

# Outsourcing Strategies and Challenges

Bauke van Daalen  
Gartner Consulting

# The Five Fatal Errors of Sourcing

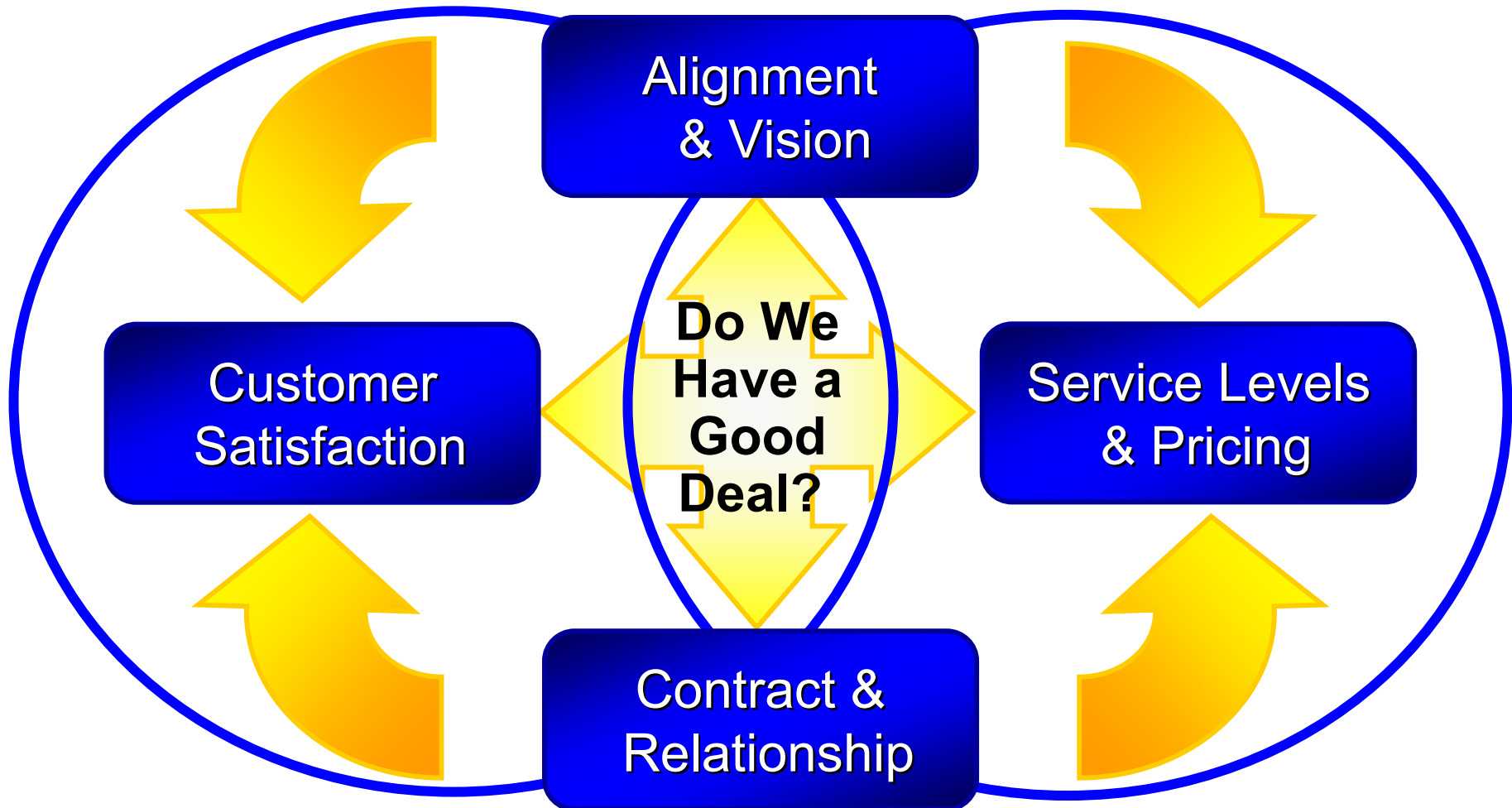
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1. Sourcing is a make-or-buy decision.  
**From now on, we buy.**
2. We must reduce fixed costs and capital.  
**Let's outsource those areas.**
3. What we really need to focus on is selecting the right provider and negotiating a strong contract.  
**Our purchasing department knows how to do this.**
4. Why should we keep retained people and costs?  
**We buy a full service; therefore, we transition them all.**
5. Now we are a more-focused and lean enterprise.  
**Let us plan for the next business steps ...**

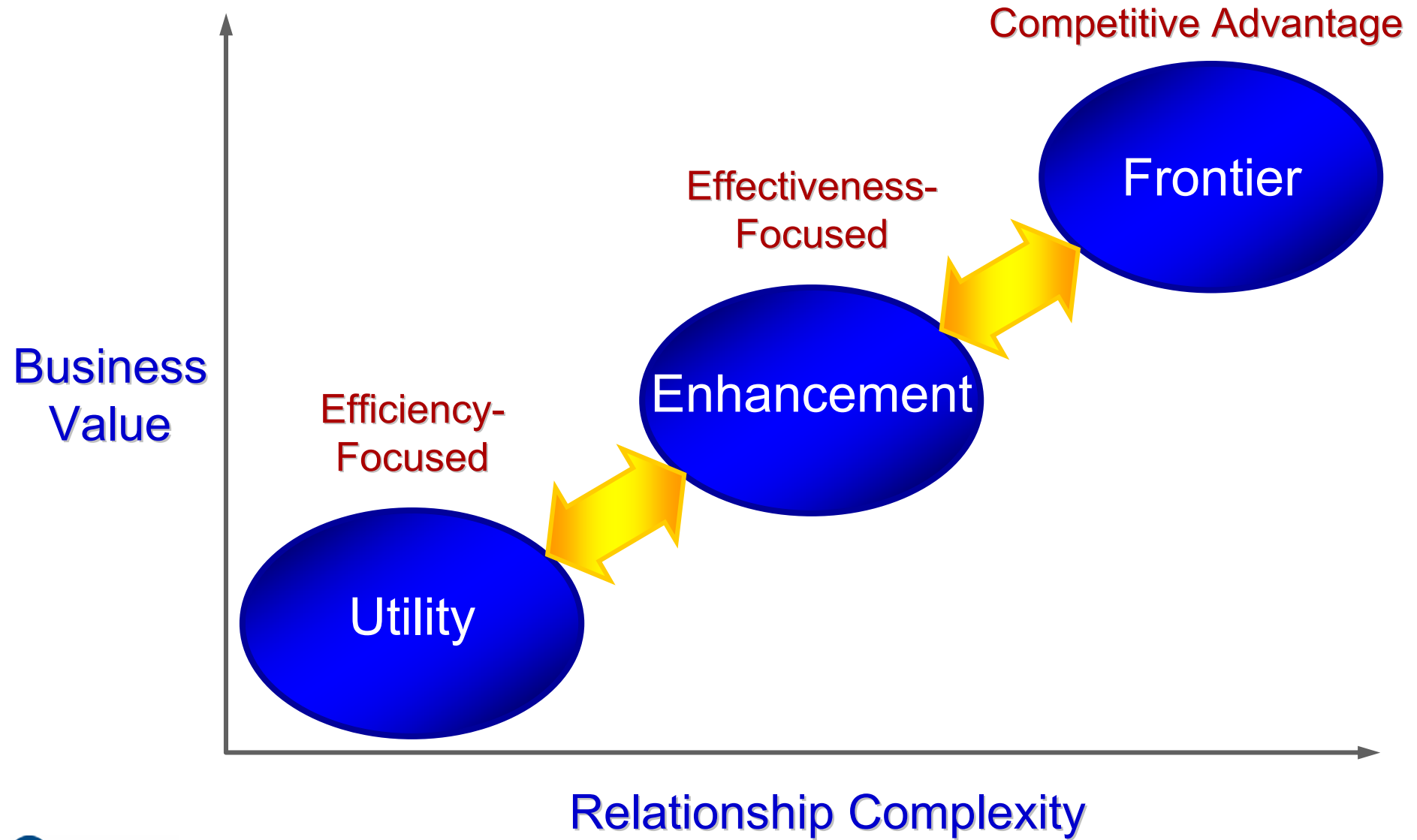
# Cheques and Balances

Service Recipient

Service Provider



# Three Types of Relationships



# Measuring Success by Type of Relationship

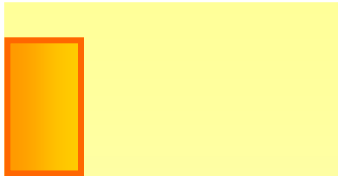
**Criteria**

Utility Outsourcing

Business Enhancement

Frontier Relationship

Price/  
Service Level



Customer Satisfaction



Contract/  
Relationship



Alignment/  
Vision



# Will we have a good deal? – 14 Key Questions

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## **Alignment and Vision**

- Does the deal support the strategic goals?
- Is the deal adaptable? Will it enable business and technology innovation?
- Are the parties aligned—do they have a shared vision of where the deal needs to go?

## **Customer Satisfaction**

- Is Business Management satisfied with the delivered service and support?
- Is Business Management satisfied with the relationship?
- Is the user community satisfied with the delivered service?

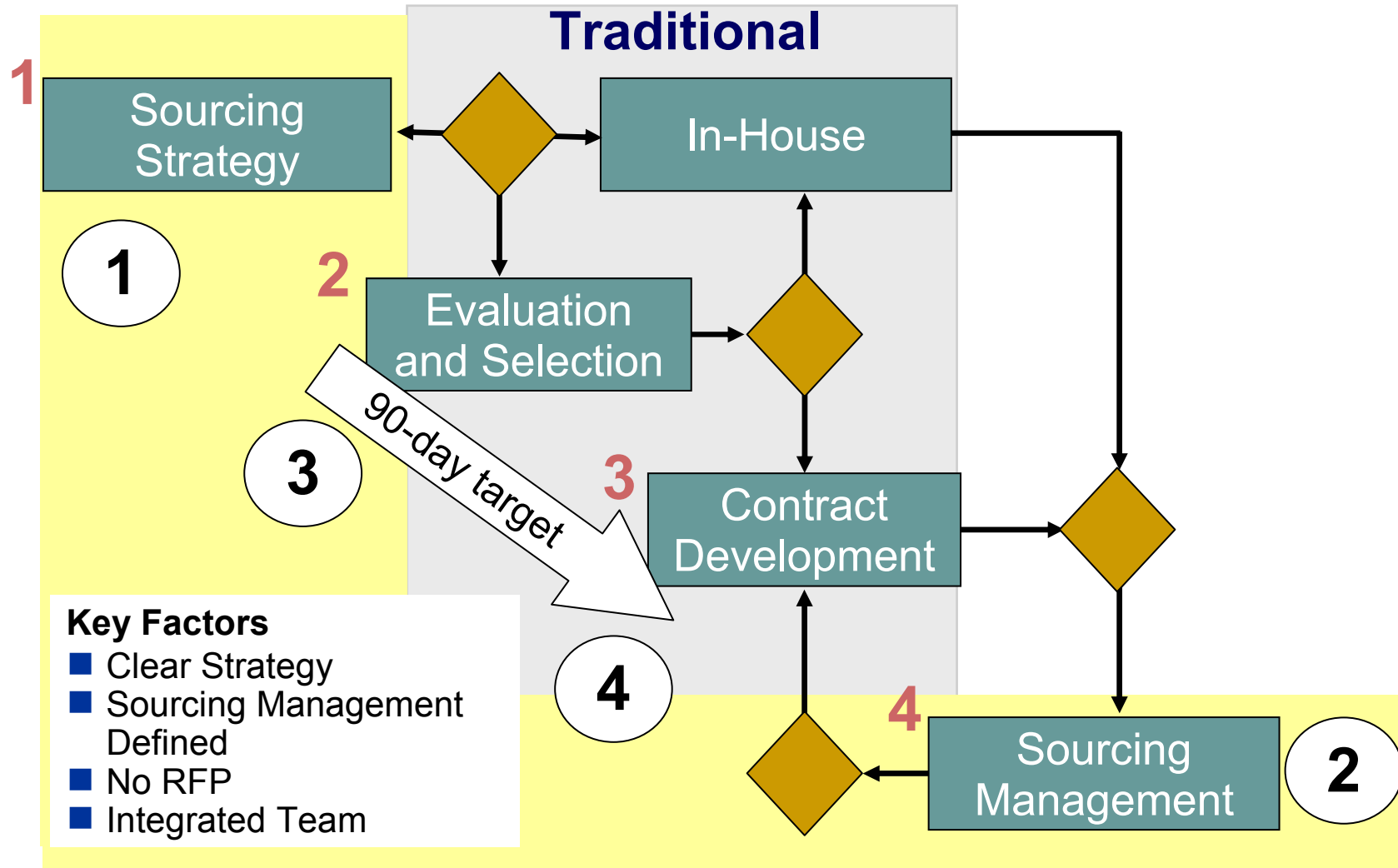
## **Price and Service Levels**

- Are the business needs met by the Scopes of Work and Service Levels?
- Are the Service Levels reasonable?
- Are the agreed Service Levels met?
- Is the price reasonable?

## **Contract and Relationship**

- Are the SR and SP contract teams sufficiently staffed and skilled?
- Does the relationship between SR and SP prevent or support what needs to be done?
- Are the required Relationship Practices in place, appropriate and effective?
- Does the contract prevent or support what needs to be done?

# Gartner's Sourcing Life Cycle



# Recommendations

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- **Employ the sourcing life cycle as the key to successful business operations.**
- **Master sourcing governance and management to deliver seamless business operations.**
- **The IT services market offers everything but maturity. Risk management is fundamental to every IT sourcing evaluation.**



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# How does Gartner do it?

**'Gartner will help you to make better ICT decisions'**

**Gartner Slovakia/KPC**  
Namestie 1. maja 11  
Bratislava,  
811 06 SLOVAKIA

**Mr. Oldrich Priklenk**  
Country Sales Manager a.i.  
Mobile: +420 603 461866

**Mr. Frantisek Klima**  
Gartner  
Measurement/Benchmarking/  
Consulting/ Executive Program  
Mobile: +420 604590597

For information about Gartner's services, call Oldrich Priklenk

## Technology Mentorship

