

Developing your Outsourcing Strategy

The *Inside Outsource Consulting* strategy engagement is a simple 5-step process that builds a sourcing strategy to match a business' skills, needs, and aspirations.

The approach is highly collaborative. Using face-to-face interviews with various stakeholders and leaders across the enterprise, this method teases the answer from the people who already know it. It sets a strategy that will be **understood and adopted** by the people who have to implement it.

The final deliverable – a concise analysis of prioritized outsourcing targets and strategy, becomes the enterprise's outsourcing blueprint.

Step 1: Define work in terms of business services

Engineering and IT teams too often focus on the technical nature of the work they do. They fail to see their work as a business function, and fail to see it as an investment made by the business. However, in order to make informed decisions about insourcing versus outsourcing, the business value of any technology function needs to be understood and documented. In this step, technical tasks are cataloged and described as services provided to the business by the technical staff.

Step 2: Estimate the costs of these services

Following this definition of business services, a rough cost estimate is made for each service. This enables prioritization in selection of potential outsourcing target areas, with obvious preference going to areas that offer significant opportunity for self-funding through cost reduction.

Step 3: Analyze the skills in the organization

Skill match is critical in setting the priority and strategy for each service. This is achieved through interviews, asking a few simple questions:

- Is the organization good at a service or function? If not, can the organization afford to *get* good at a service or function?
- Does the organization *want* to be good at a service or function?
- Does the organization have, or can it develop, enough raw capacity to deliver to expectation?

Step 4: Place services in a matrix

A 2 X 2 matrix, plotting *Core versus Context* and *Mission-Critical versus Non-Mission-Critical* is used to help contextualize each business service. This is determined through two simple questions:

- Does the service provide or contribute to sustained competitive advantage in the eyes of your customer base? If so, it's core. If not, it's context.
- Would cessation of the service result in unbearable negative business impact? If so, it's mission-critical. If not, it's non-mission-critical.

Step 5: Determination and Delivery of Strategy

The goal of this exercise is to produce strategy that is intuitively self evident, and that will be accepted and embraced by the enterprise's retained staff.

To facilitate this, inputs are displayed in a multi-dimensional format. Areas of high priority will be apparent, and strategy will be proposed accordingly. The strategy will of course vary by enterprise, service, prioritization, and skill match.

A few hypothetical examples follow below. The matrix places these technical business services in their appropriate core/context quadrant. Relative cost is indicated by surface area, and skill match is indicated by color. In this example, new feature development is protected, and cost savings from contextual services can be reinvested to augment services that this enterprise's customers view as differentiated. This summary sets high-level tone, and a detailed implementation strategy can be developed for each suggested approach, in order of priority.

