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Choosing a service provider requires careful research

Before you choose to outsource, you need to do some research into potential service providers. Here are the main points to cover and a quick evaluation checklist.



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Is it possible to have high availability in outsourced IT services? The answer is a cautious “yes”—as long as you are willing to put in some extra work. Maintaining high availability while using a third-party provider requires a change in management practice, close monitoring of the service suppliers, and identification of alternate sources of the outsourced service in case of supplier failures. Done correctly, outsourcing can help you focus on your core business expertise; but done incorrectly, you can end up spending too much effort and resources trying to make up for poor service from your service provider, which defeats the purpose of the outsourcing effort.

Here are some issues to consider when you are researching service providers. Get answers to these questions before making a commitment to a service provider, and you’ll be ahead of the game when it comes to maintaining high availability.

The golden rules

While this article focuses on questions to ask potential service providers, there are some basic rules you need to follow as well in your quest for a successful outsourcing relationship. Check out my previous article to find out the golden rules of outsourcing.

Can your third-party provider scale?

Your outsource provider might be able to service your current needs, but you also need to determine if it can



ur user base, volume of transactions, storage capacity, and other concerns related to a

ur business operations.

provider survive?

With the downturn in the IT industry came a deluge of companies closing shop, and a good number of them were application service providers or outsource providers. You need to try to determine if your service provider will continue to be financially stable for the duration of your relationship. This doesn't mean that you should necessarily choose the bigger companies—they're not any more immune from financial collapse.

To assess the financial soundness of your provider, you can look at how it prices its services vs. the infrastructure costs that it obviously incurs. This is no easy task, however. Here are some questions you need to keep in mind when assessing providers' long-term viability:

- Are they offering their services at prices that are too cheap compared to their competitors?
- Are they spending too much on their infrastructure vis-a-vis their client base?
- Do they have a history of retrenching people or of selling out their assets?

Obviously, there is no surefire way to assess a company's long-term stability, but by examining these issues, you can reduce your risk of becoming involved with a provider that has suspicious financial practices.

Will other services be available in the future?

Remember that a critical success factor in outsourcing is being able to manage your providers well. Naturally, it's harder to manage several providers than it is to manage just one. It's better if you have just one service provider who can handle your many requirements now—and in the future.

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What is your third-party provider's support policy?

This is one of the most critical evaluation criteria because it will determine the long-term stability of your outsourced services. During the proposal stages, you should ask your potential providers about their support policies and procedures.

Yes, everyone will tell you that they have a customer support number available all the time, an e-mail address that you can use to reach them, and maybe even a dedicated account manager who will be assigned to look after you. But you need to ask them these questions as well:

Do you have a documented procedure for handling customer problems and, if so, where is it?

Are there set targets for responding to customer problems?

Do you have an escalation procedure that goes all the way to top-level management when customer problems are not resolved in a timely manner (and can you get the contact numbers)? (This question can be an accurate indicator of how mature and serious the support organization is.)

The third-party checklist

Here is a quick checklist to use when evaluating your potential outsourcing contract:

Ensure that service availability hours match, if not exceed, your system's committed availability hours.

Ask for service performance guarantees in writing. There should be some penalties associated with the inability to meet these agreed-on targets.

There should be a comprehensive list of responsibilities not only for the service supplier but also from your end. Again, this should be part of the service contract.

Support coverage hours should also be defined, including the different means of invoking this support, which should include more than one method and include access to real-time, live-person



support when necessary. Ask to be assigned a primary and secondary contact person who will be in charge of your account for nonimmediate requirements.

Response times to support requests should be specified according to different problem types and their severity.

A good support policy should include escalation procedures that can go all the way to the outsource provider's senior management team. If the provider is serious about providing good service, there is no reason why it should hold back on giving you contact information to those in its support hierarchy.

There should be contract termination clauses and the implications of such a situation for both parties. This includes the conditions for allowing the contract to end prematurely, penalties for either party, and exemptions, such as *force majeure*.

The contract should include terms and conditions for continuation of the contract. The contract should have an auto-renewal clause so that there is no service interruption just because of negligence by either party to renegotiate the contract.

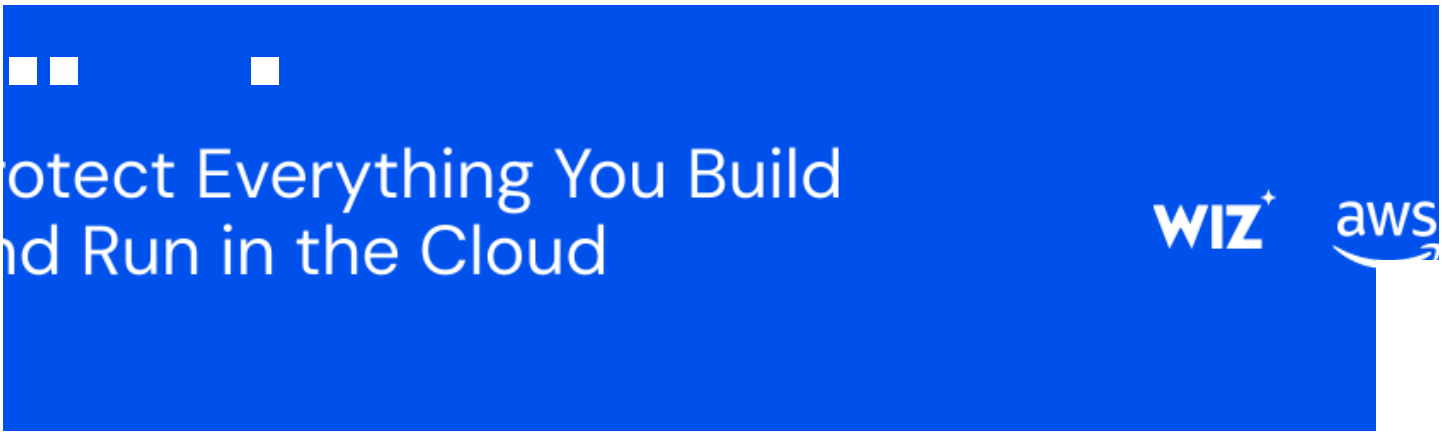
The contract should include a clause that covers you against sudden permanent service interruption, such as assistance in finding and migrating to another provider and making available all required information pertaining to your service for a certain period after termination of the outsourcing service.

Terms and conditions on adjustments to pricing should be included in the contract, such as amount of time prior to effective date of adjustment, a range of percentage increase allowed, and price protection for a certain period of time.

Obviously, I can't cover the specialized technical needs that your company might require from an outsourcing relationship. That checklist is something you'll need to create. But you'll need to ensure that the third-party providers can meet each item on your technical evaluation criteria checklist—if they can't, then you'll need to look elsewhere for your third-party services.

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