

# The Pros and Cons of Outsourcing IT

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**By: Andrea Coombes**

Many companies face the question at some point: Is it time to outsource your company's information-technology needs? Or, a small business in expansion mode may be asking the opposite question: Is it time to hire an in-house IT expert?

Either way, the short answer is: It's complicated. There are advantages and disadvantages to outsourcing and to hiring in-house.

"IT" itself means different things to companies. Some small-business owners may not even label their technology processes as IT, even though they fall under that term's scope. Information technology can encompass a broad array of business processes, from creating and maintaining a company Intranet to making sure the company's printers connect to the computers.

Don't forget the telephone system, point-of-sale system and everything that's Internet-based, said Jennifer Martin, founder of Zest Business Consulting in San Francisco and Ojai, Calif.

Whether you end up hiring in-house or outsourcing, make sure you find the expert best suited to your needs. "Determine what your greatest needs are and then hire based on those," Martin said.

## **Advantages of outsourcing**

### **1. You can focus on what you do best**

Are you the owner of a chain of BBQ restaurants? A tax preparer? Your expertise isn't necessarily in computer networking.

By outsourcing your IT needs, "you can focus on what you do best and let another professional organization focus on what they do best, which is the IT," Martin said.

### **2. You may save money**

Perhaps the biggest driver pushing business owners to outsource is the prospect of saving money on payroll costs; there are significant cost savings to be had in that regard. But bringing on an outside vendor may require more money than you expect.

"You have to allow for start-up time, just as you would for an employee, and you need to be sure you have systems in place to keep track of your virtual workers," said Nancy Strojny, chairwoman of the Portland, Maine, chapter of SCORE, a nonprofit that offers free mentoring to aspiring business owners.

You might need project- or work-tracking software, and you'll need an in-house person in charge of making sure project timelines are met, said Strojny, who is also principal of business consulting firm Beauty Vantage Consulting.

### **3. You may reduce risk**

Say you choose to hire an in-house IT person, and you ask that employee to migrate your website to your own server. But the server crashes and the hours tick by as your employee works to fix it. Meanwhile, your customers can't place online orders. You're losing money.

"There's nothing you can do about that," Martin said. But, she said, "Usually a reputable company will have an insurance policy behind them and a number of different systems that protect them in case something goes haywire," she said. "They're going to have that safety net of having insurance in play."

#### 4. **A team's worth of experience**

If you decide to hire an IT employee, that one person likely won't have the breadth of experience that an outside vendor's team can bring (assuming you choose to outsource with a company rather than a solo expert).

"If I'm a small business, it's hard for me to hire one person that has enough exposure and experience [for] what I need to get done," Martin said. "If I hire a company, I'm hiring a group of professionals that are probably well versed in a number of different areas."

### **The disadvantages of outsourcing**

#### 1. **You may have to wait for service**

If you've got an expert on staff, that person can respond immediately to a computer crash or other tech emergency. If you've outsourced your IT, you'll be getting in line.

"They're not solely dedicated to your company," Strojny said. "When you have an emergency, you have to wait until you get someone."

#### 2. **Unexpected costs**

An outside expert can help you assess your technology needs, but there's also the risk that they encourage you to over-invest in technology.

"This third-party IT company might say, 'You need a \$1,500-a-month program.' The business might not know if that's the right fit for them," Martin said. "I see people way overspend on what their real needs are."

Another potential cost: "If they don't solve your problems or you don't get what you think you've paid for, then the real cost is high," Strojny said.

#### 3. **Loss of control**

A third-party vendor may encourage you to purchase systems or products for which they have expertise. Soon enough, you're so reliant on that vendor that extricating yourself is risky.

"Before you know it, you're paying for a bunch of things that you have no idea how to manage and you can't do it without them, so they become indispensable, which can also mean expensive," Martin said.

#### 4. **Security risks**

For some companies, outsourcing may entail the risk of sharing proprietary data.

"They'd rather do it in-house because there's something proprietary about their software or technology and they don't want to use a third party," Strojny said.

"Even though your remote team has signed some sort of confidentiality or NDA and that's part of the work agreement, if it's being outsourced you don't have the control over it that you're going to have with an employee," she said.

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