



Outsourcing your strategy | The Xpragmatic View



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In the previous Xpragmatic View we briefly discussed how our improved communication capabilities are the enablers for new business practices and new organisational approaches. However, is this only a matter of eliminating or rearranging some part of your business activity or are there side effects that require some special attention?

In our previous article, we presented our view on the new economic reality: the disappearance of the traditional, hierarchically structured organisation that is gradually being replaced by a much more loosely coupled collaborative network structure.

These days, nearly every company does have some project underway for the reorganisation, the relocation or the outsourcing of (parts of) the business activity.

Doing so, the attention is mainly focused on the very visible aspects of the new relationships: the collaboration of and the interaction between the parties involved. How can we protect ourselves contractually? Who is responsible for what? How to reduce risks? How can we assess the capabilities of the new partners? How can we plan for failure of such new relationship? How to build trust?

All of these are very important issues and they are worthy our attention. Nevertheless, in the present View, we want to draw your attention on another aspect of the outsourcing strategy: what will be the impact of such initiative on the managerial and the innovative capabilities of your organisation in the future?

While doing so, let us use the well-known case of IT outsourcing as an example.

A couple of days ago, I read another article on a company that is walking the IT outsourcing path. This time, it was the Belgian-Brazilian beer-group [InBev](#) that announced the planned outsourcing of their complete information technology infrastructure. The operation will have an impact on divisions in 25 countries worldwide.

Of course, for a company like this, the announcement of some form of IT outsourcing is no longer headline news. Outsourcing the complete IT infrastructure seems somewhat radical, but it is possible that I misinterpret their notion of "IT infrastructure".

Whatever the exact plans, I think it is important to raise here a couple of important questions.

The main reasons for outsourcing are well known: cost reduction, quality improvement and focus on the core business. In the case of IT outsourcing, it also carries the promise of eliminating a complex and annoying problem.

Indeed, in most organisations, IT has never been the greatest success story and top management poorly understands it. Therefore, outsourcing eliminates a tough issue.

Is it all that simple?

Well, unfortunately, we must be aware of some other realities.

Today, InBev is making its outsourcing decision in a context of what we might call "competent understanding". Indeed, InBev still can rely upon a team of specialists that understands the pros and the cons of the current IT-infrastructure and what the outsourcing market can offer. As a result, InBev is likely to be a competent discussion partner in all negotiations with potential service providers.

But what about 5 years from now? At that moment, most of the current team of specialists will have left the company, now working for the selected service provider or "pursuing new career opportunities".

Today, the outsourcing decision will eliminate a complex issue. Tomorrow, IT aspects are likely to get less attention. But the market will evolve. What will make that InBev still is a competent discussion partner in 5 years time?

In addition, what guarantees that the future IT infrastructure still is perfectly aligned with the changing strategic objectives of the InBev organisation?

Today, potential service providers will certainly fine-tune their offering to the specific needs of the organisation. In addition, InBev still has the competence to adjust the offering where needed. Therefore, we can expect excellent strategic alignment.

But what about 5 years from now? Service companies also have their own strategy and objectives. How can we make sure that the future service offering still provides the best support for our own strategy? We all agree that certain aspects of IT are increasingly becoming a commodity. Nevertheless, IT still can be an enabler for innovative initiatives.

Does this mean that outsourcing is the wrong way to go?

Not at all! The good news is that all of these issues can be perfectly addressed by appropriate action and attitude. The bad news is that most organisations do not see or underestimate the importance of these issues and, consequently, fail to take the appropriate action.

Therefore, do understand the reality that outsourcing can eliminate some part of your current problems or organisational complexity, nevertheless also introduces some new issues that must be addressed in an appropriate way.

Of course, the future might bring us some new outsourcing offerings that can also address these new issues.

Innovation outsourcing

A couple of weeks ago, I had a discussion with one of the partners of a new consulting firm positioning itself as a provider of innovation services.

This type of consulting services is of course not new. In general, the consulting approach aims at "educating" the employees of the organisation one way or another so that they become more "innovative". In this case however, the objective clearly is that the consulting firm itself will identify and develop the "big idea".

Personally, I do not fancy this type of thinking, but I assume some top managers will find it an interesting idea and an easier solution to speed up the innovative thinking.

Whatever the value or the lack of value of such approach, it brings us very close to what must be the "perfect" agile virtual enterprise: all operational tasks outsourced in a couple of low-wage countries, our IT infrastructure managed by IBM or CSC, and the strategy and the innovation in the hands of the consultants... We only have to fire the CEO and close the door behind us.


Have fun!

About the author



Marc Buyens is analyst, management consultant and owner of Xpragma. Marc started Xpragma in 1999 after a 20+ years career in the IT sector. Today, he provides advice, training and mentoring services focusing on the intersection of technological evolution, organisational change and business strategy: a messy world of unfulfilled promises.


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