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*Business Process Strategy:  
Can Outsourcing IT Really  
Reduce an Organization's  
Operating Expenses?*

*By  
Anthony Crook*



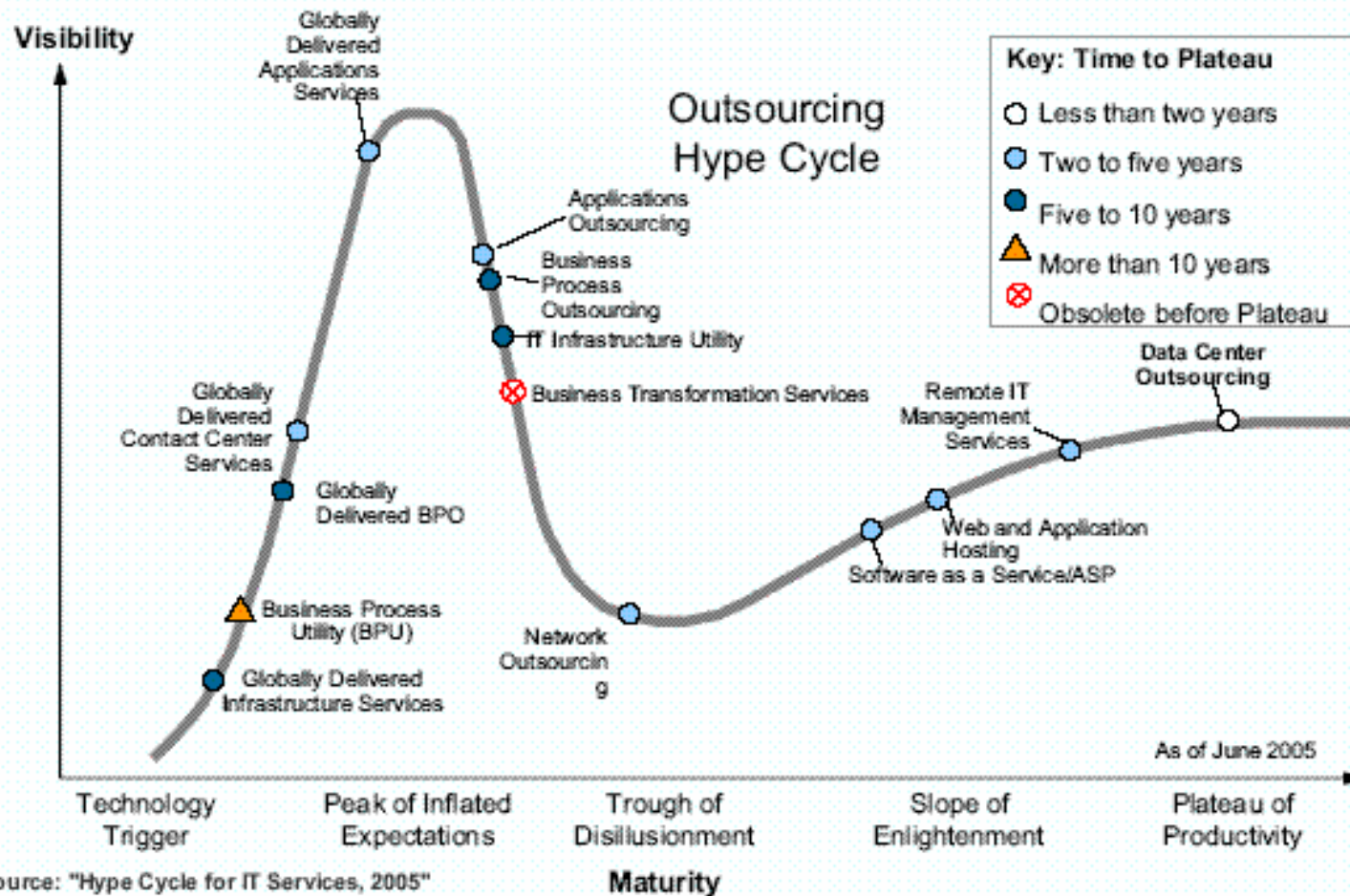
**Data Processing Sciences Corporation**  
*Architecture for e-Business*

# Agenda

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- Review US Market trends in IT Outsourcing
- Understand How Outsourcing Can Hinder an Organization
- Identify Industries Pursuing IT Outsourcing
- Criteria for Organizations To Utilize IT Outsourcing
- Lessons Learned

# The Time is Right



Source: "Hype Cycle for IT Services, 2005"

# Worldwide Growth

## Outsourcing: Continued growth

The worldwide IT outsourcing market will grow from \$180.5 billion in revenue in 2003 to \$253.1 billion in 2008 at a compound annual growth rate (CAGR) of 7.2 %

**Table 1. Worldwide IT Outsourcing Segment Size and Growth Rates, 2003-2008 (Billions of Dollars)**

	2003	2008	CAGR (%) 2003-2008
Data Center Outsourcing	72.3	95.1	5.8
Network Outsourcing	49.8	77.3	9.5
Enterprise Applications Outsourcing	34.8	47.5	6.2
Desktop Outsourcing	23.5	33.2	7.9
<b>Total IT Outsourcing</b>	<b>180.4</b>	<b>253.1</b>	<b>7.2</b>

Source: Gartner Dataquest (September 2004)

### OUTSOURCING

	2003	2008
<b>Data Center Outsourcing</b>		
Western Europe	19,00	22,41
Switzerland	0,56	0,63
<b>Enterprise Application Outsourcing</b>		
Western Europe	7,75	9,28
Switzerland	0,25	0,29

# Why Would Companies Care?

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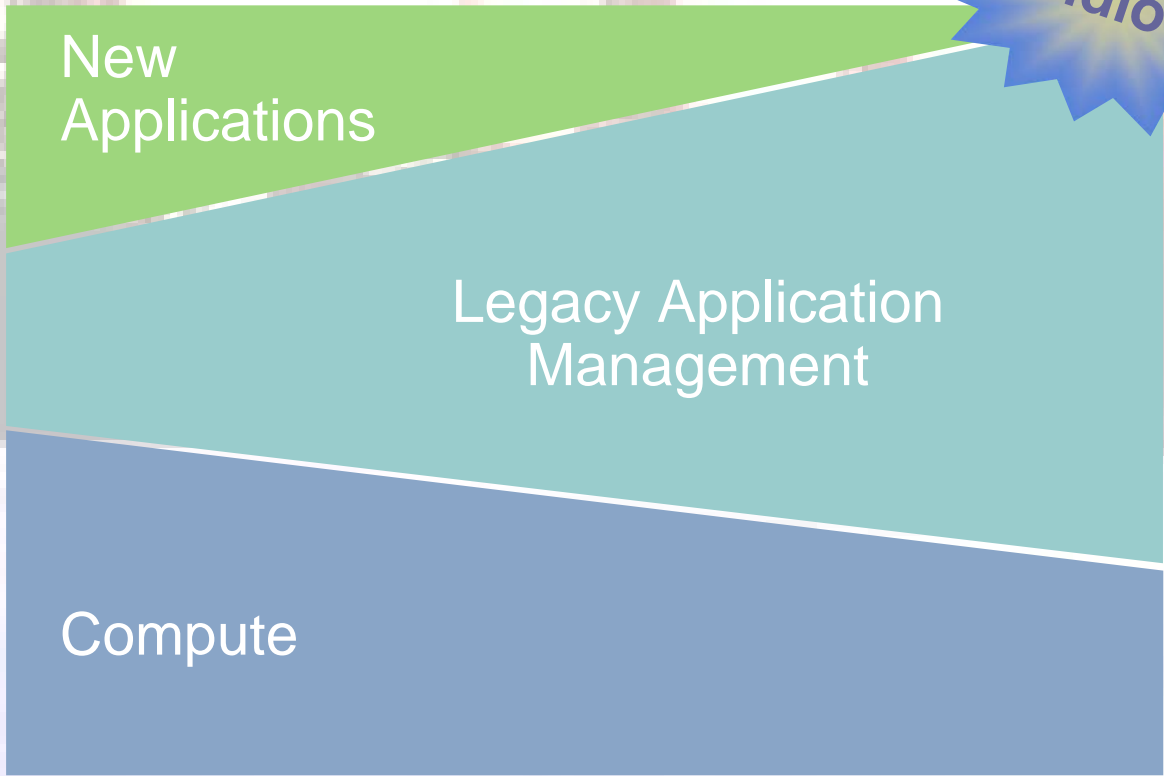
## Key Network Questions:

- Skills Availability
- Personnel Retention
- Increasing requirements, Decreasing Budget
- Growing Administration Requirements
- Growing Security Requirements
- Demand from Suppliers & Customers

Every Company is struggling with some or all of these Questions

# IT Is Feeling The Squeeze!

\$



Gridlock

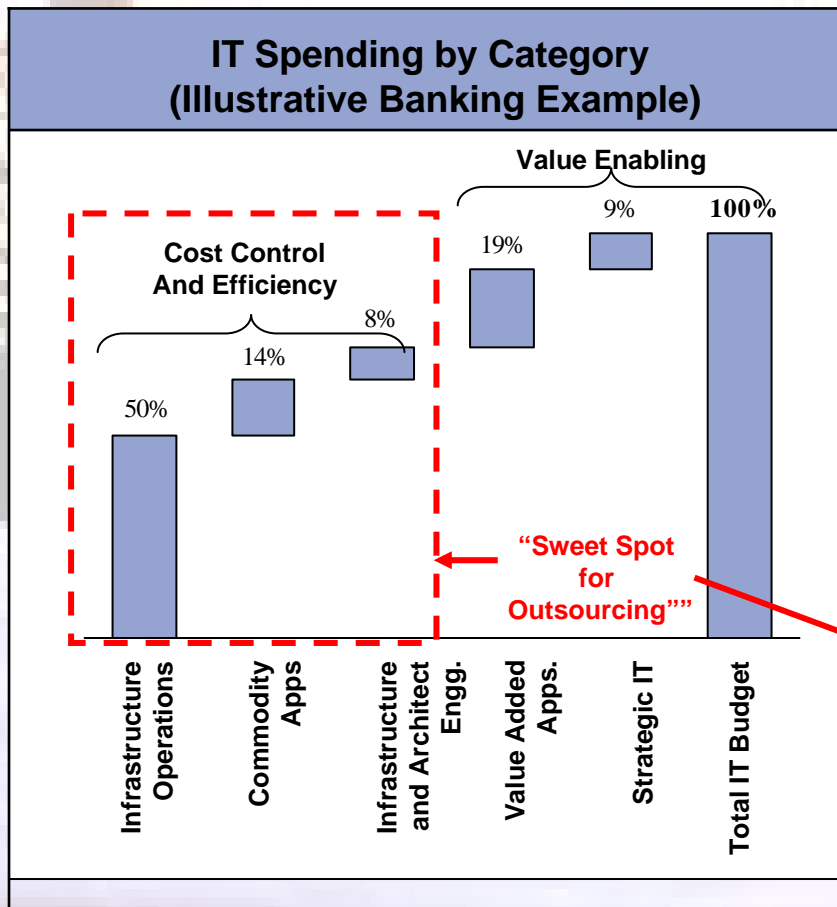
New Applications

Legacy Application Management

Compute

Time

# What are Consultants Saying?



Spend Category	Competitive Advantage
Strategic IT	<ul style="list-style-type: none"> <li>Customer enhancing</li> <li>Continuous innovation</li> <li>Unique value proposition</li> </ul>
Value Added Applications	<ul style="list-style-type: none"> <li>Differentiated offerings</li> <li>Rapid delivery</li> <li>Customer facing</li> </ul>
Infrastructure & Architecture Engineering	<ul style="list-style-type: none"> <li>Seamless integration</li> <li>Enterprise Applicability</li> <li>Supports low cost operation</li> </ul>
Commodity Applications	<ul style="list-style-type: none"> <li>Lower cost for required service levels</li> <li>High performance</li> <li>Stability</li> </ul>
Infrastructure Operations	<ul style="list-style-type: none"> <li>Reliability</li> <li>Scalability</li> </ul>

**Outsourcing enables companies to CONTROL cost associated with Commodity Applications and Infrastructure Operations**

# Isn't Outsourcing just for the "Big Guys"

## Outsourcing: Wider attention

More and more SMB's\* cooperate with external partners for software and hardware solutions. Hereby outsourcing moves towards flexibility with custom-sized offerings

### Key Findings

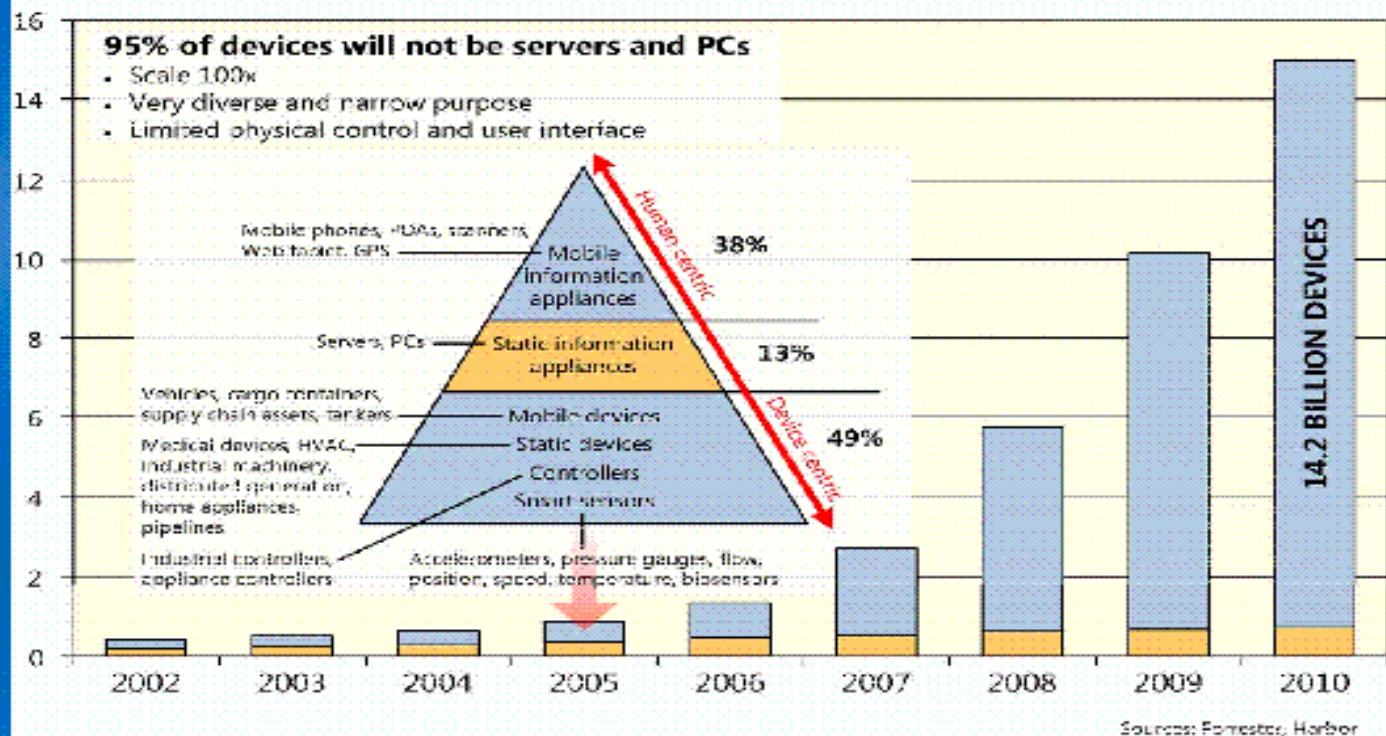
- IT outsourcing market shows **continuous growth**
- Cost reduction remains a **strong driver** for outsourcing
- Other critical considerations (e.g. quality, long-term effectiveness, cultural impact) get **more attention** than some years ago
- Can **free corporate resources** to focus on technologies that may deliver competitive advantage
- Can provide access to new IT capacity and functionality, **without capital expenditure**
- Can keep **better control** of their direct labour costs by relying on the outsourcer to scale up or down and to provide necessary levels of technology skills as needed

\* *Small-Medium-Businesses: up to 500 employees*

# What Pressuring the SMB Data Network?

## WW Connected Devices forecast

Connected Devices in Billions



# Lessons Learned As an Outsourcer

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Companies should demand IT Outsourcers to provide three phases:

- Design & Consult
  - Services
- Build & Implement
  - Transport
  - Equipment
  - Services
- Operate
  - Monitor
  - Manage
  - Administer