



Retrosourcing - A Safety Net for Outsourcing Engagements

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The world of outsourcing is constantly taking on new shapes and forms. Much of the innovation comes about as a result of problem and opportunity discovery. Today's events have prompted many to reconsider their offshore/nearshore ventures and have seen subtle reductions in return-on-investment (ROI) benefits. As many have discovered, the return home isn't simply a matter of pulling up stakes and announcing an impending arrival. For many, the decision to outsource has resulted in resource reductions, infrastructure reformulation, and a new operating model being deployed. Whether a company chooses to simply send single projects abroad, or go with a wholesale redeployment of business process support (Business Process Outsourcing CPO), the return home requires a reintroduction of the core information technology and business enterprise principals.

As we look deeper into this dilemma we realize that it's not just the return that is creating these difficulties but that outsource buyers engaged the relationship without a 'Plan B', or the return to home custody. Many companies do a dutiful job in their pursuit of risk minimizing through cautious buying habits. However, as things start to go wrong, for a variety of reasons, a shift takes place from a focus on project management to one of reactionary damage control. The few companies that have successfully eluded catastrophe realize that their good fortunes are coincidental, non-repeated events and do not represent responsible business conduct.

Retrosourcing is the process of reversion control for outsource engagements. It provides a means by which proper care and protection can be related to a plan of return for development and service delivery. Having a retrosourcing plan is a presumptive means to control unexpected and risk laden initiatives. This is especially true for dealing with first-time outsourcing engagements, inexperience buying behavior, and a lack of familiarity with global sourcing activities. Retrosourcing is applicable to new outsourced project initiatives as well as termination of service situations. What this entails is a recognition that the outsourcing relationship is no longer attractive or suitable for supporting the domestic business enterprise. The reasons can be many. One might conclude that catastrophic delivery shortcomings is the cause. However companies have made sourcing decisions base on factors of monetary return, intellectual homesteading, or simply formed a better understanding about the demands that an outsourcing engagement can involve in order to build a positive outcome. The McKinsey Quarterly (September 2008) presented an editorial piece entitled Time to Rethink Offshoring? that "Changing economic conditions may have undermined some of the benefits of offshoring"

One might relate retrosourcing to the ejection seat on a plane flying at full speed. The picture illustrates on the ejection and does not show all of the other unrelated events taking place both pre- and post-ejection event. While it's been understood that curtailing a relationship was always possible, it has been quite difficult to do so because there has been a lack of graceful, riskless guidance. One would think that if the sequence of events were reversed, or that possession was taken this would be sufficient to move forward. This is often not the case. First and foremost buyers need to recognize that remediation steps will involve money, resources, energy and commitment. These efforts do not occur automatically and must be purposeful and carefully orchestrated. All the while business continues and so do the demands. It is also difficult to regain the trust of a workforce that may have been recently laid-off and the concerns that they have about business leadership. Especially if the retrosourcing is viewed as a failure and not as a natural course of events that companies will experience. Be assured that management are human and that the decisions that are made are the best judgment at that moment. Changes in business and the world will ultimately challenge these decisions and qualified will respond appropriate and utilize talent that may help make informed decisions in this regard.



Retrosourcing is comprised of six (6) stages. These include,

- Pre-Ejection Recognizing the situation or problem, realizing that it cannot be suitable resolved and that impending calamity will occur without direct attention. Preparatory steps are taken to harvest necessary recovery components either constructed or the bi-product of service delivery.
- Ejection Alert Notify service provider of delivery and service contract termination. Hopefully the buyer has a well defined 'contract curtailment' or 'non-renewal' clause established in the contract.
- Ejection Sequence The formal harvesting of all collateral, and the orderly return of power. In addition, a resource team needs to be established (or use another sourcing provider as an alternative) to receive, assessment and formulate a service level delivery approach. The sole focus on either completing the project or return service delivery to a level of normalcy. These steps should be taken as a part of normal business operations. It's best, in a culturally diverse, global environment to not put all of your eggs in one basket.
- Eject-Eject-Eject This means total separation. Leaving the business relationship open will only consume energy, resources and potentially offers false impressions for future opportunities. Remember, that you

have departed the plane, so get away from it before it erupts into flame.

- Engage Recovery Recovery is heavily dependent upon the level of involvement by the buyer. Superficial connection will require exhaustive attention now. Intimate participation will facilitate an easier transition. Don't assume that this is an easy exercise. There can be as much as 25% resource effort required to migrate a failed project or service to a baseline stable state.
- Root-Cause-Analysis (RCA) Healthy return to operations requires a critical examination of the conditions that precipitated the relationship failure. There are many possible scenarios that exist but expect that mutual culpability exists. As buyers, one must remember the range of control and the various options that you have a direct influence over.
- Return-to-Operations This phrase does not mean 'normalcy'. Normalcy may take years to return, and some cases it may never happen. This may be good especially for those who have operations that were due for improvement.

How Do You Apply Retrosourcing?

There are two scenarios,

- In-flight service and/or delivery Initiatives, and
- In-process service and/or delivery Initiatives.

Those that are in-flight (underway) obviously have not established a preventative retrosourcing plan to be prepared. This should be a top priority for C-Level management. The following guide is offered to facilitate retrosourcing efforts. Do not put this off, prevention is always the cheapest control and affords the luxury of thinking that is free from catastrophic distractions.

1. Assess all service and/or delivery sourcing engagements.
2. Evaluate service level service and/or delivery status (if you don't have defined and measurable criteria this needs to be established, otherwise it can become subjective highly debatable opinion). Focus specifically on business value contribution to the buying enterprise.
3. Determine contractual termination and work product ownership provisions.
4. Monitoring of economic and global events that impact outsourcing engagements.
5. Acquire all owned product or service artifacts. In some cases this may simply mean bring things up to date.
6. Prepare a backup contingency plan that should the need present itself that a workable alternative(s) exist. This may include both corporate or external serviced alternatives. Corporate teams will find it easy to utilize existing project or service responsible teams to aid in

transitioning. External alternatives may explore the use of near or onshore service resources. Don't not overlook external guidance to provide objectivity.

7. Gaps in policy and practice need to be address to prevent future occurrence.
8. Establish what tasks will need to be undertaken in order make this transition. This is a useful exercise not just for remediation efforts but for any supplier-to-supplier movements that might be considered.
9. Test the plan in the small (does not require a full blown transition simulation). Obviously Test for the ability to carry the retrosourcing plan, in the small. The higher the risk or degree of uncertainty the more you may wish to gain a degree of comfort from the test that is carried out.
10. Insure vigilant retrosourcing oversight and monitoring.

For in-process (under discussion, negotiation and implementation) the following steps are recommended.

1. Establish retrosourcing measures. This involves a,
 - a. Reversion plan development,
 - b. Confirming contractual service commitments (service level criteria and oversight, component ownership, termination conditions...)
 - c. Establishing contingent resources availability,
 - d. Insuring collateral component repository,
 - e. Monitoring global economic and social conditions effecting outsource engagements,
 - f. Ongoing service and delivery review, and
 - g. Insist upon incremental delivery vs. end stage approaches
2. Confirm that retrosourcing measures work. Retrosourcing encourages buying organizations to have a more intimate involvement with the project and the service providers in order to easy potential transitioning that might need to take place.
3. Again, insure that gaps in policies and practices are addressed in order insure retrosourcing consideration.
4. Develop a comprehensive task list and accompany with role level assignments.
5. Carryout vigilant service level oversight.

Are we Done?

The way to answer this is direct and to the point, NO! Because outsourcing engagements involve both a buyer and a supplier, and with cultural, social, and global variations this form of business service enterprises will always be challenging. However, with this comes a number of wonderful business value opportunities ranging from substantial ROI benefits, to extending resourcing bandwidth. It will take work in order to make the evolving outsourcing discipline be successful. As buyers, recognize that the buyers role is to plan and communicate the vision and guide the outsourcing project to an successful end. There is no single model, whether company owned offshoring enterprise, resource use relationship or a service based contract there is none that will guarantee unquestioned success. Critical self-reflection as the buyer, specifically on how interaction with the supplier will occur, elements of project responsibility, supplier/buyer mutual expectations, and how the engagement will be managed

will make a substantial difference on the outcomes. Companies who have taken a distant and hands-off approach often find themselves wondering why things didn't work out, will often operate in a reactive fashion, and often with any plan whatsoever on how retrosourcing will occur. The abyss that this creates throws these companies into an even more catastrophic state. For companies that look to make outsourcing an integral part of their business solution set, doing it right will result in expectations becoming a reality.

Some might wonder, 'Why don't we avoid all of this and simply not outsource'? Companies need to be competitive in a global market. Even the smallest company can have a global presence through the use of the many electronic mediums that are available. To be competitive companies need to be responsive, maintain strong cost control, be innovative, highly flexible, and constantly be in search of efficiency. Outsourcing affords opportunities into these areas and at the same time be viewed as one of many possible solution alternatives. Buyers are obligated to view business support solutions in a holistic fashion and balance social impact, the level of intellectual solution distribution, and the long term effects of decisions made, with value contributing elements (such as economics). While outsourcing can have a profound effect on us it will present new opportunities and avenues. Talented resources, and innovative companies will balance lasting benefits with the impact that solutions alternatives present. Retrosourcing is simply one measure to always leave the door open to ever changing conditions in the outsourcing arena.

Jerry E. Durant is Chairman Emeritus/Founder of The International Institute for Outsource Management and Managing Director of Certellus Corporation. He has been actively involved in outsourcing since 1988 and serves as Sr. Technical Advisor to the Outsourcing Institute and The Beijing Association of Sourcing Services (BASS). He has also authored the Outsourcing Management Body of Knowledge (OMBOK™), established the Global Star Certification (GSC™) viability corporate supplier qualification and introduced the Certified Outsource/Offshore Project Manager (COOPM™) designation.