

Thought Paper

AUTOMATE OUTSOURCING GOVERNANCE TO DRIVE MAXIMIZE VALUE

ABSTRACT

Large corporations have been using outsourcing as a business transformation tool for decades. Although the service delivery is transferred to the vendor, the accountability remains with the client organization to ensure risks are managed, and the promised value is delivered. This is where Outsourcing Governance teams come into the picture.

Organizations have performed outsourcing governance in silos and mostly manually. The outsourcing governance teams are usually understaffed and lack the tools to manage the engagements effectively.

This fragmented and completely manual approach results in significant loss of the value expected from outsourcing engagements. What organizations need is a tool that can automate the outsourcing governance function and help maximize value.

Top 5 challenges in managing outsourcing engagements

- *Lack of visibility into supplier operations and the resulting inability to audit and predict outcomes.*
- *The absence of Benchmarks to compare multiple vendors, teams or projects.*
- *Lack of Alignment between vendors and clients.*
- *Understaffed vendor management teams and lack of tools.*
- *Lack of Accountability into contracts and the right SLA's that are scientific and automated.*

PROBLEM

Primary drivers of outsourcing are to save cost and improve productivity in every organization. To achieve these goals organizations set up outsourcing governance teams that manage these relationship to protect their interest and ensure service delivery. However, this is easier said than done, and most Vendor Sourcing managers state that they face significant challenges with their outsourcing deals throughout the life of the contract.

A comprehensive survey of more than 250 enterprise firms with outsourcing arrangements conducted by a leading research organization found that there is a value erosion of up to 50% in the outsourcing engagements. The study found that this value leakage comprised the following principal components:

- **12% -15%** *inefficient productivity norms*
- **5% - 7%** *suboptimal delivery structure*
- **5% - 7%** *resource upskilling*
- **5% - 7%** *skewed onshore/offshore mix*

In addition to this documented value leakage, there is a significant relationship value erosion between suppliers and their ultimate clients, i.e., the client end-users, arising from unmet business expectations.

Over-relying on data from the vendors along with manual governance make it impossible for organizations to stop the value leakage.

We find that Organizations that have set up Outsourcing Governance teams operate in a reactive mode at best, they rely on supplier-provided data manually entered into multiple tools and perform basic historical reporting on supplier performance. Governance teams are not able to manage risk, relationship, and performance proactively.

Some teams that do use software tools in the governance team end up using tools that support manual validation or timesheet approvals or invoice approvals. These tools do not automate outsourcing function or provide means to get real-time analytics, predictive analytics or support data mining.

The current governance marketplace addresses two broad overlapping categories:

- *Manual onshore and offshore resource management solutions with limited enterprise application integration.*
- *Products that partially automate manual processes.*

EXISTING SOLUTIONS

None of the solutions available in the marketplace today help companies build an automated outsourcing governance practice backed by data.

The need for a solution to automate an outsourcing governance practice is well known. Hence we see tools that help clients manage their contingent workforce in a Vendor Management Systems (VMS), or capture semi-automated timesheets, or update project management tools. However, all of these tools fail to provide an end to end solution that can automate the governance function and help clients manage risk, performance, and relationships proactively.

It is safe to state that no existing solution provides a complete and automated outsourcing governance solution as a platform needed to manage large, complex, multi-vendor engagements.

CONCLUSION

What organizations need is an automated outsourcing governance solution like Sapience that is built to address the challenges faced by the outsourcing governance teams.

This outsourcing governance solution should:

- ***Reduce workload on vendor management team by helping them migrate from overly manual process to an automated system.***
- ***Support creation of new SLA's and Metrics that will auto-manage the engagement***
- ***Enable every stakeholder to have the right level of data to manage relationships and predict outcomes proactively.***

Such a system will allow organizations to redirect focus to risk and relationship management, achieving productivity gains, improving performance, and predicting expected outcomes.

ABOUT SAPIENCE

Sapience Analytics, a US-based corporation is a market leader in People Analytics and provides a unique enterprise workforce analytics and efficiency solution.

Sapience delivers unprecedented visibility into work patterns and behavior in an organization, which is being used by leaders of over 80 major customers across 18 locations to make better- informed decisions and improve operating efficiencies across their enterprises.

The Sapience platform focuses on helping companies achieve improved efficiencies for staffing, workload optimization, process improvement, robotic process automation, and outsourcing governance.

Sapience is the recipient of several industry awards for its innovative product and fast growth, including Dun & Bradstreet, Frost & Sullivan, TiE50 – Bay area, NASSCOM, and IDG Channel World.

For more information, please visit www.sapience.net