

The New Face of Outsourcing: "In-Shoring"



By Ted Rose

Over the past 10 to 15 years, outsourcing has grown from a niche in the information technology industry to a global network of service providers that focus on Information Technology Outsourcing, Finance and Accounting Outsourcing, Business Process Outsourcing, Human Relations Outsourcing, Knowledge Process Outsourcing, Legal Process Outsourcing, Document Process Outsourcing, and more. During this same time period, the focus of outsourcing has changed. In the past, most companies would embark on outsourcing initiatives to produce cost savings. Today, while cost effectiveness

is still an important component of any outsourcing arrangement, most companies now view outsourcing as a strategic tool. In fact, cost was not listed by Brown-Wilson Group, Inc. in the top eleven reasons firms select an outsourcing vendor.

As cost loses its position as the primary driver of outsourcing engagements, the push to contract with offshore companies has also been decreasing. Many Indian outsourcing firms have recognized this trend and have begun to set-up U.S. offices to gain access to U.S. talent and to get closer to their client base. This has all been happening in the face of increasing wages in India. Further

evidence of this trend was displayed as the top five rankings in the *2008 Black Book of Outsourcing* list of top vendors went to U.S. based companies (See www.theblackbookofoutsourcing.com). "Inshoring" or "Onshoring" is a term utilized to describe outsourcing services provided inside the United States.

In an interview with the Wall Street Journal, Unisys' president of Global Outsourcing and Information Services, Tony Doye, said, "Some of our U.S. clients are now insisting that work is done on-shore." Doye goes on to state, "What's important is balancing the fine line between providing smaller services and

Outsourcing Initiatives

Relationship management and security capabilities are among the top outsourcing initiatives respondents say would influence their decision to select a vendor. Delivery location options and bundled functionalities were seen as less important.

Top Initiatives Influencing Vendor Selection	Percentage
References, Reputation and Known Client Experiences	78.3%
Vertical Competencies, Industry-Specific Acumen	70.1%
Cultural Fit	69.5%
Relationship Mgmt, Preferred Vendor Programming	63.8%
Security Capabilities	62.7%
Acclaimed Domain Expertise (e.g., ITO, BPO, FAO, HRO)	61.3%
Managerial Stability and Leadership Competence	55.2%
Strategy, Creativity, and Innovation Contribution	54.0%
Business Transformation Processes	47.2%
Leadership Commitment to Outsourcing	45.8%
Quality and Process Expertise	42.4%

Source: Brown-Wilson Group, Inc. as published in WSJ Note: Results don't add up to 100% due to multiple responses

being efficient on a large scale.” Becky Bright of the WSJ states that “much of this he believes is due to dissatisfaction with outsourcing services, as rates escalate in India and there’s a battle for talent there. In addition, he’s observed a higher comfort level of doing business in the U.S.”

When selecting an outsourcing vendor, keep in mind the top three reasons companies select an outsourcing vendor based on the *2008 Black Book of Outsourcing’s* survey.

- **References, reputation, and experience** – How long has the company been around? How do their clients feel about their relationship with the outsourcer? Does the outsourcer have experience in your industry?
- **Vertical competencies or industry specific acumen** – Are there specific competencies that are unique to your industry? Does the outsourcer have experience with these competencies? Does the outsourcer understand your business?
- **Cultural fit** – Are the values of the outsourcer aligned with your company’s values? Do you feel comfortable with senior management? Do you feel comfortable with your outsourcing team?

If these top three factors align between both organizations, there is a strong chance that you will be able to build a solid long-term strategic relationship with your outsourcing partner. It is clear that companies want an outsourcing partner that demonstrates experience and expertise that’s closely aligned with their own business model. They also want a provider that is small enough to care, but big enough to deliver as their needs grow and change.

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