

---

## Preface

This book is for business leaders and managers from both the user and vendor communities who make or implement strategic sourcing decisions. If you lead outsourcing programmes or teams working on outsourcing, or seek to change a function or process through the use of outsourcing, have the power and authority to make decisions, or just feel strongly about the direction of your organisation or outsourcing programme, this book is for you.

This book bridges academic research and draws on practitioner experience to provide a detailed understanding of how an organisation's value chain can be re-configured in order to create a more effective organisation using strategic outsourcing.

Globalisation and in particular convergence are forces affecting most organisations and requires a strategic response by organisations in developed countries. To meet these challenges, business leaders have turned to outsourcing and offshoring as a tool to transform their organisational structures.

However, strategic outsourcing and offshoring represent significant changes to business models, and have led to success and failure for many organisations.

This book provides a roadmap to successful implementation of strategic outsourcing programmes, providing down to earth approaches to outsourcing decision making and implementation, based on a grass roots understanding.

Outsourcing is not new; many organisations have used outsourcing successfully to bring about cost reduction, introduce flexibility or access specialist resources. However, not many have managed to use outsourcing in a strategic context. The book examines how strategic outsourcing can help transform organisational business models, structures and mindsets.

Outsourcing can be a very risky strategy, if not managed adequately. Historically the success rate has not been encouraging, with only 40–60% of initiatives being deemed successful. Failure of the outsourcing programme not only affects those processes or functions being transitioned, but also those interdependent elements, touched by or associated with such activities. The failure of such a programme can have longer term consequences for the competitive advantage of the firm and its reputation in the market.

Managing these risks, whilst ensuring the rewards sought from outsourcing are delivered, requires a combination of strong legal contracts and a relationship with the service provider based on high levels of trust. It also requires the organisation to thoroughly understand its own capabilities to manage outsourcing and the impact this may have on its longer term strategy.

This book takes the reader on a journey through its 15 chapters: from understanding the drivers for change as a result of globalisation and convergence and their impact on organisational strategies; to examining how outsourcing can transform the various processes and functions of an organisation; to the impact outsourcing is having on various industry vertical sectors.

The book then examines the role of the three “R’s” – Risks, Rewards and Relationships, in understanding the scope for the use of, and management of strategic outsourcing.

A whole chapter is then focused on the outsourcing decision making process, for this is the most important management activity in developing and subsequently managing a programme which delivers. Having understood the decision making process for strategic outsourcing, the focus turns to transition management and governance, and how, what is the most difficult phase of an outsourcing programme, can be managed smoothly.

At this point, insights drawn from academic research are provided to complement the practitioner experience. Through these insights, the book proceeds to explain how risks can be minimised through a combination of formal controls and informal relational exchanges. The whole concept of relational governance is explored in detail with two case studies providing insights into the client and vendor perspective.

A chapter is dedicated to the review of offshore destinations, detailing criteria for the evaluation of destinations and analysing the relative merits of outsourcing within more than 35 countries across Asia, Americas, Europe and MENA.

The issue of managing culture, especially when dealing with offshore destinations is then considered, with insights into how cultural differences manifest themselves within the relationship and how these can be managed.

The concluding chapter details the eight foundations of successful strategic outsourcing implementation, which when combined with strategic decision making knowledge, guarantees that organisations embarking on the strategic outsourcing journey will derive the transformational benefits they seek.

Each chapter includes an abstract at the beginning and a take-away at the end of the chapter, which serve as useful reference checklists for practitioners.

I want you to stop thinking of outsourcing as a tactical tool, but recognise that it is a business system that will be increasingly important in the future, in transforming the organisational monoliths that we see today into the agile market leaders of the future. Strategic outsourcing will become an indispensable business model for progressive business leaders. This book will show you why and how.

Strategic Outsourcing

The Alchemy to Business Transformation in a Globally  
Converged World

Vagadia, B.

2012, XXIV, 228 p., Hardcover

ISBN: 978-3-642-22208-5