

Subcontracting Your Web Site

By BNET Editorial

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Operating a web site is essential for your business, but it can be a large and complex challenge. To do it right, you need to consider security issues, e-commerce transactions, storage space, programming, and myriad other requirements. These assets are essential, but acquiring and managing them can distract your IT department from supporting your core business. Small to mid-size organizations, in particular, are turning to third-party professionals to manage and run their web sites. There are many reliable and economical suppliers to choose from. Yet, if you have considerable intellectual property, proprietary systems in place, or if your web site is developed for you under contract, you will want to safeguard your ownership rights. Consider your contract carefully.

Before you choose to outsource, develop an overall IT and web strategy for your business so you will know exactly what you will require from a supplier. Capacity, scalability, service, and security will be important features to look for.

What You Need to Know

Why should I consider outsourcing?

Unless you are in the IT business yourself, it is likely your core activities depend on other skills and a different knowledge base. Let those whose core business is web site development, hosting, and site management relieve you of that responsibility. That is their business. Otherwise you will need to develop your own capacity that will distract you from improving the business you are in. Besides, they are already equipped to monitor leading edge changes in technology, security and service, just what you need.

Should I also choose an application service provider (ASP)?

This is a tougher question. ASPs manage your software applications. If you are already using third party software developers you are likely to continue doing so. The advantages are:

- ASPs, like third party web hosting, can save you time and money if you do not have the internal IT capacity;
- leased applications may be cost-effective and, supposedly, can be installed more quickly than an application you buy;
- you have access to the most current software upgrades and service; and, the provider includes costly installations. This is valuable when you expect constant upgrades;

- the ASP option is a good one if you have an IT skills shortage, don't want to develop the IT capacity, or have unique programming needs.

The disadvantages of using an ASP are:

- it may be risky to outsource your applications and IT development needs;
- you are not only dependent on the success of your supplier but in some ways you are a captive of their performance, service and internal efficiencies;
- some applications may not be suitable for network transmission, especially over the Internet;
- speed of access may be slow, and your needs may change so rapidly that the provider can't keep up.

Has the promise of ASPs exceeded the reality?

The idea has certainly reached faddish proportions and many companies assumed efficiencies and savings that didn't materialize, but ASPs have a meaningful role to play for many organizations. Worldwide spending on ASPs continues to rise. Concurrently, new technologies are making it easier to efficiently access the rich functionality of complex applications over the Internet. Over the long term, leasing software is expected to increase.

What to Do

Create a Strategy for Outsourcing Applications

Before outsourcing applications, you will need to answer the following questions:

- Is the price to purchase and support my current applications reasonable?
- Are there applications we need that are just too expensive to purchase?
- Why should I consider outsourcing? Are internal IT costs too high? Do I have the flexibility I need? Can I find the necessary IT skills at a reasonable cost?
- Is my current service reliable and state of the art?
- Am I being distracted from my core business?
- Are current staffing levels already too low to deliver the quality we need now?

Determine which elements of your IT infrastructure shouldn't be outsourced.

- Is your strategy clear?
- Is your company fulfilling its vision and objectives?

If you answer *no* to these questions, you will need to do so well before deciding to outsource your applications.

Make Sure the Applications You Want to Outsource Are Suitable for Internet Transmission

Depending on the kind of application and the speed of your Internet access, some will perform poorly. Not all applications are designed with the Internet in mind and subsequent requirements might make them difficult to use or inappropriate—especially when privacy issues are involved. New software and a faster Internet solve some of these problems but be sure the people who need access—wherever they are in the world—have high speed, secure Internet access.

Plan Thoroughly

Choosing a supplier is a time-consuming process; plan thoroughly; know what you want to accomplish and why. Think through all your needs and uses plus factor in your security needs, privacy needs, scalability and service. Then, either send out a request for proposals (RFP) from selected suppliers or invite them in for discussions.

Be prepared to discuss how you currently run your business and the processes now in place; your new vendor will need to know this to adequately serve your needs.

The Winning Vendor Should be Stable and Well Funded

Your vendor must be thoroughly reliable. Consult other clients of the top few companies to ensure they have a good track record. Also be sure the company is familiar with the kinds of challenges you face, can help you operationalize your strategy in an efficient manner, and grow with you without straining their own resources.

Prioritize Service and Support

As you outsource you become increasingly dependent on your suppliers. Be very careful about how you structure a service and support agreement; clearly identify the standards you expect them to meet. And beware of making too many changes because they can become quite costly. Knowing as much as possible upfront is the best approach.

Create a Clear Contract With Your Vendor

The contract should be precise, and describe exactly what is to be delivered. It should also state penalties for non-delivery. When you develop the RFP, consult your lawyers. Being clear about expectations and consequences is vital but legal processes will not substitute for customer service and a breakdown in your business. That makes investigating the vendor's current performance critical. A good contract will also build in provisions for future change, renegotiation and termination.

Keep contracts short. A rapidly changing IT and e-commerce environment makes long term contracts unreasonable. Start out with no more than a two-year agreement.

Agree on Evaluative Tools

The contract should set clear objectives with clear measures of acceptable performance. Periodic reviews should be held to discuss issues so that they can be dealt with as soon as they are identified. It is easier to resolve differences early than have a catastrophic break in service later to everyone's disadvantage. This is a case where prevention is always better than the cure.

Maintain Your Own Technology Strategy

Outsourcing application development and maintenance doesn't mean you no longer have responsibility for your technology strategy. You need to control the design of an IT infrastructure for your overall needs and plan for the future. Your vendor is certainly in no position to do this any more than you are to plan its future.

Keep Clear Boundaries

When you outsource any function, you do so for lots of reasons but primarily it is because you have found a vendor who is able to meet your specifications efficiently and cost effectively. They must not meddle in your work and you must not meddle in theirs. Keep clear boundaries. Don't be tempted to manage them and remind them that they, too, must not make demands, outside of the contract, for services from you.

Don't Lose Sight of Security Issues

Once responsibilities and direct control leave your company and are subject to a vendor, your security risk increases. It is essential that your vendor understand that it must provide, as a minimum, the same security you had enjoyed in house. Ideally, they will actually reduce your security risk by helping you raise your security level, however. During the vendor selection process you need to determine:

- what the vendor's security level is;
- its data backup and disaster recovery processes;
- how your data will be safeguarded and kept isolated from its other customers;
- how your data will be safeguarded from misuse by its own employees; and,
- how it is insured in relation to security breaches.

What to Avoid

You Don't Do Your Homework

As with all vendors, there is a tendency to over-promise and under-deliver. Each sale is based, in part, on the belief that their team can live up to rising expectations or will commit themselves 100% to your particular needs. They mean well. Don't believe them. Do your homework. Investigate their true performance by talking with their existing customers.

You Close Down Your In-house Internet Capacity

You need to maintain the in-house capacity to execute your IT strategy and evaluate vendor services. Plus, your business processes will require IT adjustments that are best created in accordance with your needs and future plans. Thus, you need to maintain the internal capacity to stay on top of vendor relations and future planning.

You Accept the Lowest Bid

Sometimes a low bid is a starting place but you don't know it. As costs mount and inefficiencies become obvious you will be pressured to "add-on" services you should have included from the outset or needs you assumed would be included. Rarely is lowest price really the product of efficiencies or

proprietary advantage. In addition, with low bids you risk low service because costs are easier to cut there. Again, do your homework and write a clear memo of understanding with your vendor.

You Misunderstand Your Existing Processes

To perform up to expectations, your vendor will need very specific information regarding existing processes and web set-up. In order to inform the vendor, you need to have that data in a way that makes sense to their account managers. If you aren't clear they can't meet your expectations. Document the existing system and share your near term IT strategy upfront.

You Have Inadequate Contracts

Short-term needs are pretty clear. Vendors can more easily replicate what you now have than what you may want because it already exists. Try to anticipate your needs and specify them on the contract with timetables, performance levels and service requirements.

You Mismanage the Vendor Relationship

Having an internal IT manager is essential. That individual needs to know how to manage the relationship professionally without being tempted to micro-manage, or demand too many changes.

Where to Learn More

Book:

Power, Mark, J., *The Outsourcing Handbook: How to Implement a Successful Outsourcing Process*. Kogan Page, 2006.

Web Site:

IAOP (International Association of Outsourcing Professionals): www.firmbuilder.com

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