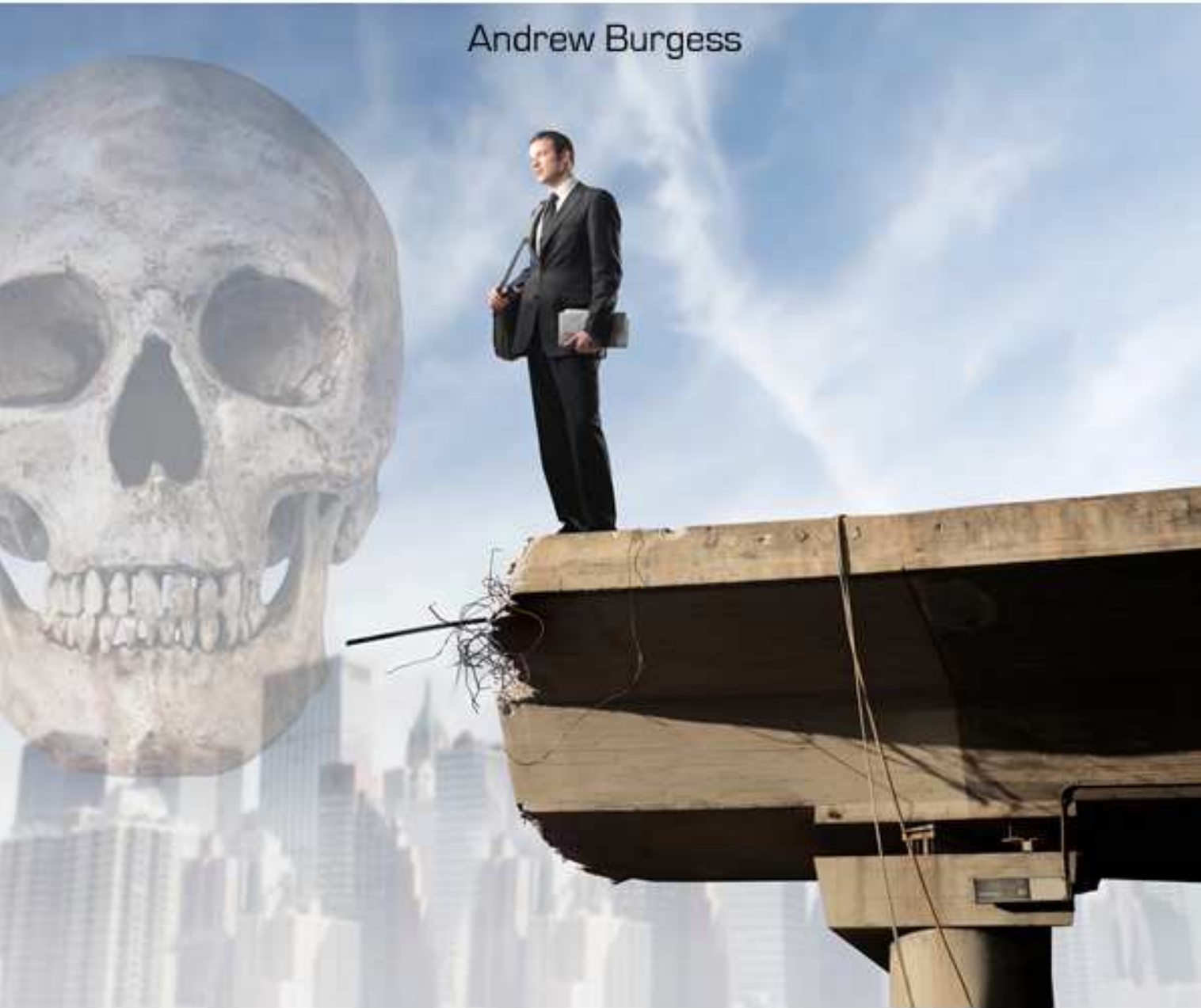


Revisiting the Death of Outsourcing

Andrew Burgess



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Reflections
BRIEFING SERIES

Contents

- 1 Introduction
- 2 The Death of Outsourcing

1 Introduction

'Back in 2013, I wrote about the imminent 'death of outsourcing'. By this I meant that outsourcing would no longer be seen as an explicit practice - it would be absorbed into the 'business as usual' activities of IT strategies and transformation plans. Since then many of the changes that I predicted have come to fruition: service providers have adapted to become consultancies rather than pure outsourcing providers, and have embedded technology deep into their solutions; the move to multi-supplier arrangements, managed by a service integrator is now common practice; and pure-play sourcing advisors are now noticeably thin on the ground.

One thing I didn't predict, though, was the impact that Robotic Process Automation would have on the outsourcing business. Although I count myself as an 'early adopter' and champion of RPA, back in 2013 it only existed in small pockets of business, and wasn't yet mature enough in its assault on the BPO market. Like most technologies, it's difficult to predict how quickly they will make an impact, but nowadays it's impossible to have a conversation about outsourcing without the subject of robots being raised.

Hindsight, as they say, is a marvellous thing. It's therefore always worth going back and re-reading thoughts from the past so that future predictions can be improved and re-calibrated. Here, then, is my article on the *Death of Outsourcing* in full.


2 The Death of Outsourcing

There has been much talk on the wires recently about the alleged 'death of outsourcing'. Many of the reasons given are simply to promote someone's new 'outsourcing paradigm', from which you can assume that it is still outsourcing but with a fancy acronym attached. Other reasons are rather more serious - that outsourcing has 'had its day' and is no longer appropriate in an austere world where jobs should be kept on your own shores. I actually believe that outsourcing, as a concept, is dying out not because of its risks and failures, but because of its success.

Think about it - over the last 10 years, people 'did outsourcing'. They had 'outsourcing projects' and used 'outsourcing advisors'. That was because outsourcing was still a relatively new concept that required focus and specialist skills. But now we have seen outsourcing become part of 'business as usual'. This is evident when I speak to CIOs who don't talk anymore about their 'outsourcing strategy' but about their IT strategy, of which outsourcing is simply one (albeit important) element. Similarly, there is little mention of 'transformational outsourcing' anymore - instead businesses discuss their transformation programs, of which outsourcing is a likely part of the solution.

This is seen most clearly in the newest area of outsourcing, LPO: it would seem completely alien to ask a General Counsel 'what would you like to outsource?' - a question that would likely result in a swift exit from their office. Ask them, though, what are their objectives to transform their legal department, and the conversation is likely to be much




A man in a dark suit and tie stands on a large, stacked cardboard box. He is looking to his right. The background is a bright, hazy sky. The image is partially obscured by a vertical white bar on the right side, which contains the text.

more enlightening and could, eventually, lead to some useful legal process outsourcing, amongst other transformational activities.

The 'death of outsourcing' (or at least its explicit practice) which I describe, will affect buyers, suppliers and advisors in different ways.


From a client perspective, it's all about the rephrasing of the question. Just as I described the situation with the GC, the same will be true for CIOs and CFOs everywhere. The previous 'big questions', such as should I go offshore, are not the right ones to start with - if the questions are phrased correctly at the beginning (e.g. 'what are the biggest external factors that will affect your business in the next 3 years?') then it should be obvious whether offshore is an appropriate solution or not. That means much more emphasis needs to be placed upfront on the business strategy, an area that typically is under-invested in.

For the suppliers, there is likely to be a polarisation between those that can do transformation and those that cannot. Although there will always be a role for the pure 'service provider', their scope will become increasingly commoditised, with the transformational providers being able to control the higher value work. A number of the larger Indian firms have already recognised this fact and developed consulting arms, but with varying degrees of success. As has been the case for a while, clients will go for multiple-supplier solutions, but with more emphasis placed on the 'service integration' role, which will not just include management of other suppliers but also in-house teams and projects, thus dramatically increasing the relative power of those suppliers that deliver this function.

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The sourcing advisors, of which I count myself as one, will also feel the change. Clients will increasingly look for 'business consultants' who have a sound understanding of outsourcing, rather than the outsourcing subject-matter-experts who have historically made up the advisory community. Clients will want to see how outsourcing works in the context of their wider business objectives, especially when it is likely to form just part of a more complex solution. This means success will come to those who have broad consulting experience first as well as being able to draw upon deep outsourcing knowledge. This may result in different sorts of advisory companies but also a whole lot more collaboration, particularly amongst the boutique organisations advising on sourcing, change management and technology.

It is my hope that all of these changes will lead to much more inventive sourcing solutions, and that the market will become more creative as a result of it. For example, as part of a large transformation program, the sourcing aspects should benefit from much more emphasis placed on the human change issues - far too often in the past these have been neglected in the pursuit of savings. Sourcing should also become much more embedded with the technology aspects, especially when one starts to consider some of the process automation solutions that are currently being developed. The solution approach can also be structured more creatively, using much more appropriate mixtures of in-house and outsourced services, rather than an all-out push to offshore as much as possible. Once the solution is considered holistically, it can be built around multiple layers of robotics, offshore services, nearshore services, shared service centres and in-house teams, with work being

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channelled to the the most appropriate resource based on priority, risk and cost. Crucially, technology can be embedded within the sourcing solution, and across all the layers, ensuring full control over the flow of work. And, because this is likely part of a wider transformation piece, the solution can be developed and enhanced over time - moving work further and further toward the lower cost layers.

This could be a real 'Reggie Perrin' moment for outsourcing: everyone assumes it is dead (last seen on a Dorset beach), but it actually lives on happily under the shadow of transformation programs and IT strategies bringing benefits to businesses without having to make a song and dance about it. Outsourcing will always have to demonstrate a strong business case, but it stands a much better chance of being able to do so if it is considered as part of that wider solution. It can even create the necessary savings to fund additional 'value-add' transformational activity, in effect being the catalyst for further benefits. Perhaps this should be seen as the rebirth, rather than the death, of outsourcing?



Author: Andrew Burgess



Andrew has been a management consultant for most of his 25-year career. He has worked on many major change projects, including strategic development, IT transformation and outsourcing, in a wide range of industries across four continents. As well as being an IT Director and CTO, Andrew has worked across a number of large legal departments, helping develop their legal sourcing and transformation strategies. He is regularly invited to speak at conferences and is co-author, with the London School of Economics, of *The Rise of Legal Services Outsourcing* (Bloomsbury). Andrew is an active Council member of the Global Sourcing Association (formerly the NOA). He is considered an authority on innovative and disruptive sourcing, including Robotic Process Automation, Artificial Intelligence and Impact Sourcing.

The *Reflections Briefing Series* is an ongoing series of key opinions and views on the ICT sourcing sector and related markets. These opinions are made available by Pivotal iQ Limited as part of its ongoing mission to redefine sourcing intelligence.