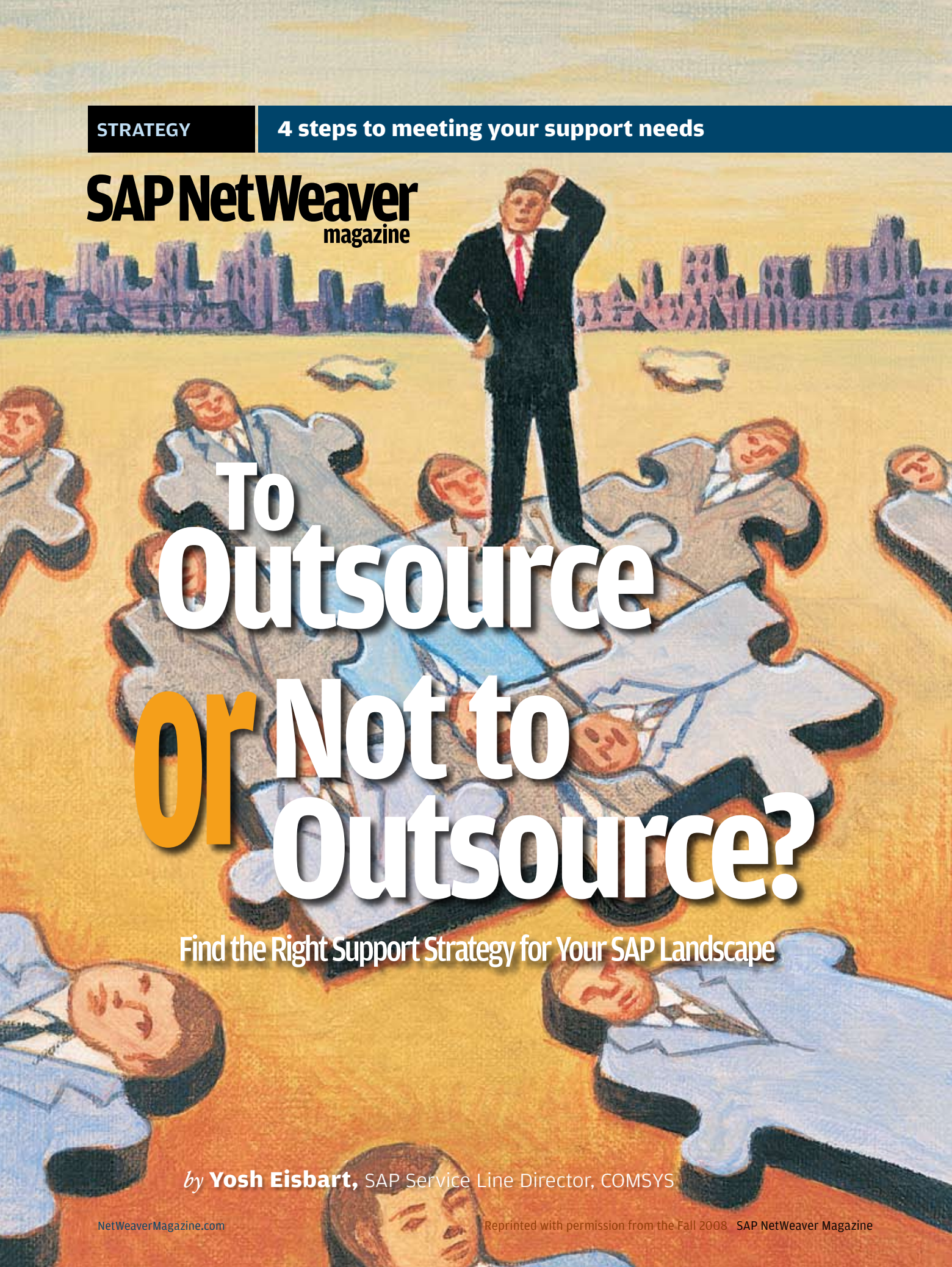


STRATEGY

4 steps to meeting your support needs

SAP NetWeaver
magazine



To Outsource or Not to Outsource?

Find the Right Support Strategy for Your SAP Landscape

by **Yosh Eisbart**, SAP Service Line Director, COMSYS

The question of to outsource or not to outsource has become almost as familiar as Hamlet's famous soliloquy. While the option of outsourcing is far from a revolutionary concept, businesses that are exploring their support options are now accepting the idea as a standard practice rather than as a novelty.

Business and IT leaders are no longer asking, "Is outsourcing a viable support strategy?" Instead, this question has now shifted to, "Is outsourcing the right strategy for *my* organization?"

While outsourcing support needs for your technical SAP landscape and business processes is not necessarily the proper model for every business, this IT support option can provide key benefits when applied properly to the right situation. Support solutions such as business process outsourcing (BPO), co-supported partner/client models, and on-site, third-party co-location all exist as viable alternatives. This article will assist IT managers and business leaders in identifying when outsourcing might make sense. We'll highlight the determining factors for the outsourcing decision, which boil down to these important steps:

1. Identify the scope of the outsourcing requirements.
2. Select an outsourcing model.
3. Choose a level of partner involvement.
4. Determine the service level.

Reviewing these key factors and contemplating the questions surrounding these issues will help decision-makers become more empowered, comfortable, and informed as to when and how outsourcing might be the right move.

Step 1: Identify the Outsourcing Scope

Identifying the potential opportunities for outsourcing is obviously a fundamental first step in the process. First and foremost, an organization must take a look at the internal challenges it faces.

For example, business leaders must determine if the organization is currently limited by:

- Inadequate internal SAP knowledge
- Few existing SAP production support resources
- No long-term SAP production support strategy

If any of these ring true, the challenges are prime opportunities for leveraging an outsourcing model.

Digging deeper, some business areas simply might not lend themselves to the possibility of outsourcing due to factors such as:

- **Industry restrictions:** Some organizations hold themselves to strict confidentiality requirements or regulatory restrictions. In some companies, human resources or financial departments are not outsourcing candidates.
- **Corporate culture:** A "Made in the USA" philosophy might inhibit an organization's ability to outsource customer-facing services, such as help desks or customer service centers, to a non-US outsourcing organization. (Obviously, this doesn't preclude a US-based outsourcing option.) Examples might include governmental/federal, agricultural, and automotive entities.
- **Specialized corporate expertise:** Some organizations might simply possess specialized, industry-specific knowledge, which is difficult — if not impossible — to transfer.

An organization must also ask the question, "Do certain functions lend themselves more naturally

to outsourcing?” Operational and maintenance functions such as system monitoring, SAP NetWeaver administration, simple ABAP “break/fix” support, and basic level 1 functional support might all be potential candidates.

Perhaps the scope of the organization’s production support needs is affected by the need to maintain the organization’s competitive advantage. Depending on the breadth of the production support services, outsourcing could enable companies to focus their energies on their core business.

Ultimately, both the potential support areas and the scope that an organization chooses are as unique as the organization itself. No silver bullet exists, but with proper attention to this first step, you can clearly set your outsourcing requirements.

Step 2: Select an Outsourcing Model

The next obstacle you must tackle in this process is choosing the appropriate outsourcing model.

There are essentially three different models:

- Internal outsource
- Third-party vendor
- Build-Operate-Transfer (BOT)

While each model provides different advantages, not all are necessarily available to every company.

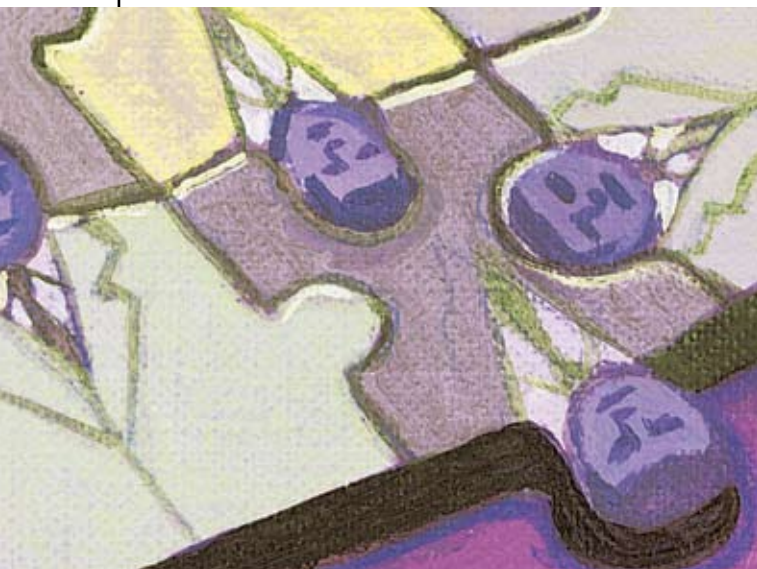
An *internal outsource* model can provide tremendous advantages but can also be very costly. While still less expensive than building a support mechanism with full-time employees, internal outsourcing is more costly than the third-party vendor option. The key drivers to this model are economies of scale and internal support demand. Large organizations, Fortune 100, and global, multi-national corporations that support literally thousands of employees can afford (both from a financial and a timeline/time investment perspective) to entertain this approach.

Those organizations considering this internal outsourcing model have strategically chosen to build an internal support organization (sometimes called a Center of Excellence (COE) or competency center). A COE provides an organization with a robust, comprehensive, and internal support structure typically designed to support the end-user community from end to end.

The true benefit of the internally outsourced COE is that the organization creates an on-site, transparent support structure both procedurally and physically. This on-site support mechanism provides an added sense of confidence. Typically, the breadth of support is robust and the support services cover shared services across the entire organization. While this model is expensive, these organizations believe that – in the long run – they are more cost effective and will ultimately save them money. These internal outsourcing models also may leverage lower-cost resource alternatives outside their home country.

The *third-party vendor* model is on the other end of the outsourcing spectrum and is the model that folks typically envision when they allude to outsourcing. This model provides the greatest flexibility of the three options, and it offers potential advantages such as scalability, cost, and offloading of routine procedures and non-core business processes (to name a few). However, it can present three major drawbacks:

- **Lack of control:** In essence, outsourcing a component of an organization relinquishes control. Instead of maintaining ownership of support responsibilities internally, the business now must hand over the keys to



another party. Sometimes, support issues are thrown over the fence, and the company must wait for a resolution. Some businesses and corporate cultures might find this model difficult to deal with.

- **Risk of partnership:** There is always the possibility that the chosen third-party vendor could go defunct, disappear, or hold your organization captive (i.e., drastically increase price without warning).
- **Vulnerability:** When engaging a third-party vendor and, in turn, sharing the inner workings of your core business, you divulge what makes your business successful. Sharing your business model and competitive advantage could potentially make your organization vulnerable.

You can mitigate these risks if you select the right partner; as in all business relationships, however, nothing is ever foolproof.

The *Build-Operate-Transfer* (BOT) model falls smack in the middle of the internal outsource and third-party vendor models. Conceptually a “rent-to-own” arrangement, this model involves engaging a third-party partner who is willing to build an outsourced organization on the client’s behalf.

After signing a clearly defined contractual agreement, the third-party partner works in a vendor capacity until the outsourced organization either meets some benchmark (e.g., number of users and support volume) or reaches a given timeframe (e.g., contract conversion length and number of months). After the outsourced organization reaches the threshold, those third-party resources become the business’s employees overnight. While this is a gross oversimplification of the BOT model, it outlines its rental-type flavor and its potential value.

An obvious and major advantage of the BOT approach is its try-and-buy approach. By first testing the waters so to speak, the organization limits its initial investment, gets to know the caliber of the chosen partner, and performs a lengthy interview process. However, some organizations fear this approach will be more costly than the third-party option, will be a potential wasted investment, or

will involve third-party engagement commitments (typically extensive contractual relationships, stipulations, etc.).

In most cases, the third-party vendor model is the most appropriate alternative because of its flexibility.

So how do you determine the right outsourcing model? Much of this decision has to do with the size of your organization:

- For larger organizations, all three models require careful examination.
- For smaller, more cost-sensitive organizations, the BOT alternative is typically unrealistic.
- Midmarket companies generally choose between third-party vendors or internal outsourcing.

In most cases, the third-party vendor model is the most appropriate alternative because of its flexibility in terms of both cost and production support size.

Step 3: Choose a Partner Presence

In most cases in today’s business world, organizations both large and small choose to integrate a partner on some level. But how much integration is right and in what capacity? Should the partner be integrated:

- On-site, as a natural extension of the organization?
- Completely off-site, meaning “heard-but-not-seen”?
- As a hybrid, where either an integration manager (or sub-unit) resides locally while the rest of the outsourcing team sits off-site?

Again, the proper solution is unique to each organization, but two important factors can help you determine the right level of partner presence that is right for your company:

Case in Point: Scorpion Offshore Limited and Its Successful Outsourcing Model

After recently implementing SAP ERP 6.0, Scorpion Offshore Limited, an international offshore drilling construction and operating company, was faced head-on with the outsourcing dilemma.

Across the globe, Scorpion operates multiple offshore drilling rigs. These rigs, sitting in the middle of the ocean, all require end-user SAP support. Determined to focus on its core business, Scorpion had little difficulty in coming to a rapid decision – to outsource was a no-brainer.

Pam Thompson, Scorpion's Corporate Controller and sponsor of the outsourcing option, felt very confident that it was the right approach: "Based on our business needs, outsourcing a non-core competency to a specialized provider was the logical approach." Faced with many of the typical challenges of a midmarket company (small-to-no internal IT staff, limited internal SAP knowledge, no strategic plant to build a support organization, etc.), Scorpion chose to outsource their entire SAP application support needs and around-the-clock (365x24x7) help desk to COMSYS.

Based on the four primary factors, Scorpion chose to implement the following IT outsourcing model:

- **Scope:** Everything. Scorpion was adamant about focusing its energy on what it does best and leaving the IT services to providers focused on IT services.
- **Model:** Based on Scorpion's midmarket size, the company chose the third-party vendor model. Internal outsourcing was cost prohibitive, and the BOT scenario was of no interest.
- **Partner presence:** Both Scorpion and COMSYS felt that on-site partner presence was fundamental to the success of this relationship. In order to maximize partner teamwork, expedite error resolution, facilitate additional add-on work, and minimize cost at the same time, they chose to deploy an on-site integration manager. This decision afforded Scorpion the best of both worlds.
- **Service level:** Scorpion runs its operations – including its SAP environment – around the clock; therefore, its required service level needed to reflect this.

In conjunction with COMSYS, Scorpion designed a unique business process outsourcing (BPO) model to fit its unique IT environment. The model included:

- Comprehensive SAP application support (Level 2 & 3 functional SAP ERP 6.0 Financial Accounting, Controlling, MM/IM, SAP ERP Human Capital Management (SAP ERP HCM))
- Technical support (ABAP, SAP NetWeaver PI, Basis, security)
- Around-the-clock Level 1 Help Desk coverage (Windows Product Suite and email)

To ensure that Scorpion would be supported in ongoing operations and in future aggressive growth activities, it chose a Center of Excellence model tailored to include not only "break/fix" production support but also additional project initiatives. Therefore, Scorpion elected the hybrid level of partner presence, where an on-site integration manager for its SAP systems would facilitate all support.

Scorpion has employed this model successfully for close to a year and has now become an outspoken advocate for the BPO approach in general and specifically for the midmarket. "This has made the implementation and use of SAP technology possible for us on our scale in a very painless way – our solution is all upside," stated Thompson. "Our entire experience has made us feel like big fish. We have been nicely surprised at every turn. This model has opened up a whole new range of possibilities for mid-sized business."

Scorpion's highly scalable outsourcing model has been perfect for its rapid business growth. New initiatives have included:

- Adding new business units and off-shore oil rig entities to the existing production support environment
- Broadening its SAP software footprint (SAP ERP HCM enhancements and third-party banking integration)
- Implementing a sophisticated business-to-business process integration suite of interfaces to one of its most valuable suppliers

While outsourcing might not be the answer for every company, it certainly has been the answer for Scorpion.

- **Logistics:** If enough physical space and required support tools (computers, telephones, etc.) are available, on-site presence is a viable option; otherwise, it's obviously not possible.
- **Corporate strategy:** If an organization has chosen to outsource only a sub-unit of its support and wishes to promote an inclusive environment that's rich in knowledge sharing, partner on-site location is important. (This approach also fosters greater partner-to-internal resources knowledge transfer, which enables the potential for long-term, internal support if desired.)

In my experience, the best option is to place an integration manager on-site who acts in combination as on-site problem solver, outsourcing triage manager, escalation point, and client/partner liaison. The integration manager's on-site presence provides the organization with a tangible link to the outsourcing team. This much more inclusive relationship — where the individual works physically together with an extension of the outsourcing team daily — lessens the potential for an us-versus-them mentality. This teamwork approach goes a long way to the successful relationship between an organization and its outsourcing partner.

Step 4: Determine the Service Levels

Knowing an organization's support needs is crucial to understanding whether outsourcing is the proper approach. If an organization simply requires a "break/fix" response and possesses the proper bandwidth internally, perhaps it doesn't need to outsource that specific area. At the same time, it just might be the perfect solution.

Organizations need to ask themselves the following questions to gauge what level of service they require:

- Is providing routine maintenance and operations support a good use of internal resource energy?
- Does the organization require around-the-clock (365x24x7) attention, where a support organization must be ready and able to address both routine and emergency issues?
- If so, is this a responsibility that an organization wishes to place upon its employees?

While money is not the only factor, you can't address any of these questions without also considering what the cost will be. Assuming that an organization possesses the resources, ability, and desire to internally provide around-the-clock support, is



this service level ultimately cost effective? While outsourcing does not *always* equate to a lower-cost alternative — in some cases, it does.

Other important factors relate to an organization's corporate aptitude, including the employees':

- Appetite for routine and potentially menial tasks
- Skill level
- Willingness to work irregular schedules and long hours

As you can see, depending on your organization's perspective, you may address this same issue completely differently than another organization would.

When Is Outsourcing the Right Move?

All of the fundamental factors discussed help direct an IT manager toward whether outsourcing is the right fit. Internal challenges (limited IT staff and SAP knowledge, finances, etc.) all influence an organization's ability and desire to consider outsourcing as a production support alternative. If an organization is open, outsourcing can provide lower-cost IT operation alternatives, greater flexibility and scalability, the comfort that its IT

needs are supported properly, and the ability for the organization to focus on its core business.

Theoretically, the success of your business depends on its competitive advantage. Unless your company's core business is production support, you might be taking your eye off the ball if you choose to support your IT needs internally. Again, outsourcing is not the right choice for every organization, but if you design your outsourcing strategy thoughtfully and engage the right partner, the question of to outsource or not to outsource could answer itself. **NWM**

Yosh Eisbart is the SAP Service line Director for COMSYS with more than 13 years of SAP delivery experience. He has worked on many SAP projects since the days of R/2, ranging from full lifecycle implementations and upgrades through Production Support/Center of Excellence build-outs. Yosh is responsible for driving COMSYS SAP Services, including its BPO and outsourcing service offerings. His extensive knowledge and experience have enabled clients to maximize their SAP investments. You can reach him at yeisbart@comsys.com. For more information about COMSYS and its many offerings, visit: www.comsyserp.com.