act abruptly so that you burn bridges or leave relationships beyond repair.
- 4 Neglect regular checkpoints and status meetings.
- 5 Use a consulting firm to do day-to-day tasks.
- 6 Make any assumptions. Get it in writing.



help at the same time you're taking money out of their pockets, Gray notes.

Before engaging with any outsourcing firm, your organization should have a detailed transition plan that spells out how your outsourcer will hand over the reins. You should move deliberately and not wait until the relationship is beyond repair.

"You try to never burn bridges in business," Seka says. "If you have an outsourcing situation that's costing you a lot but not going very well, it's always better to say 'We've decided to take this project in-house' rather than 'You're charging too much and we're not using you anymore.'

"We've seen clients abruptly sever relationships with outsourcers who've found themselves having to go back later and get bids from the same people. It puts you in an awkward position."

#### **Step No. 12 Give Yourself Over to a Higher Power: Your Employees**

Outside consultants may appear to be more effective than your staff,

but that's usually because they're focused on one project and don't have to worry about supporting the entire IT infrastructure, says PRTM's Todd Ackerman.

A better solution: Have your staff work side by side with the consultants so they can gain the knowledge to do it themselves. This in turn should be just one small part of a broader, all-encompassing IT strategy.

"Have a plan and work the plan," Ackerman says. "Organizations that have a road map for developing their IT infrastructure are typically more effective in selecting, managing, and weaning themselves off dependence on third parties." ↻

## General Motors Shifts Gears on Suppliers

FOR SOME COMPANIES, OUTSOURCING IT IS NOT JUST A COST-cutting strategy, it's a way of life. Take General Motors, for example. GM has been contracting out its tech work since the company spun off its IT subsidiary, Electronic Data Systems, into a separate entity in June 1996.

At the time, GM inked a 10-year services agreement with EDS. Through the years, the automotive giant also engaged dozens of other major suppliers — such as IBM, Hewlett-Packard, and Capgemini — as well as hundreds of subcontractors all over the globe. Managing the contractors and setting IT strategy required some 2,000 Information Services and System personnel worldwide.

When all of those contracts expired this June, GM's IS&S Group decided to do things a little differently. First, it reduced the number of primary suppliers for its \$15 billion worth of contracts from 18 to about six, and made them responsible for hiring and managing their own subcontractors, says Lisa Gage, director of corporate strategy and planning for the IS&S Group.

"We are in the business of building cars and trucks," Gage says. "We shouldn't be spending tons of time trying to manage tons of IT suppliers."

To further simplify matters, each primary supplier was

awarded contracts on a global basis — so GM could rely on a single source for, say, all of its HR management applications or engineering workstations worldwide. More important, GM created standardized work processes in every region of the world.

In the past, Gage says, contractors for IBM Australia might have handled a process differently than their counterparts in IBM Germany or IBM USA. If GM wanted to move employees from one region to another, they had to learn a new way of doing things each time. Under the new regime, every GM process is the same regardless of region — whether it's filling out a purchase order, managing network capacity, or negotiating an SLA.

Other benefits? "Speed of execution," Gage says. "When we find a better way to do something in one place, we can roll it around the globe rapidly. That helps us drive out waste."

GM also standardized all the touchpoints for every process, so all suppliers use a common interface for reporting information back to GM.

"When you grow as a company, you tend to have a lot of different groups operating independently," Gage notes. "To go to a global management structure you need to knit them all together. The more we drive standardized work, processes, and infrastructure, the less complexity we will have." — D.T.