
Innovation in Outsourcing

As the outsourcing industry continues to mature, customers have come to expect excellent service that meets or exceeds agreed to service levels at an agreed to price.

Today's outsourcing environment demands more. It demands service providers and advisors who can work collaboratively with their customers to constantly break new ground, achieve unanticipated benefits, and help their clients win both today and tomorrow in the markets they serve. In other words: Innovation!

Defining Innovation

Although the old saying "I can't tell you what it is, but I know it when I see it" can certainly be used when discussing innovation, actual customer experiences and academic research suggests that innovation can and has been defined.

In surveying its members, IAOP has found that customers define innovation as "anything that improves the customer's performance, regardless of novelty." Research by Lacity & Willcocks define it as "realizing there is a different and better way of doing something, and combining that with the ability to deliver."

These and similar definitions may differ in wording, but they all focus on the same customer need: identifying and delivering improved *customer* performance.

Examples of Innovation

Innovation in outsourcing can impact any outsourced process, in any business function, and industry. And although in today's world technology is often a key driver of innovation, innovation is certainly not limited to technology companies or technology services.

Some examples frequently cited by Lacity & Wilcox and others that illustrate this point are:

- ❖ A better forecasting tool that improves a retailer's stocking, inventory levels, and reduces errors
- ❖ Adding a predictive tool to a claims submission process that significantly reduces rework costs
- ❖ An improvement to an existing manufacturer ordering process that reduces both stocking costs *and* deliver delays
- ❖ A governance tool that results in more efficient and effective customer management in a multi-vendor environment

In short, customers across all areas are looking to their providers and advisors to not only see but deliver these kinds of performance improvements as an integral part of their value proposition.



Programs for Innovation

Finally, innovation in outsourcing is more than just an occasional breakthrough idea. Top outsourcing service providers actually set up company-wide, multi-client programs that encourage, facilitate, and support the identification and implementation of improved customer performance through innovation.

Some companies establish productivity improvement targets with all of their customers and then work collaboratively to meet them, others establish gainsharing programs at the project-level, while others commit to 'innovation days' where customer and provider personnel come together to focus solely on ways to improve customer performance. And, many service providers have well established programs to share the gains made with one customer with others.

The Global Outsourcing 100[®]: Programs for Innovation

The **Programs for Innovation** category of IAOP's Global Outsourcing 100[®] program gives service providers and advisors the opportunity to showcase how they go about delivering innovation for their customers.

It focuses not just on specific *examples* but on the *programs* that service providers and advisors have in place to identify and implement innovative solutions.

Summary

Defining and meeting service levels and costs is now a given. Today's customers demand that and innovation from their top providers. The addition of this category to the Global Outsourcing 100 will not only give providers and advisors an opportunity to showcase what they are doing, but will help customers, providers, and advisors better focus on this critical aspect of contemporary outsourcing.