

Managing the Outsourcing imperative

SI IPL Business Insight

Introduction

Outsourcing today is a well proven global business phenomenon. However, any outsourcing activity results in sweeping changes impacting the organization (people, relocation, process changes, cost structure changes etc.) and needs to be executed flawlessly since a significant part of outsourcing is usually about non-discretionary spending of an organization that involved decisions which cannot be reversed easily.

Outsourcing situations call for informed decision making; well established stakeholder alignment at different levels; definitive approaches to managing risks; identification of costs; dedicated people resources and a clear executive mandate with business and project level goals.

Outsourcing works best if implemented quickly once the decisions are taken. The key to this is identifying a strong anchor team and executive owner for the project.

Need for external perspective

Outsourcing often involves considering another geography or work location and this often raises several relevant questions such as:

- Will my current outsourcing strategy work for the new location? Can someone validate it?
- What are operational challenges? I wish I could ask a local expert...
- Do we understand all the risks? Will it be viable..?
- I am not sure if we have all the inputs...
- What are realistic timelines?
- What is our best choice – do we buy a service provider, start our own?
- Where can I find a reliable vendor lists?
- We need a complete due diligence but I am not sure if I understand all the local laws/rules...
- I wish we had an on the ground team working for us in the new location....
- Can I monitor and control my service providers?
- How can I localize the SLAs?
- What are the cost structures prevalent? Is there some authentic data available?

An external perspective usually helps provide industry practices and insights, experiences etc as well as removes any internal bias. Additionally, by involving external experts in the vendor selection / transition process, decision making can be made with more choices supported by data points and references outside the organization as well (e.g. cost / organization structure, environment etc)

Relevance of a phased approach

Outsourcing happens usually in iterative phases since there are many decision milestones all of which need to be decoupled (e.g. process, people transition, knowledge transition, cross training etc).

A phased approach allows for management and stakeholders to manage outsourcing risks better and also ensure that communication is crisp and seamless across the activity and phases.

People management and expectation handling is perhaps the most critical aspect of any outsourcing activity and needs utmost care and handling. This in effect helps an outsourcing project succeed or fail. As with other activities, this often needs to be done in a phased manner since each individual's needs are different. An external person as a coach / listening post often helps management teams manage expectations better.

Significance of outsourcing lifecycles

Outsourcing activities have finite life cycles and usually go through a define, plan, build, transition, grow cycle and end up either changed, improved, downsized, merged, consolidated, sold off or transferred (depending on business needs).

Contract longevity is usually about 3-5 years depending on the process complexity. Even if the process does not phase out completely, it gets changed, evolved or modified to suit changed business conditions or simply is carried on by new people who move on. Outsourcing lifecycles therefore are closely linked to business lifecycles.

In summary.....

Outsourcing is not a static activity and needs significant management as well as coordination skills to make it successful. While approaches may be standard, significant adjustments need to be made to any business frameworks adopted from other projects or industry references.

Finally, outsourcing needs speed and agility to make it successful both at the business performance level and contract performance level and needs a multi level measure that meets both stakeholder and operational needs.

An external facilitation team (outsourcing can not be done by an individual) who are able to support the customer in both the home and remote location and understands the domain is the best fit to ensure a seamless and low risk transition.

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