BEST PRACTICE

A MANAGEMENT GUIDE

IT Outsourcing Part I:
Contracting the Partner

VAN HAREN PUBLISHING
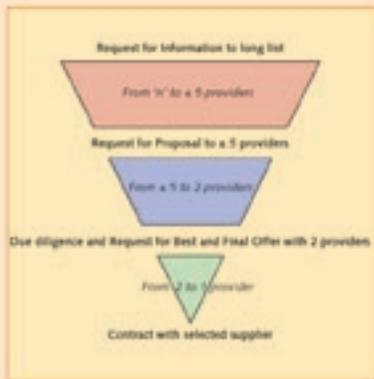
IT Outsourcing
Part I: Contracting the Partner
A Management Guide

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Colophon

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Denis Verhoef is a Managing Consultant at Kirkman Company. In recent years he has been instrumental in developing a number of large IT programs in the public sector. To this end, he regularly puts into practice the principles outlined in this book, particularly in the area of professional customer roles and strategy development. He often serves as guest speaker and offers workshops to businesses in both the public sector and the private sector.

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Jan van Bon
Chief editor, ITSM Library

Foreword

ABN AMRO was one of the first Dutch multinationals to successfully outsource major parts of its IT activity. Beginning 2003 with the transfer of the activities of the former *wholesale banking* business to EDS, 2005 saw the remainder of ABM AMRO's retail activities transferred through a multi-vendor system to IBM, TCS, Infosys, Patni and Accenture.

As Executive Vice President, I was in the fortunate position of being closely associated with this process and played an essential role in this important development for our bank. From this vantage point, I can say that outsourcing and offshoring of a large, essential segment of an organization is no easy task. In outsourcing and offshoring an organization many difficult issues must be expertly managed; not least the transfer of people, the sensitive conveying of your organization's characteristics to the *vendor* and the countless discussions with works councils and other employee representatives. Critically, in the absence of good communication and timing, chaos ensues.

Back then there was little literature that gave a complete overview of the outsourcing-offshoring process: we had to rely on a collection of published articles and specific case studies. And, with hindsight, I can see we invested a relatively long time in evaluating activities that didn't work out.

I read this book with great pleasure and can testify to the advice it gives. As a former transition manager for the EDS contract, chapter 7 was of great interest to me. Chapter 7 deals with transition requirements which is a crucial activity that demands a very meticulous approach. The basic approach offers an excellent view of all of the questions and risks. It provides an excellent view of everything that is involved in the outsourcing process and will enable an organization to appropriately allocate time, money and energy to their outsourcing and offshoring processes. It should be required reading for the Board and everyone else involved in the outsourcing process, including but not limited to the project team, the Works Council, and the audit department.

I can say with absolute confidence that this book is a welcome addition to the literature in the field of outsourcing and offshoring. It certainly would have been a great help to us when we went through this difficult process.

Arend Vleming
Executive Vice President ABN AMRO

Contents

Introduction

Outsourcing of IT services has developed into a mature strategic business option. Organizations are increasingly focused on their core competencies, and the technical possibilities for contracting out processes are expanding. Most organizations now consider all of the options for cost-efficient operation, and external providers can often deliver IT services at lower cost through economies of scale. IT outsourcing can also lead to improvements in *time-to-market* of IT solutions and of the quality of IT service delivery, according to Gianotten and Wijers (2003). IT outsourcing is thus a strategic approach that can make a positive contribution to the business through improvements in IT capabilities, IT costs and IT quality.

The choice of supplier is critical. The supplier must deliver the required quality of service at an acceptable price. For customer organizations that are considering outsourcing it is essential to be adequately informed when preparing to select an appropriate service provider. The *request for proposal* (RFP) plays a central role in this preparation. This is the document in which the customer organization describes its service requirements. The quality of the RFP drives the quality of the suppliers' responses; it enables the selection of suitable suppliers and the subsequent negotiation of the contract.

The RFP was chosen as the central theme of this book because the most substantive preliminary work by the customer is presented in the RFP; among other things it includes the formulation of the service requirements. Related documents, such as the *request for information* (RFI) and the contract are included indirectly. In practice, the response to the RFI leads to shortlisting of suppliers who are then invited to submit proposals in response to the RFP. The contract is based on the RFP; it is the result of negotiations between the customer and supplier(s). The final contract is the determination of the operational fit between the RFP and the supplier's proposal.

The approach to the RFP varies, depending on local practice internationally and public procurement rules. However, the broad principle is the same everywhere: the customer organization produces a statement of its requirements; potential suppliers respond; a contract is negotiated with a preferred supplier.

Numerous RFPs have been issued in the last few years; much experience has been acquired about how customer organizations can succeed in the competitive marketplace, and

the most effective ways to formulate requirements. These valuable learning experiences have never been compiled before.

Many approaches, methods and techniques have been developed within the IT domain. However, they focus primarily on the development of information systems, on infrastructure management, application management, and project management. *Best practices* for organizing customer-provider relationships, and in particular for drawing up an RFP, have rarely, if ever, been offered. An important exception is ISPL: the Information Services Procurement Library. This approach is very influential in the organization of customer-supplier relationships in the outsourcing of large IT programs and projects, but not in IT services, which constitute an essential component of outsourcing. Other frameworks that include acquisition and procurement related best practices are COBIT (Cobit 4.1, 2007) and CMMI for Acquisition Organisations (Dodson, 2006); also the UK Office of Government Commerce's Gateway Review process. ISPL is the only source that provides detailed advice on RFPs.

This book aims to provide best practices in designing an RFP that focuses on the outsourcing of IT services. The authors have drawn on the best practices of the Information Services Procurement Library (ISPL), and particularly those that focus on IT outsourcing. Based on experience and observations from their own consulting practice they have added themes that are not covered in depth by ISPL. They also drew on the Application Services Library (ASL) and the IT Infrastructure Library (ITIL V2), whose wealth of resources helped to guide them in devising the requirements and services in the area of application management and infrastructure management. Finally, this book is the product of both of the authors' involvement with and participation in the Implementation Working Group within the Information Services Procurement Group (ISPG).

The target audience for this book includes board members, managers and professionals in IT management and procurement who are searching for practical approaches for the creation of RFPs in complex IT outsourcing situations. Other interested parties include Human Resource Management (HRM), IT, Finance & Control (F&C), Contract Management, the works council, legal advisors, and *last but not least*, IT users. For supplier organizations, the book is intended for primarily for service managers and contract managers; it will also be of interest to account managers and business consultants. Prior knowledge of ISPL is not required to benefit from this book.

The best practices that are represented here are applied to a specific case: the creation of an RFP for a fictitious company – BioFruit. A number of product names, such as SAP and Windows, are used to describe the case in concrete terms. No preference or endorsement of these products is in any way implied.

The book is structured as follows:

Chapter 1 Outsourcing discusses the outsourcing process in general. It provides an overview of outsourcing and characterizes the interaction between customers and suppliers.

Chapter 2 The BioFruit case introduces the BioFruit case study and the most important considerations for the potential outsourcing of a number of IT activities.

Chapter 3 The business case describes the underlying business case that serves as the basis for the outsourcing decision. The subsequent chapters are divided between the application of *best practices* and the BioFruit case.

Chapter 4 The RFP structure introduces the recommended contents of the RFP document.

Chapters 5 to 10 describe the most important components of the RFP.

Chapter 5 The suppliers' instructions describes the first section of the RFP in detail, in which the customer organization lays out the procedural instructions for suppliers.

Chapter 6 The service requirements discusses the section of the RFP in which the customer organization describes the content-related requirements of the outsourced services.

Chapter 7 The transition requirements covers the customer organization's transition requirements in the RFP, which the supplier must achieve at the outset of the outsourcing process.

Chapter 8 The governance requirements discusses the requirements for the formal arrangements for of the intended collaboration between customer and supplier as outlined in the RFP. Governance is the management framework by which the customer manages the relationship with the supplier.

Chapter 9 The personnel, financial and legal requirements discusses the requirements in the RFP from the legal, financial and personnel perspectives.

Chapter 10 Supplier selection describes in detail how the customer organization plans to select the supplier from among the candidates.

Outsourcing

In this chapter, outsourcing will be defined (section 1.1) and various forms of outsourcing will be discussed in section 1.2. Section 1.3 discusses the phases of the outsourcing process. The reasons behind the decision to outsource are covered in section 1.4. The critical factors for success, according to research, are included in section 1.5.

1.1 The definition of outsourcing

Outsourcing or *contracting out* refers to the transfer of business activities to a third party. Beulen et al (2005) provide this definition on the Dutch website Platform Outsourcing Nederland:

> **Outsourcing is:**
> The transfer of services, and where applicable, the associated staff and assets, to a specialized service provider, and then for the duration of the contract, the receipt of services at an agreed level of quality and an agreed financial compensation structure.

Considerations such as the value-add of business activities, the core competencies of the organization and existing levels of cost and quality will influence an outsourcing decision.

Typical characteristics of outsourcing (see Kateman and De Vries, 2004) are:
- a long-term service delivery relationship over a number of years
- the transfer of management responsibilities
- specific performance requirements to the supplier
- a possible transfer of assets (eg hardware, software, IP)
- a possible transfer of personnel

These characteristics have been selected deliberately. Secondment or transfer of staff, for example, is not necessarily included in the definition of outsourcing: long-term relationships are not essential, there does not have to be a transfer of management responsibilities, nor specific performance requirements. Projects with specific performance responsibilities do not necessarily coincide with these outsourcing

characteristics either: they are more concerned with clearly-defined project results than continuing service delivery.

In outsourcing it is essential to plan which tasks an organization will contract out. This decision can be derived from the business process perspective with its underlying applications and infrastructures (this is referred to as *business process outsourcing*) as well as from the IT process itself (IT outsourcing). With BPO (business process outsourcing) the back-office-related administrative bulk processes are often contracted out. These could include insurance processing, payroll or financial administration. IT outsourcing can apply to a variety of tasks within the IT organization: from infrastructure management and desktop services to application development, management and maintenance.

1.2   Types of outsourcing

Section 1.1 explained the distinction between IT outsourcing and BPO. These terms constitute only a small proportion of *outsourcing*-related terminology. The types of outsourcing defined in table 1.1 below are the most commonly used, selected from the glossary of terms published by Beulen *et a*l, 2005.

The many forms of outsourcing can be traced back to:
*   the kind of process that is to be outsourced: *IT outsourcing* (ITO*), business process outsourcing* (BPO)
*   the objective that is being pursued: *strategic, transformational*
*   the chosen *supplier* strategy: *multiple, single sourcing*
*   the scope of the outsourcing: *full outsourcing, selective outsourcing*
*   the manner in which the service delivery is organized: *co-sourcing, global sourcing, nearshore, offshore, onshore*

1.3   The phases of outsourcing

To make the outsourcing process manageable, there are several different phasing models available. Phasing models have been developed by De Groot and Lewis, De Looff, Delen, and Beulen. An analysis of these phasing models led to a new phasing model developed by Platform Outsourcing Nederland (Beulen, et al, 2005), which is used in this book.

Outsourcing types	Description
Process type based	
Business process outsourcing (BPO)	The transfer of business processes and, if applicable, the associated staff and assets, to a specialized service provider, and the receipt of services for the duration of the contract, at an agreed level of quality and an agreed financial compensation structure
IT outsourcing (ITO) (IT sub-contracting)	The transfer of IT services and, where applicable, the associated staff and assets, to a specialized service provider, and the receipt of those IT services during the duration of the contract, at an agreed level of quality with an acceptable financial compensation structure
Objective based	
Strategic sourcing	A sourcing approach that is characterized by a management decision for strategic (re)positioning of the organization and a large-scale change process with optimum use of the investments, resources and competencies of third parties
Transformational outsourcing (synonym: *transitional sourcing*)	Outsourcing with the intention of significantly and rapidly increasing the quality and performance of the service through an advanced partnering model
Supplier strategy based	
Multi-sourcing	Outsourcing in which the outsourcer enters into individual contracts with several service providers at the same time
Single sourcing (synonym: *sole sourcing*)	Outsourcing to one service provider, who assumes full responsibility for performing the outsourced services
Scope based	
Full outsourcing (synonym: *total outsourcing*)	The outsourcing of provision of the entire range of services
Selective sourcing	The outsourcing of a portion of the service package, in which the outsourcer maintains control of another portion
Organizational service delivery based	
Co-sourcing	Outsourcing to a joint venture that the outsourcer and a service provider set up jointly for that purpose
Global sourcing	From the perspective of the outsourcer: outsourcing to the locations of one or more service providers in several countries
	From the perspective of the service provider: the provision of services in several countries
Nearshore outsourcing	Service delivery by a supplier from a country that is near to the country where the outsourcer is located
Offshore outsourcing (synonym: *offshoring*)	Service delivery by a supplier from another part of the world than the country in which the outsourcer is located
Onshore outsourcing	*Remote service delivery*[1] by a service provider from the same country as that in which the outsourcer is located

Table 1.1 Types of outsourcing

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[1] *Remote service delivery* is IT service delivery by a supplier from a location that differs from that of the customer.

The phasing model	De Groot and Lewis, 1996	De Looff, 1996	Delen, 2000	Beulen, 2002
1. Decision-making	1. Vision development	1. Principal decision	1. (New) decision-making	1. The contract process
	2. Sourcing decision			
2. Supplier selection	3. Sourcing selection	2. Focus	2. Supplier selection	
		3. Selection of supplier		
3. Transition	4. Sourcing management	4. Implementation	3. Contract management	2. The transition process
4. Service delivery		5. Management		
5. Contract completion		6. Completion		3. The service delivery process

Table 1.2 Phasing models for outsourcing

The phasing model developed by Platform Outsourcing Nederland is shown below:
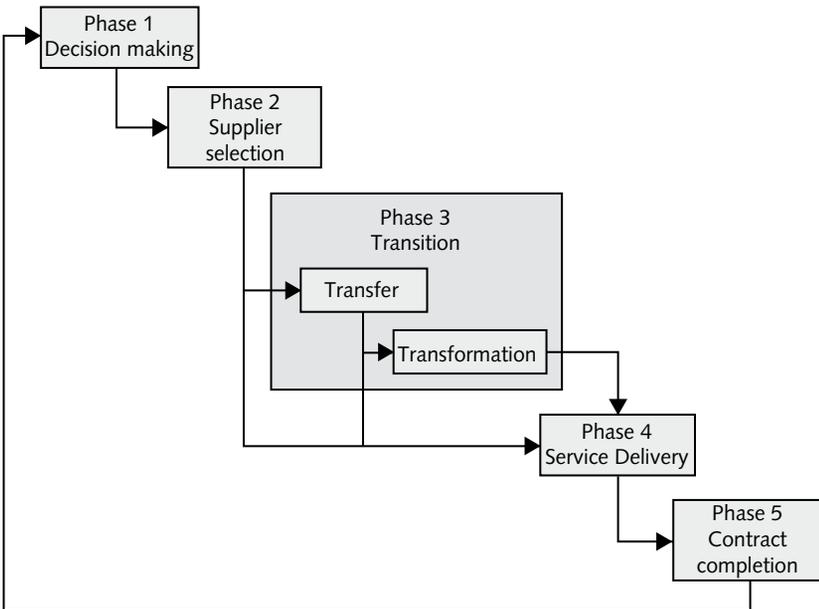

Figure 1.1 The phasing model

The model can be implemented in different ways after selecting the supplier. The transfer of people and resources begins immediately after the contract has been signed and the 'as is' service delivery begins, with the same people under the same conditions. Following the transfer and possibly transformation activities, the 'to be' services are delivered under new conditions and in a different way. The 'as is' services and the 'to be' services are also called the *Present Mode of Operation* (PMO) and the *Future Mode of Operation* (FMO), respectively. Usually a different and higher fee is charged for the 'as is' services than for the 'to be' services after the transition.

1.3.1 Phase 1: Decision-making

Organizations that decide to outsource must make their sourcing decisions within the framework of a sourcing strategy. The feasibility of outsourcing can be established from the following perspectives:

* the business case for outsourcing
* the scoping and bundling of processes suitable for outsourcing into packages that appear to be logical and easily manageable for the customer and at the same time attractive to the market
* the risks associated with the outsource
* the organization's capability to change
* the organization's capability to manage the relationship with service providers
* the applicable laws and regulations (for example, Sarbanes-Oxley or IFRS[2]).

If the organization decides to outsource, implementation can begin. The first step in this phase is the selection process.

1.3.2 Phase 2: Supplier selection

The Information Services Procurement Library (ISPL) defines the supplier selection process (also known as the *tendering* process) with the following steps:

1. **preparation of a request** - producing a request for supplier proposals
2. **response preparation** - producing a proposal
3. **supplier selection** - choosing a supplier
4. **contract preparation and signing** - drawing up the contract.

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2   IFRS: International Financial Reporting Standards

The first three steps can be done in a number of iterations. For example, the first 'preparation of request' can lead to an RFI (request for information), and the second iteration can lead to an RFP. Often, as many as three iterations of the supplier selection process take place in an outsourcing process (see Figure 1.2). These three iterations are also known as:

- the RFI phase
- the RFP phase
- the BaFO phase (*best and final offer*)

Every iteration leads to a further narrowing down of suppliers who may participate in the next iteration. Generally, the RFI leads to a selection of about five suppliers from a *long list* that will be considered for the RFP. Five is a large enough number for the organization to benefit from competition in the marketplace, and a small enough number to ensure that the efforts of both customer and suppliers are kept to a minimum during the tender phase.

Often the RFI is used as a means to assess the maturity and capabilities of the current market place. It might be done in two separate steps: first, a market survey and then the selection of the *short list* from the long list through the use of the RFI. Potential suppliers can be notified through a preliminary announcement of the planned tendering.

The third iteration – after the RFI and RFP – is the request for a definitive offer, sometimes known as the *request for BaFO* (Best and Final Offer). This iteration often takes place with two final candidates to achieve the optimum balance of competitiveness of pricing and quality of service.

To arrive at a best and final offer, usually a mutual and thorough investigation is conducted: the due diligence. During the due diligence by the supplier(s), the quality and value of the portfolio of services, employees, and resources that will be acquired will be determined. In addition, the supplier examines the RFP's prerequisites and the assumptions made in the proposal. A common approach is to open a *data room* during the due diligence. A data room is a site where the customer stores all documents and other relevant information to facilitate the onsite due diligence investigation by suppliers. Setting up the data room is often very time-consuming for the customer, and is initiated during the preparation of the RFP.

The objective of a due diligence by the customer organization is to determine the quality and (financial) viability of the supplier(s). This is often done by reference visits

and demonstrations onsite, both at the supplier's location and at the locations of some of their customers. Paid or unpaid *proofs of concepts* can also be considered.

In making the BaFO, suppliers are expected to present their best offer, with as few prerequisites as possible.

Request for Information to long list

From 'n' to ± 5 providers

Request for Proposal to ± 5 providers

From ± 5 to 2 providers

Due diligence and Request for Best and Final Offer with 2 providers

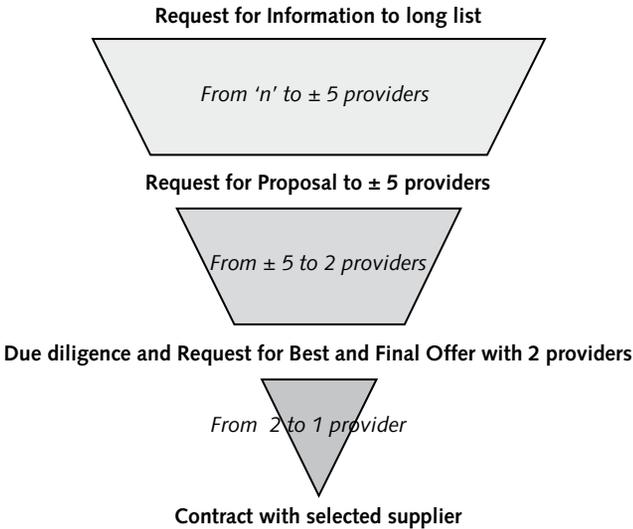*From 2 to 1 provider*

Contract with selected supplier

Figure 1.2 The supplier selection process in outsourcing with three iterations

Based on the BaFOs, the customer organization selects the preferred candidate with whom they will negotiate the contract. During the negotiations the parties can resolve issues that came up during the due diligence or that may have arisen from the BaFO assessment. The output from negotiations comprises the contract and all appendices.

The four essential documents in the supplier selection process are the RFI, the RFP, the request for BaFO and the contract. This book focuses mainly on the RFP document (see Chapter 4 and beyond).

Public organizations in the EU are required to abide by specific European procurement regulations in the process described above. These regulations are explained in detail in section 5.3 of this book. Similar principles are followed in the US, Canada and Australia.

1.3.3   Phase 3: Transition

After the contract has been signed, the supplier will implement the transition to the desired services, as agreed in the contract. The transition phase must be handled on a project basis and can consist of several sub-projects; it is often described separately in the contract and is primarily the responsibility of the supplier. It involves two sub-phases: the transfer and the transformation.

The *transfer* is the handing over of the 'as is' services to the supplier. Often the customer organization transfers the associated assets and staff at the same time. The transfer is a joint project of the outsourcer and the supplier.

The *transformation* is the conversion of the 'as is' services to the provider's operation and the change of the transferred organization, services and assets. In terms of their impact as well as in terms of their complexity, three levels can be distinguished:
- a transformation in which the supplier continues the processes and *tooling* and changes primarily the organization and management (this is thus primarily an organizational transformation)
- a transformation to the provider's processes and automated tools, of the supplier, with cost management and robustness of the services as goals (this is primarily a service transformation)
- a transformation with the purpose of significantly improving the quality and maturity of the systems, services and underlying technology (transformational outsourcing, which mainly affects business processes and support systems).

1.3.4   Phase 4: Service delivery

After signing the contract at the end of phase 2, the supplier delivers the services. Performance is monitored closely, in line with performance measures set out in the contract. The service delivery will change during the contract period; firstly through defined transformation projects, and later through innovative developments as appropriate. There might also be improvements in the nature and price-performance level of the service delivery. Decisions are made on the basis of regular performance reviews during the service delivery period.

1.3.5   Phase 5: Contract completion

The last phase in the outsourcing process is the phase where the contract is completed. The contract can be extended if necessary. After completion, an insourcing to the customer organization can follow, or a transition to a new supplier (the supplier calls this the retransition), or the services may simply not be performed any more because

they are no longer required. The four options for the completion of an outsourcing contract are as follows:

- contract extension
- contract completion and withdrawal (insourcing)
- contract completion and a new supplier is selected
- contract completion with no further follow-up.

Normally, it is essential that service delivery continues seamlessly and without interruption at the completion of the contract, and is resumed by the customer organization or a new supplier. In addition to maintaining expertise, important considerations at contract end are ownership of assets, intellectual property and the position of the personnel involved.

It is essential for the customer organization to allow adequate time for putting new arrangements in place at contract end. The period needed for the run-up to completion of the contract partly depends on the procurement time needed for selection of a new provider (if required) and the conditions that are laid out in the contract.

1.4   The advantages and disadvantages of outsourcing

IT outsourcing must ultimately lead to a distinct advantage over performing the services in-house. This advantage arises from factors such as price, quality of service and flexibility. Recent research (Gianotten and Wijers, 2003) has demonstrated that customer organizations often achieve significant improvement in the following areas:

- the customer organization's core competencies (are strengthened)
- the *time-to-market* of IT solutions (is reduced)
- the quality of the IT services (is enhanced).

Reactions are mixed on the cost and flexibility of IT services. The cost of outsourced IT services does not usually fall, but the quality improves significantly. Indirectly, this may result in a reduction in cost. Achieving higher quality can even result in higher costs. There are varying reactions from customers on flexibility of service delivery. They experience more flexibility in the speed and volume of services, but they also experience less flexibility as a consequence of more formal procedures for managing the service.

For many organizations that make a conscious decision not to outsource, research shows that they consider the impact of outsourcing on their organization and employees too great. These organizations also doubt whether outsourcing would provide sufficient business and cost advantages. Other perceived disadvantages are the dependence on

external parties, potential bureaucracy, and outsiders' lack of knowledge about their business.

The key is to weigh the advantages and disadvantages through meticulous assessment and preparation (see Chapter 3 of this book).

1.5   Critical success factors in outsourcing

Finally in this chapter we will discuss a number of critical success factors in the outsourcing process. In his PhD thesis, Delen (2005) investigated the factors that determine success. His pragmatic definition of success was that both the customer and the supplier derive so many benefits that they want to continue to work together. Table 1.3 lists the critical success factors that Delen identified. Other research has similarly indicated the importance of an open attitude, information exchange, and a cultural *fit* between the parties. These aspects can be instrumental in ensuring a good collaboration based on mutual trust.

Success factor	Indicators

Systematic approach to the outsourcing process	• A specific plan to be used in planning the outsourcing:
	  – identifiable phases in the sourcing lifecycle
	  – activities translated into man-hours
	  – a clear division of responsibilities

Positive business case for the customer	• No core competencies are outsourced • Tangible and intangible benefits laid out in advance • Advantages weighed against costs and risks
Positive business case for the supplier	• Insourced processes are the supplier's core competencies • Tangible and intangible benefits laid out in advance • Benefits weighed against costs and risks

Decoupling of processes	• Mapping the processes and IT resources at the level of *marketable sourcing units*: large-scale service packages of interest to the supplier;
	• For each marketable sourcing unit:
	  – products and services (input and output)
	  – resource allocation
	  – results in measurable terms (service *levels*)
	  – management and reporting methods

Professional customer role – clearly defined interface between the business and the service provider	• Aligned business and IT strategy • A sourcing strategy as part of the IT strategy • Clear demarcation between the customer's responsibilities and the supplier's responsibilities • An appointed demand manager resolving operational problems independently together with the supplier's service manager • Reporting and communication structures designed at strategic, tactical and operational level • Conflicts with supplier are handled through appropriate escalation mechanisms • With multiple sourcing: sufficient IT expertise for the differentiation of roles and responsibilities

Sourcing knowledge	• Sufficient knowledge, experience and competencies of both the customer and the supplier, such as on:
	  – project management
	  – financial management
	  – HR management
	  – IT law
	  – Employment law
	  – IT knowledge
	  – ITIL
	  – ISPL

Table 1.3 Critical success factors in outsourcing (Delen, 2005)

The BioFruit case

We illustrate the best practices in an RFP for IT outsourcing through a case study: the fictional company BioFruit, which is introduced in this chapter. In chapters 3 and 6 to 9 the details of the case are followed step by step.

2.1   The company

BioFruit sells healthy natural juices under the trade name B-Juice. The company purchases fruit from organic farmers in Europe (purchases are made through direct contracts with the farmers, as well as from fruit auctions). The juice is produced at various pressing centers and is distributed to wholesalers and other sales centers (such as large retailers) throughout Europe.

The organization is structured as a holding company with several divisions: (1) Citrus juices; (2) Dynamic juices; (3) Berries and Cherries; (4) Distribution; and (5) BioFruit Portugal. The recent acquisitions of the Oporto-based Fruta and the Zaragoza based Berry & Cherry are already apparent in this structure. The holding company's headquarters are in Madrid, and its divisions are located in Valencia, Seville, Zaragoza, Madrid, Oporto and Lisbon.
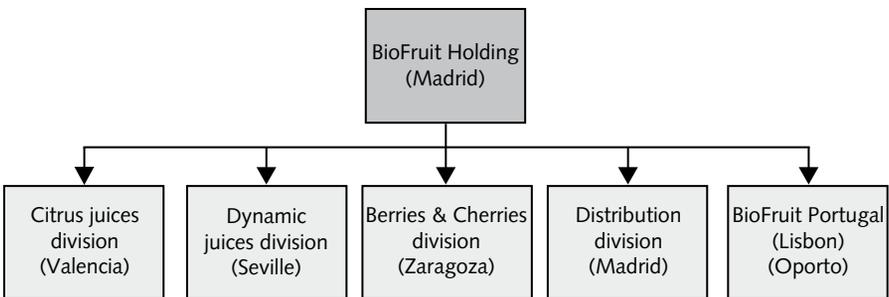

Figure 2.1 BioFruit organization chart

The Board of Directors intends to reorganize the company in the coming year, with the primary improvement goals of creating a clearer structure and enhanced internationalization with comparable turnover and profits.

2.2   IT function (current situation)

The Corporate IT Strategy and IT Service Delivery departments fall under the holding company headquarters. Each of the divisions has a small Information Management department. The divisions receive IT services from the IT Service Delivery department and from various external IT suppliers. The former Berry & Cherry and Fruta have not yet integrated their IT activities with BioFruit's central IT department.

The IT Service Delivery department administers and operates the IT infrastructure in addition to developing and managing the applications. The department consists of two teams: Continuity and Change. The Continuity team focuses on administrative duties, such as managing the central infrastructure, the data center, the WAN and the office automation (OA) environment. The Change team oversees system developments and application maintenance.

There are two types of applications: the process applications (these contribute directly to the primary processes and apply particularly to managing the production of juices), and administrative business applications (marketing, resource management, customer management, work supervision, transportation planning, personnel, and finance).
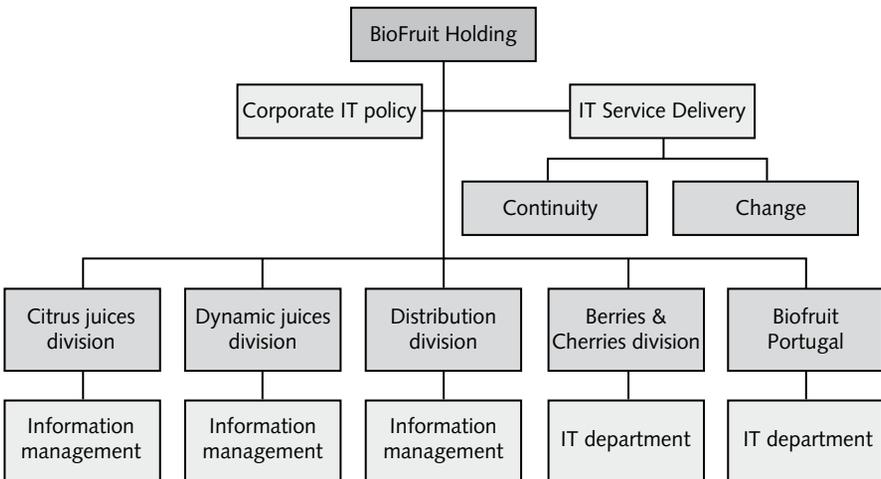

Figure 2.2 IT function at BioFruit

2.3   The planned IT outsourcing

BioFruit wants to outsource most of the activities of the IT Service Delivery department, where about 100 people are currently employed. This outsourcing is a component of the overall plans for reorganization. The company wants its management to focus its

efforts on the sale of healthy juices and to transfer its IT activities to a supplier whose *core business* is IT.

BioFruit wants to retain the following activities:
• Business information and demand management (responsibility for identifying and managing the required business functionality and business information).
• The development and management of process applications. BioFruit regards these applications as a direct component of the critical primary business processes.

Additional information about BioFruit follows throughout this book.