

Outsourcing

“From the Inside Looking Out”

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AGENDA

To Outsource, or Not to Outsource

The Outsourcing Process

Transitioning to an Outsourced Model

What is outsourcing ?

Dictionary –

“to purchase goods or subcontract services from an outside supplier or source.”

Wikipedia –

“the contracting out of a business function - commonly one previously performed in-house - to an external provider.”

Types of Outsourcing

- Call Centre Outsourcing
- BPO (Business Process Outsourcing)
- FPO (Finance Process Outsourcing)
- HRPO (Human Resources Process Outsourcing)
- AD&M (IT Application Development & Maintenance)
- ITO (IT Operations Outsourcing)
- IAO (Internal Audit Outsourcing)

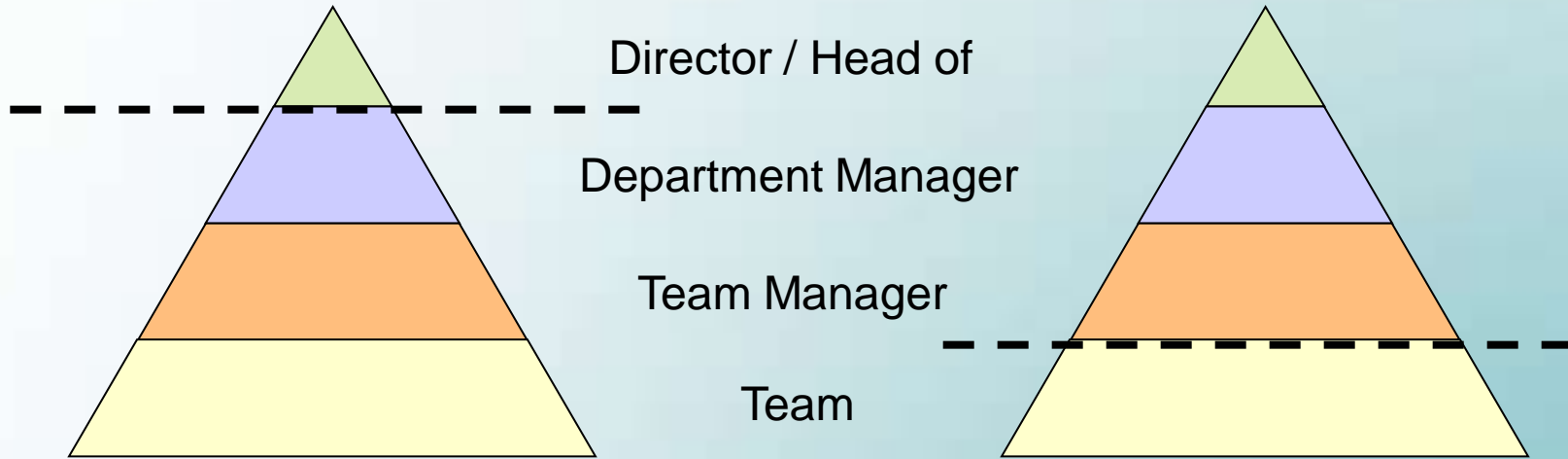
Reasons for outsourcing

- Cost Savings
- Focus on Core Business
- Cost Restructuring
- Improved Quality
- Knowledge
- Formalised Contract
- Operational Expertise
- Access to Talent
- Capacity Management
- Catalyst for Change
- Enhanced Innovation
- Reduced Time to Market
- Commoditisation
- Risk Management
- Scalability
- Liability Shift

Key Questions

1. What is the problem I'm trying to fix ?
2. What will a successful outcome look like ?

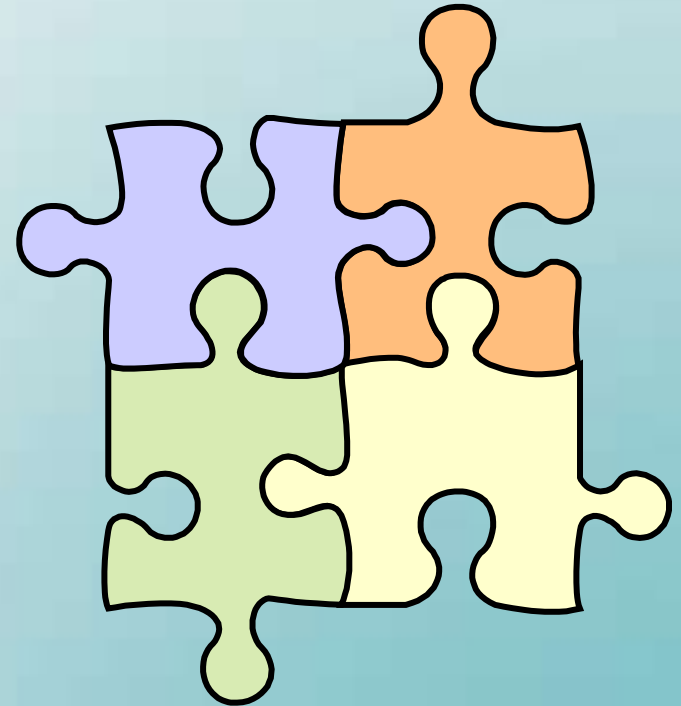
The Scope of Outsourcing



- Function Management vs. Outcome Management ?
- Level of Management & Control
- Duplication of management layer

The Retained Organisation

- Level of Management & Control
- Retained Organisation Design
- Size of the retained organisation
- Skills Required
- Capability of staff



The Outsource Model



- Outsource or Co-source
- Single source or Multi-source
- Exclusivity
- Minimum volumes
- Fixed cost or rate card
- Volume discounts
- Transfer of Undertakings (Protection of Employment) Regulations, or TUPE for short !

Geography

- Onshore
- Near shore
- Offshore
- Blended Model
- Right of veto



Communication

- The Executive Team
- The Board
- Project Team
- Unions
- Staff
- The rest of the business
- Impacted suppliers
- Customers



Communication with Staff

Early Engagement

- + Open & Honest Communication
- + Involvement
- People will feel unsettled for longer
- Less information to share
- Agent Provocateur
- Conspiracy theories

Later Engagement

- + Less disruption
- + More certainty
- Leakage
- People will feel misled
- Agent Provocateur
- Conspiracy theories

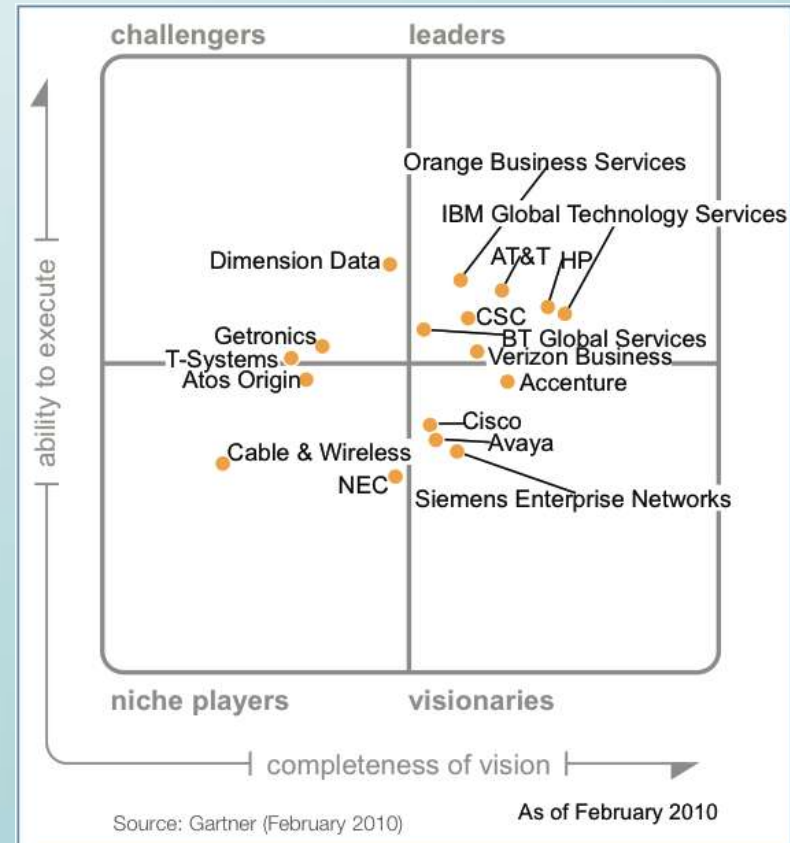
Communication with Staff



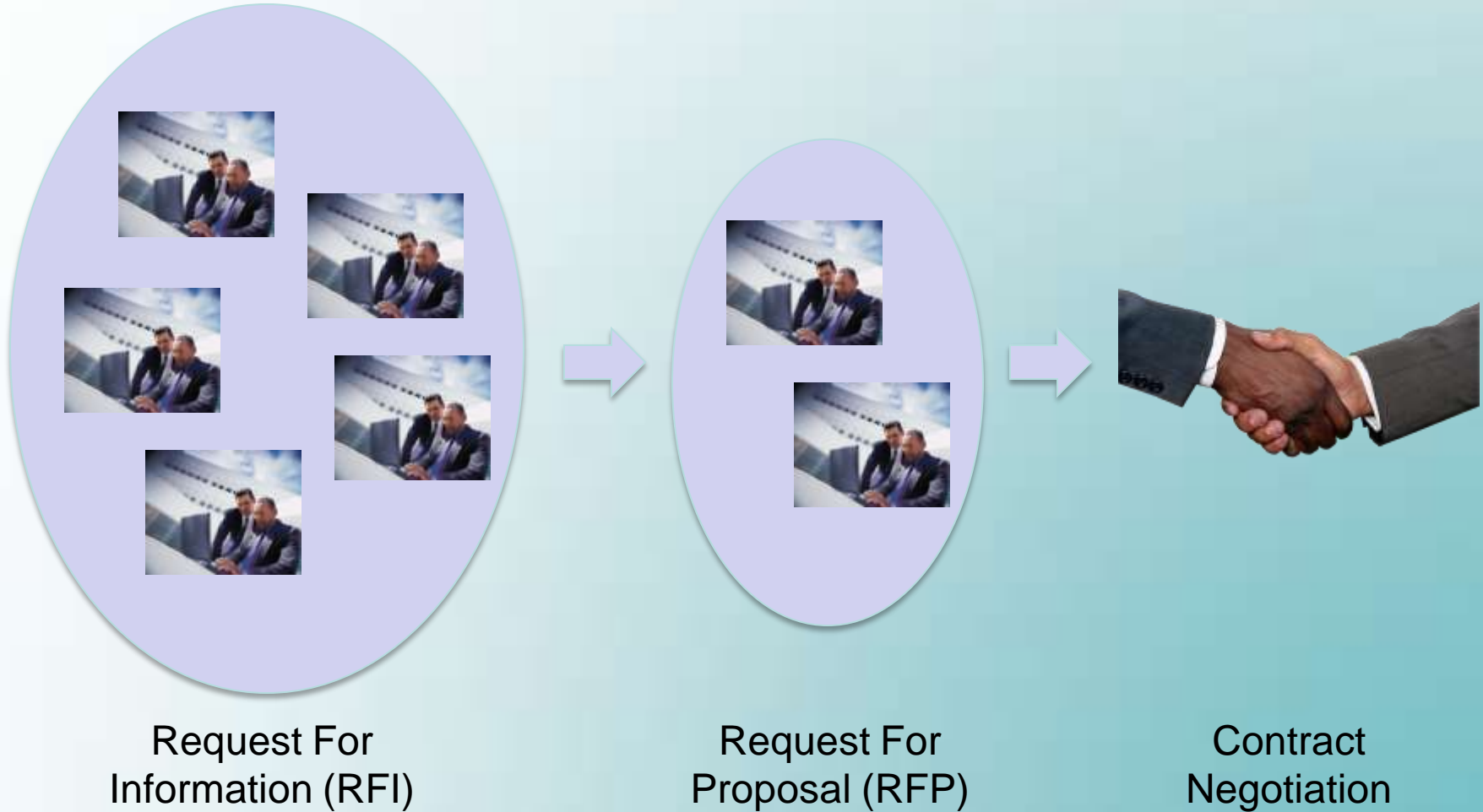
- Have a clear Communications Strategy
- Have a clear & consistent message
- STICK TO IT !

Potential Suppliers

- Which Tier Group to target
- Industry Knowledge
- Previous Experience
- Research Bodies



The Tender Process



The Tender Process

RFI Activities

- Produce RFI Document
- Produce RFI Scoring Matrix
- Supplier Presentations
- Supplier Visits

RFP Activities

- Produce RFP Document
- Produce RFP Scoring Matrix
- Supplier Workshops
- Due Diligence
- Customer Reference Visits

All of the above activities are elapse time and resource hungry !

Supplier Selection



- Price
- Capability
- Flexibility
- Adaptability
- Reputation
- Customer References
- Culture

Contract Negotiation

- Legal Representation
- Commercial Representation
- The Power of the Pen
- Key Commercial Principles (KCP's)
- Term Sheets
- Contract Drafting
- Negotiation



Contract Negotiation



- Profitable for the supplier
- Good value
- Service Definition
- Service Level Agreements (SLA)
- Operating Level Agreements (OLA)
- Service Improvement
- Contract Duration

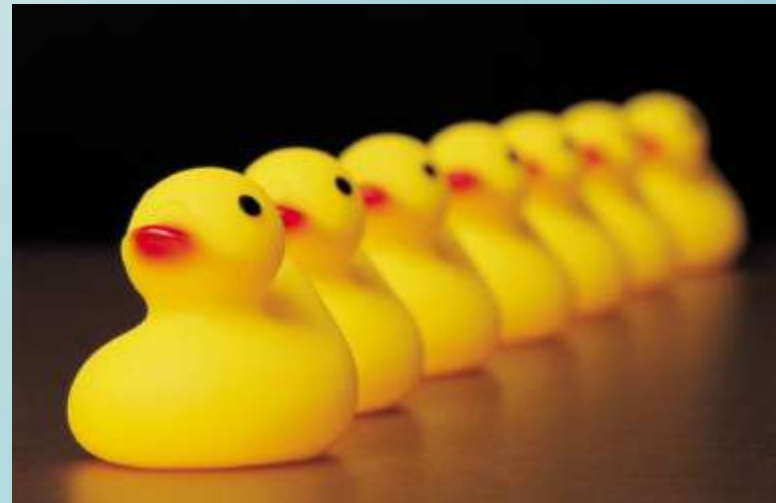
Risk & Audit

Risk

- Due Diligence
- Operational Risk Framework Impact Assessment
- Reputational Risk
- Commercial Risk (Finance)

Audit

- Outsourcing Project Audit
- Rights to Audit within Contract



Security



Security

- Professional Service providers are familiar with client security requirements
- Measures in place
- Offshore data protection
- Compensatory measures
- Cheap labour
- Sign-in / out processes
- Paperless office
- No access to live data
- No cameras / camera phones allowed on-site



Contract Validation

- Independent Assessment
- Validation of scope of services
- Validation of commercial construct
- Price Comparison



Service Transition Planning

- Start Early
- People
- Process & Reporting
- Contract Novation
- Rights to use
- Location
- Performance Baseline
- SLA Relief



Service Commencement



People

- Blue Badge – Red Badge
- Relocation
- Redundancy

Technology

- New reporting tools
- Remote access solution

Process

- New management
- New processes based on commercial approach

Service Improvement

- Clear performance baseline
- Robust measurement mechanism
- Agreed targets
- Agreed timeframe
- Clear commercial model



Questions ?

Thank you !