Chapter 13
Are IT Outsource Engagements Offering the Expected Values and Benefits? Can it be Delivered More Productively and Cost Effectively?

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ABSTRACT
This study addresses a variety of operational aspects within the Information Technology (IT) infrastructure outsourcing arena within the South African market segment. The key issues are whether outsourcing engagements are delivered according to how customers expect the services to be and whether the possibilities exist for these types of services to be delivered at a reduced cost and at the same time increase the productivity in which the services are being delivered. The study was conducted through a narrative approach in the form of a structured in-depth interview process with 10 top executives in some of the largest organizations within South Africa. The organizations that were focused on for the research are either outsourcing service providers or customers to outsourcing service providers, all of which operate internationally. The research has shown that although these benefits are considered values that outsourcing offers, organizations within the South African market do not feel that this is the case, especially when considering costs and skilled resources.

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INTRODUCTION

The research focuses on the outsourcing market and will determine whether it is possible to deliver outsourcing services at a reduced rate to both the outsource customer and the outsource partner; and if at the same time being able to manage customer perceptions through the increase of productivity and efficiency. Specifically, the study seeks to address the following research question: Can Outsource Engagements be delivered at a reduced rate? The research will establish whether the market is of the opinion that outsource engagements within the South African market is designed in such a way that outsource customers benefit from reduced operational expenditure opposed to the in-sourcing of IT operations. For outsource providers to remain competitive and to conform to the perceptions of their customers it is imperative that these type of services are delivered at the lowest possible cost, both to the outsource customer and also to the outsource partner. Due to resource constraints within the IT market it remains a significant challenge to reduce costs, especially relating to the human aspect. The research is based on a variety of concepts and methodologies that are used within the industry globally that can realize the possibility of reducing operational expenditures directly related to the factors that increase these costs. These factors mainly include human capital, man-hours and different technology options.

The study will determine what the market perceptions are relating to these options and whether the market will be willing to adopt these methodologies should the benefits be realized. The dissertation focuses on both outsource customers and outsource partners in order to gauge the perceptions of both involved parties.

A qualitative data collection and analysis approach was used to conduct the research. The qualitative approach was required to get an accurate perception of how top executives within the market viewed the industry and what their perceptions relating to the research questions.

The chapter consists out of five sections. The next section presents the literature review where information is listed of research and methodologies that relate to the dissertation research. It is concentrated to the question why organizations engage in outsourcing initiatives and what the associated benefits and risk are. Third section discusses the analysis of the data and the approaches that was followed to derive the outcomes. This part also has a listing of the research participants and how the decision to engage with these participants was made. Section 4 lists the data and the analysis results of the research. It shows the different categories that emerged out of the analysis and how the data is applicable to the various categories. Finally, section 5 discusses the outcomes of the analysis and whether the study has reached the goals that it set out to achieve. Moreover, in this section the researches give personal views on the outcomes, together with future research options and recommendations based on the research findings.

IT OUTSOURCING: BENEFITS AND CHALLENGES

In this section the theoretical and background information will be provided that relates directly to the ideas and the knowledge of the IT Infrastructure Outsourcing subject. The section explains the concepts of outsourcing methodologies in detail and shows how the industry has evolved over the past years and how global enterprise organizations of all shapes and sizes are adapting outsourcing methodologies in order to promote or sustain profitability, operational effectiveness and market share.

Antonacci, et al. (1998) cover the broader concepts of outsourcing and ultimately explains what the considerations are when engaging in outsourcing services. When organizations make use of outsourcing services there are a number of benefits that they can capitalize on such as