

## 5.4 Location



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### 5.4 LOCATION: ASSESSMENT

Read the case study below and answer the questions that follow.

#### INFORMATION TECHNOLOGY SERVICES ARE COMING HOME



Looking back on the last twelve months, most outsourcing analysts agree that the level of IT services deals sealed has held relatively steady, year-over-year. The total value of outsourcing contracts signed in 2014 was \$62.4 billion, according to outsourcing consultancy TPI, a figure that's pretty consistent with their last five years of total contract value data. The number of IT services deals

inked in 2014 grew by six percent, according to outsourcing consultancy Everest, noting that eight of them were so-called mega-deals of \$1 billion or more. About half of IT service providers polled by outsourcing consultancy EquaTerra reported growth in their business pipeline, despite expectations for a much stronger year-end close. Deal flow was uneven in the fourth quarter, EquaTerra reported, and subject to delays.

But what's most notable to Alison Rutchik, partner with outsourcing consultancy Pace Harmon, is not the deals that are getting done. It is the deals getting undone.

Rutchik says he has seen insourcing decisions gaining steam within the last year and expects that trend to continue to increase in 2015. "Companies are still outsourcing significant projects and transactions," she says. "But they are strategically assessing subsets of broader outsourcing

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relationships and determining whether to continue with these or take it back in-house completely."

Among the reasons IT leaders cite for pulling the plug on outsourcing deals – or subsets of their contracts – are poor service quality, failure to meet business objectives, and the desired for more control over the future direction of the IT function, according to Rutchik. "Another reason is that some companies were working with more generalist outsourcing providers who had been managing areas outside their core competencies," Rutchik says. "In some cases the results were less than stellar."

Jennifer Gopnick, the CEO of Sprukit Telecom, says that her company made big savings bringing outsourced IT back in-house. But, she also says that "repatriating IT services can be as complex and costly process as outsourcing them in the first place; it is not for every company or function."

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### 25 MARKS, 45 MINUTES

1. Explain **two** reasons for why many global IT Service providers are based in locations such as India and the Philippines **[6 marks]**
2. Compare and contrast the following **three** ways of reorganising production: offshoring, outsourcing and insourcing **[9 marks]**
3. Discuss the strategy of reorganising production, both nationally **and** internationally, by insourcing IT services **[10 marks]**