Outsourcing during an economic downturn

Today’s outsourcing concept no longer means sending an organization’s business activities to a vendor that has large number of services and staffs and expect the output be of high quality, meeting every single expected delivery and within an agreed Service Level. It is about bringing an overall service experience at an expected value of the service.
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In the event of a looming economic downturn, one of the initiatives to keep business afloat is cost cutting. While there is going to be pressure in reducing overhead cost, decision makers need to ensure such services should not sacrifice the quality or service level of some of the key services. We therefore need to find a good balance between the value for a service as well as the quality we are willing to accept.

The larger the organization, the more business units need to work together, and the more processes have to be followed. As a result, due to the size, decision making becomes less responsive, internal conflicts between team hinders decision making, internal interest overrides client’s request, inconsistencies in processes/procedures causes confusion within internal team, and team members evolved into commodities that utilization is key, and quality comes later.

This can be avoided, technology enablement in today’s world has allowed organization with limited resources the ability to work smarter, faster, and in smaller team while effectively meeting the delivery deadline with agreed quality and can be done virtually anywhere. Due to nature of the smaller team, this increases the effectiveness of nearshore and offshore delivery which:

- will increase agility and speed of work done,
- lower the cost for the same skillset through pooled resources,
- reduce confusion due to:
  - less involvement of other teams
  - conflicts due to less number stakeholders
  - and inconsistencies due to smaller team size.

As a result, team members evolved into consultants who embrace the power of information and communication technologies to support organizations with the best available information, while respecting their individual values and preferences. These factors can be crucial components to allow the IT department to stretch their budget further to cater for the economic downturn. This leads up to the importance of selective outsourcing services, which gives the organization the ability to develop more flexible cost in the changing economy landscape.

The Benefits of Outsourcing in an economic downturn.

Most senior managements’ reaction at the first sign of recession is that a financial uncertainty is on the horizon. This reaction forces them to initiate many cost measures within the business that will lead them to outsource. Outsourcing during an economic downturn may help an IT team (the entire team) to ride through the rough sea of the downturn. One will gain the flexibility and efficiencies of outsourcing and not tied to the overhead cost of hiring an employee. Outsourcing in terms of nearshore and offshore concept has been on the rise over the years, many businesses are tuning to outsource services more than ever before. The potential benefits outsourcing includes:
Reduction in cost
Outsourcing allows an organization to reduce cost for tasks that do not require a full-time team, and their request will be charged according to the time effort required to execute and complete the task. This allows the business to better manage the operating cost (OPEX).

Effective team workload distribution
During an economic downturn, apart from layoffs, it is common that remaining employees will pick up additional work, outsourcing is a great way to avoid additional workload on key employees and this may result in boosting morale within the organization.

Improve work efficiency
Work responsibilities get shifted around remaining staff, higher level staff may end up wasting their effort in performing low-value tasks. Outsourcing helps in terms of performing this task and allows the staff to conduct higher value tasks such as operational efficiencies, process improvement and improving end-users experience and building end-users confidence in the application.

Increase high-level task
Outsourcing especially IT Application Outsourcing gives an organization’s IT team the time and resources to explore pre-requisites and preparation for the next Technology jump which will happen when economy booms. This can be further enhanced with the introduction of Service Providers Consulting management team that can assist and guide client’s IT team to explore new technologies, preparation for technology evolution and co-joint technology roadmap development. These approaches will prepare the client’s IT team to have an in-depth knowledge of the solution prior to commencing the solution implementation.

Increase the exposure to Subject Matter Experts (SME) and a mixed of multi-skilled consultants
Outsourcing allows the client the additional options to engage skilled consultants on request basis, and this becomes beneficial for implementation or projects that require their service for a short period, rather than employing a permanent staff.

Increase work planning efficiency
Outsourcing provides clients the ability to ramp up and down the team and this becomes beneficial as it allows clients to fulfil their business needs with minimal resource risk exposure as these risks have been absorbed by the Service Provider.

Increase the flexibility of meeting delivery expectation and agreement
Outsourcing Service Providers have a range of services within its service catalogue. Hence clients can select the services, and delivery expectation to determine the prices of their services with the Service Provider.

Bring it all together
Outsourcing services during economic downturn provides organizations more flexibility of managing their budget and spending in a more controlled manner. The success factor in ensuring such privileges bring values, organizations will need to strike an acceptable service balance and the value/cost of the service.
„Selective outsourcing services gives companies the ability to develop more flexible cost in the changing economy landscape.“

Ian Tan
Senior Manager - cbs APAC