





**Next Generation Approaches – Why Smart Buyers
should Abandon the Traditional Approach to Sourcing**
Outsource World 17th April 2008



Traditional Drivers

- Operational cost savings
- Avoidance of capital expenditure
- Removal of distraction from core business focus



Traditional Sourcing Approach

- Define requirements (usually in terms of the present/past – i.e. ‘As is’)
- Publish these and look for qualified organisations to deliver (RFI – PQQ)
- Invite qualified organisations to bid against requirements (RFP – ITT)
- Select short list of 2 or 3 – undertake more detailed presentations and negotiations
- Negotiate an SLA and Contract
- Transition work

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BPO Market is now maturing:

- More players
- Providers are more selective
- New commercial models are emerging
- More focus on ‘should be’ processes
- Increased sophistication of pricing models and performance management methods
- Multi-source deals requiring provider collaboration
- Multi-shore deals requiring sophisticated coordination
- Balance between economic and cultural factors

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New Drivers

- Improved service quality
- Flexibility
- Compliance

- Operational cost savings
- Avoidance of capital expenditure
- Removal of distraction from core business focus

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Risk, Value and Resource Profile

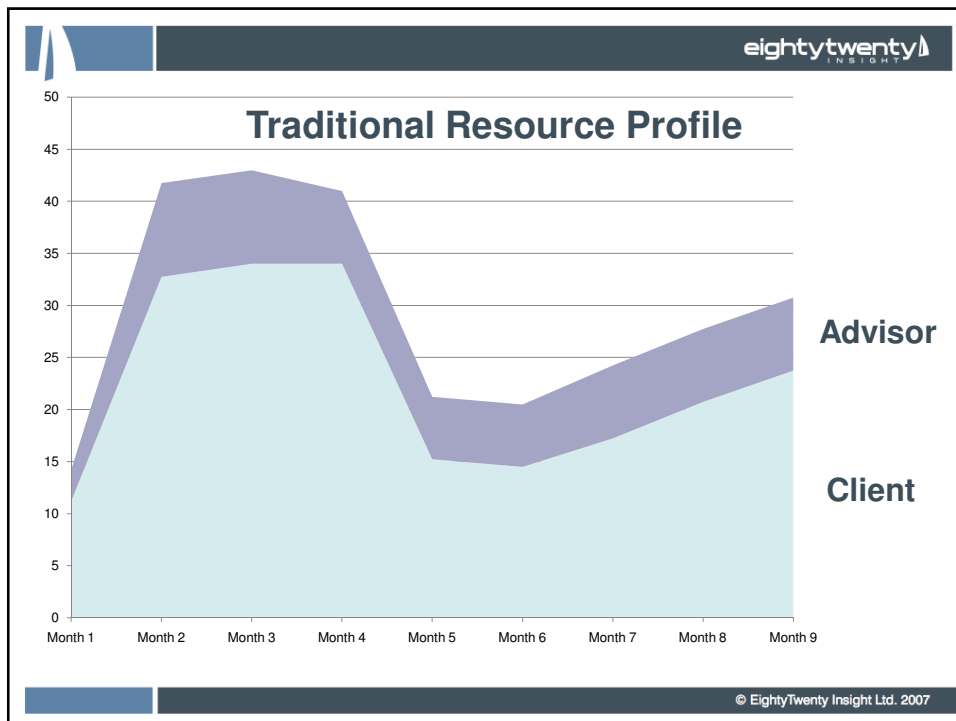
Prepare	Create	Implement	Transition	Transform	Perform
Risk and Value Defined		Risk and Value Validated		Risk Managed	
Small Project footprint		Large Project footprint		Value Realised	



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- Planning is critical to control of risk – even when there is pressure to move quickly. The overall elapsed time won't be increased by spending more time on strategy.
- A robust business case addressing all the drivers is key. This must be continually updated during the process.
- All stakeholders must be engaged from the outset.
- 'Legislate for success' – spend more time on how relationships should develop and performance management will be optimised – less on penalty regimes and 'step in' rights.

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- The business case will define the value expectations from the initiative – but these will not deliver themselves.
- It's easy to write 'Services will be rationalised, processes transformed and technology optimised'. Achieving it is a another thing.
- Change Management aspects are harder still. Why will the workforce support the change?
- A sourcing strategy must contain a realistic analysis of how value will be realised and how the client can influence this.

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Evolution of sourcing advice:

- ✓ Strategy-led: starting with the future in mind.
- ✓ Expert-driven: lean, fast and focused on what is critical to success.
- ✓ Methodology-enabled: but not prescriptive.
- ✓ Enabling & empowering: by transferring knowledge, skills, tools & methods.