ANSWERS TO ASSIGNMENT NO. 5

(1) Internet Governance – Answer the following questions.

(Reference Reading-55.zip)

a. Why is there a need in having internet governance?

**ANSWER**

Internet Governance simply means the processes, systems, rules and administration by which the internet operates. In simple terms, it means “governing the internet”.

It started from an initiative by United Nations (UN) at the World Summit of the Information Society (WSIS) meeting in a challenge by the UN Secretary-General for a need to bridge the so-called "digital divide" separating rich countries from poor countries, i.e. by spreading access to the Internet in the developing world. Therefore, “bridging the digital divide” is the main reason for the need in having internet governance.

The UN Secretary-General later issued a “Challenge to Silicon Valley” to create the computers and communications systems that would enable villages to leapfrog several generations of technology and enter the Information Age directly.

Internet governance involves finding ways to establish the foundations of an information society and bridging the digital divide for all. Governance is required so that no one country or block of countries will dominate the information society and leave other nations behind.

b. What are the political issues in internet governance?

**ANSWER**

Some of the political issues of internet governance include:

(1) Composition - The stakeholders in internet governance include 175 participating national governments, the private sector, civil society, inter-governmental organizations, and international organizations.

(2) Involvement - The stakeholders’ involvement in the development and application of the internet is through their respective roles in their area of expertise, shared principles, norms, rules, decision-making procedures and programs to shape the evolution and use of the internet.

(3) Human Rights - It is unfortunate that the issue of Human Rights get tangled up with internet governance, especially when it comes to nations that have bad human rights records. Governments are not able to agree on the Universal Declaration of Human Rights as the common foundation of the WSIS summit declaration. That means the guarantee of freedom of speech and freedom of the press, among the basic pillars of internet governance, may not be achievable.
(4) Finance and Funding mechanisms - The issue of financial effort to overcome the so-called "digital divide" is still to be worked out. Governments also do not agree on the financial arrangements and funding mechanisms. We still have a long way to go. I believe it will be sometime about 10 years to come before closing the digital gap will become reality.

c. What are the technical issues in internet governance?

ANSWER

Some of the technical issues of internet governance include:

(1) Technical Administration - Example 1: the technical administration of root zone files and root server system of the domain name system (DNS), internet protocol addressing, interconnection costs and internet stability.

(2) Security Administration – Internet security and cyber-crime, spam, multi-lingualism, data protection and privacy rights, consumer rights, intellectual property rights and freedom of expression.

(3) Affordable Technologies - Hardware, software and internet accessibility – many initiatives have been taken by various organizations to provide low cost and affordable hardware and software (free software too) like the Simputer movement in India, Pocket PC from Microsoft in Redmond WA, free metropolitan wireless systems, the MIT Media Lab program to create a $100 laptop and the localization of Linux into languages not supported by commercial vendors.

d. In the Tunis Commitment (18 Nov 2005) what is meant by the “potential of ICTs to promote peace and to prevent conflict”?

ANSWER

Item No. 36 of the Tunis Commitment (ref: WSIS-2.pdf) is quoted below in italics:

36. We value the potential of ICTs to promote peace and to prevent conflict which, inter alia, negatively affects achieving development goals. ICTs can be used for identifying conflict situations through early warning systems preventing conflicts, promoting their peaceful resolution, supporting humanitarian action, including protection of civilians in armed conflicts, facilitating peacekeeping missions, and assisting post conflict peace-building and reconstruction.

“Inter alia” is Latin which means “among other things”. The value potential of ICT to promote peace and prevent conflict through the mechanism of internet governance is very clear and, in fact is being elaborated on “how ICT can be used for the purpose” through the second sentence of Item 36 of the Tunis Commitment above. Governments and other stakeholders can and should use ICT for the promotion of peace and prevention of conflicts.
e. According to the Tunis Agenda for the Information Society (18 Nov 2005) what is the working definition of Internet Governance?

ANSWER

Item No. 34 of the Tunis Agenda for the Information Society (ref: WSIS-3.pdf) on the working definition of internet governance is quoted below in italics:

34. A working definition of Internet governance is the development and application by governments, the private sector and civil society, in their respective roles, of shared principles, norms, rules, decision-making procedures, and programmes that shape the evolution and use of the Internet.

(2) IT Outsourcing – Answer the following questions.
(References – Reading-51.zip and The Good Book-2, Chapter 11 – Managing the Supply of IT Services, Applications and Infrastructure, page 563 and page 573)

a. What is IS/IT outsourcing? Offshoring? Backsourcing?

ANSWER

IS/IT outsourcing (or contracting out) is defined as the delegation of non-core operations or jobs in the IS/IT functions from internal production within a business to an external entity (such as a subcontractor) that specializes in that operation.

Outsourcing is a business decision that is often made to focus on core competences or activities. The non-core activities are likely candidates for outsourcing.

An extension of outsourcing is the term “offshoring”, which means subcontracting out by transferring jobs to another country.

Another term that surfaced lately is “backsourcing”, meaning taking back activities that were once outsourced to be conducted by the organization again.

b. Explain the advantages and disadvantages (risks) of IS/IT outsourcing.

ANSWER

Advantages of outsourcing (reasons for it)

(1) outsourced company performs outsourced activities more efficiently
(2) cheaper to outsource in the long run
(3) outsourced company have experience and expertise in the non-core activities
(4) organization can concentrate on core activities only and compete better
(5) outsourced company have wider network and resources
(6) free up internal staff so that they can be assigned higher-value work

**Disadvantages of outsourcing (risks involved in it)**

(1) create threat to local labor and social issues when organization’s staff got laid off due to outsourcing, less employee trust

(2) less incentive for outsourced employee to show loyalty to the “outsourcer” organization as the employee (agent) is not paid directly

(3) service quality levels and performance levels may decline and not maintained in the long run

(4) security issues concerning companies giving outside access to sensitive customer information

(5) deliberate fraud and erroneous reporting by outsourced companies

(6) cannot react rapidly to sudden market conditions or environmental changes

(7) limited control on outsourced operations, bound by contractual agreements

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c. What is an Application Service Provider (ASP)? What do they do?

**ANSWER**


An application service provider (ASP) is a business that provides computer-based services to customers over a network. Generally in the ASP business model, customers pay to use the application only and do not get involved in buying the hardware, software, administration and maintenance of the application.

For example, the most limited sense of this business is that of providing access to a particular application program (such as medical billing) using a standard protocol such as HTTP.

There are several forms of ASP business. These are:

- A specialist or functional ASP delivers a single application, such as credit card payment processing or timesheet services;
- A vertical market ASP delivers a solution package for a specific customer type, such as a dental practice;
- An enterprise ASP delivers broad spectrum solutions;
- A local ASP delivers small business services within a limited area.
- Volume ASP (Senthil’s)

Some analysts identify a volume ASP as a fifth type. This is basically a specialist ASP that offers a low cost packaged solution via their own Web site. PayPal was an instance of this type, and their volume was one way to lower the unit cost of each transaction.
In addition to these types of firm, some large multi-line companies (such as IBM), use ASP concepts as a particular business model that supports some specific customers.

(3) Case – Outsourcing Success – This case is described in Reading-51.zip as Simple Successful Outsourcing. Answer the following questions.

a. In the case document, what is meant by activities that are “extractable” in the context of outsourcing?

**ANSWER**

In the context of outsourcing, activities that are “extractable” mean activities within the organization, conducted in-house that are easily definable, removable or considered non-core to the business of the organization. These kinds of activities are normally candidates suitable for outsourcing.

b. Similarly, what is meant by “contained technologies”?

**ANSWER**

Contained technologies are systems, often legacy (old) systems that are not growing in usage but that must be kept up and running and are therefore candidates for outsourcing (although internal improvements in efficiency might suffice as well).

c. “When it comes to transaction relationships, management is best when it manages least”. Explain what you understand by this statement.

**ANSWER**

In context, “when it comes to transaction relationships, management is best when it manages least” is a statement about the control and management relationship between the “outsourcer” (organization) and the outsourced company (vendor).

Normally, the primary factor and driver for outsourcing is cost savings for the organization in the long run. And that certain outsourced activities are best left to be executed by the vendor. However, by outsourcing the organization became dependent on an outside party, i.e. the vendor. Letting go these activities can be risky to the organization, and if the organization interferes too much with the vendor day-to-day management the additional “interference” costs may be charged back to the organization by the vendor.

So the statement above says that you must trust and believe your outsourced vendor, that the vendor is doing the right things, and the vendor is the expert in what it does, and that you should stay away with managing the details of what the vendor does. Thus, that is the meaning of “it is best that you manages least” in your relationship with your outsourced vendor. If you do otherwise, (i.e. meddled in too
much in the vendor’s work and wanting to exert more control) you should not have outsourced those activities to the vendor in the first place, as it seemed like you are not comfortable with the outsourcing arrangement.

d. Describe what you understand by the statement “Clean House Before Outsourcing” and why it should be done.

ANSWER

Begin quote: Until companies have cleaned up internal processes, outsourcing transactions is going to reinforce silos. And that can make your internal architecture messier and messier. End quote.

When you intend to outsource some activities to an external vendor, you must make sure that your new business processes which include interacting with the vendor be defined very clearly, with regards to what your organization will do and what your vendor will do. If you still use your old business processes with the new vendor taking on some activities, you may get into problems and things can be messy. You must change your business processes, or adapt them where necessary to accommodate the external vendor into your new business processes. The “change, adjustment or adaptation” of your business processes is what is really meant by “clean house before outsourcing”.

A “silo” is a tall cylindrical structure, in a farm usually beside a barn, in which fodder is stored. The term “silo” used in business sense means a distinct separation or boundary between departments in a company or organization. People working in a “silo” means people working in a strictly separated department, and normally do not directly interact with outside departments, or interact only through a strictly defined channel or interface. So when the term “going to reinforce silos” is being used, it says that unless you have “changed, adapted or adjusted your internal business processes” before outsourcing you will really be causing more separation or creating boundaries between your operations and those activities of your outsourced vendors. That is not good because your operations will be rigid (as now you are also dependent on your vendor operations) and that you may not be flexible enough to quickly respond to changing market conditions in the future.

(4) Case – Outsourcing Failure – This case is described in Reading-51.zip as Backsourcing Pain. Answer the following questions.

a. What were the reasons that made JP Morgan decide to enter into the seven year outsourcing agreement with IBM on Dec 20, 2002?

ANSWER

JP Morgan decided to enter into the seven year outsourcing agreement with IBM on Dec 20, 2002 to cut costs, increase innovation and benefit to its IT workers.

The reasons were announced by JP Morgan's vice chairman, made in a company press release. "Our agreement with IBM will create capacity for efficient growth and
accelerate our pace of innovation while reducing costs, increasing quality and providing exciting career opportunities for our employees.”

b. How were employees affected by the outsourcing deal?

ANSWER

Overall, employees were badly affected by JP Morgan’s outsourcing deal with IBM. This is the story, typically of the employees, as had happened to Rosario.

Because of outsourcing, Rosario previously in the IT department at JP Morgan, was moved from JP Morgan to IBM. He had to undergo a re-interview at IBM for his new position. He was lucky; his other mates did not make it. During the re-interview process, Rosario was told that his job at IBM would be secure for the foreseeable future. But it was not so as the outsourcing deal was terminated in less than 2 years.

Initially, nervousness and uncertainty sets in. Rosario saw employee lay-offs and, the pay-cuts in IBM and he thought he was going to have his pay-cut too.

Later in July, 2004, JP Morgan merged with another bank, the Chicago-based Bank One, and 2 months after the merger, the new company ended the outsourcing deal with IBM, and decided on "backsourcing" its information technology, which is bringing the IT functions back in-house from IBM.

With this “backsourcing” Rosario was nervous again, as he found out his job was on the list of 12 positions to be eliminated in his department in the new merged organization. Rosario summed up his uneasy feelings: "I lost my trust in management a long time ago," he says. "I don't believe anything they say or do. I know they'll put a spin on anything, as long as it allows them to keep retention up for just as long as they need to"

JP Morgan declined to comment on any salary reductions or layoffs that may have occurred during the outsourcing and backsourcing. Analysts confirm that there have been layoffs during the backsourcing. JPMorgan has announced that the merger will result in a total of 12,000 layoffs by 2007. The bank, however, insists that many of the merger-related job eliminations will not occur in IT.

Rosario is just one of thousands of employees affected by JP Morgan's decision to outsource to IBM and its subsequent move to bring the work back in-house.

c. On Sep 15, 2005, what were the many interrelated reasons that made JP Morgan decide to end the outsourcing agreement with IBM?

ANSWER

The reasons that made JP Morgan decide to end the outsourcing agreement with IBM can be summarized by the press statement of Austin Adams, the new CIO of the JP Morgan - Bank One merged company "We believe managing our own technology infrastructure is best for the long-term growth and success of our company, as well as our shareholders. Our new capabilities will give us competitive advantages, accelerate innovation, and enable us to become more streamlined and efficient."
It is interesting to note that the reasons the new merged company (i.e. JP Morgan after the merger) used in the termination of the outsourcing deal with IBM were the same reasons that were used by JP Morgan before the merger, when they first signed the outsourcing deal with IBM. For that some employees were confused and resentful.

**d. What is meant by the “Price of Stagnation” in the document?**

**ANSWER**

The first price of stagnation is in the time and expense it took to first reorganize the company to support an outsourcing arrangement and then to reverse those changes to prepare for a backsourced environment. Nothing useful (nothing got done) was produced during this period with regards to IT actually improving the business of the organization.

The second price of stagnation is in technology as summarized in the statement “In the Bank One deal, "outsourcing the entire IT staff stagnated us, from a technology viewpoint," says the JP Morgan systems engineer who survived the outsourcing and then backsourcing at Bank One. "Once they signed the contract (i.e. during the outsourcing period while working at IBM), we didn't move at all beyond that date as far as picking up new technologies that would give us a competitive advantage. Technology was not refreshed, and new projects were not rolled out."

**(5) Multinational firms – List down and describe 5 unique issues concerning IS/IT management that arise in multinational firms or firms doing business in many countries.**


**ANSWER**

**(1) Language of the local people**

When multinational firms conduct business using a centralized (IS/IT) information system for example, located somewhere at its headquarters, the language used in the application will most likely be the language of its parent company. However, these days most American and European companies use English as the de facto or universal business language for their information systems.

For information systems using English as the language medium, issues and problems of communications will arise when local users are not proficient in English. In most cases, employees are selected and hired based on their proficiency in English or are first recruited and later trained in the English language.
With the Japanese and Chinese companies going global, we may have a situation that Japanese and Chinese will become the language media for their respective business applications. We know that Russian companies provide their information systems in Russian. I believe that applications meant for business use in their native countries remain in the native language, and in fact I have seen many. However, there seem to be consensus among multinationals to adopt one language standard for international business that is English. National pride aside and as they say “it is a matter of business”.

(2) Specific local laws and regulations

Software application programs for multinationals had to cater for local requirements, for example different governments imposed different types of tax structures, duties and financial reporting for companies operating in their countries. This means a common financial module will not be possible. Several adaptations will have to be made to cater for differences for the various countries. The financial information systems for multinationals will also have to cater for different currencies. It is an interesting fact to know that in a multinational firm with operations that happen to include countries using huge denominations for their currencies like the Yen, Rupiah and Peso, the original “field size” for the financial figures in the group financial software had to be modified and extended to accommodate the increase in the number of decimal digits for use in those affected countries.

(3) Different Time Zones

As a global company, employees for multinationals naturally live in various countries depending on where they are being posted. Employee business communication over the different time zones will be an issue that had to be addressed because, as an example, we may not be able to get information from the design engineer on the other side of the world as he is sleeping while we are working. We may send an email but then we will only get the reply next day when we come back to work.

(4) Support for Global Customers

As a global company, it is only logical that the firm has global customers for its products and services. There will certainly be problems with supporting customers who are working at different times over the different time zones.

If the firm sets up a single global help/support center, then the center must run in shifts over the 24-hour period to meet the needs of customers in the different time zones. In addition the firm must have a team of customer support executives well versed in the many different languages of its customers.

If the firm creates a local help desk center in every country where it has customers, then financial considerations will not make it economical for the firm in the long run.

The one solution out is to outsource the support for its customers through a shared global help/support center like the business model of APSS (Asia Pacific Shared Services). The “outsource company” must have its employees trained to support the specific products and services of the “outsourcer firm”, have people versed in various
languages and run the services 24-hours a day. When many multinational firms share the services of a single “outsourced company” the cost will certainly be lower in accordance with simple economics.

(5) Standardized communication technology

Equipment compatibility and support for the IS/IT systems will be an important issue for multinational firms due to the different technical standards for equipment and telecommunication used in the different countries. Software communication protocols will be different due to the different standards adopted by the different telecommunication providers. A hardware platform from one country may not be compatible with one in another due to the different technical standards. Equipment will not be easily swappable across the firm. The problem is certainly solvable, it is just a matter of money.