



#ReshapingOutsourcing

Summary from extraordinary meeting

26th March 2018

Calling time on old-school outsourcing

“We’re on a burning platform, and it’s time for change”: this was the uncompromising message given by the Global Sourcing Association (GSA) and leading industry representatives at the launch of the GSA’s #ReshapingOutsourcing campaign last month, and the mandate going forward is to drive wholesale improvements within and beyond the outsourcing community.

For some time now, an accelerating confluence of disruptive trends – technological, financial, demographic, geopolitical and more - has been impacting upon the outsourcing space, placing traditional business models and modes of operation under increasing pressure. Change – often welcome, sometimes not – has been thrust upon the industry from all directions, and has also been driven from within; however, it’s become more and more clear in recent times that some corners of the industry have been either unable or unwilling to adapt in the ways necessary to ensure that outsourcing continues to deliver the game-changing value which has become its hallmark since the model began to proliferate at the end of the last century.



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Moreover, the collapse of Carillion at the start of this year, and the subsequent media and political backlash, has dragged outsourcing back into the public eye in the most unfavourable light. The model has always been an easy target for detractors; now the customary scorn has intensified many times over, and politicians from across the political spectrum have weighed in – with Labour leader Jeremy Corbyn and Shadow Chancellor John McDonnell amongst the most vociferous attackers, threatening the entire concept of public sector outsourcing should Labour take power at the next election.

Introducing #ReshapingOutsourcing

With all this in mind, the GSA in its role as the industry body for outsourcing globally is determined to demonstrate the true value of the outsourcing model, to ensure that the great good the profession does across both public and private sectors is not lost – and to ensure that the industry itself is prepared to make the requisite changes. Hence **#ReshapingOutsourcing: the GSA’s largest and most ambitious programme ever**, designed to showcase the true qualities of the sector and to investigate where and how improvements to the model (and those responsible for its deployment) can and must be carried out.

The campaign was officially launched at an extraordinary meeting held in London on March 26th, attended by over 80 senior professionals and thought leaders from all corners of the space: buyers, vendors, advisors, analysts, academics and the press came together to

share their thoughts on the key challenges facing outsourcing and how they might be addressed.

That the community is overwhelmingly of the opinion that the status quo is no longer an option was in no doubt even before the meeting: a pre-event survey conducted by the GSA showed that only 6 per cent of sourcing and outsourcing professionals currently believe that their industry does not need to change. However, the precise meaning and nature of that “change” is less clear, and one key aim of the first phase of the #ReshapingOutsourcing project – the launch event itself - was to narrow the focus upon a handful of core areas to be addressed going forwards.

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Community Views

In a speech that was as inspirational as it was cautionary, GSA CEO **Kerry Hallard** opened the London event with a passionate call to arms.

“The industry needs to change – and I believe each and every one of us has a role to play,” she said. “I don’t think I’m being too dramatic when I say we’re on a burning platform. We need to adopt a radical strategy for change. The issues that the outsourcing industry is facing right now are urgent: a host of



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new technologies – cloud, IoT, automation, AI; new models for shorter contracts, shorter notice periods, outcome-based agreements, joint ventures; changing regulations such as GDPR; Brexit; and much more. Meanwhile satisfaction is on a downward slope – and that works two ways. Suppliers have been too slow to innovate, and buyers have not been seen as collaborative enough. Add in the collapse of Carillion and what has followed, including really significant anti-outsourcing in the press and the call by Jeremy Corbyn to bring outsourced public services back in-house, and it’s clear that the outsourcing platform is indeed on fire.”

These sentiments – received with approval and agreement by the attendees – were then reinforced by presentations from five GSA council members, representing the buyer, vendor and legal sectors of the community, who gave their views on specific challenges facing various parts of the outsourcing industry and offering some suggestions on what might be done to improve performance and the reputation of the model.



Chris Day, Financial Services Life and Pensions Sales SME at Atos, highlighted “the silence of the buyers” as a significant challenge: **“We say nothing to the end customers about the great work outsourcers are doing... Why’s this a problem? You leave a blank space, and what fills it up is the bad news. We need to get better at communicating success.”**

Tom Bridgford, Head of the Outsourcing Practice at Eversheds Sutherland, presented a picture of why outsourcing deals go wrong, including a case study of an outsourcing project which was eventually abandoned, having cost its (banking) buyer over £10m: “Sometimes customers take risks unwittingly; sometimes suppliers sign up to risks that they can’t properly scope, assess or manage... **Better clarity from stakeholders, better views on projects and better governance, and more honesty and transparency**” would all help keep agreements on track.



Mark Devonshire, VP of NTT Data, preferred to look at the opportunities currently facing the outsourcing industry in the form of trends such as IoT, automation, autonomous vehicles and how failure to grasp that opportunity would lead to an existential crisis – and urged a **focus on the end-customer and on “value, not cost”** as a way of driving the innovation needed to take that critical step.

Terry Walby, CEO of Thoughtonomy, investigated the impact which intelligent automation is having on the outsourcing space – “an industry primarily focused on people-based processes” - and the broader world of work: “Let’s be frank: the industry hasn’t caught up... But this is creating new opportunities, new businesses built on digital labour and doing things differently, and prompting organisations to rethink the entire way they deliver services... **We need to embrace change, be bold in innovation and above all share experiences** so that the outsourcing market can lead the change rather than be forced to respond defensively to it”.



Finally, **Jim Hemmington**, Director of Procurement at the BBC (and GSA Council Chairman), looked at how in some areas sourcing professionals are “woefully behind in getting it right”. **The industry needs “to buy and sell better”**, with buyers focussing on cost rather than value and vendors overselling because of the ways in which they are incentivised to win new contracts. He also pointed at unequal risk allocation as one cause of tension, with buyers trying to load too much risk onto vendors, and consequently discouraging innovation from vendors, where true innovation often carries a level of risk.

A Significant Body of Work

Following these summaries, those attending were polled on which topics they felt should take priority in terms of formulating a programme of work for the #ReshapingOutsourcing campaign over the next few months, with working groups contributing to significant bodies of work at the GSA Global Sourcing Summit in Cape Town 1-3 October and further releases at the GSA Symposium & Awards 2018 in London on November 22.

This poll, combined with input from the broader community, has resulted in the selection of five themes now being addressed by the campaign.

Proving Outsourcing Works

Even before the high-profile fall of Carillion and related events, public disapproval of outsourcing in the UK has been an unfortunate constant – despite almost boundless evidence that the model benefits the organisational bottom line and UK PLC alike, and the UK's enviable position as a global centre of excellence for outsourcing. The challenge for the community is how best to alter that negative perception in the face of a determinedly oppositional media and a public which tends to associate the model with job losses and offshoring rather than productivity gains and efficiencies. First and foremost, success stories are key: the industry – especially the buy-side - needs to be much less coy about its wins, and much better at communicating them both within and beyond individual organisations. Better communication is also required between distinct departments and sectors, in order to defuse tensions between often-antagonistic buyers and vendors and to showcase the capabilities of the outsourcing space at a time when budgetary constraints and austerity policies mean that outsourcing can be an invaluable tool.

Demystifying Tech

Much opposition to outsourcing and related activities stems from a misunderstanding – sometimes wilful - of the nature and capability of the technology at its core. Instead of being seen as an enabler – perhaps one which can mean the difference between success and failure for even the largest organisations – outsourcing tech continues to be viewed by many as an existential threat. This situation is only being exacerbated by growing fears (fuelled by an ever-controversialist media) over automation and AI. The outsourcing community needs to collaborate to educate professionals across all sectors on the true value of technology, both in terms of its bottom-line impact and its ability to free up workers to focus on higher-value activity.

It also needs to improve its own understanding of the ramifications of technology for its approach to pricing and partnership, and work with all stakeholders to ensure that the implementation of technology and the application of best value go hand in hand.

New Contract Models

While the outsourcing industry has matured exponentially since its early days, and while new disruptive technologies are changing - almost by the hour - the provider community's cost base and ability to deliver services in an extremely agile manner, outsourcing contracts themselves have tended to evolve at a much more leisurely pace. This will not be the case for much longer: a more experienced and educated buyer community is increasingly keen to see more adaptive, responsive contracts focused on outcomes and reflecting innovations such as cloud computing and intelligent automation which they see as sources of cost savings as well as of contract terms more sympathetic to their rapidly evolving market landscapes. The community now needs to investigate how to bring contracting and ongoing relationship management up to speed whilst respecting the commercial imperatives of suppliers, to ensure the contract – the very heart of the outsourcing model – remains fit for purpose in a very dynamic world.

Attracting and Upskilling Talent

The sourcing profession is changing rapidly – and so are the requirements of those within it. The strategic sourcing professional of today is no longer expected to focus on pure cost savings and non-core services. Instead professionals need to understand how emerging technologies and contracting models can create real value to the business, as well engaging in new ways to create mutually sustainable closer working relationships – elevating sourcing closer and closer to the C-suite.

Securing key talent in a highly competitive market remains one of the single greatest challenges facing any organisation, regardless of where it sits on the outsourcing spectrum. Providing the relevant ongoing professional development for existing employees is increasingly problematic in the face of rapidly evolving technology, ways of working and organisational structures. Can the sourcing function of the future be adequately defined today? Can those professionals engaged in the industry today across the outsourcing spectrum, work together to ensure they can attract the next generation of professionals?

The Digital Workforce

Combining several elements of the previous themes, the final working group is addressing the changing nature of work and the workforce. Digital transformation is impacting every sector of the economy – and intelligent automation is set to bring about a revolution of a scale and type unequalled in decades if not centuries. Organisations across the outsourcing world need to address what this means for them and their ecosystems: what will be the most effective way to combine human and robotic workers, and what does the nature of this combination mean for the buyer-vendor relationship? How can organisations best and most safely transition from the human-centric processes and modes of today to tomorrow's automation-centric environment, and what will this transition mean for sourcing functions, the wider business and outsourcing itself?

Join the Programme

Over the next few months, the working groups addressing the above themes – along with other elements of the #ReshapingOutsourcing campaign and the GSA Council and membership – will seek to develop a deeper understanding of the challenges and their ramifications, and the opportunities they present for outsourcing to futureproof itself in the face of an unsympathetic environment, and will undertake a comprehensive body of work which it will begin to present at GSA's Global Sourcing Summit in Cape Town in October and further unveil in London in November. The launch of #ReshapingOutsourcing and the deployment of the aforementioned working groups is a recognition that these challenges cannot be solved overnight and require a concerted effort from the outsourcing community and those in the broader ecosystem.

And that includes you. If you'd like to help shape a better future for your industry and community, why not consider participating in one of the working groups – or elsewhere in the #ReshapingOutsourcing campaign? Your ideas, network and expertise are needed – so come together with your community and turn a burning platform into a solid, secure and safe foundation for many more years of outsourcing success.

For more information contact the GSA on +44 207 292 8680 or admin@gsa-uk.com.