



Outsourcing Risk Assessment Program

In the course of their ongoing daily businesses, organizations continually face the decision of whether to perform certain functions themselves or to buy those services from someone else. These “bought services” include facilities management, housekeeping and the cafeteria. But as information technology (IT) and business processes (BP) become more complex the same decisions now need to be made regarding:

- “Full” information technology operations, including data centers, telecommunications systems, data processing activities and applications development and management;
- “Selective” information technology functions, including networking, client/server functions, legacy systems maintenance and call centers;
- Business processes, including finance & accounting, claims processing, and human resources and employee benefits administration.

Why Outsource?

The decision to procure these services from “the outside” is known as IT and BP outsourcing or “IT/BPO.” Organizations outsource their information technology and business process functions for various reasons, including:

Leveraging the best talent. A shortage of information technology talent is a driving force towards outsourcing. The tremendous demands of evolving electronic commerce will require human resources well in excess of those available to a company’s internal staff;

Increasing availability of capital and human resources. Outsourcing allows frees up existing resources, allowing faster development of new technologies and greater speed in getting new products and services to market.

Improving bottom line financial performance. By selling non-core business assets such as equipment, software licenses, networking, infrastructure and real estate off of their balance sheets, organizations can re-invest proceeds in their core business and generate a greater return on assets;

Reducing costs. Through the transfer of assets and personnel, and the greater efficiencies involved in allowing information technology and business process experts to provide these required services, many organizations that outsource realize annual cost savings of 10% to 25%.

What are the Risks in Outsourcing?

Outsourcing transactions and relationships become strained over time and potentially fail to deliver the expected value for many reasons, including:

- the outsourcing agreement doesn’t align with expectations or objectives;
- outsource supplier performance is unsatisfactory or marginal;
- service level agreements (SLA’s) do not match the organization’s priorities;
- SLA performance standards are set too low or outsource supplier reporting lacks sufficient detail;
- the outsource supplier loses focus or changes direction;
- organizations have difficulty managing their outsourcing partner;

- the “deal” structure is not dynamic enough to adapt to change;
- there is an ineffective or insufficient governance model in place; and
- The organization’s management philosophy or control changes.

Why Jordan Burt?

Joining forces with the country’s leading outsourcing consultants, Jordan Burt has created a formidable team to represent and advise clients, on a fully integrated basis, in government and the insurance, financial services and healthcare industries regarding the procurement of IT/BPO services from start to finish:

- **Outsourcing Assessment** -- The Jordan Burt team meets with executives and key stakeholders to review existing IT/BP functions, service performance, and end-user satisfaction surveys to determine the alignment between objectives, expectations and performance. We then prepare and present a comprehensive report on the current IT/BP function performance and make specific recommendations for improvements and changes.
- **Performance Review and Service Levels Improvement** -- Our team reviews all elements of service level performance. We make recommendations for improved performance standards and suggestions for new SLAs and performance standards. Jordan Burt has also broken brand new ground in this area, completing several recent outsourcing agreements with a dramatically different and much improved concept and approach towards the application of performance standards in IT/BPO arrangements. Such a concept and approach dispels the traditional set of nominal monetary credits for short-term non-compliance with rudimentary metrics, and replaces it with a system of more meaningful performance standards and incentives guaranteeing the satisfaction of the client’s long-term objectives.
- **Financial and Pricing Review** -- Our team reviews and evaluates all financial parameters and cost and pricing information regarding the contemplated IT/BPO. This includes benchmarking or other financial assessments, and identifying issues with suppliers’ proposed pricing structures, such as hidden costs and variability in the overall pricing.
- **Contract Negotiation** -- We work side by side with executives, managers and technical staff in preparing bid documents, managing the contract procurement and bid evaluation processes, taking part in business and technical meetings, and fully negotiating and drafting the master agreements, statements of work, service level agreements, schedules of rates and charges, asset purchase and lease documents, personnel transfer and transition plans on IT/BP outsourcing initiatives.

For More Information

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JORDEN BURT is a national law firm with a unique focus on financial services and a national reputation in high stakes litigation, financial regulation and product counseling.