

HUMAN RESOURCE: IT's HIDDEN COST AND THE BENEFITS OF OUT-TASKING

Businesses face any number of pressures to implement or extend technology. Regulatory compliance, security and recovery, business partner, customer and supply chain pressures all lead to the IT manager's door.

When a company commits to any of the resulting projects, various prudent calculations are made. Typically, these calculations involve the cost of new technology and the associated staff commitment and training. Occasionally, this budget includes the additional costs of lost productivity and support services for the period during which your staff master the new skills.

Project budgeting on this basis has an all-too-often repeated but inherent flaw. When anything goes wrong with either the new project or the pre-existing systems support, calamity strikes and the business can be seriously affected.

Furthermore, the issues are people-related. This means that stress is a meaningful factor but the results of stress in people cannot be budgeted for in the sense of throughput on a machine.

Let me give you an example. I know of one company which some years ago sought to get ahead of the competition by investing in "hot" new software engineering technology. It selected suppliers, set up a pilot project, and hand-picked and trained team members.

The project achieved its objectives with little over-run but with very high stress on the team. Management was keen to move on to the next project. They were in the midst of "seeding" the project team to spread best practice throughout their organisation when they were horrified to find that all of the team, their most valuable asset, had resigned. En masse. As experienced developers of the new technology were in short supply, they were snapped up fast by other organisations, often for double their original salaries. They had marketable skills. So they went to the market, and their



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original company went to the wall. The company failed to appreciate the hidden, but very real cost, of staff attrition.

This problem is pervasive in IT. Similar stories are unfolding today. My experience is that organisations typically underestimate these costs and blunder on to another HR crisis. Staff turnover is always expensive, especially when you consider the loss of specific organisational or even application experience. And the staff members who are lost are often among the organisation's brightest and best.

So how do you solve the problem of staff losses? Deferred compensation is currently the most popular in-house solution but this involves extra costs. Another alternative is not to adopt new technologies at all, but that's the costliest solution of all.

Outsourcing allows you to take control of hidden IT costs such as this. This does not mean handing over totally to an external agency. You may choose a mixed team incorporating some of your staff. You may "out-task" the seriously complex or new technology component. The external partner not only provides the human resource but will take responsibility for delivery time and price.

Another alternative is to shift the support of existing systems. This not only removes the risk of a glitch in existing processes from over-stressing the new project, but also provides contracted service levels to assure continuity of support services for the business. It is possible to contract services for performing all or part of an organisation's IT functions at a pre-determined price and according to pre-determined performance criteria. The contract, not the additional risk factors of a new project, determines long-term stability and continuity.

Through the contract, a company is buying into a consultancy's people who are highly skilled, focused and have been round the block several times. And they're far less inclined to jump ship because they're well rewarded and working daily on new and challenging applications and problems.

Out-tasking will reduce operating costs, avoids capital expenditure and allows a company to plug into resources that are not available internally. You save money on



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manpower and the costs associated with training and covering sick leave and holidays, and you benefit from the provider's expertise in solving similar problems for other clients.

Today, especially in IT, a company cannot do everything itself in-house. Outsourcing has many benefits, but you should choose your supplier carefully. When relinquishing control of part of your business, culture, trust and experience are key to a successful partnership. The historical concerns - that you may be throwing your baby out with the corporate bathwater - are entirely and simply accommodated by getting the right partner with the right service level agreement for functions of your choosing.

Isn't that a better bet than seeing your staff disappear over the horizon, and jumping into bed with your biggest and most hated competitor?

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