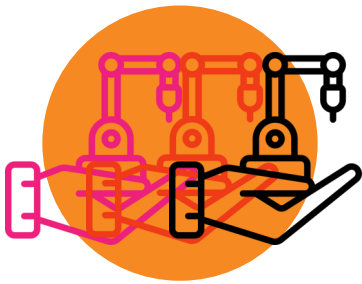


# OUTSOURCING VS. AUTOMATION



## HOW TO DETERMINE WHICH IS RIGHT FOR YOUR ORGANIZATION

With promises to cut costs and unlock capacity, today’s process automation vendors sell solutions to issues that outsourcing vendors have been trying to solve for years. The recent surge in automation is partially due to the emergence of low-code technologies like Robotic Process Automation that are widely available and require less coding experience to implement than traditional software development.

### Are automation technologies supplanting outsourcing?

Both approaches can be effective, and even complementary, when implemented methodically. Automation and outsourcing share common goals—cost reduction, error reduction, and capacity increase. But choosing to pursue one or the other is not always a straightforward decision.

While both approaches promise to produce compelling results, it is also true that they often fail to deliver due to hidden business and process complexity that erodes or negates sought-after benefits.

But the issue is not limited to pre-existing adverse complexity. Both automation and outsourcing have the potential to add detrimental complexity when approached haphazardly or with insufficient preparation.

Before pursuing either approach at an enterprise level, it is crucial to have an accurate understanding of the current state of organizational complexity. A critical first step is to perform a thorough assessment to surface risks and identify complexities that reveal if an organization is ready for either approach.

Starting with an assessment of four factors—process, organization, people, and technology—will ensure the right data is available and help point to the best course of action. These factors should be explored at a level that is thorough enough to produce the detailed insights described below.

## OUTSOURCING VS. AUTOMATION: 4 FACTORS TO CONSIDER



### PROCESS

Frequency of/propensity for change, level of process standardization, number of processes being considered, process stability, number of handoffs needed to execute



### ORGANIZATION

Level of organizational standardization (i.e., the same processes used in multiple departments or business units), capacity constraints



### PEOPLE

Technical capability, process capability, task-specific capability



### TECHNOLOGY

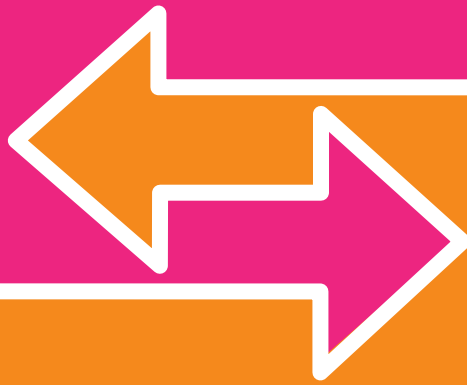
Level of technology complexity, short- and long-term plans for technology modernization or obsolescence

The above factors should not be assessed in silos—real complexity arises from the interactions among them. For example, when introducing new technology like automation software, an organization must account for how to integrate the software into existing environments, upskill staff, and implement new processes (e.g., governance).

As part of this assessment, it is also important to carefully consider goals and timing expectations before deciding. Some goals—including reducing costs, reducing errors/risk,

and increasing capacity—can be accomplished by both automation and outsourcing. Other goals are exclusive to one approach—for example, improved capability can be achieved through outsourcing, but not automation.

Time to value and short- vs long-term value expectations should also be part of the decision. When immediate value is needed, outsourcing may be the best approach. Wide-scale automation should only be pursued when a longer value horizon is acceptable.



## SCENARIOS THAT FAVOR OUTSOURCING

- Processes have a propensity for change
- Immediate value is needed
- Processes require judgement calls
- A specific capability is needed that is not available internally

## SCENARIOS THAT FAVOR AUTOMATION

- Processes are repetitive, standard, and are highly stable—or have the potential to be through process improvement
- There is a high degree of organizational standardization
- Multiple handoffs are needed for completing processes—handoffs between employees and software may be simpler to manage than handoffs between employees and outsourced resources

**It is important to recognize that the choice may not always be binary—sometimes a hybrid approach is optimal.**

An organization may choose to automate a standardized part of a process and outsource the handling of more complex or subjective parts. Another hybrid scenario may see an organization choose to outsource an entire process but automate the movement of data between the outsourcing partners.

Regardless of an organization choosing to pursue automation, outsourcing, or both, the key to success is employing a holistic approach.

Assessing process, organization, people, and technology factors—particularly through a complexity lens—will help to ensure that goals are achievable and that adverse complexity does not negate benefits.

[Wilson Perumal & Company](#) is an expert at helping enterprises of all sizes assess and implement both approaches as well as hybrid solutions. Whether your organization is just starting out on this journey and needs help deciding which approach to take, or have already chosen the approach and need help building and executing a strategy, WP&C can guide you along the way.

**START THE CONVERSATION >**