

# IT rightsourcing for publishers

*IT outsourcing and customer issues related to this have changed dramatically during the past few years.*

*Just like the question of “if” has been replaced by “what” and “how”, it no longer focuses entirely on costs, but on how to fulfill publishers’ new business requirements better.*

The publishing industry is in a state of rapid change that is continuing to accelerate. The speed at which products, business models and business processes are changing in the transition from classic newspaper publishers to multichannel information and service providers presents an enormous challenge to the publisher’s IT department. The continued use of new technologies is imperative here; cloud computing should be regarded as one of the key technologies here.

Due to the high demands, more and more companies have decided to reduce the level of production in their IT department even further and to focus on their core competences. In classic infrastructure management, outsourcing providers are normally cheaper than publishing companies due to being specialized and the economies of scale arising from this. Through outsourcing, customers achieve greater flexibility in using their resources and benefit from the standardized technology used by the service provider. Although this provides a solid foundation for the publisher’s IT department, it’s not always enough to fulfill new business requirements. This is where outsourcing appli-

cation management – which, up to now, was taboo in the rather conservative IT departments of publishing houses – comes in.

## Outsourcing application management

By outsourcing their application management, publishers aim to

- reduce their operating expenses
- improve time-to-market, quality and adherence to deadlines in fulfilling business requirements
- improve the quality of their services
- reduce the risk of interrupting operation
- increase their system operation to 24/7
- improve the quality of the innovation process

Their implementation will create significant advantages for achieving a publisher’s strategic goals.

Outsourcing one’s application management, however, is much more complex than outsourcing one’s infrastructure. There are therefore a number of pre- ▶

requisites that should be observed to achieve results that are just as convincing as those created by outsourcing the infrastructure.

### **Separating the system and application platforms**

The system architecture must be changed so that the system and application platforms can be clearly separated. Often there is not always a clear dividing line between these levels, which, over time, have merged in the form of interfaces, scripts etc. Managing both levels separately in order to separate the operating responsibility by different service providers is a fundamental requirement. As a rule, these changes are made during the transition phase.

### **IT service management processes**

The IT service management processes and the organization must be adapted according to how the responsibilities are divided up. In particular, this affects communication between the publisher and the providers in incident management, request fulfillment, problem management, change management and release management. The target processes and target company organization and their roles and responsibilities are ideally such that the publisher, to ensure smooth operation, does not have to mediate between the providers during normal operation or in the event of a breakdown.

### **Choosing the right application management provider**

The choice of application management providers is, as a rule, very restricted when it comes to the specialized applications used in the publishing industry.

Only in a few cases, for instance for SAP systems, there are a number of potential providers on the market. Frequently, the manufacturer of the respective software system is the only available provider. When assessing an outsourcing provider, the key aspects to take into consideration are his know-how of operative business, his service management methods and tools, as well as his capacity for adjustments and developments. In addition, any features that have been agreed on should be set down in a binding contract.

### **Outsourcing to a cloud**

The integration of cloud solutions in the IT departments of publishing companies is still in its initial stages. Some publishing companies are already using cloud-based groupware solutions such as Google Apps and customer relationship management solutions such as Sales Cloud; they have replaced the local solutions. In Germany, however, there are still strong reservations against cloud solutions.

However, cloud computing will be a driving force behind innovations in publishing houses in the future. "Cloud computing facilitates innovation due to shorter implementation times and significantly lower costs," says Professor Holger Nohr, media scientist at Stuttgart Media University. Storage costs can be easily saved by outsourcing uncritical image and video data to cloud-computing providers. Using a cloud infrastructure can also be useful to quickly install and test new online services. By dynamically activating and deactivating resources, bottlenecks and

surplus capacities can be avoided when there is a change in how offers are used. The ability to "let your IT infrastructure and its usage-based billing methods breathe" make it the ideal solution for introducing new products/services and testing new business models.

Successful IT outsourcing to cloud computing providers not only has to take the obvious security, legal and cost efficiency aspects into consideration. Much more important is the ability to fulfill the integration requirements, some of which are very high, and which are due to the fact that publishing software is frequently not standardized and publishing systems do not have a service-oriented architecture. It is essential to encapsulate services so that they can access the interfaces of the cloud computing providers.

### **The dos and don'ts of outsourcing**

#### **The preliminary call for tenders**

Outsourcing services requires transparency from the start: which service levels the IT department has with its customers, what services cost today, how high the volume of calls is, how high the initial resolution rate is etc.

Normally, creating a transparent environment involves a great deal of preliminary work which is necessary in order to make the call for tenders successful. More than once we've experienced that this data was not available, even though a call for tenders had already been made, but in the end not awarded since there was no possibility of comparing the offers.

What is just as important, though, is that publishers stop to think about what they wish to achieve by outsourcing. Outsourcing contracts are normally drawn up for a period of 3-5 years, some longer than this. So it's not enough just to rely on the status quo and to find a provider for that. In the dynamic situation that publishers are currently experiencing, it is important for them to be increasingly flexible in order to introduce new services more quickly or to expand or reduce existing services. It is therefore essential to define goals which will then be incorporated in the tender as requirements for the provider.

#### During the tendering phase

Tenders often define in great detail what a provider has to offer. However, you should make sure not to impose too many restrictions; this leaves providers with little scope for new ideas. The procedure is similar during the contract phase. Frequently, customers want a perfect contract with strict specifications. Often enough, the result is a contract which nips creativity and flexibility in the bud and, in the end, fails because the requirements are unrealistic. The most important thing is to set down in the contract in detail "who does what".

An important issue in all outsourcing projects is the integration of the employees and the board of employees. The project is kept quiet for as long as possible to prevent unrest among employees. All too quickly, "grapevine rumors" develop which are negatively biased. Consistent communication amongst employees is therefore essential. The top management is strongly advised to communicate the reasons for and consequences of outsourcing and inform their employees about the progress made.

#### During the operating phase

One of the most important issues in any outsourcing project is always to build up a "retained organization", i.e. the unit which governs the outsourcing partners. There are two major risks here:

1. The publisher transfers all its tasks to the service provider's experts and no longer bothers about it, i.e. they'll take care of themselves.
2. The publisher builds up steering committees, but overshoots the mark. The remaining employees control the operations and tell the service provider what to do. In the worst case, a parallel organization is created.

In our opinion, a management system that consists of suppliers only is not enough. Governance, the development of the IT strategy and the IT architecture and project management must remain in the hands of the publisher. The supplier, however, must have the liberty to develop new solutions on the basis of defined operating figures.

In some cases, suitable instruments for monitoring the performance of the outsourcing partner accurately are also lacking. Often, only the costs are monitored and not performance. This is frequently due to the fact that success criteria were not defined beforehand.

#### Conclusion

Using classic and new forms of outsourcing can create the flexibility for publishers that is needed for fulfilling the requirements of the digital era. However, outsourcing requires careful preparation on the part of the publisher before tendering actually starts. A sensible starting point is to perform an assessment to assess the "outsourcing readiness". In most cases, a preliminary project has to be carried out in order to achieve this. ■



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