

# It outsourcing

[Business](#), [Management](#)



IT outsourcing Introduction Outsourcing is the process by which a company uses other organizations to perform work or offer goods and services, which are part of its operations. Information Technology (IT) outsourcing therefore, is the process by which a company hires the services of external organizations or expertise to carry out specific IT functions. This study therefore highlights an online article on outsourcing, the IT functions outsourced, rationale behind outsourcing by organizations in each case, with the aim of establishing the benefits of outsourcing to the referred businesses.

Summary of the article

Title: Citi, BofA & JPMorgan to outsource \$5 billion of IT and back office projects to India (economictimes. indiatimes. com).

The article reveals the plan by the above top American banks to outsource IT services worth \$ 5 billion to Indian companies of; Tata Consultancy Services, Wipro, HCL, Cognizant and Infosys. The plan to outsource it reveals, is as a result of the strict government compliance requirements brought about by recent legislations that include among others, the Dodd-Frank Wall Street Reform Act. The new laws require banking institutions to comply within 18-24 months pressurizing major banks to outsource activities not core to their businesses.

The article further provides information on how significant the revenue from the American banks will be to the Indian companies citing TCS and Cognizant, both Indian companies, as the initial beneficiary of the outsourcing exercise with revenues from their banking customers constituting 40%.

Infosys is revealed to be earning 36. 2% of its revenue from the writing of

applications from banks like the Bank of America (Mishra & Sabharwal, 2011).

#### Services being outsourced

The American are outsourcing back office related services and writing of applications. This is so because the mentioned services are of significance but not core to the operations of these banks. They can therefore easily offload them to external firms without interfering with their routine operational activities. Other services usually outsourced are back-up data storage, IT infrastructural development projects and website maintenance activities.

#### Reasons for outsourcing

The companies in the article are outsourcing to comply with government regulations and at the same time minimise operational costs. Most institutions however, the banks in the article included, are choosing to focus on their core businesses and leave subsidiary services to the experts through outsourcing. By so doing, profits for these institutions are rising and their service delivery standards improving since all their efforts are put to doing what their core businesses entail (Solli-Saether & Gottschalk, 2010).

#### Benefits

The institutions featured in the articles on Economic Times have reaped the benefit of complying with government requirements in time. If it were not for the provision of outsourcing the IT services, these banks would not beat the set deadline for fully complying with the new legislations in 24 months. The other benefit is reduction in operational costs and improvement in their core banking services.

## References

Mishra, P., & Sabharwal,, S. (2011, February 14). Citi, BofA & JPMorgan to outsource \$5 bn of IT and back office projects to India - Economic Times. Featured Articles From The Economic Times. Retrieved April 20, 2012, from [http://articles.economictimes.indiatimes.com/2011-02-14/news/28540403\\_1\\_government-bailouts-outsource-top-banks](http://articles.economictimes.indiatimes.com/2011-02-14/news/28540403_1_government-bailouts-outsource-top-banks)

Solli-Saether, H., & Gottschalk, P. (2010). Managing IT outsourcing performance. Hershey, PA: Business Science Reference.