GO ON
STEP BY STEP

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Outsourcing – the starting point for freeing up resources

Everyone's heard of it. Many make use of it. Yet time and again the conceptual diversity behind the term tends to be a source of confusion. Reason enough to take stock (once again) and to discover in the process just what it is and what it entails.

> > > Outsourcing – a commodity?

To date, almost two-thirds of all Swiss companies have had some experience with technology outsourcing. Indeed, onethird of these companies have outsourced their entire information and communications technology (ICT) activities. Literally, outsourcing means to use, outside of the company, available resources in order to fulfill tasks. As a result, value chains that were previously internally organized are transferred to external companies. Initially, it was primarily large corporations that systematically utilized the cost-saving potential afforded by outsourcing; today, the outsourcing of entire technology operations is becoming increasingly commonplace. While traditional areas including web-hosting and e-business solutions remain at the top of the pile, the outsourcing of the operation and maintenance of entire ICT infrastructures is rapidly advancing. Outsourcing is widespread, accepted and practiced. <
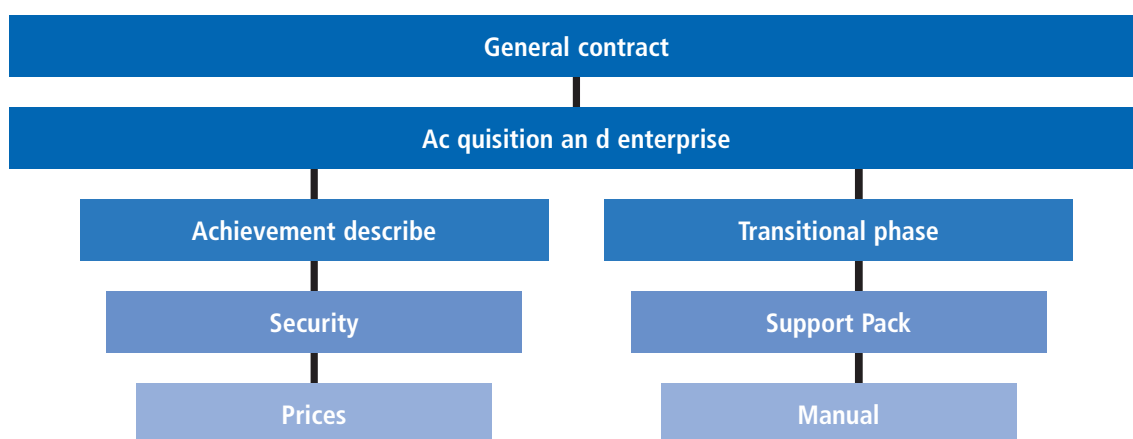
> > > Outsourcing – lock, stock and barrel

As expectations of across-the-board cost savings were only partially fulfilled, many companies soon realized that expenses could be more accurately calculated. This did not primarily occur of the companies' own free will but usually as the result of extreme cost and market pressures. Moreover, the increase in value creation formed an additional contrast to the ongoing reduction in tasks, thereby resulting in a significantly more deliberate and efficient use of outsourcers, which had, in the process, become partners. Consequently, the outsourcing spectrum has now widened to include everything that is not visible to the outside, i.e. to customers, such as technology and systems. <

> > > Outsourcing – step by step

Companies are now at liberty to select from a broad spectrum of functions. However, in each case companies should apply a generic process whose comprehensive viewpoint enables maxim um planning security:

1. This first step involves a strategic analysis focusing on the value creation that will be made possible by the use of the technology. Based on consideration of all the relevant aspects, a clear picture can be made of the anticipated benefits. This enables a basic make-or-buy decision to be made. At this point, of course, it is important to integrate all of those involved (stakeholders) and to ensure that they all agree on a uniform vision.

2. The subsequent assessment and analysis thereof indicate which scenarios are imaginable and practicable. Naturally, this also includes cost comparisons and break-even estimates.

3. Based on a comprehensive consideration of core competencies, the functional scope can now be defined which, in concrete terms, can then lead to one or more outsourcing models. At this stage, targets can already be defined, duty books designed and potential outsourcing partners examined.

4. Next comes the choice. Many articles could be filled on this point alone. What we can say here is this: A vast amount of information (so-called ‚requests') must be viewed, before making a decision based on careful examination (‚due diligence'). This phase centers on establishing a basis of trust with the future partner.

General contract

Ac quisition an d enterprise

Achievement describe	Transitional phase

Security	Support Pack

Prices	Manual

Example of a reinsurance treaty structure of outsourcing

5. The baptism of fire now involves the gradual takeover of the area destined for outsourcing. In this regard, change management plays an extremely significant role in successful implementation.

6. This transition phase flows into the operational phase, during which, ideally, the desired effects are revealed. <

> > > Outsourcing – yes, but…
Alongside the hoped-for solutions, psychological phenomena also play an important role in the outsourcing environment, particularly in the case of technology outsourcing. A survey, which admittedly is not representative, revealed that approximately one half of those involved had doubts as to the quality of the partner, while almost 40% were afraid of losing know-how within their own company. Such partially irrational prejudices can be eliminated by means of careful and intelligent planning. In this regard, particular value should be placed on positive ongoing development, which can only be achieved, especially in the case of a long-term partnership, when the relevant service level agreements are precisely formulated and clearly qualified. <

> > > Outsourcing – the trend toward more
Outsourcing is currently the fastest growing area in the entire ICT business. In particular, medium-size companies are increasingly shifting their strategic orientation toward outsourcing. In the process, concepts that involve outsourcing partners assuming more responsibility for areas of value creation closely linked to core business segments are becoming more widespread. <

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