



National Outsourcing Association

The Centre of Excellence in Outsourcing

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Agenda



- 1. Introductions – About the NOA**
- 2. Myths of Outsourcing**
- 3. SME Outsourcing**
- 4. Conclusion**

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Introducing the NOA



The NOA is an independent body whose objective is to communicate the significant benefits and strategic lessons of outsourcing to a wider audience.

The NOA is the centre of excellence in outsourcing.

The NOA is the only UK organisation dedicated to supporting the needs of both suppliers and end users of outsourcing. With strong roots in the IT outsourcing space, we deliver thought leadership and education on all aspects of business process outsourcing. We have done so for more than 20 years.

We are a not-for-profit trade association.

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Some NOA Members



Corporate End Users

- ABN AMRO
- Angel Trains
- Astellas Pharma Europe
- Aviva
- Barclays Bank
- BBC
- Birmingham City Council
- BSkyB
- Boots
- BT Group
- Carphone Warehouse
- Centrica
- Department for Work and Pensions
- Essex County Council
- HSBC Bank
- Hutchison 3G
- John Wiley & Son's (UK) Ltd
- LloydsTSB
- Manchester Airport
- Metropolitan Police
- National Blood Service
- National Grid
- Sainsbury's
- Iceland
- T-Mobile
- UBS Investment Bank
- Virgin Media
- Vodafone



Suppliers & Support Services

- Aditya Birla Minacs
- Alsbridge
- Burges Salmon LLP
- Capita
- CAST
- Convergys
- Deloitte
- Dundas & Wilson LLP
- Everest Group
- Exigen
- Homeloan Management Limited
- Hunton & Williams
- IBM
- Invest in Spain
- Invest Northern Ireland
- Logica
- Mailsources UK Ltd
- Mauritius Board of Investment
- Morrison & Foerster
- Olswang
- OP2i
- Opal
- Quantum Plus
- RR Donnelly
- Steria
- Telecom Service Centres
- Vertex
- WNS Global Services



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MEMBERSHIP UNIVERSE

LEVELS:

PREMIER
CORPORATE
SME



THE CENTRE OF EXCELLENCE IN OUTSOURCING

GLOBAL



- AFRICA
- INDIA
- EGYPT
- RUSSIA
- CHINA

EDUCATION

- Seminars
- Masterclasses
- Middlesex University
- Webinars
- Frontlines
- Podcasts
- Press coverage
- Research
- Outsource Magazine
- sourcingfocus.com



EXCELLENCE

- Awards
-
- Outsourcing Works year book
- Qualifications
- Lifecycle model: Best practice guides
- White papers from steering committees
- Case studies



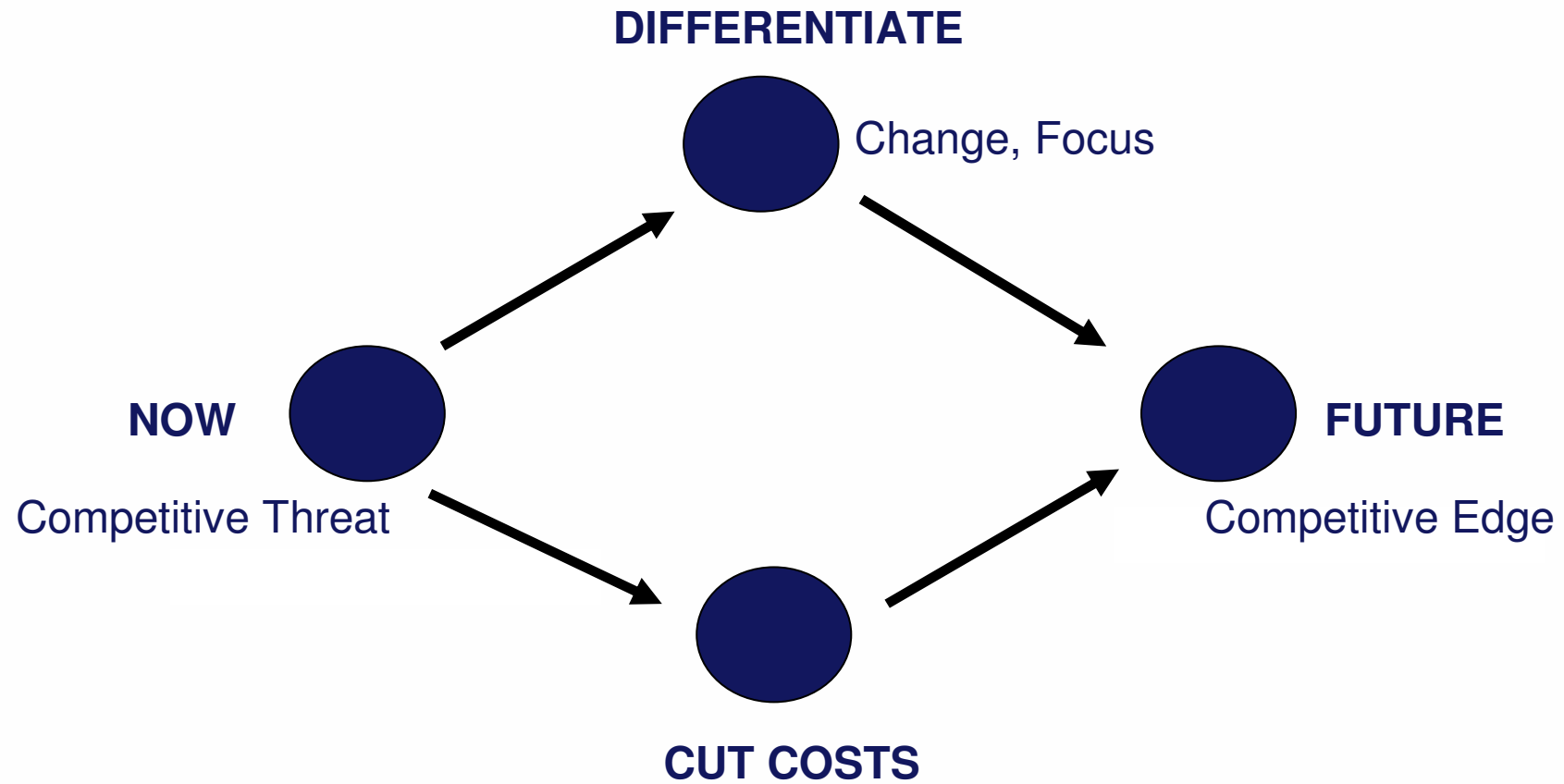
COLLABORATION

- Networking:
 - summer party
- Social networking:
 - set up facebook
 - Linked In
- Sourcing focus.com forum
- Peer2peer meetings: Through steering committees
- Jobs portal
- Joint industry initiatives



- GERMANY
- BELGIUM
- FRANCE
- AUSTRIA
- NETHERLANDS
- SPAIN

“The only way is forward”



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Outsourcing flavours



- **Information Technology Outsourcing (ITO)**
 - Applications and infrastructure
- **Business Process Outsourcing (BPO)**
 - Functional (e.g. Customer contact, Finance solutions, HR....)
 - Sector specific (e.g. Utilities, Government processing services....)
- **Knowledge Process Outsourcing (KPO)**
 - Functional (e.g. Data mining, IP and Patent Research....)
 - Sector specific (e.g. Legal Processes, Pharmaceutical R&D....)

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Typical benefits and drivers for outsourcing



Management Focus:

- Reduces effort required to manage peripheral activities

Cost management:

- Economies of scale/ productivity (people / technology)
- Committed cost structure
- Capital investment avoidance – balance sheet restructuring

Access to external expertise / investment or innovation:

- Access to specialists, management expertise, products, efficient services
- Accelerate benefits
- Manage attrition and depth and breadth of resource requirements

Flexibility:

- Adopt best practices, manage complexity & stabilise environment
- Respond to changes in business environment, leverage technology advances
- Improve systems, strengthen control and enhance services
- Improve scalability

Time to market

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Outsourcing Statistics



- SMEs are the oldest outsourcers¹!
- **40%** of suppliers reported a growth in revenue and pipeline for outsourcing market in 2009²
- IT Outsourcing market increasing by **12%**²
- The Business Process Outsourcing market grew by **6%**²
- **90%** of respondents said bringing work back in-house had a low impact on revenue²
- Generally the value of contracts have remained the same but the number of respondents reporting an increase in contract value was slightly higher than those reporting a fall²

Source: 1 = DTI/BIS (by % t/o)
2 = NOA Confidence Index

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“Stick to the Knitting”



- You can concentrate on core competencies
- You can cut costs
- You only have four choices:

~~– DIY~~

You are already here

~~– Shared Services~~

Culture – politics – slow

– Outsource

~~– Joint Venture~~

Is there a true partner?

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Why should SMEs outsource?



- It isn't about the direct cost...
 - Although research shows that cost is high priority
- It should be because
 - Someone else can do it – and you can't
 - Someone else can do it – better than you can
 - Someone else has better domain knowledge and expertise
 - Someone else can leverage shared resources to gain better overall systems and solutions

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- SMEs are opening to the idea of outsourcing
- Cost is still the main driver – but by no means the only one
- Fear of loss of control is high – but is down to the approach
- Certain skills are still in short supply
 - Outsourcing can gain the right skills
- A growing business presents more opportunities for the UK economy
 - Not every job has to be filled locally

SME Offshoring Statistics



Pros:

- Almost **one quarter** (22%) of UK small and medium enterprises are likely to offshore elements of their business processes in 2010.
- IT development was the most popular function to offshore, with 24%, followed by data processing with 20%
- **19%** of businesses had increased their interest in offshoring as a direct result of the recession
- Biggest driver behind UK SMEs' interest in offshoring was the cost of UK labour with **28%**
- **22%** indicated they would offshore to expand their UK businesses
- **16%** would offshore to enable them to focus on their core competences



Source: SLASSCOM - SME readiness for offshoring

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SME Offshoring Statistics



Cons:

- **46%** of SMEs said they were worried about loss of control
- **28%** were concerned about reputation damage and **30%** had data security issues
- Almost **two thirds** (64%) thought offshoring was not beneficial to the UK economy



Source: SLASSCOM - SME readiness for offshoring

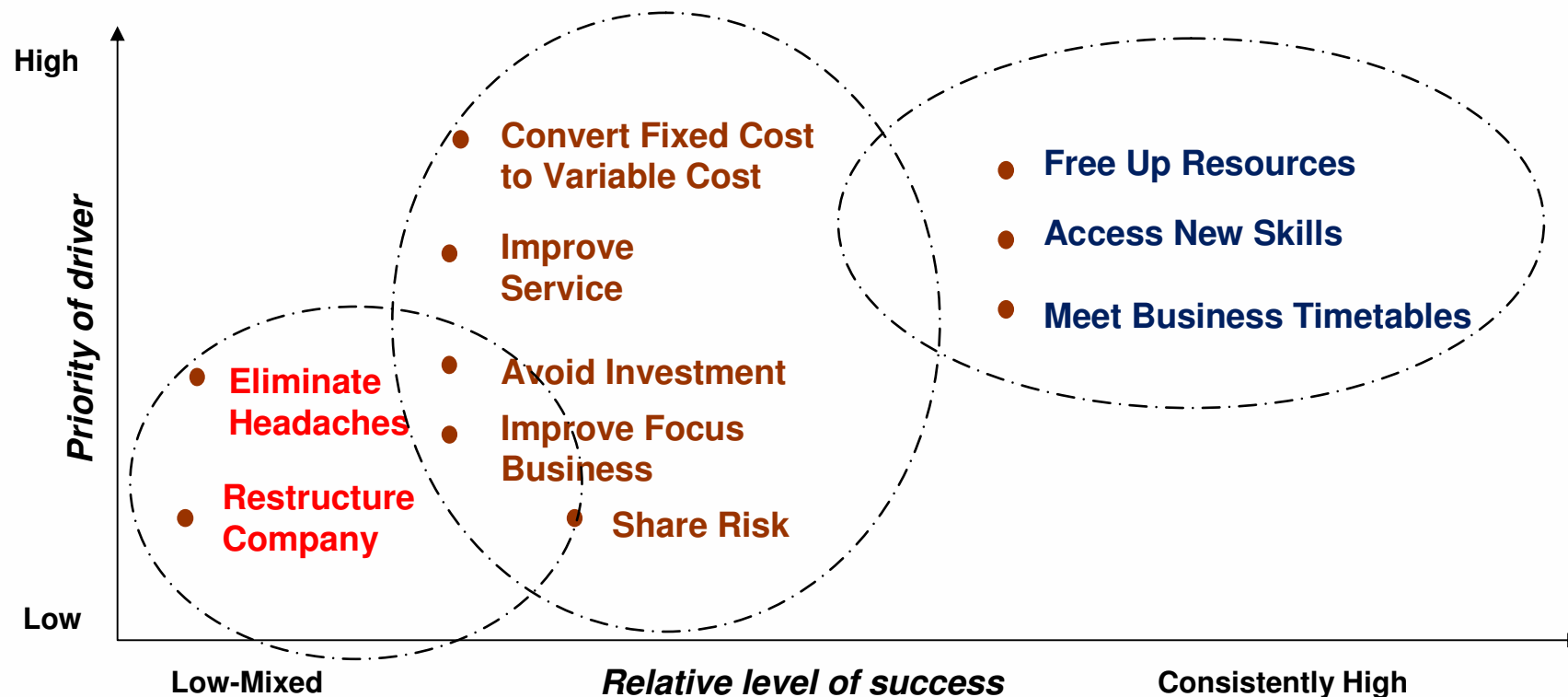
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Typical results



Selective outsourcing drivers and results



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“Potential” Outsourcing Risks



Strategic risks

- Not achieving the originally planned benefits
- The loss of core activities and competencies
- Loss of skills and corporate memory
- Loss of strategic business flexibility and innovation capacity

Operational risks

- Dependency on the supplier
- Cost increases
- Transition and switching costs
- Diminished quality of service
- Loss of management control

HR / Communication risks

- Loss of internal coherence
- Communication mismatches

Commercial risks

- Security breaches
- Customer lock-in

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High level strategy for outsourcing



- Keep what is core
 - Consider outsourcing the rest
- What is core?
 - Products/Services that CUSTOMERS see as exceptionally different from competition
 - What is responsible for your ultimate success

Not as easy as it sounds !

- Benefits
 - Management has more time to focus on what is important
 - Lower costs bring additional resources to invest in and improve core competencies

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Strong Caveat...



- Outsourced should not mean less important
- Conditions when an activity may be outsourced but considered “core”:
 - External suppliers more competent
 - A competitor becomes more competent
 - Time to market requirement
- The term non-core in outsourcing can be an extremely dangerous concept
 - Crucial to clarify why an activity has been outsourced. They could beActivities important in the eyes of the customer - strategically significant.....Inter-dependent with activities considered to be core.
- Outsourced because of poor performance – risky!

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Conclusion



- Outsourcing and Offshoring offer real benefits and a lifeline to many companies.
- But there are a number of factors that need to be considered to ensure success:
 - Defining what and why activities should be outsourced today and in the future
 - Better and smarter SLAs and measurement systems – without which a contract is useless
 - Selective use of specialist advisors both pre and post contract – you cannot afford the risks of failure
 - Flexible contracts – convergence implies constant change – should however not mean lightweight contracts
 - Management of relationships (partnerships) - communication and culture
 - Going beyond just labour arbitrage – how can partners help you in improving performance and entering new markets
 - Ensuring multi-disciplinary teams to manage the programme – outsourcing as a transformational strategy effects the whole organisation

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THANK YOU

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