

## *Executive Summary*

Outsourcing is not something new for companies. The outsourcing of accounting or cleaning services is a common practice among many businesses both in Greece and abroad.

The outsourcing of IT and communications services is a relatively new development. Historically, as ICTs (Information and Communication Technologies) have been becoming more important for the efficient operation of businesses, IT departments have started appearing in the organization charts of companies. With time, the dependence of businesses on their IT departments had been increasing. At each stage of the production process there was need for computers and computer applications, hence rendering IT a main element of the competitiveness of businesses. At the same time, rapid technological progress required continuous investments in know-how, applications and technological material on the part of the IT department, therefore leading to a constant increase in the budget of such department. However, the competitive pressure exerted in the context of a globalized economy has brought businesses before an imperative need for increasing their competitiveness. Within such context, the decision for cutting down all expenses not related to the main activities of a business has led businesses to reconsider the necessity of IT departments and to outsource the services of the same. Hence, nowadays the outsourcing of IT and communications services is a reality in big businesses and government organizations across the Western world.

The spreading of outsourcing over to IT and communications services and the small and medium-sized enterprises is a relatively recent development, mainly related to two factors. The first one concerns the spreading of the use of Internet services over a large number of businesses and individuals. This provides the Information Society and the dynamics of the part it plays for the SMEs with a new dimension.

The second factor is related to a *de facto* reduced possibility of the SMEs to employ staff specializing exclusively in the ICTs. In the most usual scenario for the SMEs, the employees of a business or the entrepreneur him/herself perform the IT department operations randomly on the basis of knowledge and time availability. Besides the aforementioned two factors regarding the use of outsourcing by the SMEs, there are certain other factors that shall be presented later in this document. The spreading of the outsourcing of IT and communications services over to the SMEs is a trend that prevails throughout the Western world.

Nothing of this sort is noted, however, with regard to Greek businesses (both SMEs and others), as well as government authorities, the introduction of outsourcing as a main tool in the provision of IT and communications services. The result of this practice is that the hiring of outsourcing services in Greece is still in the initial stage, while at the same time businesses are incapable of benefiting from new technologies, hence showing a lag as compared to the equivalent average of developed Western countries.

The main conclusion of Working Group E5 is that although IT and communications companies are ready to provide services outsourced to them, however, the SMEs and

entrepreneurs in general are not adequately informed about and prepared for that. Of course, this results in a lag in the development of such services.

There are numerous and different reasons for that:

- Firstly, lack of information on the possibility for outsourcing the services that until recent times businesses had to finance and provide themselves.
- In addition, a more general decline in the IT and communications companies sector worldwide has been a barrier in the expansion of such services acting at two levels. At the first level, businesses have lacked in sufficient resources so as to support and promote their new services. At the second one, the steep drop of the expectations for a significant increase in productivity through the introduction of new technologies has made entrepreneurs very skeptical towards new ideas and practices from the IT and communications market.
- A significant part has been played by the existence of government measures within the context of the Information Society reinforcing the use of new technologies, which, however, are based on the rationale of the supply of equipment and applications, without basically promoting alternative scenarios such as the outsourcing of services.
- SMEs in Greece very rarely draft plans with budgets and investment plans in the beginning of each year. Therefore, it is not possible to compare the two solutions since there is no strategic planning of any form which could bring out the advantages of outsourcing as compared to owning the equipment and the systems, at least in financial terms.
- The above point also extends to the quality of services. Most SMEs in Greece do not keep any data on the basis of which they can objectively compare the services generated by them to those they can receive through outsourcing.
- To all of the above it should be added that there is not sufficient promotion of outsourcing examples, which in any case are quite few, which could lead to the expansion of such services.
- Lastly, SMEs feel disadvantaged as compared to the respective outsourcing providers, since the latter have a specialized team of lawyers and staff working on the conclusion of contracts. The establishment of a commercial relationship with them involves great fear for businesses and creates an intense sense of insecurity. Hence, entrepreneurs hesitate to support the group of their supporting services based on that insecurity.

Based on the need for expanding the use of outsourcing, since it is anticipated that there shall be many benefits for Greek economy and businesses as well, the adoption of measures towards that direction is necessary. Such measures refer to both public and private sector actions, the main priority of which is the elimination of as many as possible of the above reasons for the lag regarding the use of outsourcing.

### **Proposals to the government**

Government actions could concern the following priorities:

- Informing businesses about Outsourcing. Besides this E-business Forum group, the organization of information events in the context of exhibitions or congresses is a particularly useful tool for bringing businesses in contact with new practices

and service provision companies. To a certain extent such information efforts could be assisted by the government.

- Expansion of the Information Society actions so that they also cover Outsourcing. Therefore, for instance the existence in a possible future set of actions such as "e-business" of measures that support the outsourcing of services is expected to significantly assist towards the spreading of the use of outsourcing.
- In this spirit, the promotion by the government of public administration measures and projects being implemented through the outsourcing of services to the private sector and the SMEs so as to provide examples of the use and implementation of the services in the context of a business is expected to have a positive impact on the spreading of the services.
- Lastly, a special fiscal treatment of these services would also have a positive impact. This would provide an additional incentive for outsourcing.

### **Proposals to the private sector.**

Proposals to the private sector mainly concern two priorities:

A. The activation of professional chambers and businesses. Professional chambers can become an information and business support focal point with regard to outsourcing. The organization of informative workshops and the dissemination of printed matter containing the results of groups such as this one is one first step.

In addition to the above, the operation of a consultation center directed to businesses within the context of professional chambers may provide entrepreneurs with solutions to problems regarding the possibilities of their respective businesses to conclude service provision contracts with quality guarantees. Such centers could supply basic guidelines regarding the establishment of a successful outsourcing relationship, providing information about:

- The services provided and the businesses providing them. Such centers may play the part of the intermediary between SMEs and service providers providing interested entrepreneurs with the full picture of the market.
- The cost of outsourcing as compared to the cost of ownership for the provision of equivalent services. A small scale technical-financial analysis of the two alternatives, such as that carried out within the context of Working Group E5, can provide very important information regarding the real cost of services and its allocation among hardware-software and human resources.
- The quality level of services. The provision of specific – typical metrics and values regarding the quality of services is a very good point of reference for the services to be received by an SME through outsourcing. In addition, such metrics are a first tangible figure showing some of the benefits for businesses from the use of outsourcing.
- Basic contract parameters for quality assurance. Outsourcing contracts are documents having special drafting requirements. The assistance provided by the centers to enterprises at this point is of particularly high importance for the successful use of outsourcing.

B. The organization of special information workshops by IT and communications companies. In this context, companies can provide entrepreneurs with information about:

- The products and services they provide. Such information workshops may be held regularly, thus creating a real forum for informing the SMEs aiming at the use of new technologies and methods.
- Best practices and customer-business examples. The supply of examples, actually letting customers speak about their experiences, the benefits of outsourcing, the improvement of their efficiency and productivity, cost reduction etc. These examples may become a point of reference for the development of services and lastly the improvement of the position of Greek SMEs in the world market.