

*Strategic/Tactical Reason's for
outsourcing*

*White Paper on “Strategic Reason”
and “Tactical Reason” for outsourcing*

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Top Five Strategic Reasons For Outsourcing

Improve Business Focus

Outsourcing allows companies to focus on broader business issues while having operational details assumed by an outside expert. For many companies, the single most compelling reason for outsourcing is that several of the how type issues are siphoning off huge amounts of resources and attention from management.

Gain Access To World Class Capabilities

By the very nature of their specialization, outsourcing providers bring extensive world- class resources to meeting the needs of their customers. Partnering with an organization with world-class capabilities can offer access to new technology, tools and techniques that the organization may not currently possess; more structured methodologies, procedures and documentation; and a competitive advantage through expanded skills.

Accelerate Reengineering Benefits

Outsourcing is often a by-product of another powerful management tool; business process reengineering. It allows an organization to immediately realize the anticipated benefits of reengineering by having an outside organization one that is already reengineered to world-class standards/process

Share Risks

There are tremendous risks associated with the investments an organization makes in information technology. When companies outsource they become more flexible, more dynamic and better able to change themselves to meet changing opportunities.

Redirect IS Resources To More Strategic Activities

Every organization has limits on the resources available to it. Outsourcing permits the redirection of resources from non-core activities toward activities that provide a greater return in serving the customer.

Top Five Tactical Reason For Outsourcing

One Time Applications

Applications that need to be developed or modified for a specified time require high manpower resources at one point of time. For this the organizations need to ramp up/ ramp down in a relatively short notice. This in-turn is expensive. For this outsourcing is the best solutions. For eg. Y2k, Euro, porting from one-platform to another etc.

Reduce Or Control Operating Cost

The single most important tactical reason for outsourcing is to reduce or control operating costs. Access to an outside provider's lower cost structure is one of the most compelling short-term benefits of outsourcing. In a recent outsourcing Institute survey, companies reported that on average they saw a 9% reduction in costs through outsourcing.

Make Capital Funds Available

Outsourcing reduces the need to invest capital funds in non-core business functions. This makes capital funds more available for core areas. Outsourcing can also improve certain financial measurements by eliminating the need to show return on equity from capital investments in non-core areas.

Generate A Cash Infusion

Outsourcing can involve the transfer of assets from the customer to the provider. Equipment, facilities, vehicles and licenses used in current operations all have a value and are, in effect, sold to the provider as part of the transaction, resulting in a cash infusion

Secure Resources Not Available Internally

Companies outsource because they do not have access to the required resources within the organization. For example, if an organization is expanding its operations, especially into a new geography, outsourcing is a viable and important alternative to building the needed capability from the ground up.