

OUTSOURCING in brief

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Chapter 6

The road ahead

At the beginning of this book there are statistics about the expected growth of outsourcing to the year 2000, billions and billions of dollars, deutschemarks, pounds and francs are going to be thrown into this ever expanding pot. In fact although many of these forecasts are by sane, intelligent individuals and organizations, they are most likely wrong. They will - as with predictions about IT - underestimate what history will ultimately reveal. No-one can really say what the effect the outsourcing phenomenon will have on our economies, our organizations - even ourselves. But one thing is clear, it is going to take off in an unprecedented way. Competitive pressures are going to force organizations in even the most controlled nations to look at other options - or they will most likely perish. Whether this will mean that short-sighted politicians will do anything to help remains to be seen. Most likely they will have little choice as businesses will simply relocate to more favourable, competitive climates.

The inability of an organization to know everything will mean that alliances and partnerships - already major global forces - will have to increase. How long they remain twinned, or even stay friends, is open to question, speculation and a

great deal of debate.

Technology, and its gift for allowing us to do business around the world, across borders instantaneously, is going to be the major driver of outsourcing, or sourcing, growth. Those with access and the ability to fully embrace what tech-

nology can do will be the winners.

Above all, and what this book has clearly illustrated, is that outsourcing is not a single phenomenon and it is not just a current fad. Indeed, as the experts who contributed to this

book have emphasized time and time again, it is what *you* and *your* organization make it.

What has been the most fundamental discovery in researching and writing this book is that outsourcing is two things:

- it can be a tactical, short-term attempt to solve some already serious problems. Managed right, it can have had - some great successes.
- it is increasingly being seen - and championed - as much more than a tactical weapon. It can be - and has proven to be - a strategic weapon, that is not a one-time, singular event or idea but a total process that if adopted correctly, transcends divisions, departments and disciplines.

That, I think, is the most important lesson that this book can teach. That outsourcing is a phenomenon that can become a key strategic part of driving companies forward. Management experts today talk not of following a strategic direction but of navigating the enterprise towards its future. They explain that with so much change and ambiguity, choosing a direction is irrelevant and most likely to be the wrong destination: for, by the time you get there, your true goal will be different. What they advocate is being equipped with the right organization - the right ship - to constantly change direction as the winds and currents of the global economy shift.

Outsourcing is one of the most powerful tools that any captain of industry can have aboard the organizational ship. It has unlimited use and covers whatever business you want to be in and whatever business you want to be out of.

That, of course, brings us to the key point. Outsourcing makes good strategic sense when you know what you are going to outsource and why. As that great man of management Peter Drucker once said in an interview, 'management by objectives makes a great deal of sense if you know what your objectives are - nine times out of ten you don't.' That same warning can apply to outsourcing.

All the experts counsel us to 'hold on to our core businesses'. That's OK as long as we have taken the time and put the energy into knowing just what they are. We know there are stories about corporations outsourcing business areas that

appeared to be less than strategic, only to realize their mis-

- Similarly, there are frightening war

takes at a later date as than friendly stories, of organizations that have got into le

alliances and joint ventures - losing their competitive edge in the process.

'Very few functions will be judged to be core to an organization.' - **New DirectiOnS in Finance.**, Economist intelligence Unit, 1995

Looking to the future, we have all heard predictions of the virtual corporation that consists of loosely networked specialists - the ultimate outsourced organization - with only the slender thread of the Internet to hold it in place. Others call this direction that the totally outsourced organization could take the 'hollow corporation'. That description may well be apt. If there is nothing there, then where are all the ideas, the motivation, the loyalties, the excitement of interaction?

During the research for this book I was very impressed by a reference to an article by Robert Vrancken, a facilities planner and designer in the USA who made a great deal of sense, and not only summed up how we should think about outsourcing in a practical way, but suggested we look beyond as well. This is what he said. 'When considering the outsourcing process as an alternative, it's important to remember that one size does not fit all. Whether the functions are eventually outsourced or insourced, the associated costs, expected performance levels, cultural implications and management requirements are not the same in all organizations, or even within an industry.' This, however is Robert Vrancken's telling point. 'There is an additional, but often overlooked, consideration. Many times the needed expertise is in fact "under foot" - it just requires the proper guidance and management.'

So, if you are going to embark on an outsourcing programme take care. In fact take great care. Take the advice of the experts in this book. Their collected wisdom can save you and your colleagues a great deal of time, energy and

expense, but don't forget that the best solution is not always the new one, or the most visible - you might have it already.

Throughout the book I have assembled short, concise pieces of advice, ideas that can help you understand and use the outsourcing process. To make it easier to use, or review that advice - all based on the input of the experts quoted throughout the [book](#) - I have listed them all below. Although in no particular order of importance, they do add to the usefulness of this 'How To' guide and are worth sharing with your colleagues when you consider outsourcing options. At the end there is space to add issues, ideas and actions that are unique to your own business.

It helps to make sure that whoever you are dealing with in the outsourcing business understands clearly your definitions otherwise major confusion can arise. It may sound simple - *it's not*

Business life today is just too complicated to do everything in-house. Everyone outsources something - think about it! Outsourcing isn't new, it's just the emphasis on it that's changed how we think about it. Outsourcing can be a two-way street. You can outsource your non-core business and insource from others who can't match your capabilities.

Outsourcing is being seen less and less as a tactical, cost-saving drive and more and more as a strategic direction that the organization follows.

Don't confuse outsourcing with cost-cutting. Chances are it won't work for long and you'll lose out big!

Never sign an outsourcing agreement without considering carefully the longer-term implications - too many have, to their regret.

Control, control, control - that's a central outsourcing issue that too many forget.

Don't sign up with a consultant who treats outsourcing as the flavour of the month. Look for a specialist firm that has experience.

Organizations are still using short-term outsourcing techniques as knee-jerk, 'we're in trouble' cost-cutting exercises. If you are doing that make sure you know why.

Never outsource what you don't understand. Outsource things you *can* do, but would rather not - that way you keep control.

There are now clearly two levels of outsourcing - tactical (short-term, results-driven) and strategic (long-term, process-driven). Make sure you know which you are doing. While it is easier to start from scratch, you can change your culture if you know why you are doing it and know what you want.

Outsourcing gives managers time to concentrate on the things they do well - don't confuse it with getting rid of the things you don't like.

As organizations become more process driven, outsourcing is a natural fit with new business structures and it forces businesses to define their core competencies. Outsourcing isn't about cost savings, it's about more effective performance in the longer-term.

Successful outsourcing organizations do a great deal more than what is called for in the 'letter' of the relationship, they really build partnerships.

Don't think traditional. Think about what you'd like to be as an organization, then try to achieve it. It takes belief in yourselves that you can make it work.

Define your outsourcing requirements in clear, complete and measurable terms and stick with them - you'll be glad you did.

Look for outsourcers with whom you have a cultural fit who regard their business the way you do.

An outsourcing relationship is most often based on reputation, references and existing contacts - think of who you already know before you waste lots of time.

Use outsourcing as a way to get back to basics and improve your business focus - it can be the clean sheet of white paper that all our organizations need from time to time.

Giving people the ownership of your problems makes them your partner, but remember it isn't just a cheap way of doing business. You want the vendor to succeed as well.

Linked solely to short-term concerns, companies are often disappointed with the results that outsourcing brings. If your ambition is to cut costs, don't expect too much.

The idea of outsourcing scares people too! Communicate, communicate, communicate. Take them

along with you - don't leave them wallowing behind in a sea of uncertainty.

- World-class business service providers are beginning to offer regional and global solutions as opposed to local or national. **If** you're in that league, it may be the way to go - very soon.

Remember the purchasing department? Suddenly it's important. But do they know enough to meet today's mixed bag of outsourcing requirements?

External FM outsourcing is really doing excellently what companies have done poorly - or ignored completely themselves. There's nothing clever about it, just a new focus on something you dismissed as unimportant.

Be careful what you buy, how you buy it and who you buy it from - quick decisions don't pay off!

- In the coming years, the FM market is going to get tougher, with more competitors and more choice.

Make sure you can take advantage of those changes - don't get locked into long-term, inflexible agreements.

Make sure your sub-contractors aren't using you as an advertising opportunity - without your permission - to attract more clients.

Plan your own outsourcing strategy that meets your unique needs - don't borrow others ideas.
Appoint an experienced executive to manage the process - friendly, experienced, but tough-minded are good traits to go for.
Don't let the finance or legal function run your outsourcing negotiations - it's about doing business and building trust, use managers who want to do business, not write contracts.
· Remember, it's *your* business. Don't get bullied into agreeing things you don't want or don't need.
Don't play favourites, no matter how compelling the reason. Only ask for tenders from companies you have pre-qualified and stick to that strategy.
Don't oversell your management on what great service or savings you are going to get - you may be disappointed, especially in the short term.
Put any 'verbal' agreements into the written contract - it's a smart tactic that makes the supplier think twice.

Don't wait too long in your evaluation procedure. If it is going badly, be ready to get out and bring it back inhouse.
Don't get your outsourcing contract set in stone. Like other aspects of your business, change is going to drive how your relationship develops.
Whatever you do, don't forget your people. Keep them informed and don't let rumours start.

Whether you totally embrace the concept of outsourcing as a major strategic process that can advance the way you think and develop your business, or you see it as a tactical tool to be used as and when required, take the advice that is on offer here. You and your colleagues will be very glad you **did**.