



TEXT SUPPORT

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In conversation with
Ian Tho

MANAGING THE RISKS OF
IT OUTSOURCING

RATING: ★ ★ ★ ★ ★

IAN THO IS A FELLOW OF THE Australian Institute of Management and has worked in outsourcing services for more than 18 years with KPMG Business Advisory Services, Andersen Consulting and Datacom Asia. Tho is interested in examining how the perceived risks in IT outsourcing often lead organizations to hesitate — even with the extensive benefits. He examines the latest thoughts, theories and trends in IT outsourcing in relation to the concept of core competency.

What is the difference between contracting and outsourcing?

In a contracting situation, both processes and risks remain with the original organization. When an activity is outsourced, the processes are managed completely by the supplier

organization. The supplier is then completely free to change the processes provided the outcomes are the same. In this case, changes provide benefits to the supplier through cost savings and efficiency. This is subsequently shared between the buyer and supplier. This is not so in a contracting situation (where processes and outcomes belong to the buyer and are seldom radically changed).

Why is it important to have a clear methodology for assessing the risks of IT outsourcing?

A methodology provides the necessary guides, perspectives and planning facilitation. The use of a tried and proven method of assessing the risks of outsourcing mitigates the risk of getting the exercise wrong.

Why is this ability to assess at both the macro and micro levels of the organization important to the success of the business?

Measurements, both quantitative and qualitative in nature, can then be analyzed and the nature of risks, in this example, can be understood.

FAST 4

Favourite author
Robert Kiyosaki

Favourite Web site
Live365.com

A good book...
Allows a gander into the minds and thoughts of interesting people.

Guilty pleasure
Oysters and caviar

Subsequently the understanding is translated into action via risk mitigating activities. Whole organizations comprise the sum of the individual components that include activities performed by their people, results from their technology (machines and computers) and appropriate processes that link each component together. For organizations to perform at their optimum, all people, machines and processes need to work together.

How many different sorts of risks need to be evaluated in a complete risk assessment of IT outsourcing?

A set of commonly used risk categories include 12 risk categories that have been used extremely successfully in many of the major projects we have been involved with in North America, Europe and across Asia. These categories include dimensions of fiscal, operational, technical, strategic, environmental, legal, business, information, management, people, relationships and growth. There is, however, no magic number of risks or risk types. The constant, recurring theme is the use of risk categories that are consistent across the duration of projects.

In a new era of identity theft, are the buyers of IT outsourcing whose product involves confidential customer information accountable to their customers in new ways?

This risk may never be completely mitigated. Research has shown that as identity theft is considered along with mitigating activity, the risks along the other dimensions including

legal, environmental, technical and process dimensions appear to compensate. So, as suppliers attempt to allay the anxiety from their clients, considerations for increased risks along the other dimensions should also be investigated. The objective is to achieve a risk profile that has all its dimensions within the tolerance.

Should the North American market not consider the long-term ramifications of allowing too much of this outsourcing to be done internationally at the expense of maintaining national expertise?

Proponents of outsourcing contend that the jobs that are retained within the country are significantly more satisfying and provide more value. They also argue that the more repetitive and menial tasks are no longer choice jobs and may be performed where labour is relatively more abundant and hence less expensive. So, the argument that there is a need to retain a pool of national expertise in this job category is not as severe as originally thought.



INSIDER

Electronic oenophiles (not as dirty as it sounds)

REMEMBER WHEN EVERYBODY USED TO THINK those musical birthday cards were hilarious? Me neither. Point is, the inexorable march of technological progress touches the most mundane things. Whereas once a musical birthday card would have required an envelope large enough to accommodate at least a jazz trio, that technology is now so cheap and tiny that wine labels will now talk to you.

Reuters reports that Italian company Modulgraf will launch a talking wine label in November. Several of Italy's finest winemakers are apparently enthralled by the idea.

A chip implanted in the bottle speaks through a receiver in the wine shop or restaurant, telling customers how to enjoy the wine, food matches, perhaps even the grower's history or the weather conditions of the particular vintage.

The natural evolution of the idea is a wine bottle that communicates different messages according to how many glasses have been drunk. For example:

Before opening: "This Pinot Noir has a silky

texture and butterscotch notes, a great compromise wine when some at the table are eating fowl and others lightly seasoned beef."

After two glasses: "Deeply savour the nose — delicate and complex — and the long, velvety finish as a transition between courses."

Four glasses: "It's a fine complement to a dessert, too. Go on, order a dessert. Let yourself go for a change. You don't have to watch your weight — you look fine. Go ahead."

Six glasses: "Have I mentioned how beautiful your eyes are? I mean, that shade of hazel — it's breathtaking. Listen, my cellar's just up the street..."

BECAUSE WE LOVE ROBOTS

I've always had a deep and abiding fascination with robots. And we are reaching the apogee of robot culture: Once relegated to important, but low-profile, work such as on assembly lines, the robot is now in the home, on the dance floor and on the race track. Camel racing is a wildly popular sport in Qatar,



largely because the nation has ready access to the three necessary elements for the sport: Camels, sand and an inexhaustible source of lightweight riders. However, when the nation banned child jockeys out of concern for their treatment, a third of the mix was gone. Robots to the rescue. Qatar held its first ever camel race with robot jockeys recently, reports Ananova.com. Seven robot jockeys took part. Race officials called it a success.

NHL players should be very afraid.

PSST! Got an inside scoop? Email us at insider@itbusiness.ca