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The True Cost of Outsourcing IT Departments

The current global economic climate is forcing CIOs and CFOs on a perpetual hunt for efficient and cost effective solutions to their daily business routines. Outsourcing has, over the last couple of years, proven to be the most effective option for achieving the aforementioned objectives. This is more so because offshoring certain departments is capable of enhancing the organization's triple bottom line. While it is quite practical to outsource many departments in an organization, the aspect of offshoring IT departments is yet to achieve such practicality. The principal reason for this is because of the vagueness of the actual costs incurred as a result of such an undertaking.

Pursuant to Willcocks and Cullen, when CFOs and CIOs look at the IT department from a salaries perspective, outsourcing becomes feasible and actionable (65). However, most of these executives fail to consider critical costs which go hand in hand with outsourcing the IT department. The most important cost that is often overlooked is the hidden expense of subcontracting. This cost mostly arises in the form of competition among outsourcers which results in the upselling of contractual services. In addition, the issue of accessibility cost in the form of payments remitted to the outsourcer's representatives is also a significant contractual expense.

Due to the fact that IT departments deal with private and confidential data, outsourcing them introduces significant costs in terms of additional security measures. In order to safeguard

the authenticity of outsourcing IT departments, the organization will have to insist on working with a reputable outsourcer with a proven track record of professionalism. Such an outsourcer offers integrated security software, whose cost will have to be met by the organization. If the executives fail to consider security issues, then the possibility of incurring significant losses in terms of data breaches increases significantly (Rossi n.p).

The emergence rate of new as well as the obsolescence cycle of technologies introduces a new facet of hidden costs associated with offshoring IT departments. A given technology can only maintain credence for as long as a better one does not exist. However, in the field of information technology, it is virtually impossible for any technological solution to always remain at the helm. When new technologies emerge and the organization decides to include it in its outsourcing venture, it may have to pay more since the original contract did not explicitly include such changes. In this case, the aspect of upselling plays a significant role hence resulting in bloated costs which the organization is contractually bound to pay.

In order for an organization to establish the true cost of outsourcing its IT department, the not so obvious costs detailed above must be put into consideration. The most effective way to achieve this is through conducting a thorough feasibility and impact assessment. The short-term benefits of outsourcing the IT department should also be weighed against the long-term costs of running the offshoring venture. The operational overheads, equipment depreciation and quality control costs can be accurately determined if the organization employs sound quantitative and qualitative techniques prior to the actual outsourcing process.

Works Cited

- Rossi, Ben. *The real cost of outsourcing IT*. Information Age: Insight and Analysis for IT Leaders, 7 Apr. 2015. Web. 21 Oct. 2015.
- Willcocks, Lesslie and Sara Cullen. *Intelligent IT Outsourcing*. Burlington: Butterworth-Heinemann, 2003. Print.

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