The article is about outsourcing, it’s called “The information systems outsourcing Bandwagon”. It’s written by two authors Mary C. Lacty, assistant professor of information systems at Houston University, and Rudy Hirschheim, professor and director of information systems Research Center, college of Business Administration, University of Houston. Both authors have the qualification and the background to write the in his field.

The article focuses mainly on the outsourcing of information systems which has existed since 1960’s. Outsourcing in its basic form means buying a good or a service that was previously provided internally. For example, call centers, most companies are outsourcing their call centers these days due to different reasons.

In the article, fourteen different companies were interviewed who decided to outsource some or all of these IS functions and were followed until they made their decisions. Out of fourteen different companies at the end, five decided against outsourcing and nine decided to outsource. Out of nine companies who decided to outsource, two suffered losses and they decided to prematurely terminate their contract and build new data centers and populate new IS departments which obviously cost them financially. In order to outsource, companies have to spend a lot of time and effort in order to find their best interest.

How does outsourcing work?
The vendor charges a fixed fee for a specific number of services known as baseline, the customer is guaranteed that its IS costs for this particular baseline will be fixed over the contract duration. For example, if a call center company has 400 calls a day in their baseline contract and they received 410 calls, then the additional 10 calls will be charged as an excessive fee because its not specified in the baseline contract. Most of the companies assume that some of the services are covered in their baseline contract without having a detailed knowledge about their baseline contract and later will be charged excessive fee for that particular service because in actual fact they were not covered for that service. One petroleum company was charged almost $500,000 in excessive fees the first month into the contract for services that they assumed were in the contract.

To make deals attractive, vendors provide loans at low interest and lower repayments to the companies who are trying to outsource. Which most companies will find beneficial and attractive at the beginning of the contract; this period is referred to as “Honeymoon” period in the article. At the honeymoon period both companies will have the understanding that they are the ones who got the better deal. But what happens in the long term. Most of the IS outsourcing contract are signed for five to ten years. It's not an easy job for a company to predict their future for the next five to ten years and be as exact as possible in order to put their needs for the future in the contract or they might be facing excessive fees.
Outsourcing vendors are not strategic partners. The term strategic partner should not be used to describe the relationship between an outsourcing vendor and its customers because the profit is not shared. Outsourcing vendors make money from the companies who are outsourcing and vice versa. Account managers at outsourcing providers are rewarded for maximizing profits primarily by charging customers excessive fee for services that extend beyond the contract. The dangers of viewing the outsourcing vendor as a partner is that the customer may sign a loose agreement and assume that some particular services will be covered in contract but as a result they will be charged excessive fee for it because outsourcing vendors are not partners and will make money any way they can.

Low bids do not necessarily mean greater efficiency. If a vendor submits a bid that undercuts current IS costs the customer should ask the question how did the vendor managed to reduce costs. Outsourcing vendors promise 10 to 50 percent savings in the IS costs. There is nothing that the outsourcing vendor can do that the customers cant do because the outsourcing vendor will use trained staff and computers to solve the problems same as their customer, then how come they can cut costs by 50%. The potential customer should review all aspects of the vendors bid and evaluate how efficient and cost effective it can be. If the cost of the bid is a lot lower then the current IS costs of the company then vendor obviously does not cover all the aspects of the IS department. Also there are allot of aspects of the IS department which the company would not be aware of to list them in the vendors contract. For example a person providing helpdesk in a company might be asked a lot of computer related questions by staff during their lunch break or in the tea room, this will not be recorder in the company database and senior management would not be aware of it. A staff has a problem with their printer and asks someone who works in the helpdesk department during the lunch break. On the other hand if the IS department is outsourced that particular person will have to call the outsourcing vendor to ask for help with their printer and will be charged an excessive fee if that particular service is not provided in the baseline contract. A lot of research has to be done in order to find the companies needs when outsourcing.

Some companies have received services from their previous staff after being hired by outsourcing vendor. One particular company who decided to outsource because their current IS staff were not capable of designing a new system end up receiving services from the same staff but through the outsourcing vendor because the outsourcing vendor hired their own staff.
One of the biggest aspects of outsourcing is the contract. The contract is similar to computer programming were the programmer has to specify every detail and steps in order for the program to work efficiently same logic applies to outsourcing contracts. The programmer who is the customer in this case has to specify every detail in the contract and cannot assume anything otherwise they will charge excessive fees for their assumptions. If they want a service they have to specify it in the baseline contract before they sign the contract.

In order to have a complete and accurate contract because it is one of the single most important aspects of outsourcing companies hire technical and legal staff to help them in negotiating the contract which cost a lot of money. The point is before spending all the money on the legal and technical aspects of outsourcing, companies should evaluate what they can achieve if they spend the same amount of money in their own IS department. Would they be able to achieve same results as the outsourcing vendor if yes then why outsource if no then what are the outsourcing vendors are doing differently in order to achieve the results that the company cant. Anything that the outsourcing vendors can achieve the company can to.

At the end after considering all the negative points about outsourcing if the company decides that they would be better off outsourcing then that’s the way to go. As Bill gates has said “An important reengineering principles is that companies should focus on their core competencies and outsource everything else”.

The best description of outsourcing is comparing it to building a house, all the design plans has to complete in order to start construction. Ones the house is build altering or changing anything will cost the owner money, same logic applies to outsourcing all the company needs has to be met before signing the contract anything changes will result in excessive fee.