

*Smart Outsourcing*

# Outsourcing for Success

January 11, 2012

When properly planned and executed outsourcing can be a strategic tool for the organization and executives, offering flexibility, competitive advantage, predictable costs and the freedom to focus on core competencies.

*When an organization moves “processes” that it currently performs to an outside provider –  
IT IS OUTSOURCING*

# Smart Outsourcing

## 1. Why Outsource

*Outsourcing was pioneered by companies that were committed to reducing their costs and ever increasing payrolls*

Reasons for adopting Outsourcing



Examples:

Technology bubble

HR lagging

A/R stalling (cash flow)

Procurement skills

Others

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## 2. The Market

*Outsourcing is as old as organizations – vertical integration vs. outsourcing*

### **Types of Outsourcing:**

*ITO - Information Technology and mainly infrastructure*

*ADM - Application Development an Maintenance*

*BPO - Business Processes [ Back Office : Middle Office : Front Office ]*

*Finance & Accounting (F&A)  
Procurement  
Call Centre  
Legal Services*

*Supply Chain  
HR  
Medical Expertise  
etc.*

**Outsourcing Models :**      *Onshore    Nearshore    Offshore    Smartshore    White Label*

**BPO Market size :**                      *2002                                      2007                                      2011*  
*110b                                      173b                                      210b*

## **Smart Outsourcing**

### **3. Is Outsourcing for everyone?**

Current surveys of buyers (clients) and providers tell us important information:

**IT and BPO are strong markets into 2015**

**Why companies outsource :**

Reduce operational cost

More effective Operations

Gain access to business processes excellence

Proven mature offerings from provider

**Why are companies not achieving their intended objectives :**

Proper due diligence not done (trusted the provider )

Company did not invest enough in managing the relationship (management & governance)

Deal was focused on cost reduction (procurement driven)

*What should organizations do to significantly increase positive outcomes ?*

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## 4. How to do it right

### Outsourcing Engagement Lifecycle

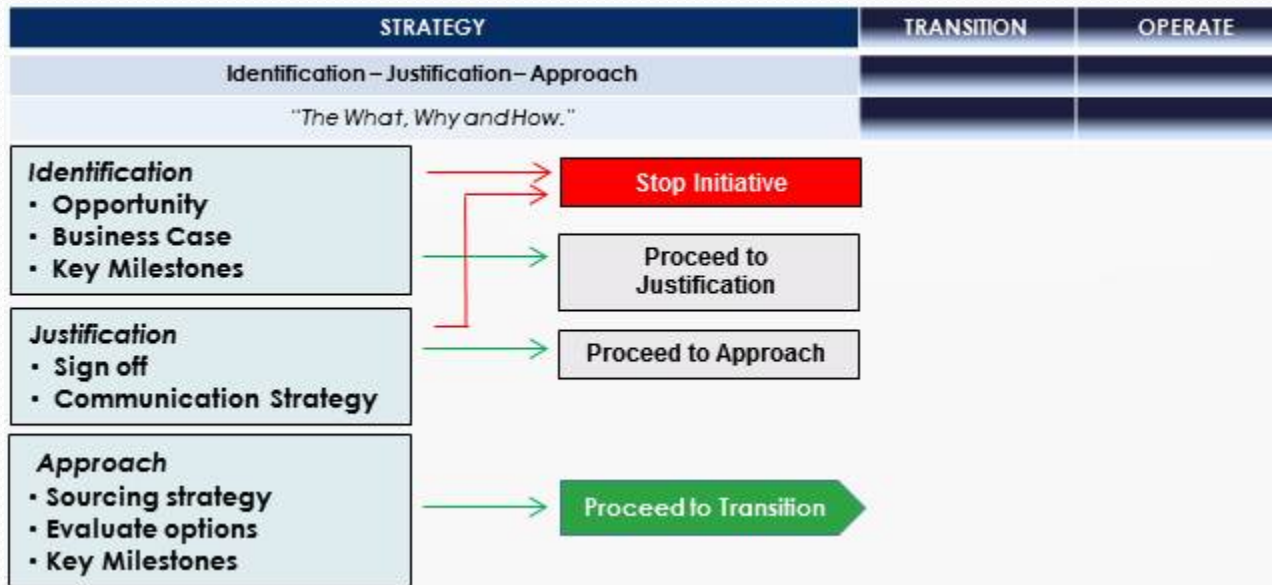
STRATEGY	TRANSITION	OPERATE
Identification – Justification – Sourcing	Selection – Contract – Transition	Operate – Maintain
<p>The opportunity and options are formally defined and rationalized</p> <ul style="list-style-type: none"> <li>• Executive Sponsorship</li> <li>• Business Objectives</li> <li>• Scope</li> <li>• Stakeholders</li> <li>• Business Case</li> <li>• Key Milestones</li> <li>• Timelines</li> <li>• Sourcing Strategy</li> <li>• Recommendation</li> </ul>	<p>The process of selection, contracting and transition planning are undertaken</p> <ul style="list-style-type: none"> <li>• Transition Strategy</li> <li>• RFI / RFP / SOWs</li> <li>• Selection Criteria</li> <li>• Due Diligence</li> <li>• Term Sheet</li> <li>• MSA / Schedules</li> <li>• Transition Services Plan</li> <li>• Contingency Plan</li> <li>• Communication Strategy &amp; Plan</li> </ul>	<p>The new steady state is fully operational, maintained and restructured as necessary</p> <ul style="list-style-type: none"> <li>• Operational Processes</li> <li>• Issue and Problem Management</li> <li>• Governance</li> <li>• Performance Reporting</li> <li>• OM&amp;G Structure</li> <li>• Lessons Learned</li> <li>• Engagement Assessments</li> <li>• Strategic Planning</li> <li>• Engagement Renewal</li> </ul>
<i>"The What, Why and How."</i>	<i>"The Who, Where and When."</i>	<i>"The Steady State and Sustainment."</i>
RISK MANAGEMENT		
CHANGE MANAGEMENT		

### Doing it right .....

- ✓ Reduces managed costs - predictability
- ✓ Increases transparency - performance metrics
- ✓ Increases effectiveness - processes
- ✓ Collaborative focus - beyond cost reduction

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## 5. The First Step



### Key Deliverables:

Assessment Team  
 Business Case  
 Procure Model(sourcing strategy)  
 Option/Scenarios Analysis

Business Objectives (drivers)  
 Scope Definition  
 Key Milestones  
 Risk Analysis

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## 6. About PERFORM

PERFORM focuses on delivering service excellence in Outsourcing Advisory and Program Management making use of our practitioners, in-depth domain knowledge and experience.

**Outsourcing Advisory Services (OAS)** is a series of structured programs designed to assist organizations in all aspects of the Outsourcing Engagement Lifecycle. Specific OAS Program offerings are:

**The Strategy - Transition - Governance For Success - Stay FIT - ReStructure**

**Program Management Services** is designed to assist organizations with effective program leadership and execution of strategic and complex initiatives.

### Client Testimonial

“PERFORM’s ideas and innovative approach combined with their unrelenting commitment were crucial in landing on our objective of a clear and concise win-win solution for both parties. “

Mark Rivette, President

Telus

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## 7. Tips for success

*Outsourcing can deliver significant benefits*

1. Make a business decision vs. just a cost reduction
2. Client drives the process – NOT the provider
3. Provider selection is critical
4. Contract for collaboration vs. controlling the provider
5. Get expert assistance

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## 8. Q & A



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