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Doug is a Strategy & Operations managing director in the Infrastructure Operations service line with Deloitte Consulting LLP. Doug brings expertise to the IT strategy and outsourcing offerings. He has more than 23 years of experience and has led multiple IT strategy and sourcing projects for large, global organizations.

Doug has market eminence as a thought leader in outsourcing and has presented at a number of industry conferences, including the International Association of Outsourcing Professionals (IAOP), Sourcing Interest Group (SIG), the Outsourcing Institute (IO), and Financial Services Outsourcing (FSO). He has been widely quoted on outsourcing, benchmarking, and emerging cloud technologies.



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## What key insights resulted from Deloitte's 2016 Global Outsourcing Survey?

Outsourcing continues to grow as a tool for enabling service delivery transformation. But, it's really more than that: The market has arrived at a point where it is intersecting outsourcing with innovation in ways it was unable to do previously. Organizations now have opportunities to partner with their service providers differently to harness the power of cloud computing, autonomies, analytics, and more.

### Given the maturity of outsourcing, is it still growing, and if so, in what direction is it heading?

What we know as "outsourcing" has been around in one form or another for decades, and so have the predictions of its demise. But it keeps adapting to changing business environments. Today, outsourcing is not only alive and well, but it is growing. The results of the [2016 Global Outsourcing Survey](#), which compiled 280 responses representing organizations from across the globe, show that outsourcing not only continues to expand across mature functions, such as IT, human resources, and finance, but it also continues to move into non-traditional functions, such as real estate, facilities management, and procurement. But, this isn't the most intriguing part of the story: Outsourcing is reinventing itself. Respondents increasingly see outsourcing as a vital way to drive innovation into the enterprise. In other words, it is becoming a means of potentially attaining and maintaining a competitive advantage—and not just a way to cut costs.

### What role does innovation play in the evolution of outsourcing?

Outsourcing is becoming a channel for accessing innovative capabilities, as well as transformative technologies, products, and services. Some companies, for instance, are looking to their service providers to help them capture and

integrate marketplace advances, such as new practices related to cyber security, merger and acquisition enablement, and risk mitigation. Others are looking to their providers to help them access and manage transformative products and services such as cloud-based service delivery and robotic and cognitive process automation. The common denominator is that companies increasingly see their service providers as innovators and key business enablers rather than just sources of price arbitrage.

### How is the relationship with outsourcing providers changing?

As organizations increasingly view outsourcing as more than a cost play, they accordingly expect more from their vendors in terms of supplying innovation and transformational benefits. However, many are still struggling with how to define, measure, and motivate those expanded benefits within their outsourcing relationships. While some survey respondents say they measure the value delivered by outsourcers through innovation, most do not yet make innovation a key part of contracts. Partly, this may be because innovation and transformation, historically, have been difficult to measure, though we are much smarter about how to track those characteristics now than in years past. This suggests there is a gap between the value that a good outsourcing partner can bring, and what they are allowed to deliver.

Creating value beyond cost arbitrage begins early—even before vendors are engaged. As the emphasis upon extended benefits, such as innovation, ease of management, and improved strategic flexibility, increase in magnitude, so too does the importance of getting off on the right foot. Making thoughtful considerations when deciding to outsource can set the stage for the entirety of the relationship. This includes deciding upfront that a value-based relationship is desired, and then driving that value into the vendor selection criteria and service level agreements (SLAs).

Overall, companies increasingly acknowledge that their vendor relationships are evolving into full-fledged partnerships. Respondents generally indicated a desire to manage relationships with their outsourcing providers differently to maximize their value. For many, this means spending more time on competitive vendor selection and transition, along with better SLAs. And, while perceptions of the value of vendor management organizations (VMOs) have improved, the survey findings demonstrate a strong business case for investing even more in this function.



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