

CASE STUDY

Small firm rethinks big

DAVID STEWART talks to insurance broker Arachas about the pros and cons of LAN outsourcing



Maurice Mortell, CEO of Data Electronics, and John Hackett, IT director of Arachas Corporate Brokers

OUTSOURCING is often considered as something big companies do and that SMEs only dream of. But John Hackett, IT director of Arachas Corporate Brokers, one of the largest independently owned insurance brokers in the State, believes that outsourcing is essential.

Despite its leadership position, Arachas is still a relatively small organisation employing fewer than 100 people at its offices in Cork and Dublin. The company was formed last year through the merger of Tyrrell Coakley Insurance Group, Hodgins Percival & Associates and four other smaller businesses and it operates primarily in the commercial insurance space.

"2004 was a year of great change," says Hackett. "We had the integration of six separate business entities, the launch of a whole new company and brand, the merger of six different cultures and six ways of doing things, six systems and six sets of people. We moved all of the Dublin employees into a new office in Sandford. And as part of that whole process of change we had to renew our IT infrastructure because none of what we had was scalable."

As part of the refresh, Hackett faced three key

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questions: to build the new infrastructure in-house or to outsource it, what to outsource and who to outsource to? Key considerations in the first question were the amount of risk the company would assume if it built the infrastructure in-house, the skills that would be available externally that the company could never hope to emulate internally and the burden of training. "No matter how hard you work at it you never seem to have quite the right set of skills for any particular problem," says Hackett.

When it came to deciding what to outsource, the key determinant was adding value. "Anywhere where you can add value could well stay in-house,"

he says. "Anywhere where you manifestly cannot add value, which is the case with the infrastructure, then that is much more appropriate for outsourcing."

However, one of the key factors in the success of any outsourcing arrangement is finding a suitable outsourcing partner. "The key issues in finding a partner are cultural fit and similarity of scale," says Hackett. Based on those criteria Arachas looked at a number of suppliers before settling on Data Electronics. "It was experienced in the marketplace and it was prepared to take the long-term view," says Hackett. "But most importantly, it had the people and culture we were looking for. And it was as determined as we were to make the partnership work."

There is a saying that the only good deal is one where both parties are happy. To that end, both Data Electronics and Arachas engaged in rigorous contract negotiations that laid down key objectives and levels of service. "A key challenge was the fact that we had to do a substantial amount of work while the contract negotiations were going on," recalls Hackett. "The contract negotiations had to be right but at the same time there were business pressures to deliver workable solutions."

A critical feature of the agreement, says Hackett, is flexibility. "In parallel to all of

the details it is essential the flexibility be built into the contract. One reason is that business requirements change over time and of their nature, outsourcing contracts are long-term contracts and will have to cater for change and they can only do that if they are flexible."

Under the terms of the contract, Data Electronics looks after the first six layers of the Systems Network Architecture Seven layer model while Arachas assumes responsibility for the uppermost application layer. This means Data Electronics is responsible for network management, email and security.

Data Electronics hosts Arachas' applications on its servers in its service centre in Kildarberly Park in Dublin. The centre also serves as the internet and email gateway for the company. The offices at Sandford in Dublin and Little Island in Cork are each connected to the service centre by means of 100Mbps leased lines using local area network (LAN) extension technology. As far as individual users are concerned, the entire company appears to be using a single LAN.

In addition to these leased lines, there are backup DSL connections in place to ensure that the applications are always available. Other services provided by Data Electronics as part of the agreement include a highly available backup firewall and migration to a Windows 2003 environment and implementation of an Active Directory infrastructure.

"Our competitors are not just other SMEs but global players," says Hackett. "From my point of view, we need a world-class infrastructure because we are competing with world-class players and the only way we can deliver it is by harnessing the kind of extensive skillset that is available to a company such as Data Electronics. There is no way that the IT director and an in-house team could provide the reliability and resilience these guys can deliver."