

## **Management of Marketing, Banking, Business and Finance for Sustainable Economy**

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### **Abstract**

**Outsourcing** is the contracting out of a business process to a third-party. Outsourcing sometimes involves transferring employees and assets from one firm to another, but not always. Outsourcing is also used to describe the practice of handing over control of public services. IT outsourcing is the practice of for all or part of an IT function to a third-party service provider that manages the work. Businesses use IT outsourcing for functions ranging from infrastructure to software development, maintenance and support .The demand for outsourcing IT services is growing worldwide. CNET news in 2005 reported that the global market for IT outsourcing topped \$84 billion in 2004 and predicted it would grow by about 6 percent each year through 2010. This paper pin points towards the use of IT in the field of management. The Outsourcing business is crucial for success of management plans as it ensures quality, quantity and gives due importance to the most importance dimension i.e. time .It promises timely delivery of project variables and stamps success. Advertising in the field of marketing is the fastest growing industry which makes ample use of outsourcing.

**Keywords:** Outsourcing, IT, Management, Advertising.

### **1. Introduction**

Outsourcing is an arrangement in which one company provides services for another company that could be, or previously have been, provided in-house. In the age of cloud big data and mobile technology, outsourcing is a viable option for any organization

lacking the resources or budget to manage software and services within its own IT department.

There are several queries that must be considered in crafting an appropriate IT sourcing strategy for the enterprise. What are the primary objectives for outsourcing? Do you wish to contract with foreign and /or domestic providers? What services do you require to relieve stretched-thin IT departments?

The perceived advantages of outsourcing are well-known at this point: lower operational costs, reduced labour expenses and the freedom to focus on core business processes rather than on mundane, time-consuming tasks. But some organizations have gone beyond outsourcing discrete functions and are sending broad swaths of their business processes and the resultant management responsibilities to outside providers.

In outsourcing the information management segment of their organization including planning and business analysis, as well as the installation, management and servicing of IT assets enterprises hope to benefit from the collective intelligence of their outsourcing partners. Business Process Outsourcing (BPO) is a part of a larger IT sourcing strategy.

Cloud computing is one of the more prevalent building blocks of an IT sourcing strategy. The sheer volume of cloud service providers has increased exponentially in the past decade, making sorting through their various offerings a formidable task. Enterprises have soared to new heights because of cloud arrangements.

*IT outsourcing* is a phrase used to describe the practice of seeking resources or subcontracting outside of an organizational structure for all or part of an IT Information Technology function. An organization would use IT outsourcing for functions ranging from infrastructure to software development, maintenance and support. For example, an enterprise might outsource its IT management because it is cheaper to contract a third party to do so than it would be to build its own in-house IT management team. Or a company might outsource all of its data storage needs because it does not want to buy and maintain its own data storage devices. Most large organizations only outsource a portion of any given IT function.

**IT outsourcing** is the practice of subcontracting responsibility for all or part of an IT function to a third-party service provider that manages the work. Businesses use IT outsourcing for functions ranging from infrastructure to software development, maintenance and support.

IT outsourcing has existed since the earliest days of business computing, beginning in the late 1950s with the service bureau operations of major hardware vendors such as IBM, Burroughs, Univac and Control Data. Outsourcing IT is viewed as a way to reduce costs, improve operational flexibility, increase service levels, reduce management overhead or rapidly deploy new capabilities. Most large organization outsources a portion of any given IT function.

## 2. IT Outsourcing Advantages and Disadvantages

The most commonly cited reasons for outsourcing IT functions include:

- Reducing IT costs through efficiencies and economies of scale on the part of the service provider.

- Access to world-class IT skills, experiences and resources.
- Removing non-core business.
- Minimizing sizable capital expenditure on IT infrastructure.
- Certainty of future IT spends.
- The potential downsides of outsourcing IT functions include:
  - A loss of control over a crucial business service.
  - A lack of flexibility in the services received.
  - Damage to staff morale/culture clashes (between the service provider and customer).
  - The distraction of having to manage the relationship with the service provider.

### **3. IT Outsourcing Popular Functions**

The typical IT organization spends five percent to six percent of its total IT budget on outsourcing services, regardless of size. Indeed, some maintain that company size is irrelevant when it comes to the benefits of IT outsourcing. IT outsourcing can be especially beneficial to small and medium enterprises (SMEs) that have a small or nonexistent IT organization.

The most popular IT functions to outsource include data centre operations, disaster recovery and Web site/e-commerce systems. Help desk, desktop support, data centre operations and Web site/e-commerce systems are the fastest growing outsourced IT functions. Large organizations, especially, are making greater use of help desk outsourcing. Application maintenance, application development and data network operations service providers are making the smallest outsourcing gains. Application development is still the most frequently outsourced function, but has been losing ground in the current economic environment as IT organizations cut back on project-based work.

The use of IT outsourcing is likely to grow manifold by 2020. A recent survey conducted by the Gartner Group found that 85 percent of companies plan to increase or maintain their spending with external service providers (ESPs) when the economy gets better.

### **4. Domestic and Offshore IT Outsourcing**

While the term IT outsourcing is often associated with sending IT functions overseas (i.e., off shoring), domestic IT outsourcing options are also available. In fact, the largest IT outsourcing providers in the world include giants like IBM, Electronic Data Systems (EDS) and Computer Sciences Corp. (CSC).

In the UK, PeoplePerHour, Europe's largest online business marketplace, recently reported that while IT outsourcing is on the rise, businesses are increasingly turning to domestic vendors. PeoplePerHour's survey of its 50,000+ business users found that 60 percent of UK businesses were outsourcing more than they had several years ago, attributable at least in part to the downturn of the global economy, which led companies to seek cost efficiencies through outsourcing.

Application development and application maintenance are the IT functions most frequently sent offshore, while disaster recovery and IT security are the two functions

least likely to be sent to offshore vendors. India, China, Southeast Asia and Eastern Europe are all popular choices for offshore IT outsourcing.

## 5. IT Outsourcing Problems

While outsourcing IT functions – whether domestic or offshore – seems attractive in terms of cost savings and other efficiencies, it can cause problems. Perhaps the most horrific example is IT outsourcing giant EDS's experience with the U.S. Navy. In a \$4 billion deal, EDS (now HP Enterprise Services) was to manage voice, video, networking, training and desktops for 350,000 Navy and Marine Corps users. But a year later, EDS wrote off close to \$350 million in losses on the deal. Among other problems, EDS had failed to recognize that the Navy and Marine Corps had tens of thousands of legacy and custom applications that it was expected to integrate or rip and replace. Meanwhile, the Navy had no single person or entity that could help EDS determine which legacy applications to keep and which to replace.

Communication difficulties often arise in off shoring situations, while loss of institutional knowledge can be a problem with any sort of IT outsourcing. Businesses considering outsourcing IT functions rarely account for these costs.

## 6. IT Outsourcing Planning

There are several steps organizations can take to help ensure successful execution of IT outsourcing:

- Create a robust business case to support the decision to outsource with senior executive backing.
- Know and understand your existing IT operation and what you seek to achieve by contracting external IT services from the service provider.
- Know and understand your existing IT organization and its cost base so you can evaluate whether the pricing model proposed by the service provider offers value for money.
- Consider what form of organization is best suited to meet your objectives.
- Conduct due diligence on third party contracts and licenses to ensure that your licenses permit use by the service provider.
- At the pre-contract stage and during contract negotiation, prepare and agree on an orderly transfer procedure so that the outsourced services can be transferred seamlessly back to you or another service provider at the end of the contract.
- Legally, be prepared to negotiate the details of the outsourcing transaction so that the terms can be documented in the services agreement.

## 7. IT Outsourcing Leading Companies

HP Enterprise Services, IBM, Capgemini, Unisys, Accenture, CSC, Lionbridge, Infosys Technologies, Sitel, Tata Consultancy Services, HCL Technologies, Convergys, Sodexo, ISSCGI Group, Intelenet, Global Services, Tech Mahindra, SPi, MindTree, Genpact, NCR, Williams, LeaAegis, Inspur, ACSCPM, Braxis, Softtek, L&T Infotech, Diebold Integrated Services, Teletech, Firstsource Solutions, Majesco

Mastek, Patni, Océ Business Services, Neusoft, EXL Service, Syntel, EPAM Systems, HOV Services, iGATE ,Headstrong, WNS Global Services, AppLabs, NCS, Luxoft, Pitney Bowes, Outsource Partners International, hiSoft Technology International.

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