

Economic Crisis Pushes Outsourcing to New Heights

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Whether it be for reasons of obligatory economic prudence or simply for psychological reasons, it is very likely that most information systems departments around the world in 2009 will be faced with tighter budgets than those initially expected. That will force them to seek a reasonable balance between the resources actually available and the need for a firm commitment to finding an arrangement that can reduce costs while expanding their presence in new markets if they are unwilling to pay the insufferable price of lost competitiveness. This is even more true in the case of Spanish companies, which by opting to curb technology investment expose themselves to continued suffering from the effects of the digital divide that still separates them from their European counterparts and is having such damaging consequences. As a result, this option will put them in worse shape in terms of taking on their rivals once the economy gets out of its current crisis. In this context, the outsourcing of IT services appears as a way to better capitalize on available resources—also for companies that up to now had not seriously considered it before—insofar as it gives them a way to provide service levels that guarantee competitiveness and, at the same time, keep costs under control.

In normal economic conditions, the option of outsourcing—delegating the supply to third parties, through the terms of service-level agreements—is encouraged by a number of factors. Heightened competition and the need to constantly improve the price-quality relationship requires companies to free up nonvital resources in order to focus their efforts and capabilities on the core business, which is what gives true value to their customers. Moreover, the growing complexity of processes, the incessant sophistication of technology, the shortening of life cycles, changing demands, and the need for highly qualified personnel suggest turning increasingly more to cooperation with specialized companies. These outsourcing suppliers have an economy of scale capable of getting higher yields than their customers on technology resources, from infrastructures to software applications, as well as international call centers and qualified personnel, which brings the necessary knowledge and is geared toward maintaining the quality of the service being provided.

The attractiveness of offshoring increases in circumstances of economic uncertainty. Its advantages are now perceived as more attractive, especially those

linked directly to benefits in terms of finance, management and flexibility, and the dangers of its disadvantages get diluted as economic conditions toughen.

Suppliers must be prepared to attend to these potential new customers, who are especially looking for the cost savings promised by outsourcing. In fact, those at the forefront of this sector are already proposing more-standardized outsourcing solutions, designed for adaptation to smaller-sized companies. If they manage to open the door to that potential new demand, the benefits will be mutual, and since suppliers need to compensate for the decline expected for 2009 in orders from government agencies and especially financial institutions, which have traditionally represented the bulk of their revenues.

Meanwhile, companies that are considering the option of outsourcing for the first time must be aware that it neither guarantees success nor works miracles. As companies engaged in the practice have already learned, outsourcing works when the essential requisites are fulfilled, and turns out even better when those requisites are rigorously verified in all stages of an inexorably complex process. Therefore, in no case should one forsake clearly establishing parameters that are quantifiable and measurable, given that with outsourcing agreements the devil is in the details.