Topic:
Outsourcing

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IT Outsourcing – Desktop Managed Services

Introduction

In today's corporate landscape, organisations are increasingly looking to focus on their "core activity". Companies identify areas they see as "low-value" and consider outsourcing some or all of them to contractors. One part of a company's activity that is being outsourced today is the provision of Desktop Managed Services.

In order to understand what is currently happening in this area of outsourcing we spoke to eight organisations in the UK and France that have large-scale contracts (typically more than 7,000 users and mostly in excess of $100 million) in place for Desktop Managed Services. Four of the organisations had awarded their contracts since January 2003, with the others having earlier start dates.

Why outsource?

Many of the companies we spoke to cited cost considerations and a lack of internal resources as the main drivers to outsource. The increased flexibility and or standardisation of service allowed by using a contractor were other factors that encouraged companies to look to a third party. Overall, many companies decide to outsource during a period of change or reflection.

How to choose a contractor

Most companies we spoke to had invited between four and six potential suppliers to tender for their contract. After a bid process, usually lasting between six and nine months, each company would select their Desktop Managed Services provider according to their own, usually unique selection process. Contractors were often being selected as a result of their flexibility, or resources (geographical spread or capacity).

It should be added that where a company had successfully outsourced some of their IT in the past, it often selected one of the incumbent contractors to supply the new contract — a sobering point for contractors who may be tempted to down-play the importance of a small or partial contract.

Scope of contracts

The scope of the contracts examined is very varied, with flexibility seen as key. All the contracts cover the supply of basic hardware, like PCs and laptops with their Operating Systems and Office Automation Suites. Some included supplying printers, and/or additional software with servers and storage outsourced less frequently.

Most contracts include "technical refresh" which is often managed on a three to four year rolling programme. Under the "technical refresh", delivery of new equipment is carried out within five to ten working days from order in a phased process across the organisation.

The most common services covered by outsourcing contracts include pre-configuring equipment, testing and handling it, hardware maintenance and the provision of service reports. Most also include services like hardware installation, disposal of old equipment and equipment relocation if and when required.

Many of the organisations we spoke to had already discussed with their contractor how work outside the scope of the contract would be costed for and dealt with.

Support

Where the contractor supplies it, most companies have negotiated desktop services support for business hours, on-site. The contractor provides support for equipment that is both in and out of warranty period. More critical applications were covered in some contracts and these benefited from 24-hour coverage, seven days a week.

Helpdesk support from contractors is often 24/7. Calls to the helpdesk are usually classified into three levels of severity. IT training is not that often outsourced. Where a contractor does supply IT training to a company it tends to only cover the basics.

Pricing

Outsourcing contracts are negotiated with costs per item or service although the commercial terms do vary. The two main commercial terms encountered in these contracts were on demand pricing and "open book". Under these agreements, contractors supplying equipment are responsible for sourcing best prices or deals for their clients.

Length of contract

When it comes to the length of contract, we encountered some that had a ten-year agreement in place and others that were only for one year. In general the longer contracts were for more complex services and tended to have mid-term or break points.

Conclusion

Outsourcing is seen as a way of utilising resources and expertise not normally within an organisation's capacity. It allows a company to address today's issues so there is a platform to take the business into the future.

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