

Outsourcing as a business strategy

The real pros and cons, and what it means for
Application Management Services (AMS)



Introduction

Outsourcing is no longer a purely operational or cost driven decision. For globally operating organisations, it is a strategic lever that directly affects resilience, risk exposure, customer experience, innovation velocity and organisational control.

This playbook explores:

- Outsourcing in the context of global political, economic and regulatory realities
- The real, often hidden pros and cons beyond headline cost savings
- How these dynamics apply specifically to Application Management Services (AMS)
- Why local, named, accountable support teams are increasingly outperforming traditional

Part 1: Outsourcing in a global context

Outsourcing has changed but the world has changed

Over the past decade, outsourcing has been shaped by forces well beyond IT or procurement:

Macro political factors

- **Geopolitical instability** and regional conflicts affecting service continuity
- **Data protection and sovereignty laws** tightening across regions (GDPR, sector-specific regulations, localisation requirements)
- **Changing visa, labour, and trade policies** impacting offshore workforce models
- Growing scrutiny on **ethical supply chains, working practices, and ESG commitments**

“Cost-efficient labour access is no longer enough. Predictability, compliance, and jurisdictional clarity now matter just as much.”



Phil Jones,
SAP AMS Manager, TCT

Macro economic factors

- Currency volatility impacting long-term offshore cost projections
- Global wage inflation reducing historical arbitrage benefits
- Increased insurance, compliance and governance costs tied to remote delivery
- Heightened focus on **total cost of ownership**, not day-rate savings

“Outsourcing decisions based solely on hourly cost increasingly underperform when viewed over a 3–5 year horizon.”



Phil Jones,
SAP AMS Manager, TCT

The strategic upside of outsourcing

When executed well, outsourcing can deliver genuine advantages:

- **Scalability and flexibility**
- Faster access to **specialist skills**
- Reduced recruitment and training burden
- Ability to refocus internal teams on **core value creation**

However, these benefits are **not automatic** and are frequently neutralised by execution risk.

Part 2: The hidden trade-offs of traditional outsourcing

Many organisations experience diminishing returns over time. Common challenges include:

Loss of context and institutional knowledge

- High staff turnover
- Limited understanding of business-specific processes
- Knowledge trapped in ticketing systems, not people

Operational friction

- Time zone gaps
- Language and cultural barriers
- Slow or rigid escalation paths

Accountability gaps

- “Ticket closed” does not equal “problem solved”
- SLAs optimised for volume, not outcomes
- Diffuse ownership when issues recur

Strategic risk

- Reduced internal capability over time
- Growing dependency on external providers
- Difficulty pivoting when business or technology strategies change

“What began as a cost-saving initiative becomes a control and agility risk.”



Phil Jones,
SAP AMS Manager, TCT

Part 3: Outsourcing decisions at a micro (business) level

For internationally operating organisations, outsourcing success hinges on alignment with internal realities:

Business maturity

Are your processes stable or still evolving?

Is your application landscape standardised or heavily bespoke?

Customer and employee experience expectations

How critical is system availability to operations and reputation?

What tolerance exists for resolution delays or hand-offs?

Risk appetite

Is your organisation risk-averse or growth-aggressive?

Are regulated environments involved?

Internal capability strategy

Is outsourcing a complement to internal teams or a substitute?

How will knowledge be retained over time?

These factors directly influence whether a **low-cost, offshore-heavy model** or a **relationship-led AMS model** is appropriate.

Part 4: What this means for Application Management Services (AMS)

AMS sits at the intersection of **technology, operations and business continuity**. The wrong outsourcing model here has disproportionate consequences.

AMS is not commodity IT support

Effective AMS requires:

- Deep understanding of **your specific configuration**
- Awareness of **business cycles, peak periods and operational dependencies**
- Proactive issue detection and resolution
- Continuous optimization, not just break/fix responses
- Yet many AMS offerings are delivered as:
 - High-volume ticket factories
 - Rotating analyst pools
 - Minimal exposure to business context

Part 5: Low-cost outsourced AMS – pros and cons

The pros

Attractive headline pricing

Large resource pools

24/7 coverage models

Rapid onboarding at scale

The cons

High analyst churn and knowledge loss

Repetitive issue resolution

Limited ownership beyond SLAs

Poor experience during complex or high-pressure incidents

Increased burden on internal teams to “manage the outsource”

For advanced or business-critical platforms, these trade-offs often outweigh the savings.

Part 6: The case for local, named AMS Teams

A different AMS approach is emerging, one focused on **continuity, accountability and business alignment**.

Key differentiators

Named consultants

Consistent points of contact

Deep system and business knowledge over time

Stronger trust and communication

Local or regionally aligned teams

Cultural and regulatory understanding

Overlapping working hours

Faster escalation and collaboration

Outcome-driven support

Focus on root-cause resolution

Continuous improvement mindset

Partnership rather than vendor dynamics

Part 7: TCT's AMS model

TCT's AMS approach is designed for organisations that view technology as a **strategic asset**, not a cost centre.

What makes it different

Local accountability, not anonymous queues

Stability and retention, reducing repeat issues

Deep platform expertise, not generic support scripts

Global delivery capability with regional understanding

This model supports:

- Greater system reliability
- Faster issue resolution
- Lower long-term operational risk
- Stronger internal confidence in AMS as a strategic function

Conclusion: Choosing the right outsourcing strategy for AMS

Outsourcing is not inherently good or bad but **fit matters more than upfront price**. A true AMS partner will drive down overall costs through inefficiency gains and root causes fixes, rather than a cheap upfront service cost.

For internationally operating organisations:

Macro forces demand resilience and accountability

Micro business realities demand context and continuity

AMS outcomes depend on **people, not just processes**

A local, named AMS team provides a powerful alternative to traditional outsourcing, balancing scalability with control, and cost efficiency with long-term value.

Final thought from Phil

Is your AMS partner celebrating ticket volumes decreasing because they have solved the root cause issue?



Phil Jones,
SAP AMS Manager, TCT



Get in touch today
theconfigteam.com