



The Value of Outsourcing

A DecisionOne Executive White Paper

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Companies large and small, public and private, and across a wide variety of industries have embraced the practice of outsourcing within virtually all disciplines, including information technology – the sector which leads the trend.

In fact, within the past five to eight years, outsourcing has evolved from a purely tactical option – often of last resort – to an ongoing, standard business practice and strategic management tool. But what explains this dramatic evolution in such a relatively short period of time?

Weighing the Pros and Cons

For many, the decision to outsource begins with exercise of weighing the time and expense of doing it yourself against your desired outcome. For example, if you decide to add a patio to your home, you have two basic options. You can either take on the entire job yourself – designing the space, securing the permits, purchasing the materials, and building it yourself. Or you could hire an experienced contractor to handle everything for you.

Your investment for the first option is largely in materials and a significant amount of your time, particularly if you are squeezing the patio project into a busy schedule that already includes work and family responsibilities. But how long will it take you to complete the job? What quality assurances will you have, especially if you've never tackled anything like this before? What might the short-and long-term consequences of the do-it-yourself approach be?

On the other hand, what could a professional contractor bring to the table? While the financial investment might be slightly higher to cover labor costs with an experienced builder, the completion time is likely to be much shorter and you can hold the project to agreed-upon quality guarantees.

Focus on Core Competencies

An oversimplified example? Not really. Like many business outsourcing decisions, it comes down to this: What's your core capability or service? Where is your time most highly leveraged? And what's the opportunity cost of adding another area of responsibility or of being distracted from your core capability?

Reducing and controlling operational costs remain key goals, and savvy managers increasingly look to outsourcing to improve business focus and strengthen core capabilities. A successful outsourcing relationship can help achieve this by enabling companies to focus their people and resources – which are sometimes scarce – on the areas that are mission critical to their operations. It also gives these companies access to the top talent in an outsourced discipline - talent that the client company doesn't have to recruit, train, pay benefits to or struggle to retain, thereby freeing up personnel dollars and time. In addition, companies can expect service levels in their outsourced functions to rise because, as part of forming the outsourcing agreement, they can determine specific quality standards for the provider. The agreement then serves as a quality control system that may not have existed otherwise had the company not decided to outsource.

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Making the Right Decision

While the benefits of outsourcing may seem clear, sometimes the biggest challenge for managers is how much operational control of the outsourced function they are willing to relinquish. However, if their expectations are clear from the outset, outsourcing typically offers a higher level of control than in-house solutions. By getting “out of the trenches” of day-to-day operations, management gains a much better look at the big picture.

Here are several questions to ask when considering an outsourcing arrangement:

- What are the primary objectives of the department or organization?
- How do they relate to, support and/or add value to the organization's core services?
- What are the primary processes involved to support the objectives?
- Are you considering an outsourcer for short-term projects or long-term processes?
- What kind of talent do you need for the job? If the situation requires a very specific skill set with tight deadlines, outsourcing is likely to be the answer, as it enables a company to avoid the timely and costly process of recruiting, interviewing and training.
- How can the outsourcer improve performance?
- What is this function currently costing the organization?

IT – The Most Popular Outsourced Function

IT was one of the first sectors to experience significant levels of outsourcing, and continues to be the functional area where most outsourcing dollars are spent. As the largest independent provider of multivendor technology support services in North America, DecisionOne can attest to the popularity of this trend - particularly in the following five market sectors.

- OEMs – hardware, software and consumer electronics
- Channel – resellers, retailers and warranty administrators
- Communications – RBOC, ILEC, CLEC, cable, satellite
- Service Aggregators – outsourcers, system integrators, application service providers
- Commercial and Government Users – Fortune 1000 corporations, midsize companies and government agencies

While providers like DecisionOne tailor precise solutions to answer their users' exact IT and

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business objectives, the reasons these companies explore outsourcing in the first place are often strikingly similar. In fact, what these five sectors generally have in common when seeking outsourcing are:

- A need for direct technology support for employees or customers, and/or
- A desire to expand their service portfolio through an outsourcing partnership that enables them to offer additional technology services to their customers.

The Value of Direct Support

For those companies looking to enhance direct support for their employees and customers, there are a series of ways that a provider such as DecisionOne can add value to the service equation.

- **Focus on Core Capabilities** – By leveraging a provider's infrastructures and proven processes for service and support, clients can be more effective in bringing their products to market and growing their businesses. They can focus on core capabilities and concentrate corporate resources on product development, marketing, sales and operations.
- **Avoid Service Infrastructure Investments and Planning** – With an experienced provider's personnel, systems and fixed assets, companies can grow their businesses more quickly without the planning and investment that's often needed in personnel resources, support systems and capital assets to scale their infrastructure for quality service and support delivery.
- **Enhance Product Brand** – Quality service and support are important buying criterion in the technology marketplace. A client's product brand is enhanced by providing top-shelf service offerings through an outsourcer with a reputation for quality services delivery.
- **Eliminate Competitive Conflicts of Interest** – It's important for companies to look for independent service providers like DecisionOne that focus solely on support and infrastructure services for the technology industry and do not sell hardware or software. This helps eliminate possible competitive threats and reduce revenues to competitors.
- **Manage Service Subcontractors Effectively** – To minimize the time, effort and cost of managing multiple services subcontractors, clients should use their outsourcer as the single point of contact for all technology-based infrastructure services. Providers such as DecisionOne also provide clients with streamlined, proven systems for on-line service information. This approach ensures quality services are delivered to the client's customers.
- **Preserve Investment of Technology Inventory** – Clients should seek an outsourcer that offers service options designed to extend the useful life of their technology and reduce the need for investment in new equipment purchases. These options are offered through cost effective after-warranty service plans that lengthen the lifetime of systems and maintain high service levels.

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- **Speed to Deploy Technology Solutions** – By augmenting a client's IT organization with selective skills or technicians in remote locations, technology solutions are implemented faster, which allows clients to realize their benefits earlier.
- **Manage the IT Skills Shortage by Augmenting Internal IT Staff** – Clients find that contracting for service delivery instead of investing in personnel for a support function provides cost effective coverage that reduces management issues of recruiting, training and maintaining certified, skilled support staff.

Expanding Service Portfolios

Outsourcing not only benefits internal technology operations, but it can also provide real revenue-building opportunities for companies who resell services.

- **Expand Revenues through New Service Offerings** – Clients gain the flexibility to sell more than basic support for their technology platforms by reselling the service capabilities of providers like DecisionOne. This not only opens up additional revenue opportunities for resellers, retailers and warranty administrators, but also strengthens their competitive positions in the market by offering their customers complete solutions. An outsourcer's capabilities should be integrated to provide a total infrastructure support solution from initial deployment to ongoing support, from call center to onsite dispatch, from centrally managed systems to networks and desktops.
- **Lower Cost of Sales through Service Packages and Bid Desk** – An outsourcer should make it easy for clients to sell these additional service offerings through predefined packages and quick turnaround bid desk processes for custom service proposals.
- **Offer Quality Corporate Service Offerings** – Clients should be confident that the services for their projects can meet the requirements of a corporate customer. Make sure an outsourcer understands the special requirements of the corporate environment. DecisionOne, for example, has experience in providing quality service for half of the Fortune 1000.

Summary

As competitive pressures and customer and shareholder expectations continue to increase, the value of outsourcing is likely to steadily rise, as well. Many companies presently outsourcing various business functions are actively searching for additional outsourcing opportunities in other areas.

On the IT front, that trend will translate into additional reliance on complete, integrated service solutions that are carefully tailored to the specific requirements and business objectives of various technology customer segments. Whether a company is motivated by speeding time to market, decreasing investment in infrastructures, making service and/or subcontractor management more effective, or enhancing their corporate and product brand, an expert technology support provider should help them stretch their capital and improve their customer service, both internally and externally.