# Managing Outsourced Relationships

...an in-source approach?

CIO-Dialogue 8

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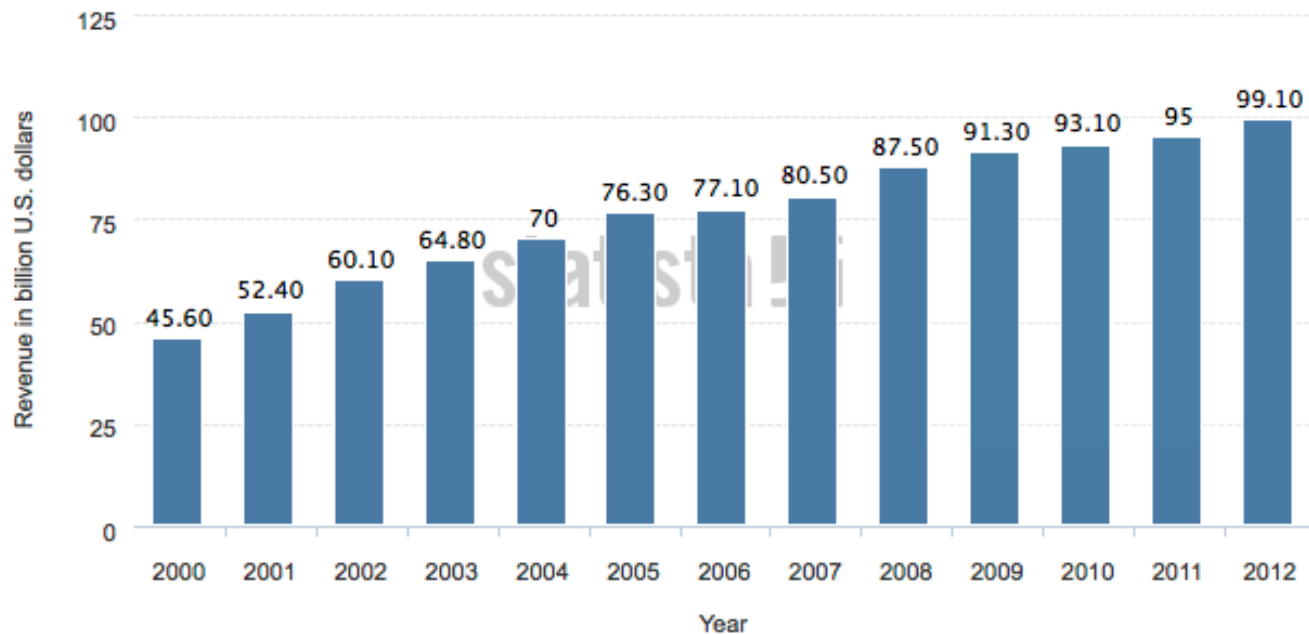Business and Technology Management consultant

# Big Business

**Global market size of outsourced services\* from 2000 to 2012 (in billion U.S. dollars)**



Worldwide; TPI; 2000 to 2012

Source: Information Services Group; TPI

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# $ Stats

- India
  - 2012 - $11 billion (work for 2,800,000 people)

- Philippines
  - 46% annual growth since 2006
  - 2013 - $16 billion (work for 925,000)
  - 2016 - $25 billion (work for 1,300,000)

- Romania
  - 2006 - $4.8 billion (work for 64,000)
  - 2011 - $12.6 billion (work for 119,000)

?



Everybody is outsourcing…

but,

how does it work for you?

# Typical Concerns

- Our IT outsourcing is a mess!

- We are not getting the service we need.

- No one is managing the vendor.

- We are too slow to market.

- Costs are way out of control.

- What quality...?

- We have lost our sovereignty!

# Case Study:

## Out-sourcing with an In-sourcing Approach

### The Collinson Group

↳ Collinson Technology Services as an in-sourced Technology Service Provider

↳ Freshbyte as an outsourced (near-shore) Technology Service Delivery Partner

www.freshbyteinc.com

# Case Study: The Collinson Group Background

Group consists of 4 Global Divisions

- Priority Travel Group
- Marketing Agencies: ICLP, Cogent Analytics, Vivid Lime, Chase Response, Aero24, Partnership Marketing Agency
- Collinson Insurance Group
- Collinson Latitude

Delivering Products and Service...

- In...
  - Travel Enhancements
  - Marketing
  - Insurance
  - Technology
- To...
  - 28 locations
  - 20 countries
  - 760 clients in 150 countries
  - +20 million end customers

# Case Study: Challenge

## Improve global Technology Service Delivery without affecting the Group's culture.

An entrepreneurial culture and rapid business growth has lead to business silos within the Group, contributing to:

- Fragmented Technology & Product Strategies
- Lack of clear Technology Ownership
- Duplication
- "Reinvention of the Wheel" across Business Units
- Inefficient use of resources
- Conflicting Direction, Products, Services, Sales
- Various Tech Stacks & Standards
- High Cost – Questions of true ROI
- Low Leverage on Technology Products

# Case Study: Solution

## Collinson Technology Services as an In-Source Service Provider

### Vision

- Technology Centralisation:
  - Product Development
  - IT Infrastructure Services
  - Product Deployment
  - Product Support
  - Resource Management
  - Governance

- Focus Technology on Customer Service

- Reduce the Technology TCO

- Utilise flexible resourcing models to optimise:
  - TTM
  - 24x7 Service Delivery
  - Product Development, Deployment, Support Life-cylce

# Case Study: Solution
## A Technology Services Provider
## ...in the making...

## Approach

- Service Catalogue

- Monetise Services

- Services → Disciplines

- Disciplines → Roles

- Roles → People

- Disciplines → Departments

- Departments → Business Units (Clients)

- Business Unit Integration

- Central Governance – Direction, Management, PMO & Architecture

# Case Study: Outcome
## Collinson Technology Services: Insourced SP
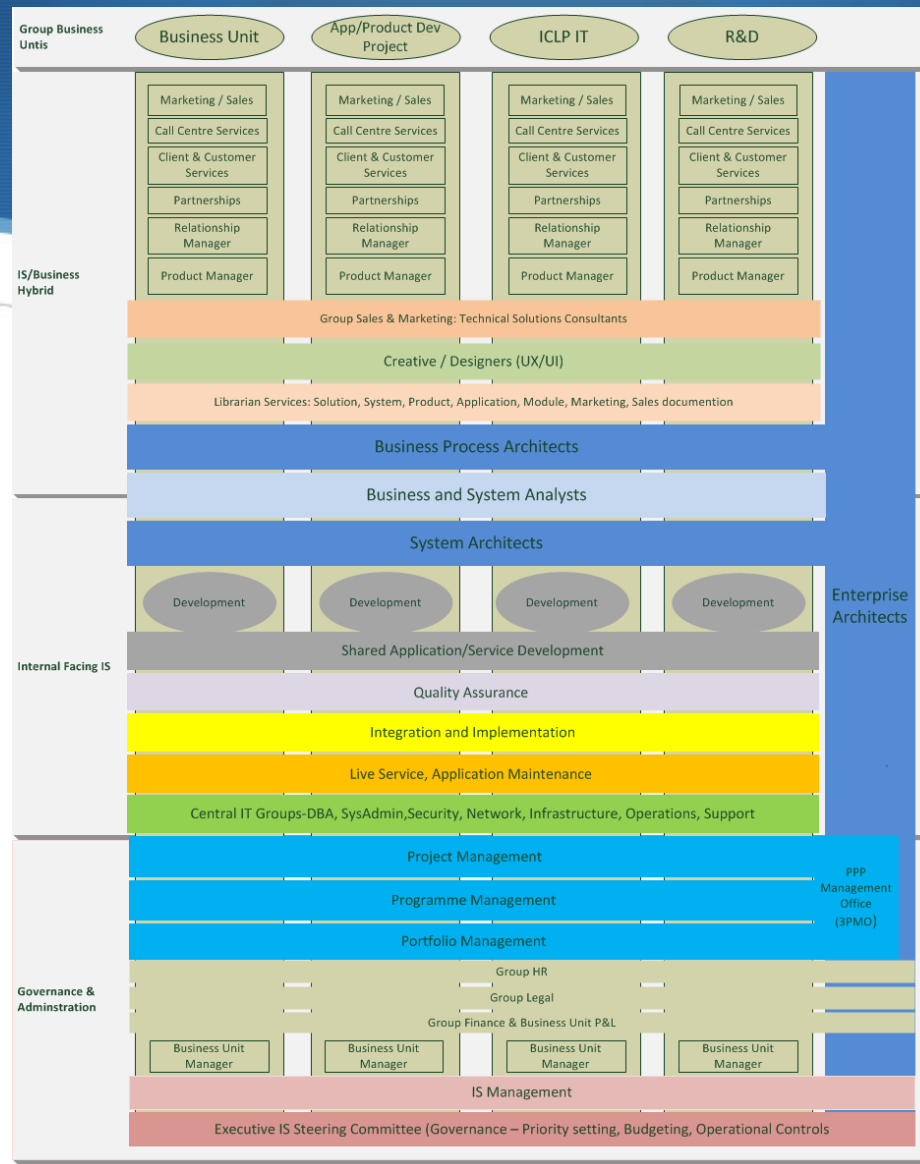
# Case Study: Results

## CTS' SOA as Out-Sourcing Model

- CTS is the Technology Outsource Partner for all Group Business Units

- CTS' SOA as Outsourcing model for Technology Outsourcing partners

- Business is focused on Technology Service value delivery

- Technology is part of the business, not working for the business

- Service Needs + Catalogued Cost = Improved ROI & Value perception

- 35% reduction of TCO in the first financial year

- Recovering 40% more of Technology CTC

- Increase Technology Rev/ Head by 24%

# Choosing a Outsource Partner

## ...like choosing a life partner – for your technology business...?

- ...too dramatic – I do not think so! Choose carefully...

- As the technology leader, you must get it right.

   It is your business,

      your career,

         your credibility,

            your reputation

               – so you decide?

# Keys to Outsourcing Success

◊ **Understand the Liabilities**

   ◊ As outsourcer, understand that the vendor delivers under your banner, credibility, reputation

   ◊ As vendor understand and respect the client's reputation as highest priority

◊ **Manage the RISKS**

   ◊ Collaborative RAID log

# Keys to Outsourcing Success

- **You cannot outsource a mess**
  - Get your own house in order
  - Define a clear Business and Operations model
  - Be clear on Vision, Mission, Direction, Objectives, Targets, Priorities
  - Set standards
  - Define Policies and Procedures

# Keys to Outsourcing Success

- **Understand the businesses**
  - Be part of your client's business, not just a provider
  - Be part of the vendors business, not just a client
  - Make everyone in your team <u>mutually</u> Commercial Aware

- **Mutual effort for mutual benefit**
  - Operative word is "Partners"
  - **VALUE the relationship**

# Keys to Outsourcing Success

- **Buy-in**
  - All company's leaders must buy into the decision to out-source
  - Change management
  - Sell, sell, sell – to your team first

- **Continuous Communication**

- **Relationships of TRUST**

- **Build Credibility**
  - The proof is in the **Delivery!**
  - Stakeholders (Client and Businesses)

# Keys to Outsourcing Success

♦ **Consider culture**
- ♦ Effective communication?
- ♦ Getting along with your people?
- ♦ Integration with business and staff?
- ♦ Work ethic?

# Keys to Outsourcing Success

- **Consider Geographical, Socio-, Legislative- and other constraints**
  - Time differences
  - Infrastructure
  - Government
  - Economy
  - Political Stability
  - Data Protection
  - Security
  - Weather

# Keys to Outsourcing Success

- **Core vs Commodity**
  - Define and protect your true IP

- **Clear service definitions and catalogue**
  - Services, Service Levels
  - Staffing, Priorities
  - Purchasing

- **Manage with Control**
  - Do NOT handover the IT reigns
  - Contract & SLA → very important but is just the beginn
  - Manage the Vendor as part of the team
  - Ensure the Vendor aligns with your business

# Case Study: Freshbyte
## as Outsource Partner

Applying the model

- Trusted Relationships – start small

- Similar mentality and culture to UK and Europe

- High work Quality and Velocity

- Only 2h time zone difference

- Agile & Waterfall methodology

- Highly skilled resources

**freshbyte**

# Case Study: Freshbyte as Outsource Partner

## Applying the model

- Proficient English communication

- Dedicated work ethic – long hours and weekend work as required

- Expertise in multiple tech stacks: PHP (Drupal, Magento, Symfony 2, Zend), .NET, UI, JS MVC

- Dedicated Quality Assurance and Software Testing team (Automation – Selenium, Ruby; Continuous Integration – Jenkins)

- High staff retention rate

# Case Study: Freshbyte
## as Outsource Partner
### Cluj-Napoca, Romania

- ◈ Romania is the leader in Europe, and sixth in the world, in terms of the number of certified IT specialists

- ◈ Placed amongst the 31 best IT investment destination – KPMG study

- ◈ Two Computer Science Universities – 500 graduates each year

- ◈ Part of EU

- ◈ Daily direct flight from London

**fb freshbyte**

# Case Study: Freshbyte
## as Outsource Partner
### Cluj-Napoca, Romania

- 8000 people working in IT

- Global Companies – HP, BetFair, Oracle, Nokia, Garmin, Aegon, IBM

- International IT investment: Germany (30%), UK (22%), USA (15%)

- Since the year 1994 the IT market has demonstrated growth rates of 40–60 percent per year

- Rates are 37% of a resource in the USA

# 10 Steps to Successfully Managing Outsourcing Relationships

## To Summarise...

1. Understand Liability and Risk

2. Get your own house in order first

3. Devine a business and operations model

4. Ensure buy-in, sell, sell, sell

5. Choose wisely

6. Build trusted relationships

7. Remember - mutual business integration & benefit

8. Manage decisively

9. Communicate clearly & continuously

10. Build credibility though Action & Delivery

# Useful links

- https://www.sourcingline.com/book/outsourcing-locations

- www.freshbyteinc.com & www.thecollinsongroup.com

- 18Cs of Successful Outsourcing Model
  - http://ishizaka.myweb.port.ac.uk/Paper-outsourcing_Final.pdf

# Questions?

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