OUTSOURCING: success rarely happens by chance.

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1. OUTSOURCING: success rarely happens by chance.

As a measure of globalisation, outsourcing has grown tremendously over the past few decades. The cost savings and efficiencies gained have helped drive the rise of consumerism and profitability. It has given rise to whole new industries. It has helped large areas of the developing world develop.

In todays complex, competitive world, outsourcing is a business necessity. As a business necessity outsourcing is set to increase further.

Why? Because all companies who want to be cheaper, better, faster will need to leverage increasing competitive advantage. This will also mean working smarter, not harder, and being better at outsourcing than many have been in the past in order to deliver the required business benefits necessary in todays dynamic business environment. This is especially true due to the global economic flux we are experiencing these days.

Outsourcing is changing. Its mechanisms are changing. "Out of sight, out of mind", blame culture and distant uninformed supplier relationships bound by unworkable contracts / KPI's and chaotic business processes that provide little or no business benefit will be rightfully consigned to the past. Mechanisms are maturing. Organisations are maturing.

There are greater benefits to be gained. Will you realise these benefits? Or will you waste your time and other resources?

Outsourcing means looking for and engaging with external organisations that are best suited to meet your requirements. Such organisations can be within national boundaries or can be offshored to a different global location. What it means for you must always form the core of the strategy to achieve, taking into account the capability for "insourcing".

This means a new and improved view of outsourcing to deliver the increasingly competitive benefits. This means a realistic strategy that decreases complexity and decreases the cost.
This is more than outsourcing. It is benefits driven strategic multisourcing - using different layers of ability and capability, the best mix to suit YOUR requirements based on wide ranging sustainable business benefit. It emerges from a structured global sourcing strategy and implementation.

Outsourcing is changing. Companies who will be successful in the future will be those companies who have harvested the greatest amount of business benefit from such an approach.

As a business necessity outsourcing is set to increase. Mistakes can be costly. Missing opportunity is a mistake.

2. AND THE FUTURE?

In spite of any local or regional backlash, outsourcing and global resourcing WILL increase. As the global economic crisis becomes more developed, the search for business benefit through outsourcing will become more intense. There will be greater pressure on everyone, greater development – greater urgency.

More than that, the nature and depth of outsourcing is evolving. It is naturally progressing from a client led cost savings base to a wider partnership approach based on information and innovation. Two main changes are taking place:

1. clients wishing to outsource are becoming more sophisticated in their approach towards strategy and business benefit

2. outsourcing vendors are becoming more sophisticated in their approach to service provision and are pro-actively preparing near future market oriented services.

The greatest distinguishing factor between successful organisations in the future and those that are less successful with be in the use of information and knowledge. Increasingly specialised and sophisticated, outside the core capabilities of many organisations yet integral to the coherence, functionality and development of the organisation, this will be THE major growth area in outsourcing.

The evolving degree of Information Management includes:
• inherent and acquired knowledge (including Business Intelligence)
• immediate knowledge
• future insight

provided by pro-active, forward looking outsourcers to create the fuel for growth and market development.

3. OUTSOURCING HEALTH CHECK

This is a UNIQUE short - sharp methodology to give a visible appraisal of the current state of outsourcing. This is a valuable insight. It gives a clear indication of the variable strengths and weaknesses of the outsourcing process.

From this vantage point it is then possible to coherently and constructively build upon the strengths as part of the overall strategy of growth and development – to create success.

Interested in business benefit rather than business chaos and cost?

The world is changing. The rate of change is increasing. The successful organisations of the future will be those organisations that can assess, understand and manage the changes, and importantly transform consequence into advantage.

What if everyone wanted just average? What if no one wanted to achieve? What if no one wanted exceptional service?

The world isn't like that.

People want more than average. People want to achieve and to be better. People do want exceptional service. How will you give it to them? How will you make them feel valued? How will you live up to their expectations? Do you know who these people are, what they want, what they will want in two years? How will other changes impact? And ... can you do all of this cost effectively?
As you see – outsourcing can provide more than cost savings. It can provide the fuel for sustainable benefit and success.

Will you outsource? What will you outsource - and why? What SHOULD you outsource? Who will you outsource to and what do you really expect to gain from this relationship?

Strategy is important. If you don't know where you're going - how will you get there?

For example, if you walk along a busy street with your eyes closed, you are bound to bump into things you can’t see coming. If you then try to cross a busy road, still with your eyes closed, something horrible is bound to happen.

To be honest, this sounds crazy. What reasonable person would do such a thing? The fact is … many organisations do this all the time – and they do bump into horrible things, which can be very costly for them, especially in a highly competitive environment where competitors may not make such mistakes.

This can be the difference between an organisation that survives and an organisation that is highly successful. Can you afford the difference?

Interested?

Interested in turning no sight into insight? Interested in achieving the FULL benefits of outsourcing rather than the vague promise of cost savings? There is no need to re-invent the wheel or to disregard opportunity.

The future is full of opportunity … but only if you are able to identify this opportunity. If you don't do it, who will? Likely your competitors.

4. OUTSOURCING STRATEGY

Some organisations want to outsource because they think this will save them a lot of money.

True, outsourcing can save a lot of money … but if not conducted properly it can also lose a lot of money, as well as reputation, confidence, market share and careers. The business world is littered by organisation (and people) who make such mistakes.

Some organisations may be tempted by far off locations because of the cost savings quoted.

True, outsourcing can save a lot of money … but what impact will this shift have on the remainder of your operations and exactly where will this fit into to your organisation?

Some organisations may be tempted by the reputations and glossy material of large outsourcing companies.

True, outsourcing can deliver incredible benefits … but how do you know your chosen partner will deliver what they promise when they promise?
Some organisations may be tempted by the “out of sight, out of mind” approach.

Outsourcing should never be out of sight, out of mind. There should always be a drawing upon external skills and availability along with governance and full visibility. “Out of sight – out of mind” provides only chaos. Chaos produces a loss of benefit.

Outsourcing can produce cost savings but cost savings are usually limited. On their own they are usually not sustainable.

Outsourcing can deliver far more than cost savings. Benefits of outsourcing include:

- INCREASED CUSTOMER SATISFACTION
- FLEXIBILITY & AGILITY
- GREATER SCOPE OF SKILLS
- MAKING USE OF TIME DIFFERENCES
- GLOBAL INTEGRATION
- FASTER TO MARKER
- COST SAVINGS
- PRICE REDUCTIONS

This is utilising your core skills and adding to these skills and availability by harnessing external resources. You retain what you do best. You create a greater impact by adding to these skills from external organisations.

This calls for a strategy.

The Outsourcing Strategy – working from the future state to the present reality. What you want to achieve and how it can be achieved by defining the business need and business benefits.

The strategy is the guiding core of what follows. Around this core will be constructed the business benefits and the implementation.
• why you are doing this, what business benefits do you want delivered and how will these impact your business?
• what will be kept in house and why. What will be outsourced? The impact on your business?
• who will deliver the outsourcing? Who are the best people for your particular circumstances and requirements? Who will best work in partnership with you? Being a partner is different than being a supplier. This isn’t about who has the lowest cost.
• how will the new partner deliver the outsourcing? What present and future benefits can they define? What risks can they alleviate? What will the 3rd party governance structure look like? How closely will this be managed? BPR and change Management? Skills and knowledge transfer? How will this knowledge be used?
• where these services will be delivered from – and the impact on your business and your customers.
• what is the time frame for this outsourcing and is there an exit strategy?

Organisations who outsource without a core strategy often find themselves in the situation of very much reduced business benefits – and a real headache.

The outsourcing model should be built on relationships – not transactions. It should be built on mutual understanding and mutual benefit. This takes time and expertise to develop.

Do you know how well your outsourcing is performing? Is your outsourcing relationship causing disbenefit rather than benefit? How do you know?

5. WHAT WILL YOU OUTSOURCE?

In keeping with the requirements within the Outsourcing Strategy, the first questions should always be around “what business benefit would my organisation like to achieve?”

From this will flow the direction of travel, working back from the future state to the present date, and will help display:

• what should be outsourced
• why it should be outsourced
• when it should be outsourced
• where it should be outsourced to
• what outsourcing partners should be involved (if any)
• what organisation and process redesign is required to succeed
• what governance processes should be in place
• the change management binding it all together
• sense check and refine to ensure maximum benefit

Armed with the above answers, different organisations will invariably outsource different areas of the business in order to meet different goals and requirements. Frequent outsourced areas include one or more of the following:

What an organisation outsources will greatly depend on that organisation. For example, a large and complex organisation may want to outsource a number of different functions and retain an overall control to guide the business benefits. Where as, a different organisation may want to outsource only a portion of what other organisations outsource because they want to retain most functions in-house.

Whatever the outsourcing need and whatever the outsourcing path, one of the main fundamentals to success is KNOWLEDGE MANAGEMENT.
Any form of outsourcing whether this is locally based or globally situated has the ability to provide a wealth of data, information and knowledge. Whatever your organisation buys, sells, produces, trades - the lifeblood of every organisation is information. Information contains a cost. Information contains a value.

- What type of information does your organisation need?
- What is the information with the highest value for your organisation?
- How can you capture this, make it visible and available, monitor its progress and produce a business benefit?
- How can you pro-actively search for other areas of information value?

Outsourcing can provide a lot of valuable information. How you use this information is up to you, yet not using it will invariably be costly. In one way or another you will be paying for the production of this information. For example, customer interaction. The data produced and analysed into information will give valuable insights into customer trends and requirements - this can feed into proposition development and customer retention.

Knowledge Management is arguably one of the great understated and undervalued gems of outsourcing (and business as a whole). In the right hands and with foresight and business drive, Knowledge Management and the insights gained from outsourcing has the very real ability to revolutionise your organisation.

Change is inevitable. The management of change is essential. Managed outsourcing gives you the opportunity to develop the change flexibly and beneficially. Knowledge Management gives you the opportunity to drive this change. This strikes to the core of why organisations outsource.

Do they really know why and what they outsource? Are they maximising their benefits? If not, why not? And what should they be doing to maximise such benefits?

6. OUTSOURCING MAXIMISATION

Outsourcing should never be a case of out of sight out of mind. Outsourcing is about maximising benefits and realising new opportunities. This can only be achieved if the holistic process is managed in detail. This takes knowledge, communication and expertise.

Regardless of the scale and the content of the outsourcing, whether this is limited or wide scale outsourcing, whether this contains elements of offshoring or managed services, all successful outsourcing is built upon a set of key principles once the defined strategy is set. These principles include:

- PREPARATION: how prepared is your organisation?
  Has this mechanism been discussed with key stakeholders and the processes / changes required agreed in advance?

  Have the benefits been assigned? Who is responsible for what? What are the contingency plans?

- 3RD PARTY MANAGEMENT: how will you manage your outsourcing partners? Are you sure about the legal contracts, including SLA’s, timelines and potential exits?

  Some outsourcing contracts have been known to require a wheelbarrow to cart them around. This is clearly a ridiculous situation. Contracts are there for a reason. Yet if any contract is so
laborious and restrictive that it takes a small army of expensive lawyers from all sides to argue over every detail for several months, the business relationship will probably not work.

Suppliers and partners have to be managed in a realistic and flexible fashion, to draw upon their expertise to create the required success. Partnerships mean the two or more parties work together to produce this success. Outsourcing partners usually have a lot more valuable expertise than many clients allow them to express. This is a valuable resource.

- GOVERNANCE: governance is incredibly important. This is the governance of both internal processes and external relationships to make sure all parties live up to their obligations in the shape of, for example, SLA’s or balanced scorecards. Good governance and management will spot the early signs of costly negative feedback cycles such as:

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commercial managers

outsourcing managers  pressure

staff  pressure

attrition

higher costs / lower service / lower profitability
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Example: creating order and organisational benefit from chaos. Please note: these are REAL examples.

CHAOS + NO BENEFIT

Strategically aligned partners producing the widest range of organisational benefits

Outsourcing is evolving. It is driving development. Is it driving your development or are you being left behind? Success rarely happens by chance.

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