



Decision Drivers

Why Outsource?

Outsourcing as an accepted business practice gained popularity in the 1990s, as businesses looked for alternative means to rationalise and improve their operations. The outsourcing concept of moving whole or parts of functions and processes outside the organisation is now a commonly acceptable business practice, used by small and large businesses.

WHY OUTSOURCE?

Improve the quality of your products and services

Outsourcing may provide access to new methods of production and delivery that could improve your products and services.

Increase flexibility

Outsourcing may facilitate reduction of the product development cycle and increase speed to market. An outsourcing arrangement often provides more flexibility when new business is acquired or existing business divested.

Manage supply and demand

For businesses where demand for goods and services varies, outsourcing can provide opportunities to move fixed costs to variable, smoothing the impact of demand peaks and troughs.

Reduce costs and capital investment

Using the outsourcer's infrastructure may reduce costs and capital investment by the business, potentially liberating cash for core business functions.

Access to new technology, processes and skills

Outsourcing facilitates access to best practices, leading edge technology, innovation, processes and skills that would be cost prohibitive to develop internally.

Measurable service delivery

The outsourcing model can include a structured and controlled requirement that measures delivery quality and timing of goods and services from the outsourcer to the organisation.

Facilitate business transformation

The outsourcing of functions may provide the catalyst to achieve business transformation, radical change or major strategic shift.

Freedom to focus on your core strengths

Organisations can focus on their core strengths without diverting resources and time to business-enabling activities which may be more efficiently handled by the outsourcer.

Network

Outsourcing may provide exposure and opportunity to network with complementary businesses.





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OVERCOMING BARRIERS

The cost savings of outsourcing are real but it also requires a shift in approach, and perhaps, culture and structure. As part of the decision process, consider the following:

Apples with Apples

- Are the current costs of doing the potentially outsourced function clear?
- Do you have sufficient data to make the right decision?

Flexibility

- What level of flexibility do you need in your outsourcing agreement to allow for growth, change and innovation?

Control

- How much control will you have over the delivery of the service?
- Are you ready to shift control to an outsourcer?
- Have you addressed the areas with potential for failure?

People

- What is the perception of your management team? Are they supportive?
- Do affected teams understand the potential change in their roles?
- What is the reaction of staff to a potential outsource?
- Will the outsourcer fit with your culture?

History

- Have you had a poor past outsourcing relationship?
- How would you do things differently this time? What were the challenges?
- Has your potential outsourcer provided services to an organisation which is similar to your own?

IN SHORT

In general, the main tactical driver behind most outsourcing deals is cost reduction. Many companies now recognise that third party organisations can handle some of their key business activities as well as or better than they can themselves.

However, controlling costs is not enough. Successful outsourcing requires service providers and their customers to improve the quality of their partnerships to add value. Thorough consideration and adequate preparation will ensure the decision to outsource is based on valid business drivers and your outsourcing partnership mutually beneficial.

FURTHER INFORMATION

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