

## Chapter 15: Outsourcing Flavours

There are now so many diverse flavours of outsourcing it really is becoming a moveable feast. Chapter 9 described the different ownership models often used in outsourcing arrangements. Sometimes a company chooses to partner with a local firm in India to outsource the processes and sometimes they look to set up their own facility in India, but regardless of whether a partner is involved there are different methods of delivering the service from India.

The most common forms of outsourcing to India are related to information technology or Business Process Outsourcing (BPO). Software developers, infrastructure engineers or technical support teams can provide a service from India in much the same way as a local team, provided a standard process is in place to manage the relationship between sites.

BPO is the trailblazing practice of working with a Business Service Provider in India, so an entire service can be outsourced. This is the form of outsourcing that is most frequently featured in the media - in a positive and negative light - as it often involves complete services such as contact centres or back-office administration. Research specialists The Yankee Group predict that the value of the BPO market in Europe alone will have doubled to \$120bn by 2007.<sup>1</sup>

BPO has spawned a number of other three-letter acronyms, based on higher-value BPO services needing a way to distinguish themselves from regular BPO - which is often assumed to mean contact centre or data entry work. Research company Evalueserve launched the acronym KPO to describe Knowledge Process Outsourcing, a term describing high-value BPO and I have also seen the more explicit RPO used, where the R stands for Research. BPO remains the standard term for business processes, but you can expect more acronyms to join the fray.

IT services and BPO are the most common forms of offshore services delivered from India. To consider how you need to deliver your own outsourced service, first you need to consider the process itself.

### Process Requirements

If you have read Chapter 9 then you will have already performed the following research:

1. Map the services: Break out the different services into a list of what is performed and where.

2. Establish the criteria: Identify the short and long term rationale for outsourcing and also the barriers that may prevent it.
3. Apply each criterion: Map the reasons for outsourcing against each service that you want to move offshore, one reason at a time.
4. Aggregate the results: Produce a map that shows all the services and criteria or blockers mapped in a grid.
5. Determine priorities and service bundles: Organise the information so outsourcing phases can be created by bundling easy, medium and hard services - discarding the possibility of outsourcing any blocked service.

So there should be a list of your company processes, bundled into groups by service or priority with a clear distinction between what can and cannot be outsourced.

Taking these steps protects you from outsourcing the wrong process. By listing every service with its required criteria and blockers, it becomes possible to remove tasks that are considered as core competencies or those that offer some advantage over the competition.

Those tasks that remain can be prioritised by the potential ease of transfer, so the easiest tasks start moving offshore first. Creating this map of tasks, priorities, blockers and potential transition phases is an essential prerequisite to consideration of the appropriate outsourcing strategy.

These are the most basic high-level strategic choices:

- Tactical Outsourcing
- Strategic Outsourcing
- Transformational Outsourcing

## **Tactical Outsourcing**

This is the practice of outsourcing a very specific problem or task. It is usually applied where in-house resources cannot immediately deliver what is required and can be mixed with in-house services creating a blend of in-house and outsourced services. As such, it can be viewed as a short-term approach though the effects are immediate.

Commenting on tactical outsourcing, Elizabeth Sparrow, author of *Successful IT Outsourcing* said: "In recent years many companies have adopted tactical outsourcing solutions to contract out the development of web sites and services, using small innovative companies to gain rapid access to new technical skills."<sup>2</sup>

At the opposite end of the innovation scale to new web sites is the maintenance of legacy technology systems. For many software developers, programming languages such as COBOL are archaic relics from a bygone age. However, there are systems across the world still using this legacy technology. Even where an organi-