



# Opportunity to get sourcing right

**Paul Gordon**

With many outsourcing and telecommunications relationships, when the hype, babble and myths are stripped away, we're left feeling that the value simply isn't there. There's a big mismatch between expectation and reality. There's been a big shift in the sourcing market, and there's a huge opportunity space for the suppliers who get the response right – and for customers ready and able to leverage it.

Over the years we've seen many customers disappointed with the value being delivered from outsourcing deals – usually regardless of the market, the technology or the history of the providers. So many times the suppliers are doing what the customer asked for, but they're often completely missing the mark on what the customer really wanted or valued.

So why aren't customers asking for what they really want – and why aren't suppliers delivering on the sales promise? And why now is this even more important for buyers and suppliers to get right?

Firstly – the traditional sourcing community and the safe approach of buying to tightly prescribed service levels (that measure the wrong things), complete with long, off-the-shelf lists of essential functionality. We've seen, and if we're honest we've also created, RFPs full of cut and paste functions and requirements that are all entirely correct,

but in actuality mask the real essence of the outsourcing relationship.

The real essence of an effective outsourcing relationship is that nebulous term “added value”. So often it's like art, hard to define but you know what's good when you see it. Like the installation at the biennial it sounded good when wrapped up in fancy words and mumbo jumbo, but when you see it you know it's just crap.

In the past it's been hard to define up front what added value really means except by anecdotal examples from other suppliers who came up with new ideas or innovative approaches that saved money. Sadly such examples are rare. More typically the “added value” that outsourcers provide is a one-off improvement of some percentage – and usually not as large as customers expect. The customer's not happy. Why? Because in the sales process there's been lots of talk about “strategic partnering”, “added value”, and worst of all, “leveraging the power of the global organisation”. The expectation is set for ongoing change – a roadmap – but the supplier at that stage has shot all their arrows.

Smart customers take a different approach. They focus on the outcomes needed, and allow the supplier to adjust the technology and operations to suit. This isn't new – smart customers have been focusing and defining outcomes that intrinsically define and add value for some time. If the defined

outcomes are actually delivered, then the value received (“added”) can be measured.

But, until recently this approach has been hampered by a major constraint. Real value comes from taking an end-to-end view, and knitting together disparate technologies or suppliers to provide something that is significantly different from before. Unfortunately in the un-converged world, suppliers simply don't want to work together, technologies don't integrate and traditional demarcation lines get in the way of delivery. The customer is left holding together a number of partial suppliers, none of whom deliver true value.

Convergence and advances in telecommunications technology are changing the game plan fundamentally and totally. The old demarcation lines between technologies are now blurred, forcing suppliers to cooperate and merge (witness the big shake ups in the services community) and transform previously expensive items into commodities. Convergence is also happening at the service management layer – frameworks like ITIL are gaining acceptance.

So the customer is finally able to define true end-to-end services that are based on specific outcomes, and seek suppliers who sit above the pure technology providers. These new style RFPs will have very little in common with each other – each will be very customer specific in content and form as each customer has unique definitions of

added value.

So will the “fundamental practice” of sourcing come of age?

Possibly. There is a huge opportunity for suppliers who can intuitively grasp what smart customers are really asking for, and reinvent themselves to deliver that. Sadly we see a lot of suppliers who dress up technology in fancy words, but still operate and think in old-school terms.

Happily there are encouraging signs, but it will take clients to be bold and assertive in asking for the right things. Avoid at all costs the cookie cutter approaches to telecommunications sourcing that are now woefully outdated, and seek out those few suppliers who are prepared to step up and take a risk.

**Paul Gordon has over 25 years in IT&T as a user, purchaser, service provider and consultant. In 2001 he co-founded i-solutions, a consultancy specialising in leveraging the convergence of IT and telecommunications.**

