

Alternatives: Outsourcing

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Alternatives: Outsourcing

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Alternatives: Outsourcing

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Outsourcing

OU-43

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Notes

What is it?

Why is it becoming a
major factor?

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Notes

Evolution of Outsourcing

Product/Service	1970s	1990s
Applications Software	Applications Packages	Applications Management
Professional Services	Consulting Contract Prog	Applications Maintenance

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Notes

Evolution of Outsourcing

Product/Service	1970s	1990s
Processing Services	Specific Proc Serv	→ Systems Operations
Networking Services	Value-Added Networks	→ Network Operations

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Notes

IS Outsourcing Areas

1. Systems operations
2. Applications management
3. Network operations
4. Desktop services

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Notes

Driving Forces—Outsourcing

Category	Outsourcing
Staff	Scarcity of talents
Technology	Increasing complexity New technology

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Driving Forces—Outsourcing

Category	Outsourcing
Response	Service requirements Flexible operations
Financial	Cost reduction New scales of economy
Management	Executive refocus

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Inhibiting Factors Outsourcing

Category	Outsourcing
Management	Loss of control
Fallback	Inability to reverse decision

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Inhibiting Factors Outsourcing

Category	Outsourcing
Financial Staff	Uncertain savings Threat to organization

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Notes

Buyer Motivation for Outsourcing

	Ranking	
	1991	1990
Reduce Operating Costs	1	2
Improve Service Levels	2	5
Refocus Executive Attention	3	8

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Notes

Buyer Motivation for Outsourcing

	Ranking	
	1991	1990
Supplement Internal Skills	4	7
Provide Flexibility/Response	5	6
Acquire New Technology	6	NM

NM=Not Mentioned

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Notes

Organizational Impacts

Group	Impacts
Total Organization	No visible impact Reallocation of personnel Faster access to skills More disciplined implementation

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Notes

Organizational Impacts

Group	Impacts
Information Systems Management	Manage a smaller organization Shift to tactics and strategy Time available for planning

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Notes

Organizational Impacts

Group	Impacts
Information Systems Professional	Significant initial anxiety Greater career opportunities

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Notes

Outsourcing User Issues

- Business environment
 - Critical value of information
 - Organizational impact
 - Flexibility for change

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Notes

Outsourcing User Issues

- Operating environment
 - Dependency on vendor
 - Long-term stability
 - Improved service levels
 - Control over operating costs

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Notes

Vendor Strategies

- Systematics
- Andersen Consulting
- Electronic Data Systems

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Notes

Systematics

Heritage	Applications management
Focus	Banking industry only
Strength	Industry specialization Application software
Direction	Systems management (banking)

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Notes

IBM

Heritage	Equipment manufacturer
Focus	Many vertical markets
Strength	Industry knowledge Large resource base Good reputation
Direction	Total systems management (ISSC)

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Notes

Andersen Consulting

Heritage	Professional services
Focus	Business solutions
Strength	Consulting methodology Systems development methodology
Direction	Systems management

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Notes

Computer Sciences Corp.

Heritage	Professional services
Focus	Systems integration/ systems operations
Strength	Federal government experience Large technical staff Program management experience
Direction	Commercial systems operations

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Notes

Electronic Data Systems

Heritage	Facilities management
Focus	Systems operations
Strength	Network and network management Huge data centers
Direction	Vertical applications management

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Notes

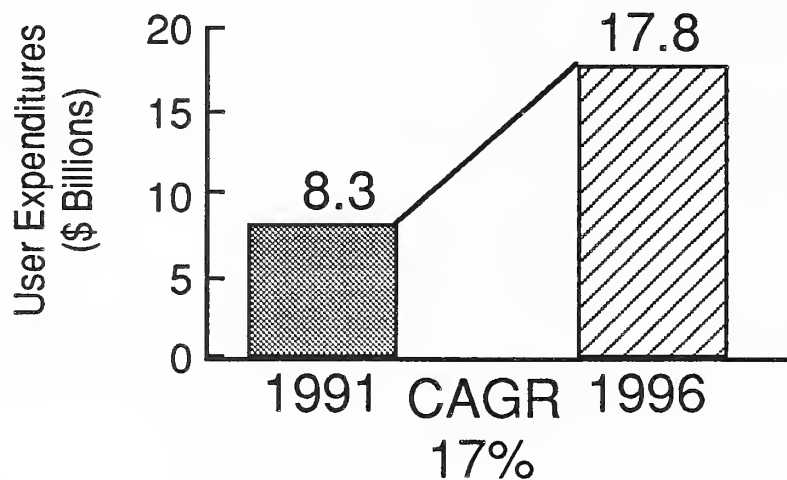
U.S. Systems Operations Market Forecast

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SO-19b

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U.S. Systems Operations Market Forecast, 1991-1996

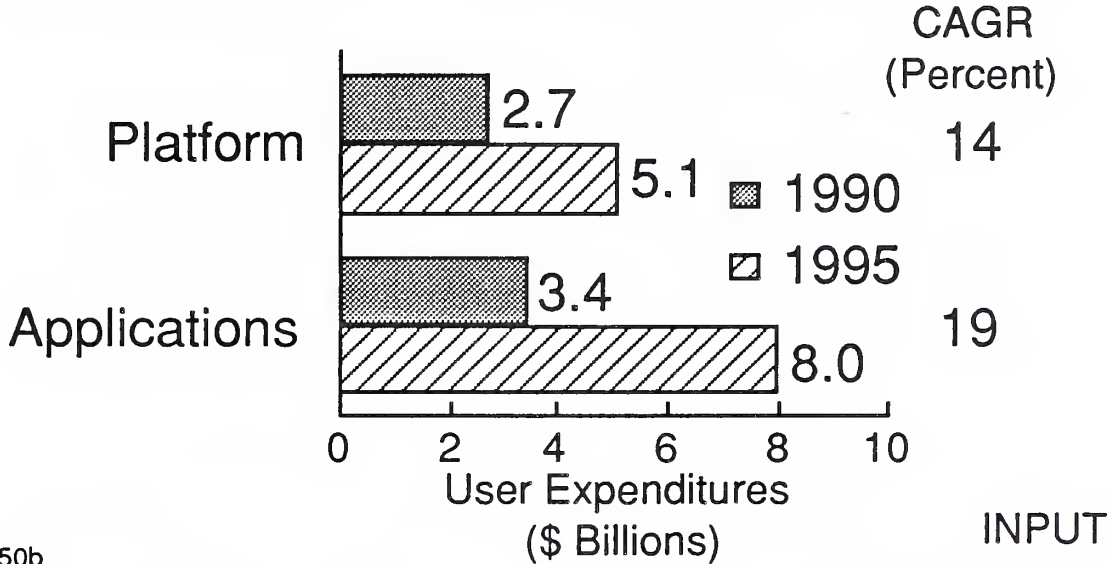


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U.S. Commercial Systems Operations Market, 1990-1995



SO- 150b

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Notes

Conclusions

- Outsourcing is revolutionary
 - Functional responsibility to vendor
 - Increased dependence for clients
 - Increased risk for vendor

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Notes

Conclusions

- Outsourcing is revolutionary
 - Vendor/client partnerships
 - Vendor success tied to client success
 - Vendor provides all services

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