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## EXECUTIVE SUMMARY

Outsourcing is here to stay – especially the kind of “outsourcing” that means moving an application or workload from your data center to a third-party managed service or cloud service.

Whether you want to move an entire IT function like email, or simply provision more storage or processing for a small team, well-executed outsourcing can deliver compelling benefits:

- Moving costs from CAPEX to OPEX
- Eliminating mundane IT chores
- Reallocating staff to more strategic projects
- Preserving the same governance you’ve always had

But not all IT outsourcing turns out so well. Knowing what a successful project looks like can spell the difference between a proud achievement and a career-limiting train wreck.

This white paper outlines 12 critical success factors to consider when outsourcing IT to managed hosting or the cloud. To compile this list, we drew from the 15+ years of hands-on experience Rackspace® has gained helping hundreds of thousands of customers move workloads to managed hosting or the cloud.

None that this paper refers specifically to company projects aimed at outsourcing infrastructure management and hosting responsibilities to a managed service provider. This paper does not cover outsourcing development or other IT functions to outsourced providers.

## THE SAME FACTORS ARE CITED OFTEN

As shown in Table 1, the 12 critical success factors discussed in this paper are often named in the literature on IT project management.<sup>1</sup> The “Times Cited” column shows the number of times each factor was cited in a literature survey of 63 publications.

Note that most other popular factors – such as user involvement, qualified team, realistic schedule, adequate budget, and effective change management – relate more to a software development project than to transferring an app or workload off-premises.

This white paper focuses on the factors that are most relevant to “outsourcing” to managed hosting or the cloud.

**Table 1:** Critical Success Factors in IT Project Management Literature

CRITICAL SUCCESS FACTOR	TIMES CITED IN RECENT LITERATURE SURVEY
1. Clear definition of the problem	16
2. Quantifiable criteria for success	31
3. Appropriate executive sponsor	51
4. Competent, empowered project manager	34
5. Clear channels of communications	27
6. Identified phases of the project	12
7. Clear project milestones	12
8. Open mind	3
9. Metrics that matter	13
10. Adequate documentation	29
11. Vendor scorecards	15
12. Scheduled post-mortem	9

**Source:** International Journal of Project Management 24 (2006) 53–65 Total number of publications analyzed: 63

## SUCCESS FACTOR #1 CLEAR DEFINITION OF THE PROBLEM

Before outsourcing any enterprise IT, corporate leaders must articulate what problem they’re trying to solve. Is that:

- High IT costs, especially for CAPEX?
- Slow response to user requests for new apps or new workloads?
- Data center running close to capacity?
- Mundane IT chores distracting from strategic projects?
- Something else?

The statement of the problem should be specific, quantifiable, and properly scoped to meet the needs of your firm. Depending on the size of the enterprise, this may require multiple meetings with departmental and executive stakeholders whose budgets will be affected by the effort.

On closer examination, it may turn out that the problem is irritating, but not mission critical. You may be able to solve it with a simple workaround, or an extra measure of documentation or training – without the complexity of going all the way to outsourcing.

Whatever the scope, a clear statement of the problem you hope to solve by outsourcing will significantly increase your chances of success.

**STEPHEN COVEY URGES PROJECT MANAGERS TO  
“BEGIN WITH THE END IN MIND.”<sup>2</sup>**

## SUCCESS FACTOR #2 QUANTIFIABLE CRITERIA FOR SUCCESS

When managing a large project with many moving parts, it's easy to get caught up in the details and lose sight of the big picture. It's important to keep your team focused on the end results your company hopes to achieve from outsourcing.

In his influential book, "7 Habits of Highly Successful People," Stephen Covey urges project managers to "begin with the end in mind."<sup>2</sup> In other words, at the start of your voyage, imagine the end.

**It helps to make your goals quantifiable and measurable, such as:**

- **Increased revenues:** How much extra revenue do you want to generate, and in what timeframe?
- **Cost savings:** How much can you save on infrastructure by turning in-house IT functions over to an outsource provider? How long will this take to achieve?
- **Reduced time-to-market:** How long will it take to put your outsourced IT into production, compared with today?

Many IT leaders are comfortable without doing much performance measurement of any outsourced workloads. But the most successful managers set quantifiable goals and then use these to measure their results.

If you set quantifiable goals and review them periodically, your chances of outsourcing success will grow.

## SUCCESS FACTOR #3 APPROPRIATE EXECUTIVE SPONSOR

It's an oft-repeated truth that IT projects with a strong and high-placed executive sponsor have better chances of success. Conversely,

those without an executive champion can be doomed from the start.

"An engaged executive sponsor – with a vested business interest in the project from kickoff to close – can mean the difference between success and failure," says a white paper from the Project Management Institute.<sup>3</sup>

Another academic paper that sought comments from 32 qualified project managers expressed this even more bluntly.

"If you do not have proper top management support," wrote researchers, "the project may ultimately fail. Top management support is essential in securing the needed resources and cooperation...For outsourced projects, this is particularly important."<sup>4</sup>

Not just any manager will do.

**An appropriate executive sponsor must have:**

- Enough authority to see the project through
- A vested interest in achieving the stated goals
- Control of resources required for the project
- A willingness to be actively involved

The sponsor must be comfortable delegating day-to-day authority to the project manager (PM). From that point on, the sponsor must be available when needed, but not interested in micromanaging the project or second-guessing the PM's decisions.

With this configuration, you have two options for locating workloads, as shown in Table 1. The choice between on-premise or managed hosting helps IT deliver faster and more effectively, and gain free time to focus on more strategic projects.

## SUCCESS FACTOR #4 COMPETENT, EMPOWERED PROJECT MANAGER

More than anyone else, the success of any IT outsourcing depends on the project manager (PM).

Like any effective leader, the PM needs good people skills and the ability to motivate others. Of course, a seasoned skipper is preferable to an unproven navigator taking the helm for the first time.

As well, the PM's working conditions must be right. It's not good enough to pile another project onto an overburdened employee, and let them figure out how to cope; the only way to cope is to let something else slide. Allow for the new project in the PM's workload.

Then, make them accountable for the overall success of the project. And make sure the PM has authority as the final decision maker. They must be a single point of contact for your partner and any internal resources. And they must have the power to make day-to-day decisions without constant approvals from the executive sponsor.

In fact, the lines between these two figures must be drawn clearly. While the sponsor authorizes and supports the project, the PM executes it. Each has their own role, but both are responsible for delivering results.<sup>5</sup>

After all, a ship can only have one captain. But behind that captain stands an admiral supporting their mission.

**"A SHIP CAN ONLY HAVE ONE CAPTAIN. BUT BEHIND THAT CAPTAIN STANDS AN ADMIRAL SUPPORTING THEIR MISSION."**

## SUCCESS FACTOR #5 CLEAR CHANNELS OF COMMUNICATION

Over the course of your project, expect at least a few of the details to change. Create an escalation process, so there's a systematic way for any changes to bubble up to the PM. That will depend on developing open channels of communication.

A recent University of Portsmouth (UK) research paper cited interviews with six managers who led 16 IT outsourcing projects over an eight-year period. All the managers agreed that every negative issue they encountered boiled down to poor communication.<sup>6</sup>

Nothing should be off-limits when you talk about your project with your service provider. Schedule time for frank, open discussions about everything – including the good, the bad, and the ugly.

Open communication is a fundamental success factor for both parties. To maintain a healthy relationship with your service provider, your communications should be clear, systematic, and unhindered.

It makes sense to open your communication channels with your service provider long before the project kicks off. You can do this by chatting for a few minutes informally about sports, family, travel, or some non-work-related topic you're both passionate about.

And keep your channels open for the duration of the project. That's well-worth the few minutes it will take to achieve.

## SUCCESS FACTOR #6 IDENTIFIED PHASES OF THE PROJECT

"Most major tasks seem overwhelming when viewed as a whole," notes former tech executive turned author and professor Pat Brans. "By breaking up monster projects into clearly realizable units that are

meaningful building blocks, you'll get a lot more done."<sup>7</sup>

He's right: You certainly can't expect to do one big "rip and replace" for your outsourcing project. The best way to break your project into more manageable parts is to set up set up clear phases.

**These phases help organize the effort required during each stage. For example, six phases could be set up like this:**

- Planning the details
- Running tests and models with your partner
- Doing data extraction or conversion
- Going live with your partner
- Evaluating and tweaking the implementation
- Validating the results

You can create as many phases as you like, and label them as you prefer. The Unisys Transitional Methodology uses just three: Planning, Knowledge Transfer, and Responsibility Transfer.<sup>8</sup> These make sense, since they follow the natural course of any project.

During Planning, you define your objectives, evaluate your application or workload, assign roles, and engage your partner – everything described in success factors #1 through #5 in this paper.

During Knowledge Transfer, you familiarize your partner with your team, your workload to be outsourced, and the results you expect to see. During Responsibility Transfer, your partner brings the outsourced IT into production.

The important thing isn't the names or tasks you assign to each phase. The important thing is that you create them, and use them to guide your journey.

## SUCCESS FACTOR #7 CLEAR PROJECT MILESTONES

Another essential is a set of project milestones, with a timeline for their delivery. Milestones are more than just a project management tool. These give you a chart for evaluating progress, and making sure your firm gets all the functionality you pay for.

These milestones flow naturally from your project phases. Your milestones should be agreed upon with your partner and then clearly visible to all, either posted on an intranet, or e-mailed to all interested parties. Meet weekly to evaluate progress toward these milestones and discuss any potential threats to timely delivery. This helps eliminate confusion and keep all parties accountable for their commitments.

However, remember to balance accountability with flexibility. Like objects on a faraway horizon that gradually come into focus, milestones can sometimes look different as you get closer to them. Whatever form these milestones take, stay engaged with your service provider throughout.

Veteran project manager, Andrew Makar, offers this advice on the TechRepublic blog, "It is important to develop trust and transparency and demonstrate flexibility with the supplier. These are best fostered by working together rather than 'throwing the project over the wall' and expecting the supplier to deliver all the work."<sup>9</sup>

You can outsource tasks, but never accountability.

## SUCCESS FACTOR #8 AN OPEN MIND

Unless you have captained several successful outsourcing projects in the past, you may find yourself venturing into uncharted waters. That's when it's important to stay open-minded to your outsourcing partner's ideas.

The provider you chose for your project has successfully navigated many projects for companies similar to yours. After all, that's why you chose them. They are intimately familiar with the issues that can threaten a project, and how to avoid them. They can also suggest smart course corrections that can save time or effort.

While it's important to remain in charge, it's wise to listen to the voice of experience. This doesn't mean doing everything your provider recommends. But if they tell you they see storm clouds on the horizon, hear them out.

A good outsourcing partner will guide you through the rough weather and help bring your project home safely.

## SUCCESS FACTOR #9 METRICS THAT MATTER

You can't manage what you can't measure, says the old business adage.

This attitude has its limits, since many human factors are not easy to measure. But it does have a place in managing IT outsourcing.

"Defining a proper set of metrics is often a good place to start to make your outsourced software development succeed," suggests a software executive in SOURCINGmag.com. "Once you've determined what the metrics ought to be, you can use that as a roadmap for measurement, analysis and improvement."<sup>10</sup>

**Your SLA with your service provider will likely include the following metrics:**

- Network uptime
- Incident response time
- Hardware replacement response time

Make sure you understand what each of these means, and how your partner calculates it. But those won't tell the whole story.

**You'll need to round out that list with the metrics that matter most to the project champion. At least in the beginning, you'll want a monthly reading of your:**

- Business unit satisfaction levels
- Results against criteria set up in #2 above

Discussing these metrics may call for monthly meetings with your line of business managers, executive sponsor and outsourcing partner. These meetings are important, whether you detect any problems or not.

## SUCCESS FACTOR #10 ADEQUATE DOCUMENTATION

You can't document everything; if you try, you'll drown yourself and your outsourcing partner in a sea of paper.

What you decide to document, however, will serve as a record of the work your provider has done (or will do) and any issues you encounter during the implementation. So make sure you document whatever is important to you and your firm.

Transitions – when you turn over control of functionality and data to your partner – make some of the most critical stages of the project, so these require the most stringent documentation. When it's time for your team to back away and let the outsourcer assume control, everyone must be synchronized.

"Departments should start to consider transitional issues when they develop the tender," says the government of Hong Kong's sensible "General Guide to Outsourcing."

**This guide notes transitional issues that are most likely to cause disputes:**

- Asset ownership or transfer
- Data protection and retention

- Rights for departments or new contractors (e.g. gaining access to information, accounts, physical locations, etc.)
- Labor termination and compensation<sup>11</sup>

Documentation can seem a bit overwhelming on your first complex outsourcing project. With experience, you'll get a better feel for the areas that require the most details. You may even want to develop company templates, so you can save time doing documentation for future outsourcing projects.

## SUCCESS FACTOR #11 VENDOR SCORECARDS

Organizations with high project success rates tend to use scorecards as an integral part of their vendor performance and selection. Naturally, the most important parts of any scorecard are the criteria you use to measure your vendors.

Your outsourcing partners will be more motivated to over-deliver on their promises when they understand what performance targets you will be measuring them against.

**Contract Management magazine suggests a few criteria to use as a starting point:**

- **System outages:** the acceptable number of outages over a period of several months ("no more than two monthly outages in any given six-month timeframe")
- **System interruptions:** how long an interruption lasts ("no more than two interruptions of service lasting longer than 10 minutes each between the hours of 8:00 AM to 5:00 PM weekdays")
- **Time to resolution:** how long it takes to fix any issues that require a skilled technician or developer ("95% of priority #1 escalations will be fixed and deployed in no longer than 72 hours")<sup>12</sup>

Vendor scorecards focus on your needs as a customer, not on a provider's capabilities. Implemented properly, scorecards help you ensure that your firm receives your desired business value from the outsourcing project.

A detailed handbook on outsourcing from Deloitte confirms the value of this approach. "The right scorecard will help identify issues early; measure value rather than just operational metrics; and focus discussions, energy and decisions on improvement activity in the right places."<sup>13</sup>

And since these scorecards become part of the project record, they're available to managers of any future projects. You can use past scorecards to help motivate partners to continuously improve their performance.

## SUCCESS FACTOR #12 SCHEDULED POST-MORTEM

It's always tempting to avoid holding a post-mortem. Even successful projects sometimes don't go as smoothly as they could. So when the project finally ends, some team members may urge you to put the venture behind them without any final reflective discussion.

Resist that temptation. Regardless of the project's outcome, everyone can learn from a post-mortem. It's an opportunity to make sure you repeat the positives you experienced in the project and minimize the negatives.

Because these meetings are held after-the-fact, they tend to carry a negative connotation, says Megan Widman of the engineering and design firm, Alexander Interactive.

"People attend with their backs up, ready to defend their role on the project, air grievances, and place blame elsewhere," she says. But it doesn't have to be this way, she notes. "When it comes down to it, team members want the projects they take part in to be successful. Changing...how a post-mortem is perceived is crucial to future success."<sup>14</sup>

### Among other topics, an effective post-mortem covers issues such as:

- What worked well?
- What didn't work as well as it could have (or perhaps not at all)?
- What painful processes could have been avoided?
- What did you learn about working with this particular vendor?
- What opportunities do you see to implement the successful points in future projects?

Post-mortem meetings ensure that learning is a natural part of every project. You owe it to your team to schedule it, prepare for it, and most of all, keep it positive

## CONCLUSION

This white paper explores 12 critical success factors to consider when moving an application or workload off-premises to a managed hosting service or cloud service provider. We hope this will be a useful compass to guide you to success.

When you're thinking about managed hosting, or moving an IT app or workload to the cloud, think of Rackspace. Call 800-961-2888 to learn more and talk to an expert.

For more information, visit [www.rackspace.com](http://www.rackspace.com).

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Learn more at [www.rackspace.com](http://www.rackspace.com) or call us at **1-800-961-2888**.

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