

# MAINSTREAM TECHNOLOGIES

## A DISCUSSION ABOUT OUTSOURCING

### *A PROVIDER'S PERSPECTIVE*

Outsourcing if approached properly opens up a world of options by adding skill sets that are absent for a fraction of the ownership cost. In this article we synthesize the primary outsourcing strategies and provide guidelines for evaluating your options.



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# A DISCUSSION ABOUT OUTSOURCING

Organizations are discovering that the days of measuring prestige by their in house IT infrastructure and support staff is waning. From our perspective as a service provider, there appears to be two primary reasons for this shift. The first is that IT professionals continue to be challenged to expand their services to meet evolving business demands while secondly, their costs for 'owning' these services continue to climb at a rate that outpaces their budgets.<sup>1</sup>

IT decision makers are in the business of supporting business operations by maintaining existing systems, assessing/implementing new solutions and securing data so that the business can operate unhindered. Their task is to find ways to accomplish these goals with static or reduced budgets.

At the same time, outsourcing firms such as ours have proven themselves over the last 5 to 10 years as a viable option for these organizations to accomplish tactical goals while minimizing both the development and potential of long term operational expense increases.

Outsourcing in its purest form is best illustrated as a utility. Each of us has the plumbing in place to turn on the water when we need it, or turn it off if we don't. You don't have to leave the water on just so it will be there when you need it. In fact, if you did, you'd be wasteful. In the same way, decision makers have the ability to 'turn on' the outsourcing faucet when they need it and turn it off when they don't.

"...IT professionals continue to be challenged to expand their services to meet evolving business demands while secondly, their costs for 'owning' these services continue to climb at a rate that outpaces their budgets"

The successes of outsourcing firms over the past 5 to 10 years, along with their increased availability has raised awareness among those in the industry that firms like ours are a viable alternative to 'staffing up' or 'building out'. Another driving force in the market place is that the costs for outsourcing professional service competencies is relatively inexpensive compared to 'owning' these services.

These successes along with the pressures of quickly rising personnel costs, outside competitive pressures, growing business demands, and the need to maintain service quality, have caused IT decision makers to reevaluate their traditional approach of delivering services and placed outsourcing high on their list of options.

Whether the need is additional data storage capacity or complimenting in house skill sets with those from a provider, outsourcing has been proven to be an effective tool for building value into a business which is evident on the bottom line.

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<sup>1</sup> [http://blogs.forrester.com/fred\\_giron/13-04-18-reconsider\\_outsourcing\\_to\\_accelerate\\_it\\_maturity](http://blogs.forrester.com/fred_giron/13-04-18-reconsider_outsourcing_to_accelerate_it_maturity)

Outsourcing is a relationship, and for it to be effective, it must be a win/win for both parties. This is why it's important to consolidate what we've learned about outsourcing (from both sides) and present it here so those considering it will have a guideline for their evaluation.

## Outsourcing Models

- **Staff augmentation**

**Staff augmentation** is an outsourcing strategy which is used to staff a project and respond to business objectives. The technique consists of evaluating the existing staff and then determining which additional skills are required. One possible advantage of this approach is that it may leverage existing resources as well as utilize outsourced services and contract workers. The drawback is that there is inherent risk of managing temporary employees with little long term incentive.

- **Offshore**

When a business engages in what is known as offshoring, it contracts some of its business processes overseas to another country. Offshoring is normally done to save cost and reduce overhead. Language and cultural differences along with time zone differences can pose a challenge.

- **Onshore**

Onshoring is transferring business processes to a lower-cost/higher skill level option in the U.S. Onshoring has become very popular today among American business owners, as it provides a great opportunity to keep jobs in the country.

## Reasons to Consider Outsourcing

1. Cost advantages
  - a. The assumption is that the external provider has a high capability to deliver better IT performance at a cheaper cost and better quality since that is its primary business.
  - b. Often services can be secured tactically when they're needed, as they're needed
2. Access to Superior Skills/Resources without ownership
3. Facilitates an organization to focus on its core competency
  - a. Real cost savings (capital and operational) are available for redirection
4. Encourages focus on an organization's strategic objective

## Advantages of Outsourcing<sup>2</sup>

1. Outsourcing administrative (or back-office activities)
2. Delegating work to a company that specializes in the activity could lead to cost savings.
3. Keeps your business competitive by introducing your staff to outside expertise and skill sets

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<sup>2</sup> <http://prezi.com/t23wrm8yfx-n/it-outsourcing-maturity/>

4. Accelerate time to market
5. Leverage external expertise, assets, and/or intellectual property.
6. Opportunity to reinvest savings in innovation.

### **Disadvantages of Outsourcing<sup>3</sup>**

1. Potential quality problems
2. Loss of managerial control
3. Tied to another company's performance and reputation
4. Reliance on company's ability to recruit and retain the right expertise or licensing
5. Slows company's interest in innovation
6. Reduced security and confidentiality
7. Potential hidden costs

### **Challenges of Outsourcing<sup>4</sup>**

1. The management of an outsourcing relationship requires different skills than the management of full time employees.
2. Performance metrics for the outsourcing engagement must be developed and compared to existing performance
3. Outsourcing is not always less expensive.
  - a. Sometimes, it's the expertise being sought.
4. The designation of a company's core activities could change based on industry.
5. Capabilities that seem unimportant today could turn out to be very important in the future

### **Reasons Why Outsourcing Fails<sup>5</sup>**

1. poor staffing of the IT function,
2. Poorly written service level agreements (SLA),
3. Lack of outsourcing experience on the client side,
4. Poor project management skill,
5. Poor technical infrastructure (especially in some offshore cases), and
6. lack of trust

### **Summary**

Outsourcing offers the potential to gain business advantages. However, to get the most from any outsourcing arrangement, an organization must prepare itself for the challenges by assessing its outsource maturity..

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<sup>5</sup> <http://prezi.com/t23wrm8yfx-n/it-outsourcing-maturity/>

## HOW MAINSTREAM TECHNOLOGIES CAN HELP

Mainstream Technologies will help you ask the right questions; find the appropriate answers and help you design a disaster recovery plan which meets your expectations, government and/or industry regulations and your budget.

For more information on how Mainstream Technologies, [www.mainstream-tech.com](http://www.mainstream-tech.com) can help, give us a call at 501.801.6700 or send an email to [info@mainstream-tech.com](mailto:info@mainstream-tech.com).