
Outsource? Well - why not?

As a support function head, you typically have a complex agenda to manage. You will have multiple business customers to support; you will want to demonstrate your ability to add value to individual business unit strategies; and you will want to show that you are continuously evolving and improving your internal execution capability.

Today's fast changing environments add another dimension to this challenge. As business strategies must respond to changes in the markets they serve, so your support capabilities must quickly follow.

Responsiveness demands an effective and efficient sourcing strategy. An increasingly tempting component of that strategy will be outsourcing, with the promise of lower cost, on-demand, relevant expertise. But how do you go about determining which areas of your operation would benefit most from this approach?

1. No Go Areas

Given the requirement to demonstrate value add to the business, and keep in tune with its strategic initiatives, it would be difficult to envisage you successfully outsourcing your commercial relationships.

Rather, you need to strengthen and nurture your business relationships and ensure that channels of communication are wide open, that your input is proactively sought, and your perspectives respected.

Proactively suggesting strategic solutions that help to move the business agenda forward will position you favourably in the eyes of your customers. As long as you are fulfilling your current commitments of course.

You should also ensure that senior management, both in the business and within your support organisation, are aligned behind a future vision, with a clearly articulated roadmap to get you there.

The capabilities that you require to execute the roadmap need to be identified, with an assessment of which capabilities are likely to add most value to your operation, and by association, that of the business.

Generally speaking, those capabilities considered to be highly valuable to the execution of the business model are not likely to be good candidates for external sourcing.

2. Likely Candidates

There are a number of scenarios in which external service provision may make sense.

You may be able to gain access to scale economies that are not possible given the extent of your internal operations. You should be aware however that you will become one of many clients and as such your leverage over the supplier becomes relative.

You may enjoy lower cost service provision, but responsiveness may suffer.

You may identify areas of specialist expertise that you require to execute your programme, the demand for which is one-off or unpredictable. External service providers can provide access to this specialist skill, but ensure that you are an important enough client to be able to procure the true experts when you need them.

You may also want to outsource activities that are routine or commodity, so as to concentrate your scarce resources on higher-value add activities. The danger here is that you outsource a commodity skill today that becomes a valuable skill tomorrow. Ensure that you have adequately considered alternative future scenarios before you make such a move.

Also recognise that outsourcing does carry a significant management overhead. Savings are by no means immediate; even after a successful evaluation and selection process, considerable time is required to educate the supplier about the specific business environment in which the service is to be delivered.

3. Making It Work

In order to drive true benefit from an external relationship, you need to have a solid understanding of the area to be outsourced. Where a poorly understood problem area is resourced away, the power lies squarely with the service provider and the likelihood of benefits being passed on is lessened.

Factor set-up costs into the case for sourcing. Often a resource-intensive exercise is required to clean your data, develop interfaces, and design processes and procedures so that the external provider can deliver an efficient service.

If these processes are not well constructed, the overhead in managing the provider will increase, with detrimental impacts on responsiveness. You should not expect benefits to flow immediately.