The intensive discussion on the subject of outsourcing in the management literature of past years, which is also reflected in this chapter, is closely connected with the potential for change in business processes as a result of new communication technologies. There are a multitude of new technologies that permit or favor the outsourcing of processes and functions which were previously integrated in the company.

**Outsourcing and the transaction cost economy**

A graphic explanation of the trend towards outsourcing and the role of communication technologies is furnished by the transaction cost economy introduced by the British economist and Nobel Prize winner, Ronald Coase. The transaction cost economy essentially means that companies form because the standardized co-operation of the individual employees in a company ensures efficiency and cost reduction due to lower transaction costs. Consequently, the amount of transaction costs determines the tendency towards agglomeration and integration. In an industrial world with little networking, and from the point of view of higher transaction costs, it was necessary to integrate all company-relevant processes, transactions and interactions in the company – even those that do not belong to the actual business objective or to the key competencies.

The decline in transaction costs resulting from the communication technologies has, however, created a new situation for many companies: It has become cheaper to outsource certain company functions. An appropriate outsourcing strategy can allow a company to concentrate completely on its core competencies and to delegate all other functions to a third party. As a result, the costs for processes which lie outside of the actual main business and reduce the profit that is produced by the primary business line can be considerably reduced.
Outsourcing – a subject for telephony and IT

Outsourcing strategies also play a role in the sector which – in the sense of the transaction cost economy – had initiated many outsourcing projects: the telecom and IT sector. The outsourcing of this sector must be seen as an opportunity to increase the qualitative level of performance at the same time as reducing costs. Today, many large companies are facing the subject of outsourcing the telecom sector: Telecommunications is the key competence of only a minority of companies. Usually, it much more a means to an end. Particularly in times of intensive international competition – and this trend in the economy looks like it’s here to stay – it is not economic to commit resources in the company to telecommunications, which would be better concentrated on the core activities and competitiveness.

Another argument in favor of outsourcing is the enormous complexity in the telecom and IT sector. The increased requirements in mobility and rapid technological development, for instance, also play a role as do the question of costs. The market liberalization in the telecom sector has led to considerable cost reductions, but also to a lack of transparency and loss of security. It is extremely difficult for companies in the remarkably diverse provider scene to attain a valid overview of the cost structures which, in reality, are incredibly difficult to compare. Here, too, outsourcing to a professional service provider can make economic sense.

Ultimately, in the sense of transaction cost economy, this concerns a major company-strategic decision on whether and in which form the telecom and IT sector is outsourced. Companies who wish to concentrate on their core competencies cannot avoid direct confrontation with this issue. The fact that such a strategy is not only incorporated in theory (although, with regard to outsourcing, this theory has been rather exhausted), but also in business practice, is demonstrated by MAGNA STEYR in its outsourcing of telephony.

Built to order in grand style

Particularly in a globally positioned company such as MAGNA STEYR, the question of focusing on central proficiencies is a question crucial to its success. The convincing performance of the company is closely linked with the strategy to strengthen and to further develop its core competencies.

The primary business of the company is clearly defined: The development and manufacture of complete vehicles, the development and produc-