Negotiating Good Outsourcing Arrangements

Eric Walden
Texas Tech University
eric@ericwalden.net

Jabez Stone
Mr. Scratch

First Part of Contract
Last Part of Contract
The Frustrated CIO

Mr. Vendor
First Part of Contract

Last Part of Contract
Texas’ Data Center Consolidation Project Under Scrutiny

A commissioned report finds a range of problems with a seven-year, $863 million outsourcing deal with IBM.

By J. Nicholas Hoover
InformationWeek
November 18, 2009 8:55 PM

An $863 million outsourcing deal between the state of Texas and IBM has again come under fire, this time in an independent report commissioned by the Texas General Auditor’s Office.

The Iraq War's Outsourcing Shafu

The coalition of the billing has real limits.

March 31, 2005 | MAX BOOT, Max Boot is a senior fellow at the Council on Foreign Relations.

Ever since Ronald Reagan proclaimed in his 1981 inaugural address that ‘government

EDS Lawsuit Takes Outsourcing Angst to New Heights

Posted by Amr Ab | Oct 17, 2007 7:22 PM

Outsourcing giant EDS has experienced its share of troubles lately, including plunging stock price and a restructuring that has it laying off over 12,000 jobs.

GSIS to sue IBM

Published Apr 6, 2003
By CBS staff writer

For defective database management software
Government Service Insurance System
50% Robinson and Iannone

70% Overby
$100,000,000,000.00 \times 80\% \times 1\% \times 30\% = $240,000,000.00
Why?

Flexibility
Flexibility

Cost of Service vs. Quantity of Service

Less Flexible

More Flexible

flickr® from Yahoo!
facebook
Gmail
YouTube
Flexibility is Possible

How do you make more money in a corporate job?
Move up in your company

Move to a bigger company

COMPENSATION IS ON THE RISE

Source: CIO Research

NOTE: Average pay by revenue size (Large = $1 billion or more; Midsize = $100 million to $999 million; Small = $100 million or less)
Move to a different industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Tenure</th>
<th>Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance / banking / accounting</td>
<td>4 yrs, 9 mos</td>
<td>$273,900</td>
</tr>
<tr>
<td>Manufacturing (non-comp.)</td>
<td>4 yrs, 9 mos</td>
<td>$263,000</td>
</tr>
<tr>
<td>Wholesale / retail</td>
<td>4 yrs, 8 mos</td>
<td>$262,300</td>
</tr>
<tr>
<td>Health care</td>
<td>4 yrs</td>
<td>$260,000</td>
</tr>
<tr>
<td>Education / nonprofit</td>
<td>5 yrs, 9 mos</td>
<td>$164,300</td>
</tr>
<tr>
<td>Government</td>
<td>4 yrs, 2 mos</td>
<td>$138,500</td>
</tr>
</tbody>
</table>

Source: CIO Research

What do you have to do to get promoted?
Flexibility is Possible

10%-0% Contract

5% Contract

Client

Vendor

Cost of Service

Year 1

Year 2

Quantity of service

Cos

Year

1 Year

2