

Better Global Sourcing of Services

A research study, using input from leading multinational companies, develops a systematic decision-support tool that drives effective sourcing decisions

by George S. Yip, Yacine Chibane, and Melanie Knight



“Sure, we already outsource a lot of IT work to India and our customer helpline to Scotland. But what about offshoring our human resources administration to Poland, or even some of our R&D to China or Russia and should that stay in-house even if overseas? Those are scary decisions.”

Companies and public sector organisations are outsourcing and offshoring more and more services. However they face a bewildering variety of choices. Developed from extensive and original research, this article describes an approach and supporting model that can help organisations make sourcing decisions more effectively. By providing a systematic approach to diagnosing decision parameters, this model allows decision makers to explore the right options for their own particular circumstances.

The rise of global sourcing of services

Physical products and components constituted the initial wave of global sourcing that started in the 1980s. Since the 1990s there has been a steady growth in the number of services, particularly in financial and information technology processes, that are being sourced globally. The phenomenon of business process outsourcing (BPO) has been an element of this. During this time, more countries have become suitable locations for providing such services, and more qualified service providers have emerged. The global sourcing of services is even more complex than that for products—the delivered service is harder to define, the process needs more constant monitoring, it happens in real time, quality varies more, and so on.

[Exhibit 1 Potential of Different Services for Global Sourcing]

Our Research

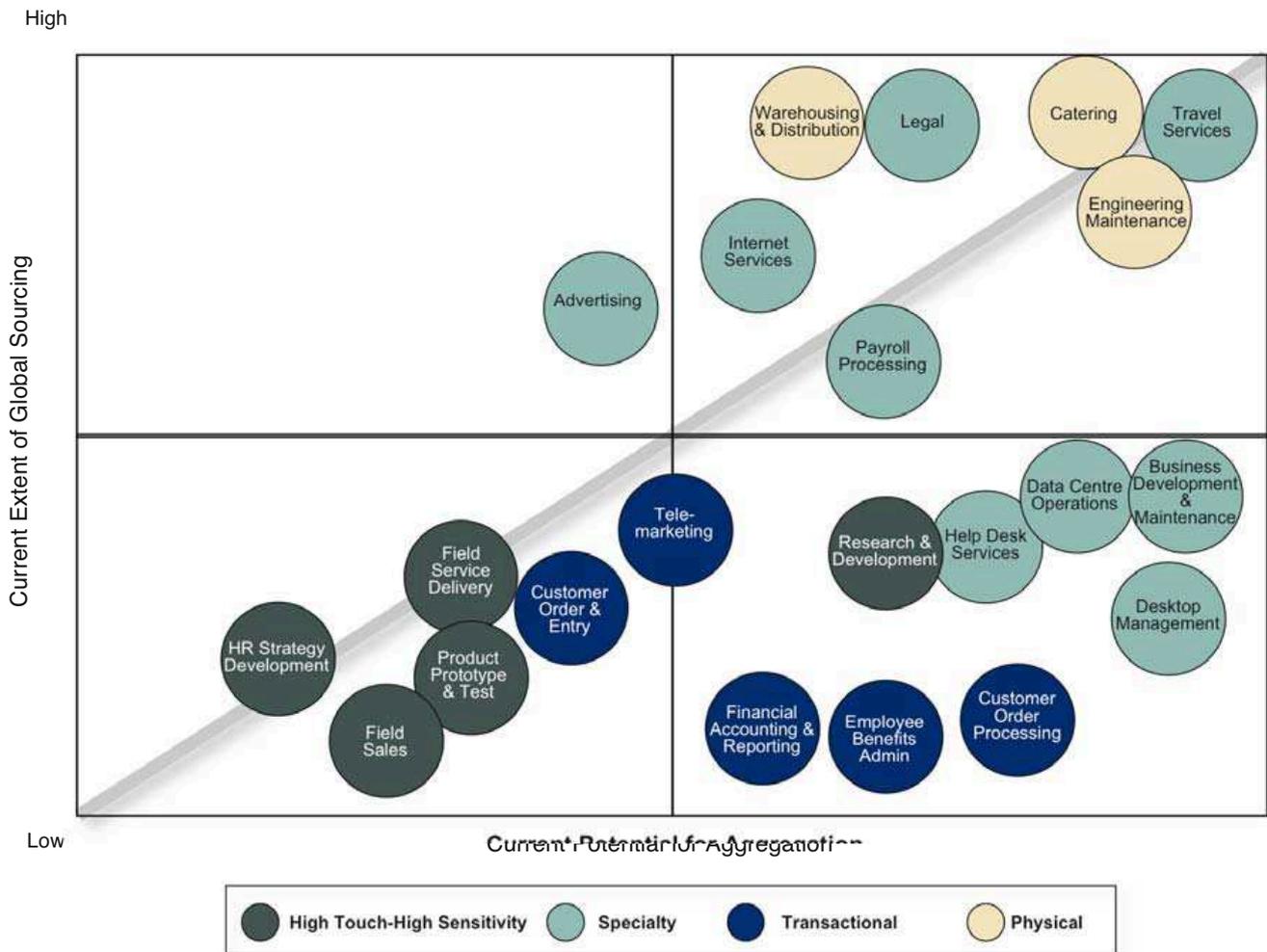
The development of our Global Sourcing of Services Model has been driven by several research methods:

- A review of prior research, by other organisations and by academics
- Extensive original research working with a number of major multinational companies, all leaders in their industries: an American document company, an American computer and related technology company, a British consumer packaged goods company, a British financial services company, a British marketing services company, a European insurance concern, a European software company, a European energy company, a European telecommunications company, and our own company, Capgemini. In addition, we conducted research at a British local government entity, and obtained advice from the U.K.’s National Outsourcing Association
- Our company’s extensive consulting experience around the world in outsourcing, offshoring, our Rightshore™ service, Business Process Outsourcing, and shared services
- Advice from two leading academic experts on global sourcing, as well as their own expert contacts
- Input from Capgemini subject matter experts

The model derived has been validated by testing with the companies that participated in the original research

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Exhibit 1: Potential of Different Services for Global Sourcing



Note: Services below the diagonal bar have high potential to increase their extent of global sourcing. Source: Data from Michael F. Corbett, *The Outsourcing Revolution*, 2004; and Capgemini analysis.

Special Issues In The Sourcing Of Services

The sourcing of services has a number of special challenges when considered against the sourcing of materials. These result from the need to:

- Take into account the requirements of an often broader range of stakeholders
- Manage knowledge effectively
- Manage performance against service level criteria that are sometimes difficult to define and measure

However, specific requirements vary by service and the more that services can be aggregated as discrete packages

of inputs, outputs and service levels, the greater the potential for global sourcing. Exhibit 1 illustrates how different types of services map onto the combination of aggregation potential and current extent global sourcing. Services below the diagonal bar have high potential to increase their extent of global sourcing.

The need for a systematic approach

It costs a lot in time and expenses to investigate global sourcing options. So we recommend starting with a desktop analysis to narrow down the range of options. But this analysis has to be done on a comprehensive and

systematic basis, otherwise promising but less obvious options might be ignored. Hence, we have developed an approach and a model that:

- Can be applied to any service
- Incorporates the major elements, both internal and external, affecting a sourcing decision;
- Uses data from external benchmarks;
- Allows for the incorporation of company-specific data; and
- Provides for sensitivity analysis.

Global Sourcing Modes

It is well established that the two key decisions in global sourcing concern ownership (in-house or outsourced) and location (onshore or offshore). Our research found that there is a third key factor to be taken into account, particularly for services. This is the level of management required to ensure that the service delivers. Some service providers will require ongoing tight management, while others can be held at arms' length after the transition and be only lightly managed. There is clearly a trade-off here between cost and risk and the right place on the spectrum depends on the characteristics of the environment the sourcing organisation finds itself in.

To make it easy to visualise and remember the choices, we have simplified these three dimensions of choice into a "global sourcing cube" (Exhibit 2). This cube has two choices on each of the three dimensions, although there are obviously intermediate points on each. For ownership there is a spectrum from 0% to 100%, including partial ownership or joint venture. For location, there are near shore locations (e.g. Poland), and some offshore locations (e.g. India) which are further than others in terms of both geography and dissimilarity, such as in culture. It does not necessarily follow that the nearer the location the better the fit. By way of illustration consider a UK business, whereby a service offshored to Australia will be culturally closer than one outsourced to Poland. Similarly, some French companies offshore to Mauritius, thousands of kilometres away, but closer in language and time zone than other, geographically closer locations. For management, the tightness of supervision is obviously one of degree. Nevertheless, the use of eight simplified choices fits within a number that is readily grasped. To increase the intuitive understanding of these eight modes, we have chosen memorable labels for each, as shown in Exhibit 3.

[Exhibit 3 Eight Global Sourcing Modes]

Exhibit 2: The Global Sourcing Cube

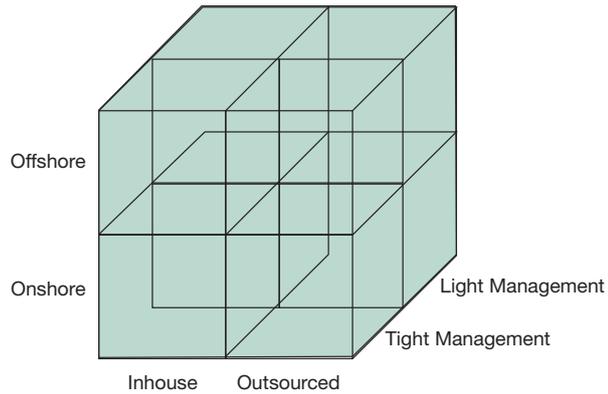
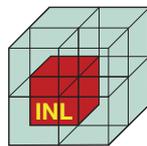
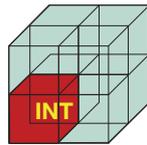


Exhibit 3: Eight Global Sourcing Modes



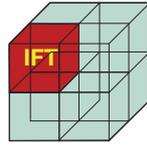
"Back of House" – close but not at the forefront of attention; light management of an in-house, onshore process



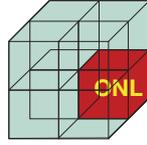
"Under My Nose" – keeping the most control; tight management of an in-house, onshore process.



"Hand Over the Car Keys" – it stays in the family but your "car" is driven away; light management of an in-house, offshore process.



"Trust but Verify" – what Ronald Reagan said about arms treaties with the Soviet Union; tight management of an in-house, offshore process.



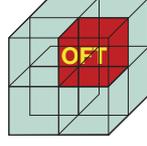
"Someone Else's Problem" – light management of an outsourced, onshore process; the process cannot be completely ignored but an outsourced, onshore mode can minimise the amount to attention that needs to be paid.



"Cohabitation" – how the French refer to a government with different parties holding the presidency and the legislature; tight management of an outsourced, onshore process results in the two independent organisations collaborating closely.



"Move and Forget" – keeping the least control, although you should not really "forget" about the process; light management of an outsourced, offshore process.



"Gold Frequent Flyer" – lots of travel for tight management of this outsourced, offshore process.

I = In-house O = Outsourced
 N = Onshore F = Offshore
 L = Light Management T = Tight Management

Where you are on the sourcing cube will dictate the level of cost, innovation and risk: moving from the sourcing mode at the front lower left of the cube, to modes at the back upper and right side of the cube generally reflects movement to less controlled modes but potentially to higher levels of cost reduction, service quality and innovation.

Characteristics Affecting the Choice of Global Sourcing Mode

How should managers choose from the available modes? Our research suggests that there are a number of characteristics to evaluate:

- The nature of the service under consideration for sourcing options
- Customer demand in relation to that service
- The sourcing organisation's experience and capabilities in sourcing, including its ability to collaborate with another organisation
- Competitors' best practices and threats
- The supply market of potential providers

Key questions to ask

By asking 30 key questions under the five characteristics, managers can get a good idea of which mode to select. Exhibits 4 to 8 list these questions and how a "highly agree" answer to each would suggest particular global sourcing modes (please see pages 12 - 14 at the back). Readers should answer all the questions. If you "highly agree" with a question, then you should record the recommendations. If you "highly disagree" with a question, then you should record the opposite of what is recommended. If your answer is in-between "highly agree" and "highly disagree" use your judgment to record the recommended choice(s). After answering all the questions, add up all the recommendations for all six

sourcing modes, and see which modes get the most recommendations.

The questions on service characteristics mainly cover the extent to which the service can be standardised and easily sent outside the organisation and home country. Therefore, these questions should distinguish between easy to outsource services such as travel bookings and difficult ones such as field sales.

The questions on customer demand characteristics cover such issues as internal customer demand and external customer impact, and the sensitivity of local cultural influences. These questions would get at effects such as the need to stay onshore or near shore to get language and cultural compatibility. This is why, for example, a number of UK companies have been bringing their customer service operations back on shore. An American document management company we researched set up an in-house shared services centre (SSC), for translation services in one European city. Its customers in various European countries, however, became increasingly frustrated by the SSC's lack of local knowledge, which meant that a high proportion of queries were referred back to local teams--thereby diminishing the value of the SSC.

The questions on organisation characteristics mainly cover the ability of the sourcing organisation to perform the process itself and also its experience and ability in managing providers. These questions directly address the choice of ownership, location, and management mode. Capgemini has kept its finance and accounting function in-house because of the capabilities it has developed to serve external clients. These capabilities reside in our Business Process Outsourcing service and are off-shored in Poland and India. A global software company we researched found that its in-house finance and accounting shared service centre was best in class and has



decided not to outsource these services despite the current trend to do so.

The questions on competitor characteristics cover the extent to which competitors set precedents or pose threats in global sourcing. In many cases, companies need to globally source in order to match a competitor's level of costs or service. A global professional services company we researched found that its finance and accounting function cost significantly more as a percentage of total costs than those of its competitors, and decided to offshore these services in order to match industry norms.

The questions on supply market characteristics cover the extent to which suitable providers are available. It is easy to decide to source an information technology process because of the extensive supply that has developed in India, and increasingly in other countries such as China. But it is much more difficult to decide to globally source services such as product testing, which is only just beginning to develop capable providers. The American document management company, which we mentioned earlier, finds that translation services are more readily available offshore for many languages.

These questions are both generic enough (not specific to a particular service) and detailed enough (about particular aspects of the sourcing situation) that they can address a decision about any service, from any sourcing organisation, to any provider organisation, and sourcing to and from any country. Obviously, readers should use these questions only as a checklist to stimulate their own thinking, to support their own detailed analyses, and to cross-validate decisions they have made or are considering.

How the Characteristics can Drive Sourcing Decisions

The following case examples show how the Global Sourcing of Services Framework and its questions can lead to the right decision. The decisions described here were made without application of our framework but our discussion below shows how the framework justified the actual decisions made. In each case we highlight those few questions of the 30 under the five characteristics that really drive the choices along the three dimensions for the examples in question.

Managing insurance repairs: combining “co-habitation” with “Gold Frequent Flyer”

A European insurance company, “InsureCo”, has to decide how to source non-automotive repairs covered by insurance policies. Following a customer requesting a claim, InsureCo has four ways of dealing with it:

1. The claim is authorised over the phone and the customer is paid and asked to arrange for their own repairs
2. InsureCo proposes to carry out the repairs (less than 10% of InsureCo's work)
3. An expert calls upon the customer and assesses the damage
4. An expert is sent to the scene of the damage

This case example focuses on option 2. InsureCo outsourced the management of this activity entirely to four different service providers, of which one company, from a different European country, holds the biggest share. Hence InsureCo chose the outsourcing mode for ownership and a mix of onshore and offshore for the location mode. In addition, InsureCo

uses the tight management mode. How did the company choose this combination (ONT Cohabitation and OFT - Gold Frequent Flyer)?

In the choice of Outsourcing, two Supply Market Characteristics questions seem to determine the choice: **30. Is the supply market able to provide this process at maintained service levels at lower cost?** and **28. Is the capacity of skills required all available in the vendor supply base?**

The strongly positive answers to these questions make it clear that the repair services should be outsourced. After all InsureCo provides insurance services rather than the myriad of skills needed to repair many different aspects of housing and personal property. Indeed, InsureCo uses about 1,200 private repairers, such as plumbers, decorators and builders.

But there are actually two services involved, of which repair is the later stage. The earlier stage is provided by what InsureCo calls the “supplier of the repair platform.” In this first stage process, the householder contacts the repair platform to establish the claim and the repair platform selects and manages the independent repairer. This service used to be carried out in-house by an InsureCo team of about 30 individuals across the home country. So why did InsureCo outsource this first stage also? This was because, whilst option 2 (InsureCo doing the repairs) accounts for less than 10% of all claims, it consumed a much higher proportion of management attention due to the numerous tradesmen that were engaged to do the work. So a further Service Characteristics question that applies to the service platform activity is **5. Can the service be delivered remotely without internal staff or customers’ involvement?** The strongly positive answer confirms that the process can be outsourced.

Next, why was the largest supplier of the first stage process an offshore company? Although language is clearly an issue, it is easily solved by the use of InsureCo home language speakers based in the supplier country. The Customer Demand Characteristics question, **12. Is process success independent of local cultural influences?** yields a fairly positive answer as the customer interaction is about the practicalities of scheduling repair work rather than, say, more sensitive interrogations about personal information (e.g., for health insurance claims). Another Customer Demand Characteristics question, **9. Are internal customers more concerned about the cost of the service rather than service excellence?** is the clincher with a fairly positive response, and the latter is true partly because of the positive response to a Service Characteristics question, **6. Can decisions within the process be based on standard specified criteria?**

Lastly, why does InsureCo use Tight Management? That decision derives from positive answers to two Customer Demand Characteristics questions, **10. Does the process in scope have significant brand impact?** and **12. Does the process in scope differentiate the organisation in its competitive landscape?** InsureCo’s reputation is at stake and customers are sensitive to how they are served, particularly when the choice of repair by an InsureCo repairer is the customer’s last resort, having rejected other options. In addition, the near-shore supplier was under severe pressure from its head office to make better returns. So a real difference exists between the economic model used in the supplier country to that used in the home country: the supplier is more cost conscious whilst the client organisation has to regulate quality.



This example also shows the importance of persistence and evolution. InsureCo's initial forays into outsourcing the work as a managed service were not impressive. However, rather than withdrawing from outsourcing, lessons were learned and a more considered approach was adopted to further develop corporate understanding of how to make sourcing decisions work. InsureCo decided to adopt an evolutionary approach. The vision is to ultimately have two suppliers. To begin with four are being tried, then at the end of the first year this will be reduced to three and then later two based on the competence demonstrated and the suppliers' ability to work with InsureCo.

This case demonstrates the value of regularly reviewing decisions using a set of evolving decision criteria such as those used in the GSS decision support tool, even when an organisation is relatively experienced at making global sourcing decisions.

Sourcing software development and support: Combining Gold Frequent Flyer with Trust but Verify

Between 70% and 80% of what global business software company, "SofCo", outsources are services. The company had been off-shoring non-core activities for some time and this had proven beneficial. Effective ways of working with vendors had been established. So it decided to look at off-shoring more core activities.

The development of software involves the writing of code followed by the testing of code. Also, when the software is released, the support of the application in service may require training or consulting on how best to use the application. Clearly, the reputation of SofCo is largely dependent on each of these aspects being carried out properly and so there is a strongly positive response to question 10. **Does the process in**

scope have a significant brand impact?

SofCo has chosen to outsource and offshore the development of software largely to India and increasingly their Indian service providers are involved in supporting the software in service. Performance is relatively lightly managed but a significant effort is made to tightly manage the relationships with their Indian software developers. In addition, SofCo is finding capability elsewhere in the world and has established captive centres, SofCo in-house facilities, in Israel and South America. But why does SofCo consider the OFT, Gold Frequent Flyer, mode to be right for India and the IFT mode, Trust but Verify, to be the right choice for other countries?

The decision to outsource and offshore software development and support to India was based on a number of characteristics. The group procurement organisation was challenged to find ways to take cost out of the operation and having researched the supply market it became clear that for India the responses to questions 24. Is the supply market of service providers mature?, 27. **Are the key skills required in the process all available in the vendor supply base?** 30. **Is the supply market able to provide this process at maintained service levels at lower costs?** and 28. **Is the capacity of skills required all available in the vendor supply base?** were all strongly positive.

However, these positives were countered by initially negative responses to question 8. **Are internal customers convinced that outsourcing will be beneficial?** It was, therefore, necessary to move cautiously to prove suppliers' capabilities. SOF, therefore, limited its initial moves offshore to software testing because of the strongly positive responses to questions 1. **Is the service**

standardised and documented in procedures? and **2. Can requirements for performing this process be easily specified and effectively monitored?**

Interestingly, as the suppliers' performance was proven so the scepticism from the internal customers changed to demand more work to be carried out offshore, indicating a strongly positive response to question 8. The range of work has subsequently expanded to include software coding and service support.

The decision to outsource or not for other countries was more complex. The supply market in India was particularly mature. However, when SofCo looked at other locations it found that the characteristics were different. For example, for Israel the responses to questions **27. Are the key skills required in the process all available in the vendor supply base?** and **28. Is the capacity of skills required all available in the vendor supply base?** were strongly positive as they were in India. However, supply costs were high prompting a strongly negative response to question 30. Is the supply market is able to provide this process at maintained service levels at lower costs? So SOF decided to set up an In-house capability in Israel to take advantage of the skills whilst maintaining control of the cost of operation. South America on the other hand is attractively low cost, prompting a positive response to question 30 but the supply capability needs to be developed, so responses to questions 27 and 28 were negative. Therefore, once again, SofCo has decided against outsourcing and has established an In-house captive centre.

The Indian offshore outsourced experience provides an example of how SofCo's approach to management changes as capability matures. Initially, the processes were managed very tightly, but as capability has been proven so the management effort has reduced to the point where the

contract is managed lightly, with service levels based on response times and outcomes. The sourcing mode is therefore effectively OFL, Move and Forget. An important distinction needs to be made, however, between the performance of the contract and the management of the relationship. Both the Indian service providers and SofCo continue to put significant effort into managing the relationship, suggesting that, even when the management mode is light, successful organisations continue to invest in the relationships with external parties.

A Business Case Model

We have also used the 30 questions to drive a decision support model based on the business case for global sourcing. While the latter has to examine many factors, our model focuses on three critical ones:

- The potential benefit in terms of potential cost savings
- The costs of sourcing and implementation
- Factors that might mitigate the potential cost i.e. collaboration

The business case can be described as an algorithm with the following key elements:

1. Expected Value (EV) – the bottom-line business case
2. Potential Value (PV) – the maximum possible savings from a particular sourcing mode
3. Cost Impact (CI) – the end-to-end costs associated with the sourcing of the service and the implementation of the service provision
4. Probability (Pr) of incurring the Cost Impact
5. Collaboration Mode (CM) – to mitigate costs
6. Cost of Collaboration (CC) – indirect costs in relation to the service

These elements come together in the following equation:

$$EV = PV - (Pr \times CI/CM) - CC$$

Potential Value

In our model, Potential Value (PV) is the possible gross savings from using a global sourcing mode, as a percentage of current total costs for the activity under scrutiny. Our review of the evidence and our own research suggest that offshoring and outsourcing can save up to 35% of the costs of an onshore, in-house process, that offshoring and in-house can save up to 30%, and onshore, outsourcing can save up to 20%.

Cost Impact

The potential savings are reduced by various costs that have to be incurred to change the sourcing mode. So Cost Impact (CI) is the maximum cost of having to create the capability for a particular service or process, as a percentage of current total cost of providing the same activity. These extra costs arise in a number of ways, comprising both one-time costs and ongoing costs as noted below. The exact cost will differ by the process and specific company in question. For example, costs of voice and IT services tend to be higher because of the greater use of technology than for other types of services such as payroll processing.

One Time Costs

- Search and Contract – finding a suitable service provider, and then negotiating the contract - about 4% of the base cost case of onshore, in-house, light management
- Restructuring – rearranging the elements of work so that the service can be sent offshore and/or out of the organisation – about 5% of the base cost
- Process Changes – changing processes so that the overall service can be separated and performed outsourced and/or offshore – about 10% of the base cost
- Transitioning Work – the actual

movement or transitioning of the service activity incurs costs – about 3% of the base cost

Ongoing Costs

- Lost Productivity/Cultural Issues – global sourcing often involves the use of fewer productive workers, albeit at much lower wage rates; in addition, there can be cultural differences that impose further ongoing costs – about 10% of the base cost
- Governance – any form of global sourcing requires additional governance mechanisms to manage the relationship – about 10% of the base cost

Probability of Incurring the Cost Impact

The answers to the 30 questions determine the likelihood or Probability (Pr) that the organisation will incur these costs. For example, if the answer to the question, “The supply market is mature,” is “highly agree,” then there is a very low probability that the sourcing organisation will have to incur the various costs. After all, many suppliers are already available in this mature market. On the other hand, if the answer is “highly disagree,” then there is a very high probability that the sourcing organisation will have to incur the various costs.

Collaboration Mode

Global sourcing, whether in-house or outsourced, places a strain on the organisation. In consequence, sourcing organisations need to use the right collaboration mode to reduce the strain and get the process to work better. In our model, the Collaboration Mode (CM) affects the Cost Impact. A CM of Tight Management (T) reduces the cost impact by making for more effective coordination between the customer organisation and the provider. Numerous studies and our own research show this to be the case. Having the “right” management mode

is crucial. In our model, the choice of a Tight (T) collaboration mode halves the Cost Impact relative to a Light (L) collaboration mode.

Cost of Collaboration and Management

Although tighter collaboration reduces the cost impact, it also incurs its own cost. The base case is that of In-house, Onshore, Light Management, which incurs no extra costs. Changing the sourcing mode and the management mode increases the cost of collaboration or management, up to an additional 10% of base costs for the case of Outsourced, Offshore, Tight Management.

Expected Value

Our model gives an Expected Value (EV) calculation for each of the 30 questions that reflect the characteristics of an organisation, netting out the potential savings and costs for each of the eight possible global sourcing modes. The model then ranks the eight sourcing modes based on the average EV produced by the 30 questions. These ranks (from 1st to 8th) are the model's recommendation for the priority in which to consider the possible global sourcing modes.

How to Use the Global Sourcing Model

The Global Sourcing Model is a decision support tool that should be part of an approach to optimising an organisation's operating model. It should be used in conjunction with a discussion and investigation of the issues involved. The model will act as a prompt during the process and may well generate issues for further investigation. The interactive nature of the model (via the ability to change both the answers to the questions and even some of the parameters in the model) means that it can be used in a number of roles including:

- Assessing the impact of changing assumptions (for example, on the

cost savings from off-shoring)

- Resolving disputes (for example, how much difference it might make to the decision if there are differing opinions on the brand impact of the service)
- Examining which services are more suited for global sourcing
- Running alternative scenarios; and
- Comparing the model's output with internal views on strategy

The Importance of Being Analytical

In summary, making decisions on global sourcing can be a real headache, and risky too. Key choices concern the three dimensions of ownership, location and management. To make these choices you should analyse five sets of characteristics in regard to:

- The nature of the service under consideration for sourcing options
- Customer demand in relation to that service
- The sourcing organisation's experience and capabilities in sourcing, including its ability to collaborate with another organisation
- Competitors' best practices and threats
- The supply market of potential providers

You can conduct this analysis in a qualitative way using the 30 questions we have provided. Or you can do it in a quantitative way using our business case model. In either case, conducting thorough and systematic analysis of the type we recommend here will not make the decision for you. However that analysis can guide you to the sourcing modes worth deeper, and more expensive, investigation.

Exhibit 4: Service Characteristics Effects on Choice

Question	If “highly agree”, then favours:
1. Can the service be standardised and procedures <i>easily</i> documented?	<i>Outsourced, Offshore</i> Low cost to standardise and document the process before sending outside.
2. Can the requirements for performing this process be easily specified and effectively monitored?	<i>Light Management</i> Easy to monitor with minimal oversight.
3. Will mistakes in this process have a significant business impact from a legal, regulatory or financial point of view?	<i>In-house, Onshore, Tight Management</i> If do send out, then need to restructure and reengineer process, and train outside staff carefully.
4. Does the process involve direct contact with the organisation’s clients (e.g., external clients, suppliers)?	<i>In-house, Onshore, Tight Management</i> If do send out, runs risk of poor process performance causing loss of reputation and customer satisfaction, which in turn leads to loss of business.
5. Can the service be delivered remotely without internal staff or customers’ involvement?	<i>Outsourced, Offshore</i> Easy to send out.
6. Can decisions within the process be based on standard specified criteria?	<i>Light Management</i> Once the process is documented, little monitoring needed.
7. Can responsibility for performance of this process be clearly defined?	<i>Light Management</i> Easy to monitor performance.

Exhibit 5: Customer Demand Characteristics Effects on Choice

Question	If “highly agree”, then favours:
8. Are internal customers convinced that outsourcing will be beneficial?	Outsourced Satisfies internal customers.
9. Are internal customers more concerned about the cost of the service rather than service excellence?	Outsourced, Offshore, Light Management Go for the modes with the maximum savings.
10. Does the process in scope have significant brand impact?	In-house, Onshore, Tight Management Play safe, or if do send out, then need to train outside staff carefully and manage relationship tightly.
11. Does the process in scope differentiate the organisation in its competitive landscape?	In-house Keep in-house if the organisation has distinctive competence, but outsource if the provider can provide a superior process that also protects the organisation’s differentiation.
12. Is process success independent of local cultural influences?	Offshore Can go to countries that are quite dissimilar in culture and language.

Exhibit 6: Organisation Characteristics Effects on Choice

Question	If “highly agree”, then favours:
13. In this specific process, are most “generalist” employees capable of performing other employees’ jobs?	Outsourced Little specialisation involved, so makes it easy to find outsourced providers.
14. Are the current in-house processes best in class?	In-house Or invest to bring outside provider up to best in class.
15. Is there potential for industrial unrest if jobs are lost?	In-house, Onshore Hard to send jobs out of organisation or offshore.
16. Is the organisation evolving and are requirements changing quickly?	In-house, Onshore If do send out, will incur regular extra costs to reengineer processes.
17. Are contracts with service providers or vendors reviewed frequently and actively managed?	Tight Management Will need regular management involvement
18. Does the organisation have the capability to deliver the process or service in-house?	In-house Provides a real choice, depending on effectiveness and cost of outsourced alternatives.

Exhibit 7: Competitor Characteristics Effects on Choice

Question	If “highly agree”, then favours:
20. Are competitors offshoring this service successfully?	Offshore Competitors have shown that offshoring works for this service in this industry.
21. Do competitors have long-term relationships with their service providers or vendors and is re-tendering, therefore, infrequent?	Light Management Can have similar long term relationship that requires only light management.
22. Do competitors have distant relationships with their service providers?	Outsource, Light Management Costs are not expected to increase hugely as competitor behaviour suggests that processes have settled down.
23. How unacceptable is it if competitors were to gain access to detailed knowledge about the process in scope (e.g., via a service provider or vendor)?	In-house Any sourcing decision is constrained by the threat of a loss of competitive advantage.

Exhibit 8: Supply Market Characteristics Effects on Choice

Question	If “highly agree”, then favours:
24. Is the supply market of service providers (vendors) mature?	Outsourced Start-up investment is minimal.
25. Can this organisation leverage vendors’ economies of scale for this process?	Outsourced Can enjoy cheaper provision.
26. Does an external vendor or service provider have the potential to become a competitor within the next five years?	In-house, Tight Management Keep in-house or avoid high threat providers. If outsource, then manage tightly to avoid leakage of proprietary know-how.
27. Are the key skills required in this process all available in the vendor supply base?	Outsourced, Light Management Providers will not have to acquire skills at additional cost, and need less management.
28. Is the capacity of skills required all available in the vendor supply base?	Outsourced Wide choice of effective suppliers.
29. Is the labour attrition rate low off shore?	Offshore Reduces potential costs of recruitment, induction and retention.
30. Is the supply market able to provide this process at maintained service levels and at lower cost?	Offshore Savings are highly likely.



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, which it calls the Collaborative Business Experience. Capgemini reported 2006 global revenues of 7.7 billion euros and employs over 80,000 people worldwide.

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For further information, please contact

George S. Yip
Dean and Professor
Rotterdam School of Management
Email: gyip@rsm.nl
Tel: +31 (0) 10 408 1901

Yacine Chibane
Senior Consultant
Email: yacine.chibane@capgemini.com
Tel: +44 (0) 870 238 2444

Melanie Knight
Executive Consultant
Email: melanie.knight@capgemini.com
Tel: +44 (0) 870 909 5194

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