IT Outsourcing Strategy

a study on the strategic adoption of cloud computing

Objectives

1. Analyze the drivers behind IT Outsourcing and the possible benefits of adopting Cloud Computing

2. Develop a framework for understanding how firms can incorporate Cloud Computing as part of their IT Outsourcing strategy

3. Examine the practical implications of adopting Cloud Computing

Literature Review

understanding the basic concepts of the study

IT Outsourcing Drivers

Tactical

Outsourcing in response to a specific problem

Strategic

Outsourcing to enable a broader business plan

Transformational

Outsourcing in order to transform the business

(Linder, 2004)

Cloud Computing

Characteristics of Cloud Computing

- Shared resource, on-demand computing services
- Examples include: IaaS, PaaS, SaaS (Voorsluys et al., 2011)

Benefits of Cloud Computing

- Flexibility
- Efficiency
- Cost Effectiveness

Framework

	Tactical	Strategic	Transformational
Flexibility	Elastic nature of the cloud allows companies to react quickly and scale computing resources according to short-term demands. (Avram, 2014)	Cloud paradigm leads to lesser integration issues as organizations incrementally develop and add on resources, features, capabilities to meet evolving business needs. (Knorr & Gruman, 2008)	Provides access to near unlimited computing resources, allowing companies to freely experiment with new business models and capabilities. (Mell & Grance, 2011)
Efficiency	Solutions can be deployed quickly, allowing companies to efficiently address short-term business needs. (McAfee, 2011)	Gives firms access to the latest technologies and best practices, allowing them to focus on core competencies. (Popović & Hocenski, 2010)	Reduces risks as there are lesser upfront commitments, allowing firms to focus on the innovation. (Martens & Teuteberg, 2012)
Cost Effectiveness	On-demand approach provides short-term cost savings as there is lesser need for any upfront investments. (Armbrust, et al., 2009)	Can reduce operation costs in long-run as management of non-core resources and manpower are outsourced. (Berl, et al., 2010)	Allows companies to try out new development prototypes without heavy infrastructure investments. (Rosenthal, et al., 2010)

Case Study

exploring the real world implications

EasyJet Airline

Company Background

British low-cost airline: 820 routes in over 30 countries

2nd largest airline in Europe (Civil Aviation Authority, 2014)

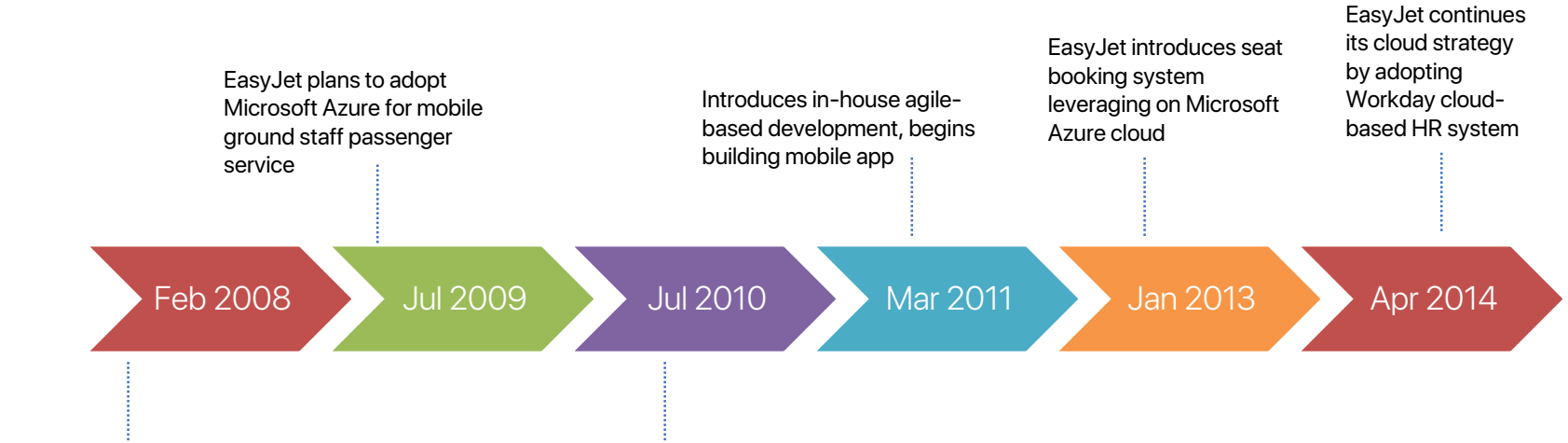
IT Outsourcing Strategy

Hybrid IT Cloud Computing approach (Venkatraman, 2014)

Keep the working existing on-premise IT systems

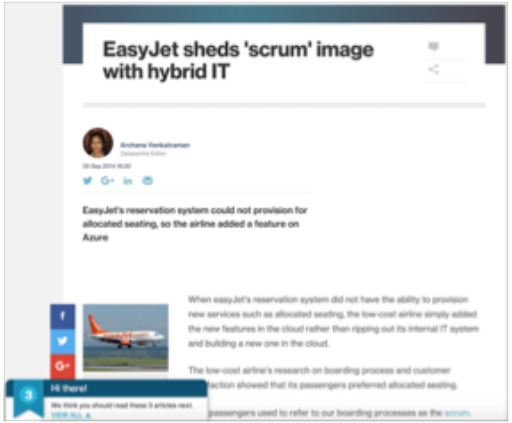
Develop & integrate with new features in the cloud

Timeline



The allocated seating project improved customer satisfaction by 5% and directly contributed 7% to EasyJet's revenue growth for FY 2013.
(Venkatraman, 2014)

Results



"The aim is to make the business more flexible for the crew and improve the systems we have incrementally. You see people implementing big packages and only using 20% of the functionality, but what we are doing is using the systems we have very well."
– Trevor Didcock, CIO EasyJet

Discussion

analysis of case and theories presented

EasyJet Case

	Tactical	Strategic	Transformational
Flexibility	• EasyJet's legacy system could not provision new services like allocated seating, so they added new features in the cloud to address customer satisfaction. (Venkatraman, 2014)	• EasyJet partnered Microsoft as an early adopter of Azure to build a scalable infrastructure that it can use to introduce new features quickly and affordably (WEF, 2015)	• EasyJet introduced a new flexible fare model for business travelers, that allows unlimited changes online to ticket details within a 4 week window. (Mari, 2011)
Efficiency	• EasyJet rolled out Proofpoint e-mail security, archiving and data loss prevention system, putting it in compliance with EU data laws (Ashford, 2010)	• EasyJet adopted Workday Human Capital Management (HCM) software to provide better HR & talent management (Flinders, 2014)	• EasyJet managed to decrease time to market by developing new applications in the cloud for greater business agility (WEF, 2015)
Cost Effectiveness	• EasyJet mobilized ground staff passenger service to reduce costs from the airport, which charges for each desk used (Saran, 2009)	• EasyJet operates a lean IT team and spends only 0.5% revenue on IT compared to the industry average of 2% (Venkatraman, 2014)	• EasyJet leverages on its cloud platform to do agile-based development of new services and systems (Mari, 2011)

Practical Implications

Scalability of Resources

- Reduced time to market for new services
- Flexibility to incrementally add new features

Focus on Innovation

- Tap on service providers for non-core areas
- Enables prototyping and agile development

Conclusion

IT Outsourcing and Cloud Computing

Exciting opportunities for business agility and innovation

Strategic Adoption of Cloud Computing

Enabling flexibility, efficiency and cost effectiveness

Practical Implications of Cloud Computing

Better scalability of resources and focus on core competencies

Thank You

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