

Outsourcing Lifecycle

It's a process and a journey

By Jim Everett and Jane Dixon – Think180™



The process of outsourcing has a clear evolutionary path, and a specific process. The chart on the next page sets out the distinct phases in this outsourcing process, and shows the key tasks typically associated with each phase.

Outsourcing Phases

There are six phases in the life of an outsourced project or program:

1. **Strategy** – A decision to outsource is suggested, reviewed and evaluated. It may be part of a larger strategy to move the company to a leveraged business model and to focus on core competencies. It may be strictly a decision to outsource a particular function, operation, program or project. Typically, the strategy is developed at senior levels within the company.
2. **Selection** – This critical phase covers the definition of the work to be outsourced, as well as the sourcing of the vendors using RFI and/or RFP processes, and finally making the selection of the “best-fit” vendor.
3. **Negotiation** – This phase includes both the negotiating of the contracts and associated agreements, and the final contract signing. Often this phase is completed after the implementation phase has begun, as both the company and the vendor may have extensive legal review processes. A memorandum or letter of understanding may be put in place until the final contract has been signed.
4. **Implementation** – This phase involves the start-up activities of planning the transition and implementation of the outsourced agreement, as well as establishing the detailed budget and administrative functions needed for its management, and formal launching of the program.
5. **Management** – The phase encompasses all ongoing activities required to manage the program, and achieve the contracted results. Specifically, this includes liaising with the customers, financial administration, performance monitoring, vendor or partnership management, delivery integration, change negotiation and vendor transition.
6. **Completion** – The final phase covers all completion activities and close out of the program.

Owning the Process or Managing a Phase

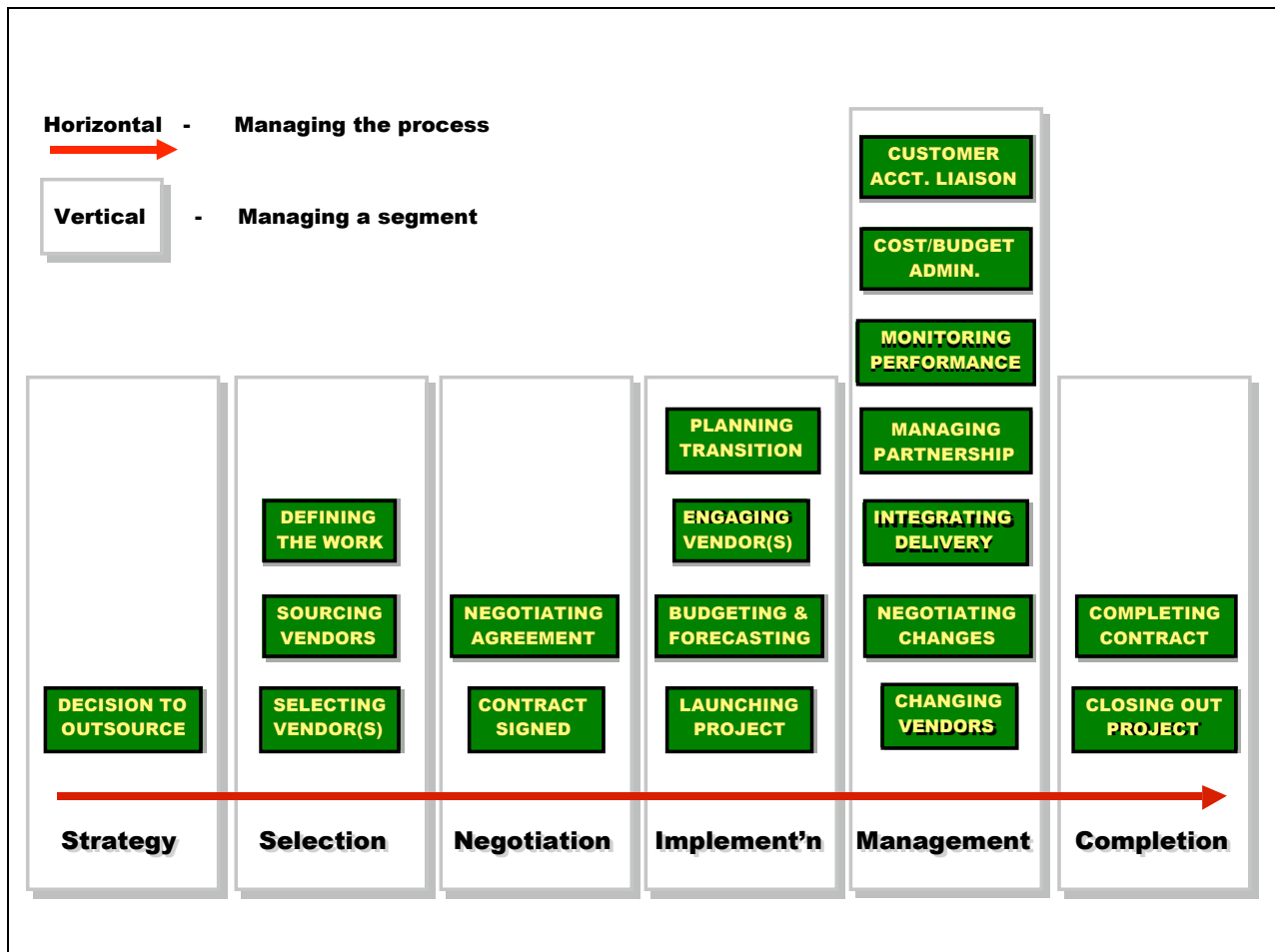
Depending on the size of the outsourcing contract, the manager responsible for the program's delivery and integration may be responsible for all of the process, or only some. These are the horizontal and vertical factors of outsourcing management.

A manager of the horizontal process is often involved in the decision to outsource, and is then responsible for defining the work, selecting and engaging the vendor, and managing the delivery and completion of the program. This manager normally handles all day-to-day negotiations.

With larger programs, particularly those on a global scale, there is often a decision taken at senior levels to outsource. A negotiation team is appointed to work through the complex agreements, usually under strict confidentiality, until the agreement is finalized and announced.

It is then the role of the *manager of the vertical component* to implement and manage the ongoing program. Part of this role is the interpretation of the agreement, and identification of areas not covered by the agreement.

Outsourcing Lifecycle Chart



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Summary

Understanding the full outsourcing lifecycle and each of its phases will assist both companies embarking on outsourcing for the first time, as well as managers who need to determine their roles and responsibilities in the context of the specific outsourced programs.

Use this framework to help confirm that all segments and phases have been addressed, or identify any gaps or missing segments that need to be included in the planning of your next outsourced program.

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Think180™ (formerly Endeavour Business Learning) is based in Los Angeles and focuses on enhancing effective and productive client-vendor relations. We work with companies, large and small, on both sides of the equation – those who are using vendors, consultants and contractors, and those who want to enhance the services they provide to clients. Think180 provides workshops and consulting on “Managing External Resources” and “Creating Effective Partnerships”.

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