



QUICK GUIDE

In plain English ...

Why do it?

Who uses it?

Is it for my business?

How much does it cost?

In plain English ...

...Outsourcing essentially concerns taking non-core activities out of the Organisation and utilising an external third-party to provide assistance or support, in-turn allowing the Business to focus on its prime activity or purpose.

Evolving from an adjective in the 1980's ('to outsource'), typically at an enterprise level, it is now common-place in businesses of all shapes and sizes, in both the public and private sector.

Outsourcing differs from basic sub-contracting in that it is typically not task, activity or project orientated - it is more often than not, service-led and is set around a longer fixed-term.

Outsourcing covers the entire business spectrum - at the lowest level offering a contracted functional service (e.g. payroll) and at a higher level offering a less tangible, but often strategically valuable service (e.g. Board-Level IT advice).

Why do it?

The hard or tangible benefits associated with Outsourcing for most businesses relate to the simple reduction of cost within the Organisation i.e. if you can provide a similar service externally at a lower cost the commercial case is relatively clear.

Less obviously, other hard benefits may emanate from a new-found ability to provide a much-improved service - for which a premium may then be charged.

At a tangible level Outsourcing also offers a net gain from an opportunity cost perspective e.g. may some internal resources be better utilised elsewhere in the Organisation?

Soft benefits typically relate to a greater degree of control, accountability, availability and quality of service.

An in-house IT Team is typically limited in terms of knowledge and experience by virtue of its size. Even large teams will often need to call on specialist advice for niche or emerging technologies.

Who uses it?



Outsourcing is now largely a pervasive phenomenon and it would be difficult to find an industry, sector or market that has, if not embraced the concept, used it as a strategic tool.

Perhaps the most obvious example may be a Law Firm that has expensive fee-earning Partners; less-obviously, a venture-capital funded Biotech may not have the funds to employ the depth or level of skills that they need to just ensure that their IT Systems perform on a guaranteed basis.

Most Organisations now want (and should expect) much more than an adequate level of service that fulfils any contractual obligation.

Added-Value has been the mantra of forward-thinking IT firms for a number of years and Organisations that choose to outsource will seek (as standard) insightful advice and guidance.

Is it for my business?

The short answer is - yes. But, be clear of what you want to outsource and why. Outsourcing 'a problem' is often not the best way to resolve it. IT Outsourcing is perhaps the most common of business disciplines that Company's normally consider. Why? Because it makes sense to outsource core functions that are not differentiating your product or service.

Are all the staff being fully-utilised all of the time? Or, are they being stretched?

Have they got the bandwidth of knowledge required to lead your business in the right direction?

Is technology really providing your business with the advantage that it should - or is it a central source of frustration that is more likely holding your business back?

As a service offering, IT Outsourcing can come in a myriad of different forms and packages. The best are bespoke - that allow you to define a best fit for your business.

Some Companies will outsource their entire IT Department; others will outsource either just the strategic, or just the commoditised elements (e.g. printer repair). Most commonly elect to run a hybrid service with some elements in-house and some outsourced.

How much does it cost?

It can cost a few hundred pounds a month, or a few thousand - obviously depending upon the scale, type and scope of the agreement. There must be a clear and compelling commercial benefit; it may not be obvious (e.g. opportunity cost) but normally will be.

Calculations concerning employees should take into account not only holidays, sickness, training etc. - but also the nature of an environment that is subject to unpredictable workloads i.e. there will be 'unproductive downtimes'.

An outsourced service can normally be agreed at a fixed-cost for a fixed-period, or 'pay-as-you-go'.

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