

Outsourcing Advisory Services Inside and out

Outsourcing is on the rise, and not just in common areas like finance, human resources (HR) and information technology (IT). And no one signs a services contract in the hope of losing money or watering down performance. Organizations need to begin with smart, strategic choices about which functions to outsource, if any. Only then can they tackle challenges like RFP design, procurement, relationship management and knowing when to change course. Each of these tasks can be tricky on its own, but taken together, they can form a complex web. Outsourcing doesn't mean less management — it means a different approach to management, and the wrong step can be costly.

Understanding the ins and outs of outsourcing

Many companies are often reluctant to seek advice about outsourcing because they believe it's similar to the procurement of manufacturing components, utility resources, maintenance services or anything else they buy in the course of doing business. In practice, it's significantly different. Outsourcing can involve a fundamental change in the business model, increased complexity in evaluating performance and internal resistance that can stop the business in its tracks. There are more moving parts than most people imagine — service level maintenance? Inflation? Foreign exchange? — and the one that goes wrong can negate a thousand that go right. Determining when outsourcing can be useful, acquiring the services, and then managing them in the correct sequence requires highly specialized experience and knowledge.

Deloitte Outsourcing Advisory Services (OAS) can help overcome these challenges with project and relationship management skills and experience, proven tools, and a large reservoir of pricing data and other relevant market knowledge. Where internal resistance is a factor, objectivity and analytical rigor can help overcome the organization's concerns and clarify the need for change. OAS helps companies in their efforts to make sound, well-informed decisions about outsourcing, so they can move forward with confidence.

How we can help

OAS professionals with backgrounds in IT, finance, administration and other frequently outsourced functions can help answer the questions that arise throughout the outsourcing life cycle: *Should we outsource? What functions should we outsource? How do we find and engage an outsourcing partner? How do we manage the relationship? Is our current relationship effective?* Addressing these questions can significantly accelerate outsourcing projects while managing risk and increasing value. Our experience in developing and maintaining cross-border relationships can help deliver the potential cost savings that can make offshore outsourcing attractive. We also have a strong renegotiation capability, which helps clients repair relationships when necessary. Our services include:

- **Assessment** — Identifying financial and operational benefits and risks of outsourcing
- **Business cases** — Providing formal business cases and financial projections
- **Vendor and geographical selection** — Providing vendor overviews, summaries, and track records, while also helping to identify the most effective on-, near- and offshore locations



- **Outsourcing procurement management** — Guiding the process of initiating an outsourcing relationship, including providing draft RFPs, SOWs or MSAs as needed
- **Outsourcing management** — Providing long-term support for contract management
- **Relationship assessment** — Reviewing in-place services to determine whether they are being provided as contracted, whether they remain cost effective, and whether they should be continued, modified, renegotiated or terminated

Each of these services is supported by time-tested methodologies, and by the deep knowledge and experience of other Deloitte practices. And Deloitte brings no secondary agenda to its outsourcing role. Our advice is driven by our clients' needs, not designed to sell a solution or to favor a particular vendor.

Bottom-line benefits

- Effective outsourcing solutions based on objective assessment of potential benefits
- Objective analysis of options against industry benchmarks
- Validation against recent industry standards to verify that contracted rates are the most cost-effective available
- Ongoing measurement and management of outsourcing performance over the life of the deal to monitor whether it remains viable and competitive in the current market

Three ways to get more value now

Many companies have outsourced some parts of their operations. Over 10 years of accumulating real-world data, Deloitte has identified some practical tips to help you get more value from these relationships.

Focus on continuous improvement. Most outsourcing vendors have deep experience in their areas of operation. They should be required to use this experience to implement measurable improvements in their contracts through year-over-year automatic cost reductions, service level improvements and business process acceleration.

Increase efficiency through comprehensive relationships. We believe that outsourcing, only part of a complete business process, has proven to be less cost effective than larger, more comprehensive relationships that allow the outsourcing provider to use its complete portfolio of skills and knowledge. Companies should determine whether their current outsourcing arrangements are optimized and restructure them accordingly.

Stay in control. Use contract language, reporting tools and enforcement of contracted service levels to retain — or gain — control of outsourced relationships. Renegotiation and termination clauses can also prove useful when necessary. No company should allow outsourcing to turn negative.

Outsourcing Advisory Services in action

- Deloitte's OAS team helped a large, global financial services organization identify about \$50 million in savings during a simultaneous evaluation and negotiation of six key vendor relationships.
- When a nationwide health organization engaged OAS to review 10 business process outsourcing contracts, we found between \$5 million and \$10 million in potential annual savings out of a total spend of \$30 to \$40 million. The improved practices, analytics and efficiencies our team put in place will help make those savings sustainable over the long term.
- A global telecommunications company asked Deloitte's help in improving its sourced IT environment and governance programs. We compared its current deal against other practices and terms in the market, then assisted with the negotiation and implementation of a new multi-vendor relationship. The estimated savings were approximately \$600 million — about three times the relief the client had negotiated with the original vendor.

Related insights

- [Ask the Pro: Combining Outsourced with In-House Service Delivery](#)
- [Beyond Outsourcing: Using the Full Range of Functional Service Delivery Options to Achieve Significant Savings](#)
- [Renegotiating Outsourcing Contracts: Play Hard Ball or Win-Win?](#)
- [Which is Better: Outsourcing or Shared Services?](#)

Related offerings

- [Deloitte Analytics](#)
- [Capital & Real Estate Transformation](#)
- [Global Benchmarking Center](#)
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