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Case Study: Outsourcing at Office Supply Inc.

The case study written by Jeffery and Anfield is intended to throw light on a deal involving Technology Infrastructure Solutions (TIS), an IT-based firm and a whole seller company i.e. Office Supply Inc. (OSI) who needs to outsource its information technology solutions. The company has faced a drastic downfall in its stock prices and net income in two continual years and a raise in its expenditure. Though OSI offers diverse products in the market, its technological products account for the highest percentage of its net sales among other product lines (Jeffery and Anfield). However, the IT department of the company has delivered inadequate effects over the performance of the organization over time. That is why the company OSI consulted TIS to outsource its services in IT infrastructure and solutions to lessen the technological expenses as well as reduce the organizational complexity to get benefitted in the long run.

Outsourcing is defined as the repositioning or shifting of a corporate function to a different location or a third-party vendor that contracts to execute and manage it on behalf of the parent company (Hodosi and Rusu). OSI works in diverse products and has a great customer base who place their orders online. The need for outsourcing arose due to the following reasons at OSI:

* Complex IT infrastructure and its management
* The high maintenance cost of servers and databases
* A lower number of IT experts due to a higher turnover rate
* Training costs to train IT professionals

OSI was encountered with the challenge of managing its supportive department which resultantly affects the efficiency of its core competences. For this purpose, the organization plans to consider the option of outsourcing its technological management solutions from TIS that is known for providing remarkable IT experience to big ventures in the market.

The outsourcing from TIS will benefit OSI with:

* great IT knowledge and experienced workforce
* reduced costs based on economies of scale
* highly equipped IT set-up
* technological infrastructure management and security
* more focus towards its operational functions and business

TIS proposed a plan determining the cost factors as well as improved IT solutions, fewer downtime periods and the satisfaction of the customers. Along with assisting OSI, TIS also analyzed its profit margin and service charges for providing the services. Consequently, TIS suggested a cost-plus pricing model for the contract based on business process outsourcing.

Action Plan:

The plan proposed by TIS for 5 years was depicting the reduction of its expenditure for OSI but the major constraint observed was the first year of the contract in which TIS could cover the integral portion of cost-saving for OSI was in question. However, the TIS suggested plan looks adequate for OSI to outsource its IT solutions but OSI can diminish the constraints involved in this deal by acting on IT infrastructure outsourcing that will significantly reduce the equipment expenses, its maintenance and depreciation costs. Moreover, OSI needs to implement change management practices within its organization to make outsourcing successful by setting up measures and metrics to ensure quality assurance and processes to minimize the communication gap between the two firms (Damanpour et al.). This outsourcing will also provide the OSI IT workforce to support the services provided by the third-party as well as look for new technological solutions for the firm.

OSI IT outsourcing involves many risks that may put the firm in danger. Though the outsourcer will help OSI to focus on its integral operations and bring innovation to its business by providing IT support along with ensuring availability and data security, it will also put OSI to the risk of reliance on a third-party source involving the risk of conformance with the policies of OSI, disagreement to contractual terms, inefficacy in the operations, misfortunes in the transition period and customer reliability issues (Lair). However, these risks can be mitigated by communicating the contractual terms appropriately before the agreement, keeping the parallel systems in line for the first year of transition and practicing the initiatives of change management within the organization.

**Works Cited**

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