

For the Greater Good Leveraging internal functions' expertise in outsourcing

Executive summary

Outsourcing the provision of certain business processes such as IT support, HR or legal services can bring a range of benefits: this much is well known. Despite this, it does not always go to plan though and one reason is that the various functions within an organisation are failing to work together.

This can be a challenge when outsourcing is a well-established strategy within the corporate landscape and procurement departments are expected to deliver successful projects.

This issue of Viewpoint explains how you can ensure that other functions are not acting purely in their own interests but working collaboratively with your core project team for the greater good of the company in making an outsourcing project successful.

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Background

The need to build an effective cross-functional team is sometimes overlooked because of the pressure associated with delivery of an outsourcing contract. However, investing the time and effort to put together a collaborative team involving key people from all the relevant functions is a key success factor in the establishment of any outsourced contract.

Without this kind of cross-functional approach the outsourcing organisation could be left with a contract where the requirements are unclear, the control mechanisms are poor or non-existent and all the in-house experience has been lost.

The other functions involved in the project often have huge amounts of experience relating to the organisation's operations, future requirements and business constraints: all key ingredients in delivering a robust outsourcing contract.

So understanding why these in-house functions can prove less than supportive and learning how to overcome the barriers are key challenges for procurement professionals wishing to make a real success of outsourcing.

The benefits

Cross-functional working brings a range of benefits in an outsourcing project. It provides a basis for effectively managing stakeholders who otherwise may feel uninvolved. Working

closely with them as a team means they are unlikely to face surprises and will be more comfortable with what may be uncharted territory for them.

The trained and experienced eye of the procurement professional can ensure that suppliers properly clarify their proposals and will reduce the risk that they may attempt “divide and rule” tactics.

Procurement people can spot synergies and interdependencies between different business functions which may otherwise be overlooked and protect the purchasing company in relation to, for example, transfer of staff under the TUPE regulations.

Properly managed outsourcing led by procurement professionals can ensure that reusable skills are embedded among all those involved and that contract and supplier knowledge is retained in-house.

The barriers

Collaborative cross-functional working can be challenging and the procurement leader attempting to manage it can face a range of barriers. At a macro level the company’s culture, structure, and history can impede support. But the true challenges are at the micro level.

Typically these can include, for example, a lack of resources. This can be real: everyone is seriously short of time. But it may be a matter of priorities. It may be difficult to allocate personnel even for a small percentage of their time, but if the business case is strong enough managers can usually be persuaded to spare them.

Non-procurement people may have limited experience in outsourcing. They may have never, for example, negotiated with a room full of supplier representatives. This is where procurement can play an important role in developing the relevant skills needed to ensure success.

There may be “political” influences at work, with senior management following separate agendas. This may include everything from resisting cost-cutting for their own reasons to simple “empire building”. Departmental objectives may be at odds with those of the project as a whole.

Finally, it is important to remember that outsourcing is a business process involving people. Personalities count. Good working relationships among senior management are crucial as they impact their teams’ ability or desire to work together.

Overcoming the barriers

All these barriers can be overcome by implementing certain strategies. It may, for example, be worth considering appointing special subject matter experts (SMEs).

They can ensure that everything needed for successful teamworking is followed, reducing uncertainty and providing a more robust contractual and operational structure for outsourced services.

As always sponsorship from senior management is crucial to success, along with the governance structure and the extra financing needed for the project. Achieving all these depends on presenting a convincing business case.

There must be clarity about the roles and responsibilities of all concerned so that everyone maintains ownership of their own key deliverables. Coaching and training from internal and external specialists may be beneficial.

These approaches should be considered if an outsourcing project is to be fully effective. A coordinated cross-functional team, working together towards agreed objectives, offers real benefits when negotiating a complex contract which will bring success to all parties.

Action checklist

- Consider appointing a subject matter expert to co-ordinate the project
- Ensure you have a solid business case for the project
- Use the business case to secure sponsorship from senior management
- Make sure all roles and responsibilities are clearly defined and agreed
- Consider whether extra coaching and training are needed