

# Government Outsourcing Strategy

29 January 1999



*Information Technology Services Department*



# *Agenda*

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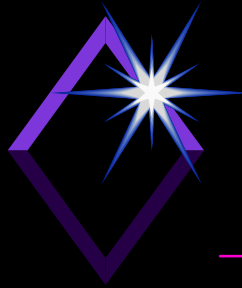
- ◆ What is Outsourcing
- ◆ Objectives for Outsourcing
- ◆ Policy Targets
- ◆ Outsourcing Strategy
- ◆ Management Framework
- ◆ The Way Forward



# ***Current Methods of Service Sourcing***

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- ◆ **In-house**
- ◆ **Contracting-in** : bringing contractors in to the organization to supplement the in-house work force
- ◆ **Contracting-out** : passing work out to contractors for completion (but retaining day-to-day management responsibility in-house)

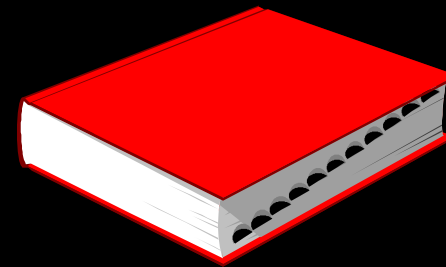


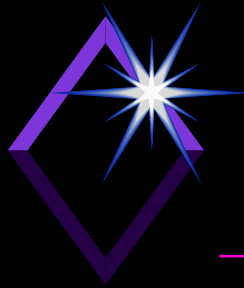
# *Outsourcing*

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## Definition

*Outsourcing* is the engagement of an External Service Provider to provide IT services directly to the users. The responsibility for service delivery rests with the External Service Provider.



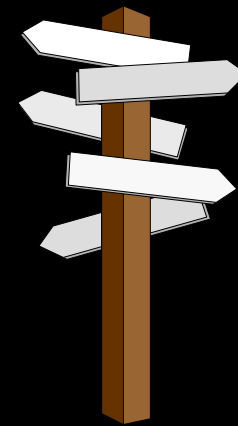


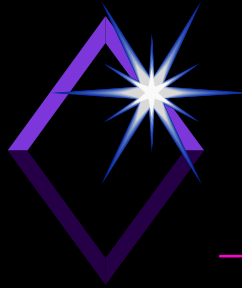
# Outsourcing

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## Main Objectives

- ◆ enlarge the delivery capacity for IT services
- ◆ accelerate delivery of IT solutions
- ◆ achieve cost savings
- ◆ facilitate development of the local IT industry



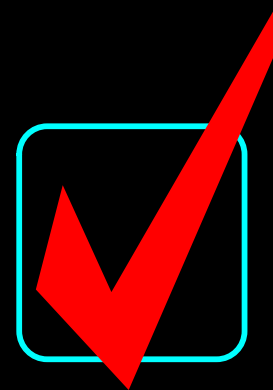


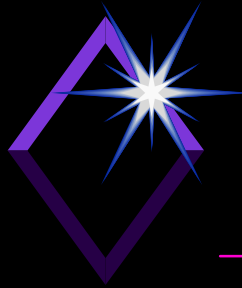
# Outsourcing

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## ◆ Other benefits

- ❑ lower in-house management overhead (as day-to-day management responsibilities rest with External Service Provider)
- ❑ in-house resource freed up for new IT initiatives



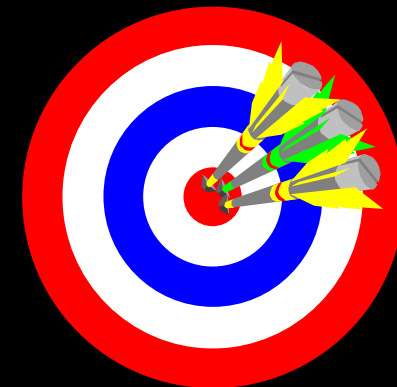


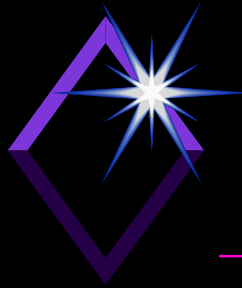
# Outsourcing

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## Government Policy Targets

- ◆ In 1999-2000 to start outsourcing application maintenance activities currently performed in-house by ITSD
- ◆ Over 2/3 of all new IT projects in Government will be outsourced by 2001



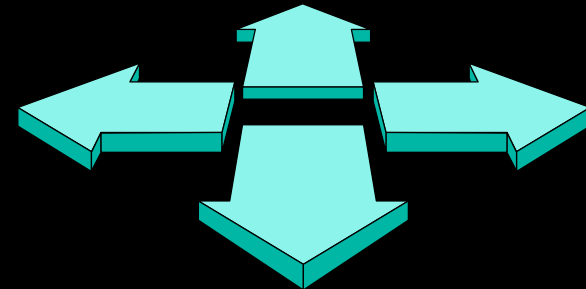


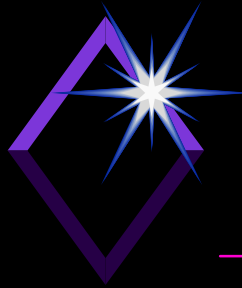
# ***Outsourcing Strategy***

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## ◆ Arrangement of Outsourcing

- ❑ Departmental or project -by-project  
(heterogeneous requirement)
- ❑ Multi-Departmental  
(homogeneous requirement for a group of departments)
- ❑ Government-wide  
(homogeneous requirement)



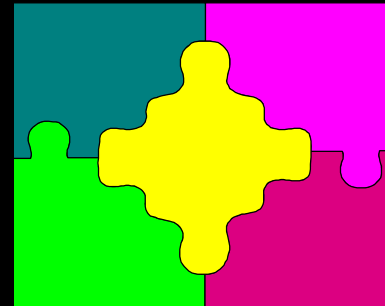


# ***Outsourcing Strategy***

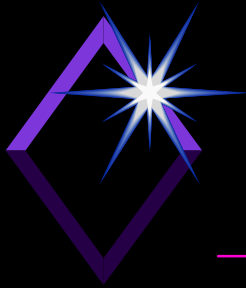
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## ◆ **Scope of Outsourcing**

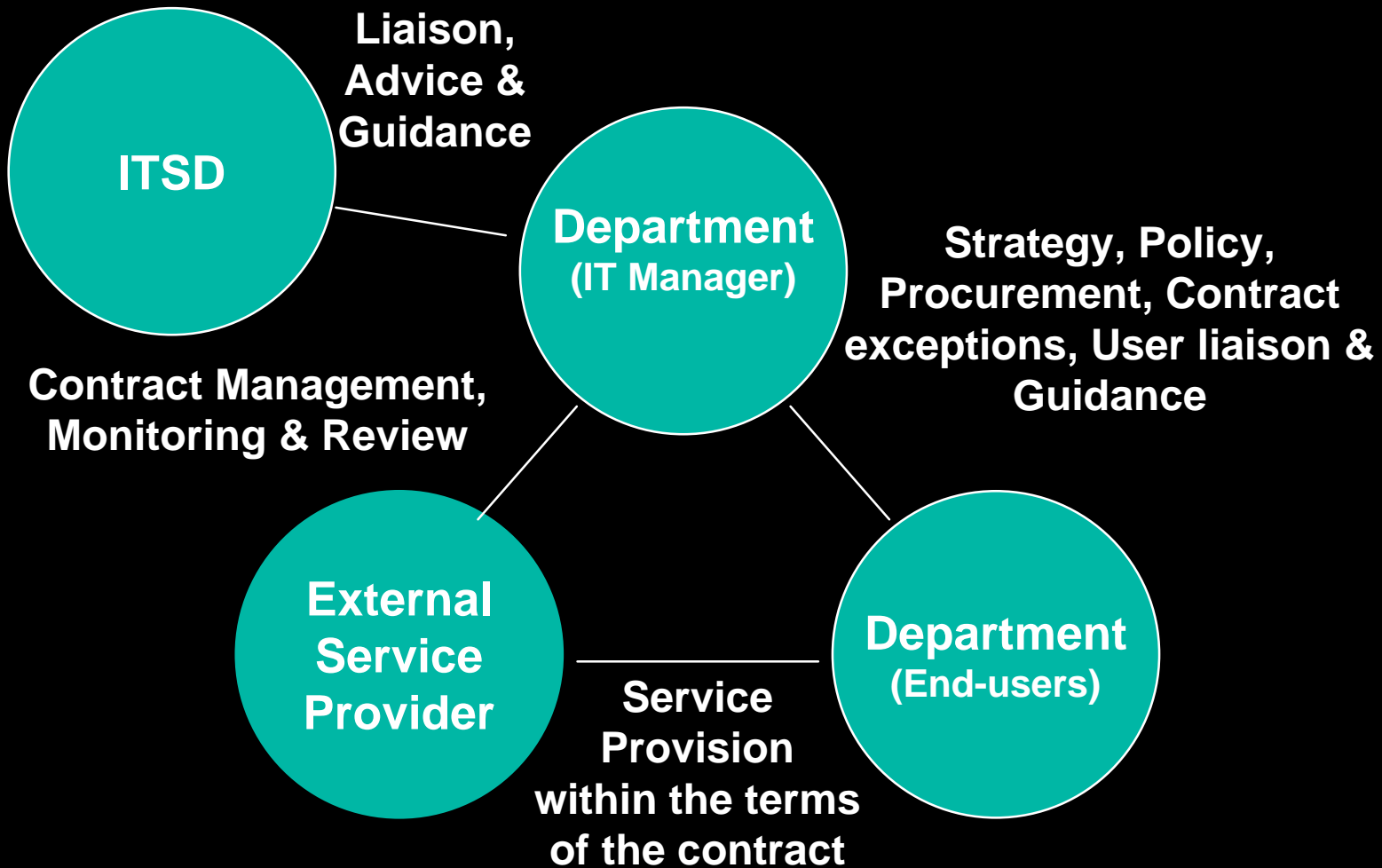
- ❑ Application Development and Maintenance (AD/M)
- ❑ Network
- ❑ Desktop
- ❑ Helpdesk
- ❑ Data Centre



**Priority - AD/M Services of a Department**



# **Management Framework - Departmental Outsourcing**





# ***Roles and Responsibilities***

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## ◆ **IT Manager**

- ❑ liaise with end-users and advise them on IT strategy and policy of the department
- ❑ contract management (from user's perspective)
- ❑ liaise with and receive advice and guidance from ITSD





# ***Roles and Responsibilities***

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## ◆ External Service Provider (ESP)

□ Full accountability and responsibility for the outsourced services, including :

- Systems Development/Service Delivery;
- Project/Service Management; and
- Contract Management  
(from ESP's perspective)





# ***Roles and Responsibilities***

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## ◆ End-Users

- ❑ consumption of IT services
- ❑ interact directly with ESP on all day-to-day operational activities (including specification, testing and acceptance)



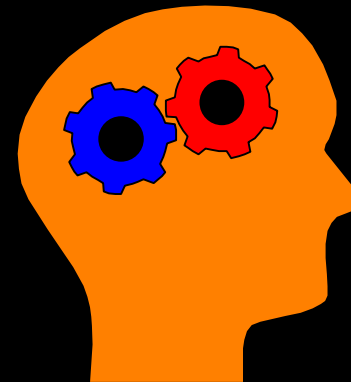


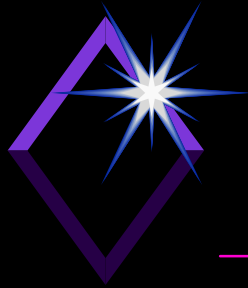
# ***Roles and Responsibilities***

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## ◆ ITSD

- ❑ Authority on Government-wide IT Policy; Strategy; and Standards
- ❑ Advisory to departments

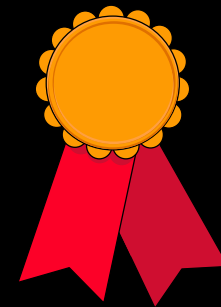


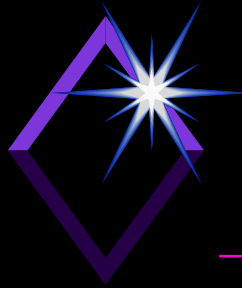


## ***Critical Success Factors***

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- ◆ Honesty and open approach to working with suppliers - a win/win contract
- ◆ Focus upon an “output based” service specification
- ◆ Effective knowledge transfer to the supplier
- ◆ Early deployment of the right team to manage the process

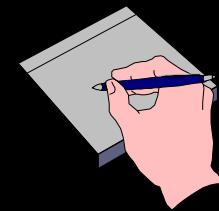




## *Quality Issues*

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- ◆ To safeguard quality of outsourced services, measures should be included to :
  - ❑ ensure an appropriate Quality Management System (QMS) is put in place;
  - ❑ ensure compliance to the QMS; and
  - ❑ ensure adherence to the Service Level Agreements by the ESP



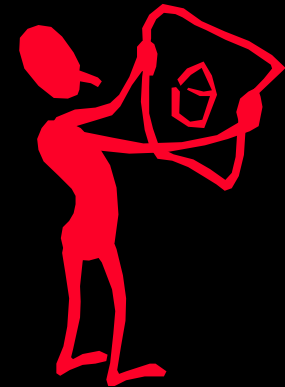


# ***The Way Forward***

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## **Approach**

- ◆ to launch awareness programme
- ◆ to have quick wins
- ◆ to establish the right management framework
- ◆ to formulate a programme for outsourcing





# ***The Way Forward***

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## **Implementation Programme**

- ◆ to conduct Study on Outsourcing for selected departments
- ◆ to identify further candidates for departmental outsourcing
- ◆ to encourage project-by-project outsourcing
- ◆ to mobilize the right skills and resources to support outsourcing

