

Recession makes firms turn to outsourcing

By Murray Kerchavel

➔ Irish businesses are turning to outsourcing as a response to the recession, according to leading industry executives.

"Outsourcing is increasingly a key survival strategy for businesses in this challenging economic climate," said Declan Ivory, general manager of data centre services in Eircom. "As organisations look to reduce costs, outsourcing certain IT operations is increasingly becoming the norm."

Harry Goddard, partner with Deloitte, said: "With IT budgets being reduced by 5 to 10 per cent, most IT directors are having to aggressively cut costs. Selective outsourcing can help achieve this."

Tanya Duncan, managing director of Interxion Ireland, agreed. "Outsourcing is becoming more popular as the benefits, such as cost savings, greater operational efficiencies, and increased flexibility and scalability, have been demonstrated through real-life case studies," she said.

At a global level, worldwide IT services revenue totalled \$806 billion in 2008, an 8.2 per cent increase from 2007 revenue of \$745 billion, according to research firm Gartner.

"Vendors had six to eight months of 'business as

usual' [operation] in 2008, and then approximately four months encountering the beginning of the global economic downturn, featuring widespread cost restrictions and cost reductions," said Kathryn Hale, research vice-president for Gartner's worldwide IT services group.

"The only two segments of the market that grew less than forecast were IT management and process management. This is particularly surprising, because in economic hard times the potential cost savings from outsourcing usually keeps this market segment buoyant. However, apparently buyer hesitation to commit to the long-term requirements of outsourcing agreements took precedence in 2008."

According to research firm IDC, businesses with more than 100 employees buy four million devices, print 600 billion pages and spend \$20 billion per year on office equipment and services worldwide. The firm also predicts that more than 60 per cent of SMEs in Europe will consider purchasing a managed print services solution in 2009. Despite the economic downturn, the firm projects the managed print services market to become a \$7.2 billion opportunity for Europe by 2011.

"Every organisation seeks to increase revenues while reducing costs and enhancing productivity,"

said Mark McPhillips, general manager of Xerox in Ireland. "Based on our research, document costs remain uncontrolled and unmeasured. Document

costs are 5 to 15 per cent of an organisation's revenue, with 17 to 25 per cent of that cost directly related to document output." McPhillips said that

documents formed a core part of outsourcing potential. "From billing to customer applications you will find that documents are involved somewhere,

whether paper or electronic," he said. "In some processes documents are of critical importance, for example, customer application forms."

Outsourcing can cut testing costs by 25 per cent

By Murray Kerchavel

➔ Irish companies can cut their software testing costs by 25 per cent or more through outsourcing, according to a report by IT services firm Sogeti.

"Despite the enormous potential benefits, relatively few Irish organisations currently outsource the testing of existing or new software applications," said Daithi Holden, director of test & operations with Sogeti Ireland.

According to a survey of IT leaders conducted by Forrester, only 16 per cent of organisations outsource software testing, while 17 per cent will outsource to a

third party in the next year. Some 29 per cent are considering using a third party for this service but 39 per cent say that they will not.

Nonetheless, Forrester believes that the outsourced testing market is poised for rapid growth, with outsourced growth rates for testing services running at 50 per cent annually or higher.

"With IT spending under constant pressure and many chief information officers increasingly facing budget freezes or cuts, outsourcing software testing can reduce the cost of internal resources required for testing and free these resources to add value elsewhere in the IT organisation," said the report.

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