

IT Support Options

Balancing the costs and risks

In this paper I discuss a common issue faced by many companies that are seeking to reduce IT cost without necessarily increasing risk.

Many companies reach a point where their IT is mature and there is no new 'big project' on the horizon. Some companies are restructuring and are seeking to reduce their headcount and corresponding costs for the future IT support of their business. This paper discusses some of the strategies for dealing with this and avoiding the risks of a 'small' IT department.

IT skills and knowledge to support the systems are never held by individuals to the same level across a team. Clearly, each member of the IT support team will concentrate on a particular area such as networks and servers, whilst another will focus on supporting the functionality of, say, an ERP system. Typically there will be a manager that will maintain budgets, manage personnel and deal with the IT strategy for the business. It is difficult therefore to reduce headcount in an IT department without losing some key skill and introducing risk to your business.

This risk is usually mitigated by 'spreading' the 'lost' expertise and skills to the remaining members of the team. This will usually result in the remaining team members taking additional responsibilities and this may lead to demands for increased salary to reflect the increasing workload and importance to the business of the remaining personnel.

Furthermore, the knowledge invested in a reducing number of individuals will pose an increasing risk to the business in the event that they should leave in the short term. This is usually mitigated for by extending notice periods, from 1 month to 3 or even 6 months. This results in the business gaining a sense of security in terms of 'cover' and the employee gaining a sense of security in that they would receive 6 months pay in the event of a compulsory redundancy. It gives a sense of 'binding' to the company.

Ties that Bind

This binding is positive in the short term but may not be so beneficial in the long run. It may be that the business strategy does change over time and the requirement for a particular skill-set is no longer relevant. In this event the company is tied to giving the salary in lieu of notice. For the employee the bind is that they may wish to seek new challenges but are prevented from applying for jobs on the basis that any potential employer would not wait six months. It is likely that the employee becomes resentful of the bind and performance may be affected. Sometimes the employee will simply find another job and 'negotiate' a shorter notice period anyway. The only way to prevent the person leaving will be to offer them a salary increase – which will also increase the financial value of the notice period.

IT people are excited by challenges – for a technically focussed individual the opportunity to build and deploy new hardware and software solutions can be as important as a competitive salary. For business analysts supporting a business system, the challenge of implementing new functionality or working on new business projects is an important part of their motivation. These types of individuals do not appreciate, in

the long term, the idea that they will not be offered new challenges. New projects give them an opportunity to extend their skill-set and increase their value in a competitive marketplace. They often will not settle for a situation supporting systems on a 'ticking over' basis for the foreseeable future. Atrophy of skills and opportunities is an anathema to the typical IT professional.

If an employee is working for a company that is not offering opportunities for them to extend their skills – and enjoy their work they will seek and secure a career elsewhere. The business will then lose the skills it needs and will find it difficult to replace them.

One approach is to ensure that you do have an exciting future for your IT team. However, do remember that your IT team will have a good insight to the state and strategies of the business. They will soon recognise if the bright future they are being offered is realistic.

Advantage Outsourcing

An alternative is to 'outsource' the entire IT function. The perception is that IT outsourcing is for large corporations only – but this is not the case. IT outsourcing is suitable for any size of business and gives the company access to an IT skills base that will match any team that can be built internally. Your outsourcing partner will have highly motivated individuals that have the opportunity to work on many different projects, with different companies, and in different industries. The outsourcing partner will also be able to provide consistent cover – they will manage holiday cover and sickness leave, ensuring your business is not exposed to the risk that there is no one to address a business critical issue.

If possible, when choosing a partner to manage your IT, ensure that they are capable of covering the entire function. It may be that your systems are so specialised that you have to rely on support from different organisations to sustain your business. This is not ideal – sometimes technical issues are such that the result, in this situation, is a passing backwards and forwards of the issues between the hardware supplier and software supplier with your company sitting in the middle suffering whilst they argue about a resolution. If you can, seek a main contractor and ask them to subcontract the elements that they cannot support directly. This will give you the peace of mind of being able to place one call and let the support organisation resolve the issue for you.

This does not apply to all of your IT suppliers however. In some cases, co-location data centres or networks for instance, it is better to pay them directly, as the outsourcer may add a premium. Do give the outsourcing organisation the management of these suppliers as this will ensure that you will not be required to deal with interface issues.

In conclusion, if you are seeking to downsize your IT department whilst not affecting the service standards or increase your risk then outsourcing to a suitable organisation can meet your needs.

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About the Author: Martin has worked as an IT consultant for Deloitte and Touche and also as the European IT Director for Mondi Packaging, a division of the FTSE listed company, Anglo American. He has overseen both growth and downsizing of large IT departments and managed IT outsourcing arrangements.

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