Insourcing vs outsourcing - What's right for you?

To gain a competitive edge, businesses need to focus on efficiency and productivity at every level of operation. Technology is changing rapidly before our eyes, skills and opportunities shift like sand, and everyone is looking for that little something extra. The mercurial nature of modern business is most obvious in the IT sector, where new challenges force management to make difficult decisions regularly. Along with talent acquisition and team building, the most crucial decision is whether to outsource or insource your IT problems.

Outsourcing IT work to offshore companies has become the dominant paradigm for western-based businesses of a certain size. From finance and communications through to manufacturing and tourism, sending IT problems offshore is used to save money and improve efficiency across industry sectors. Outsourcing is not all good news, however, with a smaller but equally powerful trend bringing IT workloads back home.

If information is your core business, keeping things in-house can be advantageous. Rather than risking your intellectual property or throwing away your competitive edge, insourcing provides you with a way to retain control and improve business structures. Staff augmentation plans offer the benefits of contract work without the associated problems, with modern companies needing to adapt to meet the challenges of an increasingly flexible and agile workplace culture.

The problem

The choice between outsourcing or insourcing IT workloads is critical, with a balanced approach needed now more than ever. While both options can offer advantages in terms of costs and productivity, the wholesale application of one approach is unlikely to benefit anyone. It's important to assess the core capabilities of your business and analyse what makes you unique. While you can ship out what slows you down, it's important to retain the functionality of your corporate DNA.

Making sense of outsourcing

Outsourcing is easy enough to understand, as the process of using external entities not affiliated with your company to complete specific tasks. By using the developed workforce of an outside organization, companies can take advantage of cost savings and productivity gains. Some work functions are much easier to outsource than others, with the rise of global networks and internet communications making data the most transferable currency of all.

While you can outsource your office cleaning to a team on the other side of town, you can outsource your IT workload to an organization on the other side of the world. This offers tremendous advantages to modern businesses, who can now leverage actual currency differentials to make significant costs savings. Outsourcing can also be a great way to renew your focus on the core aspects of your business. Why get bogged down in IT details when you can spend your time improving productivity and creating value.

There are significant problems with outsourcing, however, many of which don't get talked about enough. Cultural differences will always be an issue, from small differences is company culture through to national and religious differences. This is particularly true when you outsource to an offshore country, and even more prevalent if you outsource to a nation that speaks a different language.

Culture is not the only hurdle to overcome; however, with distant locations also challenging in terms of product design, testing and quality standards, and overall management. Subtle differences in development requirements can be extremely difficult to iron out, especially for industries such as IT that involve constant iteration and feedback between design, development, and implementation. While some companies make this work over time, savings are often disguised in a false economy that compromises the flexibility and agility of the entire development process.

Making sense of insourcing

As the name would suggest, insourcing is about keeping your workload in-house. While insourcing used to be the default way of doing business, rising economic globalisation has made it somewhat unfashionable of late. Insourcing deals with new operations and processes on-site within the existing structure of an organization. Whether it's an individual person or an entire department, insourcing leverages your existing talent and expands your core capabilities through new talent acquisition.

Traditionally, this process involved retraining or restructuring, with existing staff required to cope with new challenges and entirely new departments needed to shift resources and workloads. While the costs involved with insourcing are often deemed much higher, in truth, they may be too disparate to compare. While the immediate and short-term costs involved with insourcing can be significant, long-term costs can be competitive over time. While outsourcing is a cost, insourcing can be an investment.

Insourcing is not without its own difficulties, however, especially for businesses that fail to move with the times. Technology is constantly changing, with new development tools, platforms, and even languages challenging even the brightest IT professionals. While you want to keep your existing talent engaged and utilised at all times, constant training and education programs are an inefficient way to do business.

Requirements change between projects, clients demand quick results, and specialists are needed to take up the slack. It's almost impossible to rely on permanent staff alone, with highly skilled specialists needed to augment your existing team. Selective and occasional hiring from within your country can be a great solution, with the contract economy more competitive than ever before.

The art of outsourcing is about trimming your excess workload without compromising your core ideals. While everyone wants to save money, a healthy budget should never threaten what makes you unique. The art of insourcing is about utilising your existing talent while hiring additional help when required. It's not just about having access to the right skills, but having access to the right skills at the right times.

If you would like to discuss insourcing vs outsourcing with us, please contact us:

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OVERVIEW

Attribute Group are an award-winning staffing solutions company which started in Sydney in 2008, and now has offices in Melbourne (opened in 2009) Auckland (opened in 2018) and Brisbane (opened in 2019). With a focus on IT and Digital, Attribute have over 400 contractors and 25 Technical full-time consultants working onsite at our various partner clients.

AREAS OF SERVICE
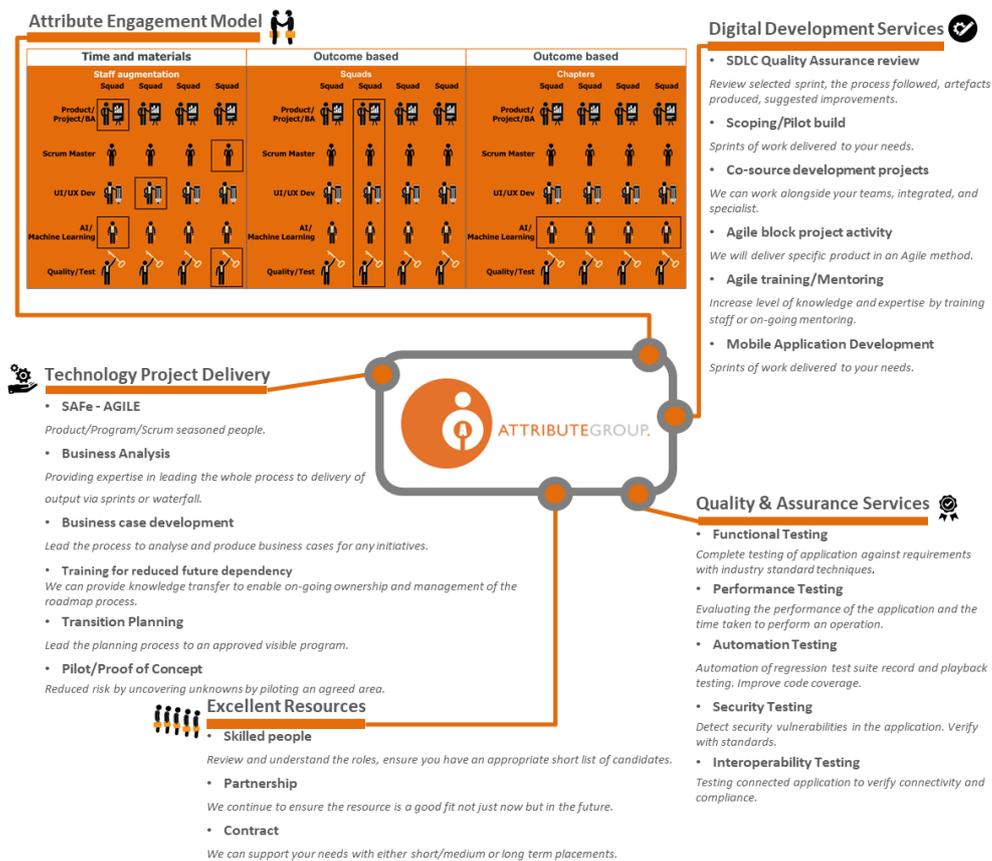
RECRUITMENT SPECIALISATIONS

Project Services – (Agile Professionals, PM, BA, Coordinators, Delivery Managers)
Development – (Front End, Back End and Full Stack), Mobile, AEM
Quality Assurance/Test – (Automation, Manual, Performance)
Infrastructure, DevOps & Cloud – (DevOps/Cloud/System Engineer, Architect, Database Administration, IT Support)
Security – (Penetration Testing, PCI DSS, Information Security, Identity Management, Cyber, SOC, Compliance & Governance)
Digital & E-commerce – Digital Marketing, Design (UX, UI, Product), Product (Managers, Owners)
Big Data/Analytics & BI/DW – (Data Science, Data Engineering, Data Analyst)