

# Getting Outsourcing Right

It's evolving from a pure cost play to a strategic management tool. **BY BILL GREEN**

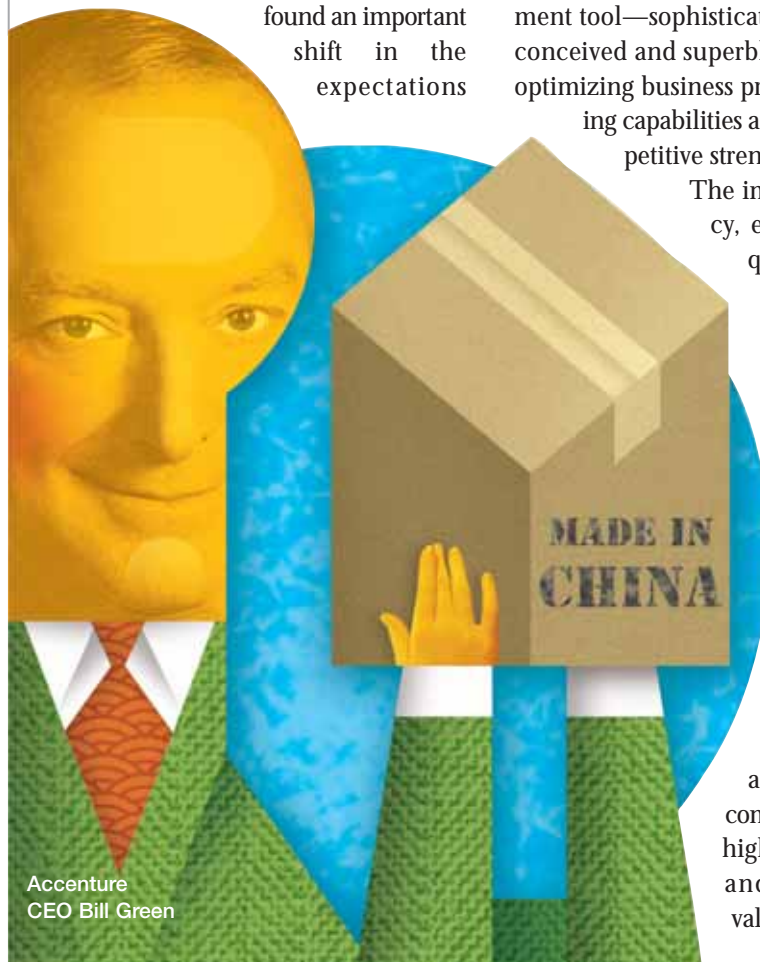
In a recent Accenture global survey of leading companies that are experienced at outsourcing, virtually 100 percent of respondents told us that while cost reduction remains an important driver, by the third year of a typical multiyear outsourcing arrangement, they had also explicitly linked business objectives and business outcome targets to their programs.

We surveyed nearly 600 companies across five industries and found an important shift in the expectations

companies have for outsourcing. Clearly, the traditional role of outsourcing—as a narrowly focused exercise in cost control and labor arbitrage—is not adequate to the task of achieving the kind of broad business outcomes that customers expect. Among them: increased profitability (the most frequently cited measure), improved management focus, speed to market, increased revenue, and increased customer loyalty. Outsourcing is evolving from a pure cost play into a strategic management tool—sophisticated, thoughtfully conceived and superbly executed—for optimizing business processes, expanding capabilities and building competitive strength.

The improved efficiency, effectiveness and quality of business processes achieved through strategic use of outsourcing have a dramatically bigger payoff than the benefits that were at the core of early outsourcing efforts. Now they can transform processes and even entire companies to achieve higher performance and create higher value.

Based on our re-



Accenture  
CEO Bill Green

search, ongoing dialogue with clients, partners and others in the marketplace, and 15 years of partnering with companies to achieve their outsourcing objectives, Accenture has identified factors that are redefining the traditional outsourcing model:

► Successful outsourcing will be defined and driven by broad business outcomes aimed at improving performance, building strategic capability and similarly targeted goals. Companies with outsourcing experience emphasize that these goals should be precisely defined and built into the arrangement at the outset.

► Outsourcing will have a clear, forward-looking bias. Like someone driving a car by looking in the rearview mirror, too many out-

and above all stable fashion. A shared services approach, with its factory-like economies of scale, reduced cycle time, lower dependence on people and other advantages, is part of the answer in that it addresses the efficiency, reliability and cost-effective parts of outsourcing. But strategic outsourcing's focus on operational excellence also requires rigorous quality control, which is why Six Sigma, "lean" techniques and other tools to reduce errors and defects and eliminate waste are essential components. Speed plus accuracy, in other words, equals superior execution.

This outcome-driven, process-oriented model is also remarkably flexible and adaptable. Lean, efficient and "product-ized," each stan-

## The bigger your outsourcing vision, the more satisfying the results that can be achieved.

sourcing deals are still structured based on past experience. Outsourcing can only be considered strategic if it is mindful of the future and includes what-if scenarios. We have also found it is critical that both parties enter an outsourcing arrangement as partners with a shared view of the relationship and a readiness to be flexible should business conditions change in the future (which they inevitably do!). Our research bears this out: Survey respondents tell us that when they select partners, only provider expertise is more important to them than flexibility (and by only a small margin), more important, in fact, than price.

► The emerging approach is process-oriented. Companies will identify key business outputs they expect from business processes such as finance and accounting, human resources and procurement. The responsibility of the outsourcing partner will be to deliver leaner, faster, more robust processes, cost-effectively, through both process design and improvement.

Customers tell us they must have process excellence delivered in a repeatable, predictable

standard service offering delivered through this approach can easily be customized as needed. And it is nimble enough to respond quickly to changing business conditions and evolving customer needs or to take advantage of new technologies that could further boost process excellence.

The inherent adaptability of this strategic outsourcing model is also enabled by a particular approach to performance measurement. By building a predictive indicator into the model, based on leading indicators, and measuring current performance rather than focusing on past performance, parties can anticipate issues and problems and make adjustments along the way, ensuring continuous process improvement.

Controlling and reducing costs will remain an important outsourcing objective. But only an outsourcing model that balances cost reduction with operational excellence can be called truly strategic. Bottom line: The bigger your outsourcing vision, the more satisfying the results that can be achieved. ▲

### BEST PRACTICES

## Outsourcing and High-Performance Business

Accenture's Bill Green believes that outsourcing, done well, enhances a company's ability to be a high-performance business in these ways:

► **It strengthens a company's market focus and position** by making it possible to compete through a differentiated organization design.

► **It plays a role in forming distinctive capabilities**—the unique set of processes tied to customer value that drive business success.

► **It helps achieve simplification**, serving to offload activities that can distract companies.

► **It can help create a high-performance anatomy**—a set of essential skills that a company must have to successfully execute its strategy. By changing how resources, people and processes are managed, outsourcing enables companies to multiply the value of their talent and people.