

Outsourcing: A whirlwind of complexity and cost?



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William Heath Robinson, Rube Goldberg, Caractacus Potts - all gifted with the ability to partly solve a relatively simple problem with an excessively complex solution. Perhaps they should all come and work in outsourcing...

Controversial maybe, but invariably, the majority of problems associated with modern outsourcing stem from deals being unnecessarily complicated. I say this as a 20 year veteran of outsourcing - as client, supplier and consultant. I'm not an academic and don't have reams of empirical data - but I do have numerous battle scars that reinforce my perspective that the benefits of simplicity and clarity are all too often overlooked.

That said, few would argue that outsourcing is simple, me included. However, whilst many areas of modern business rightly focus on removing the extraneous, outsourcing often adopts a contrary position, as every conceivable eventuality seems to be considered, discussed, documented and contracted for.

Consider this. A tourbillon (French for whirlwind) is an exceptionally complex addition to a mechanical watch, with a sole purpose of negating the effects of gravity. Although a fantastic demonstration of the watchmaker's art, it has little impact on accuracy and, paradoxically, makes the watch less resilient, more complex to maintain and of course, much more expensive. One can buy a new Porsche for less than the price of the cheapest steel tourbillon watch. Put simply, complexity doesn't come cheap...

Although complexity invariably generates cost, it doesn't necessarily create a corresponding increase in business value. So, what can be done to improve this situation? How can simplicity be used to transform outsourcing and deliver real business benefit?

Make simplicity and clarity cornerstones of your outsourcing strategy

I've suffered numerous outsourcing strategy presentations and most were good for little except generating high scores at Buzzword Bingo. The audience left clear in the knowledge that 'paradigms will be shifted' or that 'envelopes will be pushed' but had little idea of what the organisation was trying to achieve.

- **Keep it simple - and business focused.** Make sure you truly understand what business outcomes you are trying to achieve. Don't develop strategy without thoroughly understanding what your customers really need and want.
- **Ask 'is this essential'?** Understand the difference between a 'must' and a 'want'. The line between the imperative and the 'nice to have' is often blurred and outsourcing deals often mushroom to encompass every eventuality. One Swiss Army knife has 85 tools - theoretically perfect for all situations - but it is of course unusable, being the size of a paperback book and weighing over a kilo...
- **Get solid, visible, executive sponsorship.** Ensure that 'musts' and 'wants' are clearly defined, understood, communicated and most importantly, bought into and supported at the highest level. Without solid executive support, outsourcing projects will fail to realise their full potential.
- **Simplify the question you want answered.** Develop a short 'elevator pitch' for your strategy that clearly summarises it and the question that the initiative is aiming to answer. If all parties thoroughly understand it, the resulting answers (e.g. the proposed solutions) are more likely to deliver long term, realisable benefit that meets the business needs.

Simplify market engagement: lose the RFP!

Traditional RFP's are remarkably ineffective at helping organisations address their challenges. Whilst good at generating excess documentation, the RFP is often little more than a consolidation of unclear thinking, poorly understood and badly defined requirements and patchy data.

- **Engage early and get access to the supplier big brains.** Engaging early and sharing your vision with the supplier 'big brains' is invaluable. They are likely to have wider, deeper knowledge about the specific topic than you and may have a perspective that you may have not considered. Testing your vision with a potential supplier, even if it results in you going back to the drawing board, is much better done before spending months developing an RFP.
- **Painting by numbers rarely generates masterpieces.** Once your strategy is clear, sponsored and supported with robust data, engage the market in a manner that gives suppliers latitude to develop solutions as they see fit. A standard box ticking RFP will generate standardised responses and will do little to promote innovation. Communicate to suppliers what you are trying to achieve, give them 'canvas and paint' - but don't turn your market engagement exercise into 'painting by numbers'.
- **Ditch the administrivia.** Organisations rarely comprehend the effort (and cost) to respond to an RFP, with suppliers being asked logical but irrelevant questions in order to ensure they are 'compliant'. Unfortunately, this diverts valuable resources away from developing the solution. Don't ask unnecessary or irrelevant questions - do your homework and make sure every question you want answered has a point.

Simplify your contract: it's a management tool, not a weapon

'Clarity trumps everything. Brevity is a close second' is a favourite quote of mine from one of London's most respected outsourcing lawyers.

Unclear requirements inevitably catalyse excessively detailed, poorly defined contracts. Mind numbing detail coupled with lack of clarity at the outset leads to significant ambiguity which results in the contract being of questionable value and an inhibitor to good service. The contract becomes a blunt tool of trauma and offers little assistance to either party.

- **Get legal advice early.** Whilst I don't advocate hiring teams of lawyers on Day 1, light touch, early legal engagement during the strategy development phase can prove highly effective. Late engagement often results in significant rework and contracts that whilst legal, are overly complex and ineffective at supporting long term benefit realisation.
- **Immerse the BAU teams into contract development.** Blindingly obvious perhaps - but it's commonplace for contracts to be drafted by consultants and lawyers and then handed to the BAU team after signature. Building a collaborative, immersive environment where there is 'no such thing as a stupid question' is much more likely to result in a contract that is appropriate, meets the business needs and can be managed effectively.
- **Treat the contract like a machine.** Fewer components that are better engineered will deliver significant benefits in terms of cost, risk and quality. Constantly striving to remove complexity is imperative and should be coupled with drafting that is simple, clear and well understood. As Alan Perlis put it 'Fools ignore complexity; pragmatists suffer it; experts avoid it; geniuses remove it.'

Governance needn't be like Government

All parties benefit from simplifying and de-cluttering how the relationship is governed.

As a colleague recently put it, 'Getting to contract is easy - it's the bit after signature that's difficult'.

- **Simplify governance and ensure the right people are involved.** Don't let the governance schedule become a last minute 'cut and paste' activity - one size doesn't fit all. Develop a pragmatic structure and schedule and aim to keep the structure as flat as realistically possible. Having few management layers, populated with the appropriate members of the team from all parties, promotes effective communication, escalation and decision making.
- **Promote collaboration and treat the contract as if 'for life'.** Working collaboratively and integrating client and supplier teams, from C-Suite to shop floor, generates real benefits. Even if the contract term is comparatively short, treating it as if it was 'for life' is highly beneficial to both parties.
- **Don't build a NASA dashboard.** Regardless of the size, structure and scope of the deal, if your management reporting looks like Mission Control, you have a problem (Houston...) I've experienced weekly dashboard presentations in excess of 150 slides, yet the supplier was unable to explain how it was relevant to the client's business.

Keep reporting simple, appropriate to the audience and relevant to the agreed strategy.

- **Continually measure the expected benefits against the actual.** Benefits Management is often done badly or even worse, completely ignored. I have experienced many relationships where neither supplier nor client could summarise how effective the deal was at realising the original benefits as stated in the business case. Agree simple, robust measures and keep measuring!

Hopefully, my points will resonate, in showing that outsourcing often becomes excessively complex, costly and challenging when either side loses focus on the fundamentals of what the deal is trying to achieve or fails to keep things clear and simple.

My final words of wisdom? Search the internet for 'Rube Goldberg Self Operating Napkin'. If you chuckle, great! If, however, it reminds you of some of your sourcing arrangements, perhaps it's time to think about simplifying...