

# IT Back-Sourcing Helps Companies Regain Control and Flexibility

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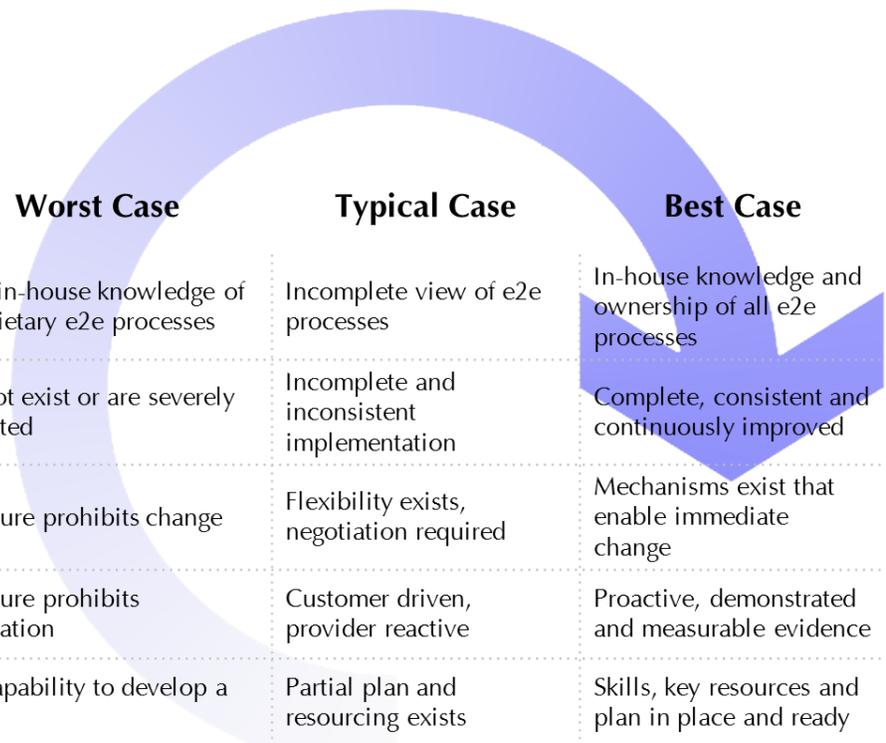
Driven by promises of dramatically lower operational costs and reduced capital outlay, many companies sent their Information Technology work off shore as part of vendor provided outsourcing agreements. Most of these outsourcing agreements did deliver on their promises of lower direct operational costs. However, what customers found is that there were hidden costs that drove the overall financial picture through the roof. Also, the outsourcing agreements proved to be less than flexible when customers wanted to change how work is done or selectively move work back on shore to take advantage of new processing models and technologies like cloud and Software as a Service.

A recent Deloitte outsourcing study states 16% of outsourced off shore work is back-sourced annually. This is potentially 16% of a \$300B market. There are several highly publicized cases where IT work has recently been brought back in house with General Motors, GE Capital and Bell South.

## The Back-Sourcing Challenge

When outsourcing agreements are initially developed, maximum effort is expended by customers and providers defining in detail the ownership of Intellectual Property and how it is used in outsourcing solutions. In reality, things begin to change before the ink is dry on the agreements. In most cases over the course of a 3-5 year outsourcing agreement, these solution changes are not reflected in the contracts, operational documentation or the domain knowledge that a customer requires about how their work is being delivered. This creates a huge hurdle for customers as they build their back-sourcing plans.

We recommend that customers use a structured diagnostic to define the gaps in their operational knowledge before they proceed with their back-sourcing initiatives. The scope of the diagnostic covers the following five key pillars of any outsourcing environment. These pillars are shown on the left hand axis of the following illustration.



	<b>Worst Case</b>	<b>Typical Case</b>	<b>Best Case</b>
<b>Intellectual Capital</b>	Lack in-house knowledge of proprietary e2e processes	Incomplete view of e2e processes	In-house knowledge and ownership of all e2e processes
<b>Artifacts</b>	Do not exist or are severely outdated	Incomplete and inconsistent implementation	Complete, consistent and continuously improved
<b>Financials &amp; Contract</b>	Structure prohibits change	Flexibility exists, negotiation required	Mechanisms exist that enable immediate change
<b>Innovation Agenda</b>	Structure prohibits innovation	Customer driven, provider reactive	Proactive, demonstrated and measurable evidence
<b>Organization &amp; Resources</b>	No capability to develop a plan	Partial plan and resourcing exists	Skills, key resources and plan in place and ready

## A Recent Case Study

For a recent customer diagnostic we determined that they were currently in the “Worst Case” or “Typical Case” for all five pillars. Unfortunately, we see this situation quite often when we perform the diagnostic with clients. This puts them in an untenable position relative to developing a workable back-sourcing plan. We advise clients to remediate the deficiencies identified by the diagnostic while the outsourcing contracts are in full operational mode. This generates maximum support from the providers. We find that some providers may resist support during Back-sourcing Execution so that they prolong their ongoing revenues.

These same five key pillars will be defined over the lifecycle of the back-sourcing effort which includes the Diagnostic/ Remediation, the Back-sourcing Plan and Back-sourcing Execution.

Repatriate Solutions would be delighted to engage with you about IT back-sourcing plans and challenges.

For more information visit [www.repatriate.solutions](http://www.repatriate.solutions) or call: Mark Michalik, 941-735-5225