

Georgia School District Expects to Save \$5 Million by Outsourcing

A Georgia school district's new outsourcing deal will more likely improve IT services than save money. Cost reduction is not guaranteed in outsourcing, so consider other factors as well when entering such an agreement.

Event: On 30 April 2003, the Cobb County School District in Marietta, Georgia, announced that it awarded Titan a five-year contract for IT outsourcing, potentially valued at \$50 million. Titan will provide the school district with a full range of IT services, including:

- Help desk and field technical support services
- Local- and wide-area network operations and maintenance
- Telecommunications support
- Data center operations
- Application development and maintenance
- Disaster recovery planning
- Technical consultation to school staffs
- Related technical and management support

First Take: This deal comes shortly after a report that claims a similar outsourcing contract with Compuware has saved the Detroit Public School district \$3 million. However, Gartner believes that the Cobb County announcement is more impressive for its potential to improve IT services than for the projected annual savings of \$1 million. Gartner advocates an outsourcing strategy that provides an improved level of service and predictable expenses. Consider any cost savings a bonus rather than as a guaranteed benefit.

The promise of reduced expenses should not dazzle school districts so that they rush into outsourcing without doing their homework (see "Sourcing Strategy: Evaluate the Six Alternatives"). They should first seek to understand the true cost of their technology, including the costs associated with services provided in-house. Only if school districts measure their available skill sets, costs and time requirements will they make informed decisions about whether to outsource all or part of their IT effort.

In addition, a school district cannot ascertain potential savings unless it has accurately measured its entire yearly IT expenses. Two kinds of costs are associated with technology: direct (for example, the IS

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department) and indirect (for example, informal “shadow” support). The Cobb County and Detroit school districts could save more than they realize through outsourcing — or they may simply incur more indirect costs.

Analytical Source: Bill Rust IV, Gartner Research

Recommended Reading and Related Research

- “Benefits of Outsourcing for K-12 Organizations” — Understaffed and underequipped school districts can benefit in several ways from outsourcing technology-based services. **By Bill Rust IV**
- “TCO in Education: The Time is Right” — Education should employ total cost of ownership, return on investment and other analytical tools to develop and document sound fiscal management of IT resources. **By Bill Rust IV and Doug Hurley**

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