



OUTSOURCE OR IN-HOUSE?

With information technology outsourcing changing fast, **Alex Bell** explores the critical link of IT strategy and companies achieving their business goals

Is IT outsourcing reaching its full potential? Does it remain synonymous with cost-cutting or investment? Why is it such a compelling consideration for startups and SMEs?

All questions followed by nuanced answers perhaps. One thing we know is that information technology outsourcing is changing – and fast.

Any company in any sector, no matter how big or small, has digital considerations. Website development, data and cybersecurity, cloud or hosted services, disaster recovery, backup and much more. All common examples when it comes to businesses potentially outsourcing to external IT service providers.

In its Current State of the Outsourcing Market survey report released this year, European law firm Fieldfisher revealed the volume of outsourcing transactions is declining “with a notable decrease in customers seeking to expand their outsourced services”.

Despite this – the report encompassed the UK, Europe and the US – the legal giant confirmed: “IT outsourcing and software

development continue to be the primary drivers of such transactions.”

So when should companies and organisations outsource? “When they need scalability and flexibility,” says razorblue chief commercial officer, Mark Wilkinson.

IT managed service provider razorblue’s head office is in Catterick, North Yorkshire, while the company has other bases in cities including Stockton-on-Tees, Newcastle, Manchester, London and Edinburgh.

Wilkinson adds: “IT requirements often fluctuate with business growth. Outsourcing allows businesses to adapt quickly without the complexity of expanding an in-house team.

“Outsourcing also makes sense when organisations are looking to reduce operational costs. Partnering with a managed IT provider means they benefit from specialised expertise

without the overheads of building an internal team. Additionally, it alleviates the burden of managing employee absences, such as sickness and holidays, while providing access to seasoned professionals who bring a wealth of experience to the table.

“It also allows businesses to focus on their core strengths – whether that’s product development, customer service, or sales – while the technical demands are handled by external experts.”

Dominic Deacon, commercial director at Wetherby-based IDS Group, believes the outsourcing of IT and software development can be a complex decision for any organisation.

“When engaging with a prospective client, the key question they should be considering is ‘what is the outcome I need and why do I need to outsource?’,” says Deacon.

“As with any type of outsourcing, it’s usually the case that a business requires access to a broad range of specialist expertise. This may be because they are struggling with a skills shortage in-house and aren’t in a position to recruit, or they want to gain insight from experts that aren’t involved in the organisation’s day-to-day functioning. Or put simply, an organisation’s leadership may prefer for their team to stay focused on core revenue-generating activities.”

Pursuit of advanced technology

According to Fieldfisher: “The pursuit of advanced technology and cost reduction remains the predominant motivation for companies to outsource. Artificial intelligence is significantly influencing outsourcing solutions, becoming a crucial consideration for businesses either venturing into outsourcing or looking to revamp existing operations. Environmental, social, and governance (ESG) considerations are increasingly shaping outsourcing discussions, hinting at future legislative impacts.”

Wilkinson says: “One of the most pressing trends we’ve observed is the sharp rise in cyberattacks, which has significantly increased the risks facing businesses.

“For small in-house IT teams, it’s becoming nearly impossible to manage everything – from



Dominic Deacon

defending against hackers and keeping systems updated, to handling infrastructure management, cloud migrations, data backups, and day-to-day staff issues.

"This growing complexity is prompting more businesses to turn to outsourcing, ensuring they have access to specialised expertise and can focus on core operations without compromising security or efficiency.

"AI and automation are transforming business processes by streamlining tasks, improving decision-making, and enhancing customer experiences. Outsourcing to IT partners experienced in these technologies allows businesses to leverage AI without heavy internal investment. These partners help integrate AI into existing workflows, boosting efficiency, reducing costs and providing a competitive edge in a rapidly evolving market."

Security should be the top priority when outsourcing, according to Wilkinson. "The cybersecurity landscape is constantly changing, and it's crucial that the IT partner has a strong security infrastructure in place that works to detect hackers and potential vulnerability risks before they can even have an impact," he says. "At razorblue, we take cybersecurity extremely seriously and work proactively to protect our clients' data and systems from potential threats.

"Quality of service is another critical factor. Businesses need to ensure their outsourcing partner delivers consistently, with minimal downtime and fast response times. It's important to view outsourcing as a long-term partnership rather than a short-term solution, your partner needs to learn how your business operates to tailor bespoke solutions to suit.

"Finally, adaptability should be a priority. The pace of technological change is relentless, and companies need an IT partner that not only keeps up but also anticipates future trends and innovations."

A transformation journey

Reflecting on IDS Group's current client base over the last decade, the main priorities Deacon says its clients consider when outsourcing include trust, security, and compliance – is the outsource partner accredited and compliant with the regulations in which the business operates? Do they trust them?

"Cost transparency is also a deciding factor, with many organisations wanting a clear understanding of the supplier's cost structure and transparent pricing model," he



What's been the largest growth area within the services you provide over the past year - and why?

RAZORBLUE CHIEF COMMERCIAL OFFICER, MARK WILKINSON

"Over the past year, cybersecurity has been the largest growth area for razorblue. With the rising frequency and sophistication of cyberattacks, businesses of all sizes are prioritising cybersecurity. Organisations are realising that a proactive approach is essential, and they are seeking comprehensive solutions to protect against growing threats. Demand for our managed security services, which include 24/7 monitoring, threat detection and incident response, has increased significantly.

"Hence, we launched our newest managed security services this year, offering a complete range of solutions, including vulnerability management, managed detection and response (MDR), a 24/7 security operations centre (SOC), cyber essentials and cyber essentials-plus verification, as well as user awareness training with targeted campaigns. While technical security measures are crucial, educating staff is equally important, as untrained employees can create vulnerabilities that attackers are quick to exploit."

says. "When considering cost, scalability is also a key factor when deciding to appoint an external supplier. The ability to scale up or down resources in harmony with business requirements means money can be spent or saved when required; which is key for smaller firms which may be bootstrapped.

"Another reason why an organisation may decide to outsource its software development is the speed to market; having the ability to accelerate development cycles can help provide a market advantage, something which could otherwise take time if recruiting one individual in-house."

Owen Campbell, operations director at customer service outsourcer Kura, says more than a third of SMEs outsource some form of activity. "Any business, whether an established company or a startup, can benefit from outsourcing," says Campbell. "It not only helps manage workloads better, but it can ensure that all businesses have the

right expertise and people in place to provide high-quality services. This can be especially useful for SMEs who don't have the time and resources to create whole teams within their business structure.

"If you don't have the people, time, equipment or resources, outsourcing can be the solution to accessing the right support without the additional time and cost."

IDS Group's Deacon adds: "It's not just the amount of money saved and the time it takes to scale. Cultural fit and track record are just as important. When looking to outsource, it's worth considering if both organisations share common values and can clearly demonstrate expertise.

"Finally, once a partnership is under way, clear lines of communication shouldn't stop there. Being able to regularly catch up across all touch points means both organisations from the top-down have clear escalation paths and can work harmoniously."