E4-E5 (MANAGEMENT)

OUTSOURCING

AGENDA

- Levels of Outsourcing

- Advantages of Outsourcing

- Reasons for outsourcing

- How important is outsourced work

- What is being outsourced

- Criteria for selecting an outsourcing vendor

- Key to outsourcing success

- Examples of Outsourcing in Indian Telecom Sector

Levels of Outsourcing

- Project level: discrete aspects

- Program level: different projects in a program

- Division level: the entire operation of a division is outsourced.

Factors to govern the decision to outsource

- Nature of the work: critical nature

- Cost advantage: cost efficiency point of view, cost savings

- Faith of the customer in a vender

- Proven track record of the vender: feeling of trust

Models of outsourcing

Outsourcing model	Description
On-shoring	Vender is located at a destination domestic to the customer
Off-shoring	Vender is located in far –off country
Near-shoring	Vender is nearby country
Home-sourcing	Outsourcing to workers who works from home

Focus on core competencies

- Guides to customers to focus on core competencies

- By this customer can give better services

- **Cost savings:**

- **Quality:**

- **Flexibility:**

- **Time-to-market:**

  - Faster start up, development, scalability

- Access to diverse technologies:

  - Technology obsolescence and leverage is not a fear to customer.

Other benefits

- Alternatives

- **Transfer of risk to vendor**

- Elimination of internal policies

- Elimination of recruitment

- Training and staff retention

- Scalability (faster scale-up or scale-down capability

Reasons for outsourcing

- Cost saving   70%

- Quality/best practices   57%

- Flexibility/scalability   36%

- Focus on core competencies   35%

- Better skills   22%

- Transfer of risk   22%

- Lack of in-house expenditure   16%

How important is outsourced work

- Critical to daily operations 38%

- Important but not critical   55%

- Trivial but useful   4%

- Unnecessary   2%

What is being outsourced?

- Technology services

- Business process

Technology services

- Software and application

- Infrastructure

- Telecommunication

- E-commerce

- Web security and solutions

- Web hosting, website designing, development and mtce.

Business process

- Back office operation

- Customer relationship management

- Sales and marketing

- Administrative support

- Payroll maintenance

- Finance and accounting

- HRM, training

- Logistics

Continued…

- Medical transcription

- Security

Criteria for selecting an outsourcing vendor

- Quality commitment

- Cost

- Additional resources and capabilities

- Prior work

- Contract terms

- Confidentiality

Key to outsourcing success

- Setting the right expectations

- Benchmarking methodology

- Experience in handling outsourcing projects

- Internal resistance

- Last but not the least, the customer should exhibit trust towards its vendor, which in turn should ensure transparency in its operations.

Examples of Outsourcing in Indian Telecom Sector

- **2004: Bharti Tele-Ventures signed $400 million**
- **2007: Vodafone Essar an Indian cellular phone company outsourced its information technology-related work to IBM under a 5-year contract to reduce costs and improve services.**
- **2008: Tata Consultancy Services (TCS), a leading Indian IT services firm signed a multi-million Euro agreement with Nokia Siemens Networks, one of the world's foremost enablers of communications services**
- **2008: India-based telecom giant Reliance Communications and Alcatel-Lucent have formed a global joint venture to offer outsourced managed network services to telcos**
- **http://www.blonnet.com/2009/06/18/stories/2009061851620400.htm BSNL Outsourcing route : BSNL is increasingly outsourcing its operations to private players. To save on capital expenditure and roll out services faster**
- **The PSU has invited bids from private players for at least five of its projects including offering WiMax services, Internet Protocol Television and setting up Internet Data Services.**
- **http://itvoir.com/portal/news/Local-News/BSNL-to-delay-its-1-billion-IT-outsourcing-deal-6-476.asp (4 Jan 2010): According to latest report, BSNL, state-owned telecom giant has put on hold its tender for 93 million GSM lines, which will result in the telco's $1-billion IT outsourcing contract also being put 'on hold.' It is reported that the decision will affect IT firm HCL Infosystems, which will be supported by HP and Convergys for the contract. The group is backing half of BSNL's Rs 2,000-crore IT deal, and was the lowest bidder for all the four zones. The remaining half of the deal was supported by Mahindra Satyam/Spanco, which stand a chance to win part of the deal.**