

## The 'Why' and 'What' of Outsourcing

We commenced this series about Outsourcing with a 'definition' in order to ground a continuing series of short informational items on the subject. Today we examine the reasons why companies outsource and the scope of the activities usually covered when using an outsourcing contractual vehicle.

A number of factors can underlie a decision to outsource ranging from the obscure and Machiavellian to corporate gullibility or leadership hubris.

The more usual quoted rationale however, in answer to the question as to the 'why' of outsourcing, involves these considerations, either individually or in varying combinations:

- ❑ Cost reduction and/or freeing up investment capital
- ❑ Contractually underpinned service levels and financial predictability
- ❑ Flexible access to infrastructural capacity and other resources
- ❑ 'Best of breed' technology accessibility and refresh
- ❑ 'Downsizing'/'Rightsizing' and avoidance of limitations of own specialists
- ❑ Facilitate transition to new business model for example as might result from M&A activities
- ❑ Facilitation of concentration on 'core' business
- ❑ Derive competitive advantage/s

The 'what' or scope of outsourcing is more straightforward, characterized as it often is by tangible elements such as:

- ❑ Data Centre Operations/ operational infrastructure, communications, desktop,
- ❑ Applications development and management.
- ❑ Asset management, renewal and refreshment
- ❑ Provider procurement managements
- ❑ Business continuity and disaster recovery arrangements.
- ❑ Contact centres
- ❑ Discreet business processes, I.E Billing, Back-office

Next week we continue this series with a look at the steps involved in a typical outsourcing services procurement which can be a lengthy and fraught experience given the stakeholders affected, some of whom may suffer serious and sometimes dire consequences.