Program Pasca Sarjana - Magister Ilmu Komputer - Universitas Budi Luhur

Integrasi Strategi Bisnis Dan Strategi Sistem Informasi

Kuliah Sessi – 10:
IT Outsourcing Strategy

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Outline

- Definisi
- What to Outsource
- Resiko Outsourcing

Definition

- Purchasing from someone else a product or service that had been provided internally
- Contract-out or to sell the organization's IT assets, staffs, and/or activities to a third party supplier who in exchange provides and manage IT assets and service for monetary return over an agreed period of time (Kern, 2002).
- Study in 30 firms, outsourcing:
  - Reduce cost 9%
  - Increase 15% in capacity and quality

Emerging Issues

- Corporate disaggregation
- Not just “Make or Buy”
- Process conceptualization
- Overall performance

What to outsource?

A study in U.S.:

- General & administrative (78%)
- HR (77%)
- Transportation & distribution (66%)
- Information Systems (63%)
- Manufacturing (56%)
- Marketing (51%)
- Finance & Accounting (18%)

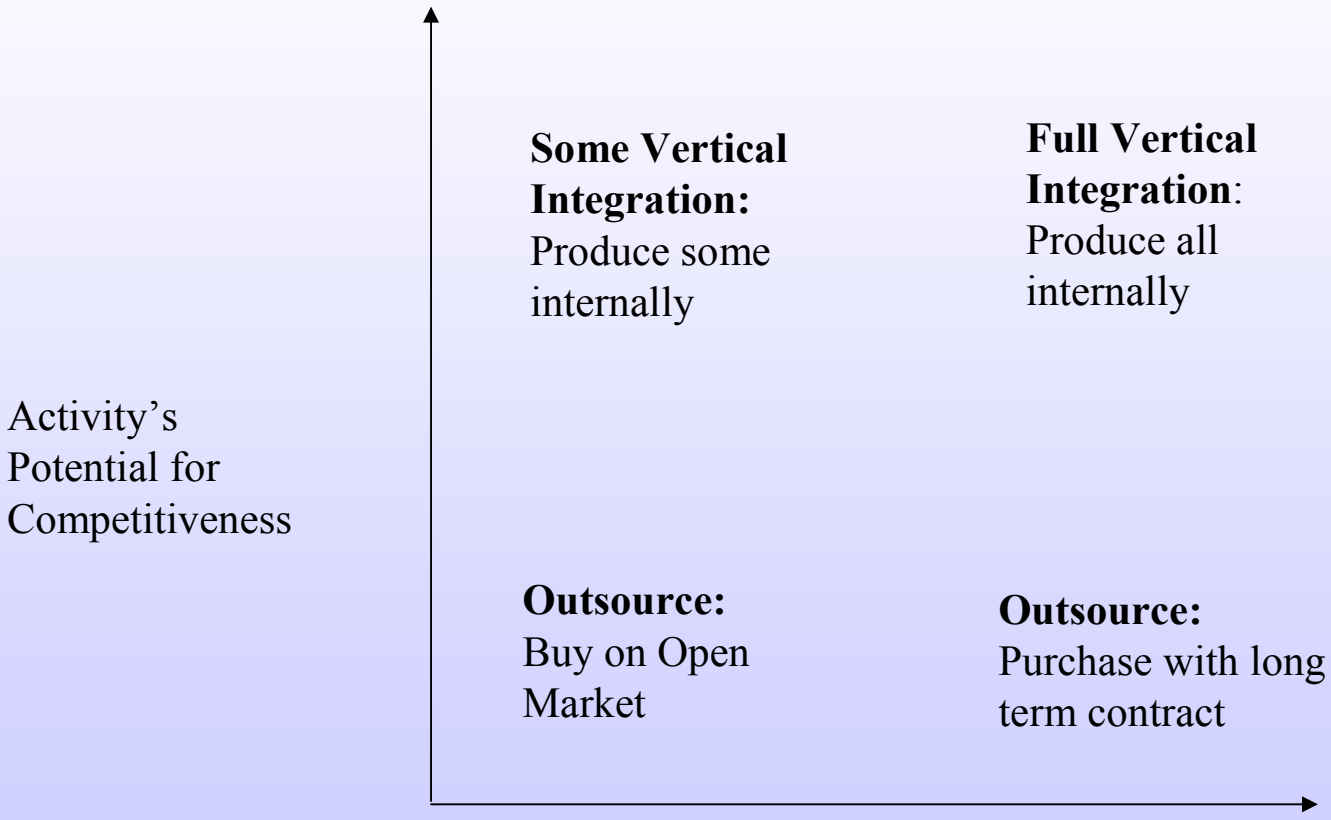
Outsourcing Rule of Thumb

"Purchase from outside only those activities that are not key to the companies distinctive advantage"

Therefore, must:

- Identify company's competence
- Ensure the competence is continually being strengthened
- Manage the competencies in such way that preserve competitive advantage

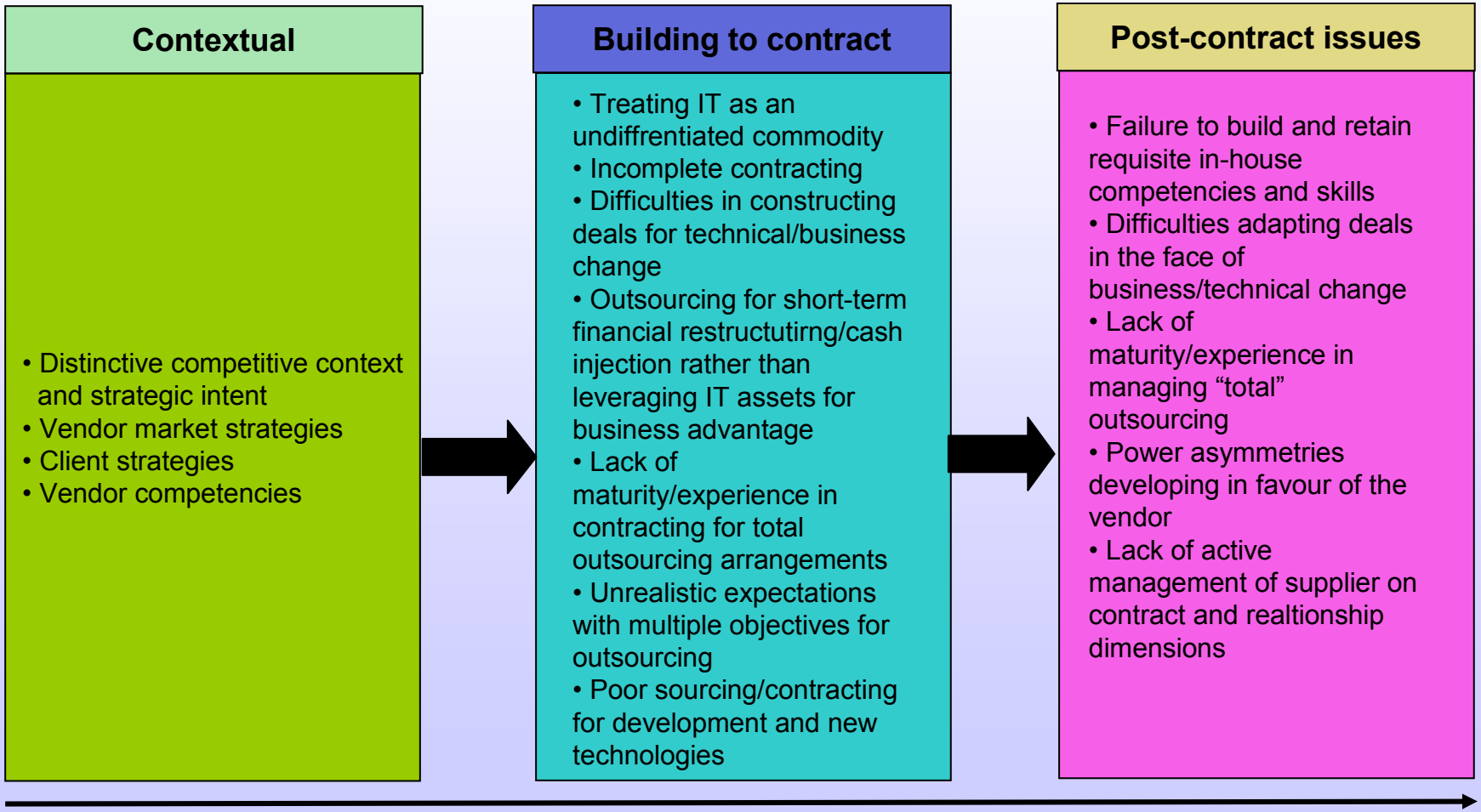
Outsourcing Matrix



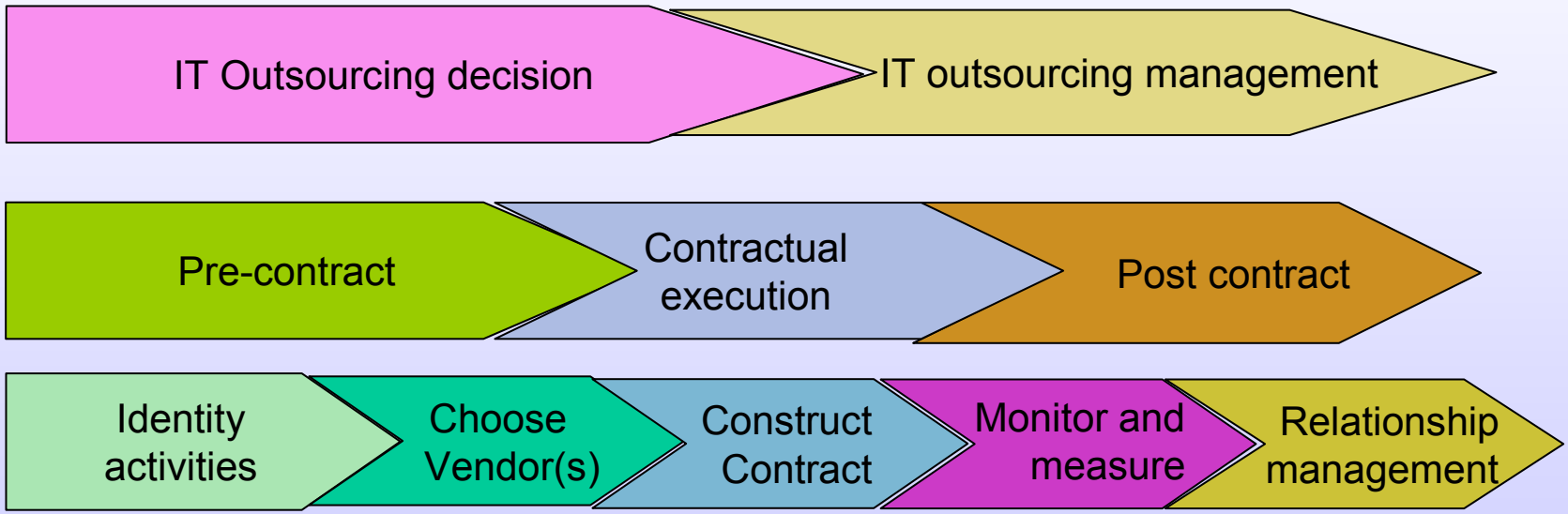
Risks of Outsourcing

- Finance & legal department dominate decision making
- Vendors dominate decision making!
- Short-term benefits from dominated decision making
- Vendors were not prequalified based on total capabilities

Outsourcing risk-analysis Framework



IT Outsourcing Process



Mahnke, Overby, Vang, 2005

IT Functions to Outsource

- System operations and software development (Aubert, 1996)
- Arnett and Jones (1994)
  - System integration
  - Facility management
  - Contract programming
  - Software support
  - Network maintenance
  - Computer maintenance
- Grover (1996)
  - Application development & maintenance
  - System operation
  - Network/telecommunication management
  - End-user computing support
  - System planning and management
  - Purchase of application software
- Mahnke (2005)
  - Infrastructure
  - Applications
  - Business processes

Reasons for IT Outsourcing

- Financial
  - Seek to lower cost structures (Quinn, 1992)
  - Obtain immediate cash
  - Replacing capital outlays with periodic payments
- Technical
  - Improving quality of IT
  - Gaining access to new technology
- Political motives
  - Dissatisfaction with internal IT Department
  - Pressure form vendors
  - Follow trends
- Strategic
  - Respond with greater flexibility to changing market conditions and market uncertainty in general (D'aveni, Ravenscraft, 1994)
  - Focus on core activities
  - Facilitates M&A
  - Time to market
  - Growing pressure on management to remain efficient and effective

Motorola Case

- Motorola sold its factory to Celestica
- Motorola than pays Celestica to make pagers, handsets, radios, etc.
- Motorola concentrates on the design and administration/management
- Motorola hopes to make the supply chain efficient and consolidate manufacturing operations

Terima Kasih



