How the trend of outsourcing changed in the IT sector

Companies around all over the world are having a huge impact because of the COVID-19 pandemic. And because of huge pressure, companies are favoring outsourcing work to IT services providers in India over insourcing to their captive units in India.

Outsourcing has become an important part of all sectors because to meet the increasing demands of the tech industry, outsourcing is important. And now it's the time to revolutionize the way or the manner in which business was done in all sectors.

Here are some of the sectors where outsourcing plays an important role:

- Consumer & Industrial Products
- Financial Services
- Life Sciences & Healthcare
- Technology, Media & Telecom

Also, in some sectors like Real Estate, Facilities Management, and Procurement, there has been rapid growth and increment of outsourcing in these sectors.

Why do companies outsource?

- To reduce the cost
- To solve issues like capacity
- For access to intellectual capital
- To focus on the core business
- To enhance service quality
- To manage the business environment

Here are some of the key drivers or reasons that are responsible for increasing the decision of outsourcing:

- **Agility**

The ability to respond quickly to new customer requirements, new market opportunities, and changing market conditions. It gives access to a wider pool of external resources and talent allows companies to flex-resource up and down with demand.

- **Investment**

Outsourcing is more effective to leverage a service provider's investment in best systems, processes, practice tools, and talent, instead of investing in and developing less effective in-house versions.

- **Speed**

It can easily track a step-change in capability.

Many larger IT and other companies are adopting digital transformation initiatives because of the Covid-19 outbreak.

Indian IT service providers like Infosys and Tech Mahindra said that though the preference for outsourcing overdoing it in-house tends to be cyclical there is already a move towards outsourcing because software services exporters are expertise in building new technologies for their clients that clients were looking to leverage.

Due to the Covid-19 pandemic, there is economic uncertainty and companies are taking subsequent moves to cut costs to outsource their operations to large IT companies. And almost half of the companies are working remotely now.

"The last 10-20 years, when a lot of new technologies came, there was interest among large enterprises to build capacity and also to leverage our capabilities. As these technologies mature. we have a huge scale, we can innovate at that scale, automate it on a large scale basis and also industrialize and be more efficient," quoted Salil Parekh, CEO of Infosys as saying.

"As companies have seen the virtual way of working, their confidence and perception of offshoring and globalization have changed. Many activities they thought cannot be done outside their office, they believe can be done now. Also, all companies are facing cost pressure which favors more best-shoring," Pareekh Jain, founder of Pareekh Jain.

The next two-three years will likely see an increase in outsourcing, said Manoj Bhat, chief financial officer.

"Outsourcing to cut costs is not the right description today as all of them have some element of digital transformation. Outsourcing is also embedded with what we can bring to customers in terms of technology, running new practices, and bringing in best practices from around the globe," he said.

In light of such a dramatic reversal in the IT sector, companies who are depending on outsourcing providers to achieve their target should think about their sourcing strategies and how they might be changed for the better one.

Currently, almost 37% of start-ups are outsourcing and as per the competitive analysis in marketing 24% of them are outsourcing because they want to boost their efficiency. Also, 18% of them claimed that their focus is to gain global expertise.

Regardless of the objective, outsourcing has become an important aspect of businesses. That's why most of the European & Western companies prefer to collaborate with an offshore development company for their software needs.

Earlier, most offshoring deals were price-driven. Currently, the trend has changed and now the focus is shifted to the processes and people.

Outsourcing is estimated to be a global market. But now outsourcing is not about cost-cutting because the aim of companies has changed to the agility of product and service

offering and improving companies' access to talent.

In these cases, the decision to outsource it to an IT services provider or insource work to a captive unit depends on the sector in which the company operates.