

Outspoken

Outsourcers



Top tips from our 2014 spotlights



Alison Haigh
Head of Procurement
UK Asset Resolution
NOA Diploma Student

My top tip for someone who is outsourcing for the first time is to be really clear on the objectives and decision making criteria and ensure that all stakeholders have a common understanding from the beginning of the process. It is also important to have a senior internal sponsor. If the decision is taken to outsource, particular emphasis should be placed upon the overall relationship objectives desired by both parties for the lifetime of the relationship. Often the intent of the relationship can be lost and relationship objectives should be built into the overall governance and revisited and refreshed accordingly to ensure long term success is delivered.



Martin Edwards
Senior Outsourcing Consultant
Infosys

NOA Diploma Graduate and Fellow

My top tip for someone who is outsourcing for the first time is:

Don't panic! Outsourcing for the first time can seem like a daunting proposition. But there is a wealth of information and expertise readily available to help you get started. Before doing anything, to look at the guidance, training and educational material readily available from the NOA. The Association offers valuable tips, training, hints, toolkits and networking opportunities. You can learn from the lessons of others and get your own outsourcing project off to a flying start. I'd recommend the NOA Outsourcing Lifecycle in particular.



John McKinlay
Partner
DLA Piper

NOA Professional Award Winner

There is nothing more important than getting the requirements correct - everything flows from these. However, the sheer effort and difficulty in getting this right is massively underestimated, so I would run this experiment. Pick a part of the service, then try to write down the best description you can for your requirements. Spend a bit



Richard Mills
Head of Sourcing & Standards -
Central Operations
Zurich

Be clear about why you are outsourcing to a third party to start with. This sounds obvious, but the common mistake I see time and time again is to outsource purely to save costs or to apply a quick fix to an operational/business issue, which may work in the short term but is not a long term sourcing strategy I would recommend.

If you work on the premise that you have outsourced to a third party to leverage either operational flexibility, overall value creation and/or professional expertise then you are really laying solid foundations for a credible sourcing strategy which will pay dividends for years to come.



Petteri Uljas
CEO Northern Europe (UK & Nordic)
Capgemini

When outsourcing, please bear in mind that you can never really outsource the accountability. If things don't work out as

planned, at the end of the day it is still you and your business who will be responsible, rather than the outsourcer. Choose a partner you can trust. Take the time to build a good relationship with your outsourcing partners as your success depends on them.

Do not underestimate the need to have good governance in place. You need good governance at both a strategic, operational and a tactical level. Be sure to share your business views and values, as with any relationship, the more you give the more you get.

of time on this and get something you would be prepared to stand behind. Then share it with those in that area, and see if they can improve it. After that, send it to other departments in the organisation that interface with the service, and get them to add things that may have been forgotten. Finally, share it with someone outside the organisation who works in this area, to get their perspective and the benefit of their experience. One this is complete, compare it with the original version... now you understand the task ahead - and are ready to meet the challenge of doing this for real head on!

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Alistair Niederer
CEO

Teleperformance

a. Top tip? I would say the absolute must is to speak with CEO to understand his or her view of the company's culture and drive.

Ever evolving procurement models (for very necessary governance requirements) can appear to diminish the opportunities for direct communication with the company's board and the CEO in particular, however, outsourcing is a major component of many of organisations long term strategy and represents a major investment, getting to know and understand the person who's responsible ultimately for the success of that strategy is fundamental.

b. Next, ensure the chemistry at multiple levels exists between your key executives and operatives and their peers in the outsourcing enterprise. They will be working together to deliver a significant project to support your business. When your key people tell you they're enjoying a fully engaged process across all business function areas, then you know the chemistry is there which will be of huge importance when setting out on your journey together.

c. Make sure your company knows what it is looking for and then see if that resonates with the outsourcers view and then enhance. Really it's an obvious part of the preparation your company undertakes to ensure it is fully cognisant of the benefits of outsourcing it is seeking to achieve and why. Remember the outsourcer will have an extensive understanding of the business challenges impacting many sectors and will have worked with similar organisations, in both the scope and scale of the outsourced services to be provided. They should become your resident 'guru's' bringing this experience and expertise to your table as a matter of course.

d. Talk to the existing clients. It sounds obvious but in professional life this is often overlooked or it's tagged at the end of the procurement process. In my experience, most new clients will make the necessary contact and it is a straight up test of performance which will help you in your decision making.

e. Go meet the teams. Don't skimp on the travel tab! If you're going to take up on the tips above, especially the chemistry, resonance and culture of the company you're about to engage with, go see them, have dinner with them, go to the races or whatever it might be. It might be easier or more expedient to send emails, have conference or even video calls, but nothing can replace that uniquely human interaction of face to face introductions and discussion.



William Pattison
CEO

Mindpearl

EOA Award Winner and Fellow

In my opinion there are three essentials for anyone to consider before outsourcing for the first time – performance, partnership and people.

Performance

Since outsourcing first became popular, locations such as the Philippines and India have dominated the market with possibilities of low rates and reduced operational costs. This focus on cost alone can come at a price, many businesses have had their contracts withdrawn as a result of a series of qualitative problems. This has provided the space for companies like Mindpearl and high quality locations such as Fiji and South Africa to move forward in the market. Outsourcing is a great way to significantly cut your overhead, but do your research. Price cannot be the only deciding factor.

Partnership

Remember you are looking for a partner, not a supplier. When you outsource, you trust your most valuable asset to a third party – your customers, your brand and your revenue. Partnership ensures the end result to the customer experience is an authentic and seamless contact with your brand!

People

Don't forget about the people. How are they trained? How do they interact with your customers? Are they able to protect and live your brand? How are they treated? After all, your outsourcer's people will be the first point of contact with your customer. Happy employees, equal happy customers!



David Lewis
Vendor Management Office,
IT Operations
Marks and Spencer

NOA Professional Award Winner and Fellow

Contracts have their place, but nothing beats good relationship management with appropriate governance and wherever possible rather than demanding that you want to work with the suppliers A team, build a working environment whereby the suppliers A team want to work with you, otherwise you'll get the supplier you deserve.



Derek Parlour

Director
DJA Business Solutions

Lose the fear!

Change management and transformation is one of the trickier things for businesses to handle and is an area particularly relevant to outsourcing. It causes friction and fear in businesses and has a relatively high failure rate. Because of this it is often looked on as a dangerous time and is approached by the business with a feeling of fear and uncertainty.

However, if you look at the businesses who handle change well they are usually the ones who have change as part of their business as usual. It isn't something imposed from above on an irregular basis but is something the company does every day and is as much a part of the business as selling their product or service.

In the outsourcing industry this management of change, and building it into the corporate DNA, is largely a client responsibility but the supplier can help. It involves staff involvement in change, rather than it being imposed, and a demonstration of the benefits of change. This is a cumulative process as successful change encourages acceptance of more change and that acceptance increases the chances of success.

If you can break the cycle of fear and get people to embrace change then you are a long way down the road of lowering the risk of change and increasing the success rate and improving the success of your business. Not easy but, if you can achieve this, well worth the effort.



Jim Reed

Director of Procurement
University of Nottingham

Procurement can be seen as a layered "stack" of activities working at different levels and with different benefits and overheads. I will describe the stack and how it applies to Outsourcing.

At the base level there is purchasing which is the activity of requisitioning, ordering, checking the delivery and paying the

supplier. This is the engine room of the supply chain. There is typically no procurement optimisation or value derived but most of the organisation resource sits in this layer manhandling POs. The next level is basic procurement which typically operates at the lowest competitive level, specifying items to buy, getting competitive quotes and ordering items. Again this layer delivers only spot value and yet consumes significant resource often from the financial management community.

The next layer is strategic procurement. This is generally the point at which Category Management and properly leveraged and negotiated deals are done, where benchmarking and cost evaluation take place and where collaborative procurement is considered and executed.

...an enlightened company will want its best procurement resource supporting its project and strategic transformation teams...

Above this sits sourcing and at the highest point strategic sourcing. This layer contains make or buy decision making, designing, creating, executing and managing services, outsourcing, business process outsourcing and partnership arrangements. It is at this level where the experienced and skilful procurement professional can most influence the business direction and deliver the greatest benefits in terms of providing strategic advice, supplier and market intelligence, contracting, SLA and performance and commercial management for the contract term.

Clearly from this it can be seen that an enlightened company will want its best procurement resource supporting its project and strategic transformation teams, yet I constantly see the scarce and hard pressed procurement teams bogged down in the purchasing layer unable to give themselves sufficient headroom to think at the strategic level.

My advice is to put in place a lean and efficient purchase to pay process and associated system and drive this system to free up the procurement and financial teams to move up the stack and deliver strategic supply chain solutions to the business. P2P will give you spend analysis which will identify opportunities to consolidate spend, standardise, leverage – and save.

Mugshots are blurry - can we get better versions?

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Martyn Hart

Founder and Director of the NOA

Big outsourcing means big problems?

Given the problems now facing our leading outsourcers, like IBM, HP and others could it be that outsourcing doesn't provide the profits that these companies expect?

After all outsourcing only works through economies of scale, not just cheaper end user pricing but higher service levels faster provision access to specialist skills etc.

But as certain suppliers take even more business from their favourite customers their services become less and less in the "economies of scale" zone, meaning they become more and more like their customer and less able to achieve the economies required to be effective outsourcers. And they have to make a profit too! Even if they took a loss leader, as the market picks up the only loss will be with the customer as resources move to more profitable customers.

Do suppliers go too far in trying to Hoover up every bit of business? Maybe to keep competitors out?

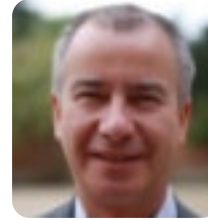
So whose fault is this? after all a failing supplier is of no use to either customer or supplier! so should customers make sure that what suppliers are agreeing to really makes sense for them? Do suppliers go too far in trying to Hoover up every bit of business? Maybe to keep competitors out?

My view is that customers should make sure what they are proposing is outsourceable, in other words make sure they know where the economies of scale are.

If you don't know how does your potential supplier?

So maybe there is a limit on the size of an outsourcing contract? Maybe there is a natural order of things? As outsourcers get a major slice of their clients pie they get less and less opportunities for economies of scale and also their size means they need to run a bureaucracy too, plus make that profit!

So does big outsourcing really mean small suppliers?



Tony Morgan

Executive Architect and Client Chief
Innovation Officer,
IBM Global Technology Services Strategic
Outsourcing Europe

Cloud is here to stay and 2015 will be the year of the hybrid cloud. Key service providers will not only offer a set of different cloud (and some non-cloud) delivery models and services to match the diverse workloads of their clients but they will also migrate a significant amount of new and existing client workloads to "the (hybrid) cloud".

...there will be a huge focus on cyber-security and related services as enterprises understand the huge scale of the challenge...

This in turn will drive a renewed focus on service integration and broker services to manage the complexity and often multi-vendor environment that this will bring.

Related to cloud - but it would happen anyway - there will be a huge focus on cyber-security and related services as enterprises understand the huge scale of the challenge and acknowledge that they increasingly need specialist support that simply can't be delivered in-house.

IT will continue to industrialise and automation will continue apace - not just of build and deployment activities in the cloud but of an increasing level of service management and support activities.

Market leading providers will increasingly deploy advanced analytics and cognitive approaches (such as IBM Watson) to make use of the fantastic data collected on the services we support. Words like "predictive" and "autonomic" used years ago will become real as techniques already applied for business advantage are applied to the task of intelligently managing IT systems.

My message to clients - ensure your suppliers focus on the above FOR you and deliver a wider innovation agenda WITH you.