Chapter 8

Analysis of the Outsourcing Models and Recommendation:
Case of Outworks

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ABSTRACT

This chapter presents the trends in IT services, outsourcing, and vendor management in Indian IT industry. It includes a study of IT services, vendor management, and business model of Outworks Solution India Private Limited, NOIDA. Major findings are in the field of Cloud Computing, mobile applications, and digital illustrations. Digital illustration can be the next big thing that replaces the traditional study thorough books to digitally created cartoons and creatures for the kids. Mobile has become a necessity of life; in such an environment, mobile applications are in high demand. Each organization launches their mobile applications, WAP, so that they can reach to the greater audience in this competitive atmosphere. Cloud Computing proved a boon for SMEs in India because of value for money solutions. Near future in the field of IT is dedicated to Cloud Computing, mobile applications, and digital illustration technologies.

ABOUT OUTWORKS SOLUTIONS

Outworks is a fast-growing Outsourced Product Development and IT Services company providing full-spectrum software product development services to enterprises worldwide. Headquartered in US, Outworks has a state-of-the-art Offshore Development Center in NOIDA, India. Outworks deals in software product development services in the areas of New Product Conceptualization and Development, Product Re-engineering & Migration, Product QA & Testing, Product Imple-
Analysis of the Outsourcing Models and Recommendation

Outworks partners with many software companies (see Figure 1).

Literature Survey

As business services get more industrialized, activities are being split into smaller units for servicing, and a services supply chain is beginning to emerge. With sourcing becoming more strategic, risk management has become more complex and critical. As managers explore ways to improve efficiency and efficacy of business activities, three broad options emerge:

1. Optimize activities locally through initiatives such as re-engineering;
2. Leverage scale and expertise of an external vendor; and
3. Or relocate activities to exploit geographic advantages.

Global sourcing of business services is increasing in scale and scope, and firms are now demanding more than mere cost savings. As firms focus on their core, learn to manage across geographies and multiple vendors, and as vendor/country capabilities increase, a services supply chain spanning multiple geographies and companies is being formed. However, a high percentage of global sourcing efforts are failing to meet corporate expectations. A variety of recent developments, such as innovations in Information Technology (IT) and newer managerial practices have enabled unbundling of production and consumption of these services. Firms can now unbundle their value chain, distribute unbundled discrete processes to optimal service teams/locations and then assemble “serviced” processes. This unbundling can be either “vertical” – of processes that are input to firm’s product/service in the market, or “horizontal” – of corporate processes such as Finance and Accounting (F&A) (Sako, 2006) (see Figure 2).

The off-shoring of the work has its impact in terms of the time-zone differences (Espinosa & Pickering, n.d.). How time separation influences which mechanisms team members use to coordinate and how the use of these mechanisms affects coordination outcomes. The most salient findings are that: (1) time separation has a strong impact on coordination costs, particularly delay and effort, but this increased effort helps teams achieve coordination success; (2) as more time zones are involved in project collaboration, the challenges and effort required to achieve success escalate rapidly; (3) coordination mechanisms can be substituted interchangeably, yet there is no clear indication of which coordination mechanism is more effective overall, although the effectiveness of these mechanisms may vary depending on the nature of the task; (4) however, co-location, distance and time separation have a substantial impact in the availability of these mechanisms.

STUDY OF PROCESSES/SERVICES

The services at Outworks are based on the outsourcing and staff-augmentation model. Latest Trends in Indian IT Services IT-BPO sector in India aggregated revenues of USD 88.1 billion in FY2011, generating direct employment for over

Figure 1. Verticals of outworks services