



Safe Outsourcing

Outsourcing

(Today's Trends)



- Organizations are becoming increasingly reliant on information system services provided by external service providers to carry out important missions and functions.
- Organizations have varying degrees of control over external service providers.
- Organizations must establish trust relationships with external service providers to ensure the necessary security controls are in place and are effective in their application.
- Where control of external service providers is limited or infeasible, the organization factors that situation into its risk assessment.

Outsourcing

(Today's Trends)



- The transfer of operational responsibilities (business processes or infrastructure management) to an external service provider.
- It is generally considered for non-core business functions that may be repetitive in nature.



Outsourcing

(Facts)



- Est. \$260b in 2008
- Continue to grow by 20% through 2009
- Offshore outsourcing est. \$10b
- Average contract is between \$200m and \$700m
- Companies that outsource expect to save 15-20%
- Lasts for 7 years
- Typical transition takes 12 to 18 mos.

Meta Group

The Need for Trust Relationships

(Alignment with goals and objectives)



Changing ways we are doing business...

- Outsourcing
- Service Oriented Architectures
- Software as a Service
- Business Partnerships
- Information Sharing

Outsourcing

(What is being outsourced)



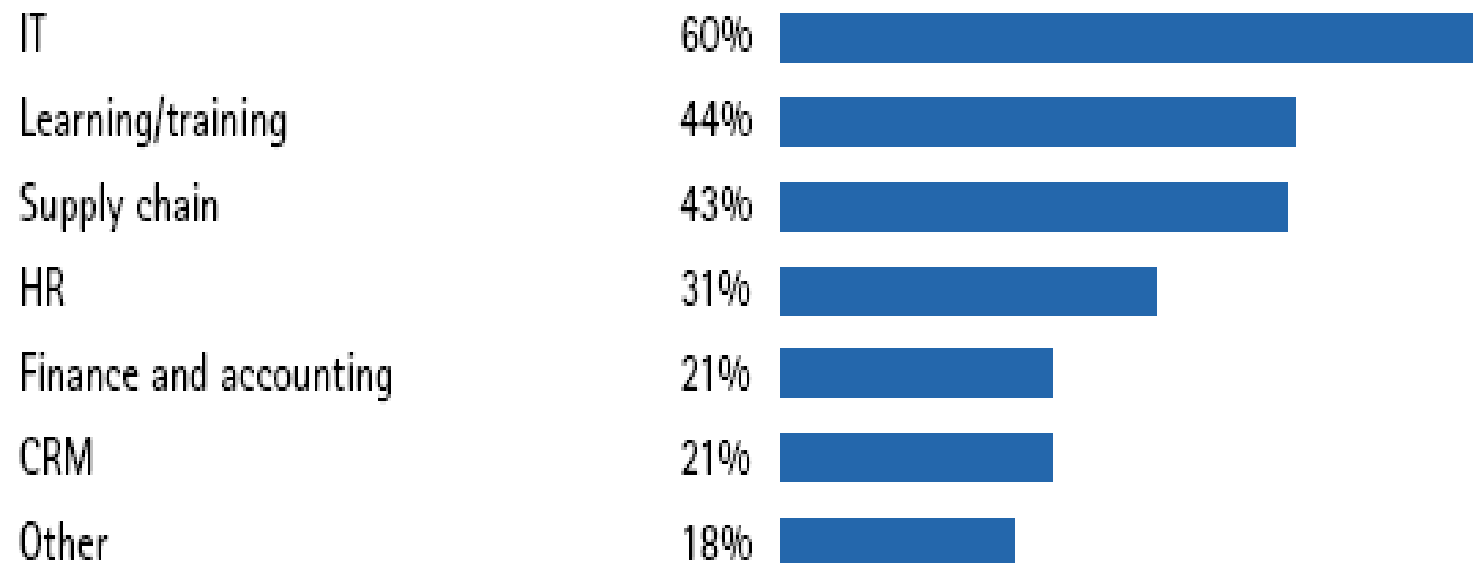
- Information Systems Tasks
 - Network operations, desktop applications, help desk support, application support and development, database administration, security
 - All of the above
- Administrative Processes
 - Billing, payroll
- Business Processes
 - HR, Customer Service, Marketing



Outsourcing (Functions)



Respondents cited IT, learning/training and supply chain as areas most commonly contracted out.



Driving High-Performance Outsourcing; Best practices from the Master; Accenture Consulting, Technology & Outsourcing

Outsourcing

(Things to Address)



- Increases complexity for dealing with security & privacy
- Cannot outsource accountability for security & privacy
- Outsource functions to nations with different or no security or privacy laws
- Use risk analysis and privacy impact assessment

- Managed Firewalls
- Managed Virtual Private Networks
- Intrusion Detection
- Managed Vulnerability Assessments
- Managed Authentication
- Managed Antivirus
- Managed Recoverability



ASPs, ISPs vs. Outsourcers

(Differences)



- What is the difference?
 - ISP – Provides basic internet services, e.g., AOL
 - Outsourcer – Provides end to end services
 - ASPs are generally focused on a specific application or suite of applications



Outsourcing

(Risks)



- Service Delivery
- System Availability
- Hidden Costs
- Functionality
- Security and Privacy
- Recovery



- General
 - Vendor Selection
 - Vendor Management
- Vendor Selection
 - RFP
 - Due Diligence
 - Contract



Outsourcing

(Request for Proposal (RFP))



- Key Items to consider
 - Make sure that your legal department is involved
 - Spell out in detail what you want
 - Product, Pricing, delivery, maintenance, support
 - Testing, confidentiality, exit strategy, problem resolution
 - Explain your current environment
 - Security/Privacy requirements
 - Define touch points



Security Requirements

(Third Party Contract)



- General Security Policy Provisions
- Asset Protection
- Intellectual Property definitions
- Controls to return property at contract termination
- Description of each service to be made available
- SLAs – target level of each service
- Arrangements for reporting security incidents
- Requirements for compliance with data security legislation
- Access control agreements
- Right to audit
- Clear reporting structure
- Required physical protection controls
- Specific Change Control requirements
- User and Administration training methods

Security Requirements

(Third Party Contract)



- Involvement of in Third Party Subcontracts
- Controls against malicious software
- Physical Security Controls and requirements
- Contingency Plans and DR requirements
- Access Control methods
 - Password, Digital Certs
 - Authorization Process
 - Documentation regarding all access
- Liabilities of parties to the agreements
- Integrity and Confidentiality controls for all applications of all data maintained by the third party
- Provisions for Transfer of staff
- Intellectual Property Rights
- Right to monitor and revoke all access rights
- Software and Hardware maintenance requirements – Patch Management

Security Requirements

(Outsourcing Contracts)



- Contract should address:
 - Process for how legal requirements will be met (Data Protection Legislation)
 - Awareness controls for all outsourcing partners, employees and subcontractors are aware of provisions
 - Method for how Integrity and Confidentiality controls are to be documented and tested
 - Physical and Logical access controls
 - Business Continuity and DR planning and testing
 - Right to audit

Outsourcing

(Seven Best Practices)



- Build in Broad Business Outcomes Early and Often: Incorporate business outcomes as a performance measure from the outset of the arrangement
- Hire a Partner, Not Just a Provider: Look for an outsourcing provider that brings a wide set of skills and strengths, and a long-term track record of delivering results, in addition to competitive pricing
- It's More Than a Contract, It's a Business Relationship: Give as much attention to performance measurement and the quality of your relationship with your provider as you do to the contract
- Leverage Gain-Sharing: Use risk/reward provisions as incentives for higher-performance outsourcing.

Driving High-Performance Outsourcing; Best practices from the Master; Accenture Consulting, Technology & Outsourcing

Outsourcing

(Seven Best Practices)



- Use Active Governance: Use active governance to manage the outsourcing relationship for maximum performance
- Assign a Dedicated Executive: Task your talented executives with the mission of optimizing your outsourcing arrangements
- Focus Relentlessly on Primary Objectives: Be clear about objectives — cost, process improvement and the ability to focus on the core business are the most common among outsourcing veterans.

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Outsourcing (Offshore)



- Traditional outsourcing is to domestic third party
- Offshore contractors grow due to the flexibility offered by new information technology (IT)
- Prospect and potential of lower costs because of low-wage labor pools in foreign countries
- Saving can be between 39 and 50 percent per year
- Institutions will offshore non-core job functions, such as IT (specifically, software development and maintenance), administration, human resources, contact centers, call centers, and telemarketing.



Outsourcing

(Offshore)



- Consumers have become more concerned about privacy, and the abuse of personal data has increased as instances of fraud, and identity
- Country Risk: political, socio-economic, or other factors may amplify any of the traditional outsourcing risks, including those listed below
- Operations/Transaction Risk: weak controls may affect customer privacy
- Compliance Risk: offshore vendors may not have adequate privacy regulations
- Strategic Risk: different country laws may not protect “trade secrets.”
- Credit Risk: a vendor may not be able to fulfill its contract due to financial losses.

Offshore Outsourcing

(Subcontracting)



- Identifying and reviewing contracts between base organization and data service providers that allow for subcontracting or subsequent outsourcing to occur
- Determining whether subsequent outsourcing has in fact occurred as indicated in the contract or outside the terms of the contract
- Determining if the base institution is aware of the subsequent outsourcing and the location of the outsourcing
- Assure that the base organization has procedures for monitoring all outsourcing arrangements to ensure adequate controls are in place or the service provider has proper procedures and controls to monitor their outsourcing arrangements.

Outsourcing Wrap-Up

(When)



- Unable to hire and retain qualified technical Information Technology personnel
- Unable to fund training of technical staff
- Offer better service at the same or lower cost
- Information Technology historically treated as a stepchild
- Company wants to re-direct concentration on other core business processes

Outsourcing Wrap-Up

(Good Agreement)



- Contract will be as thorough as the original Request for Proposal (RFP)
- Insure both parties can live with the agreement
- Employ a contract attorney with experience in negotiating the contract
- Ideally, one vendor for all services
- Within six months implement Service Level Agreements with monitoring tools

Outsourcing Wrap-Up

(Good Agreement)



- Both parties must have a strong leader
- Must be a partnership
- Retaining some of the existing staff
- Utilize the Executive Steering Committee
- Clear definition of the scope of the work to be performed



Questions