Outsourcing strategies

It will help to step back from the specifics of the case, and to examine outsourcing strategies in general terms. 4 principal guidelines should define the boundaries of what a company does internally, and how it gets the rest done: Back-sourcing cannot cater to the whims of new managerial resources after corporate mergers. Outsourcing is a key for successful competition and for quick responses to market opportunities (Delaney, 2004).

JPM needs a reliable source of technology to keep pace with market developments in IT, and to deliver new products for emerging territories quickly and in the forms which customers need. IT is not central to JPM's strengths, so it is futile to try and match the qualities which a market leader from a technology-intensive field can provide. The move is likely to distract top JPM management, and create unproductive tremors in lower echelons of management as well. Competitors and IBM may emerge as the real winners of this poorly conceived move! JPM cannot hope to match the engineering pool of experience and skills which IBM provides, and more than IBM can hope to climb to the heights which JPM has achieved in its field. Third party specialists are key resources in every business (Delaney, 2004).

Outsourcing should bring in specialized knowledge at affordable costs, and leave companies free to concentrate on the main drivers of its domain. The Research budgets and human resources of IBM, which could have fortified JPM, are now turned against it. Suggestions in the case that JPM may eventually offshore its IT, makes the back-sourcing from IBM look even worse. Off-shoring may carry serious intellectual property risks (Delaney, 2004).

Local country rules and conditions, as well as their treaties with the U. S. may not only be insecure and unfavorable, but subject to political swings in those nations as well. Quality control is a prime consideration in off-shore arrangements (Delaney, 2004). It could be taken for granted had JPM continued with IBM. Core competencies and critical success factors should determine outsourcing limits (Schniederjans & Schniederjans, 2007).

It is naive to think that JPM can possess better networks or keep programs within its exclusive fold indefinitely. JPM has to develop new products, brand them effectively, consider new revenue streams such as insurance, and strengthen its shares in new markets. IT is integral but not central or decisive in these matters. Overall, general principles of outsourcing and the specifics of the environment in which JPM operates, do not justify back-sourcing from an IT pioneer and a leader. The move weakens the JPM implementation of its own stated business policies.

The move may be more reactionary than visionary in terms of how financial services, IT, and outsourcing are likely to interact with each other in the foreseeable future.