ADVANCED OUTSOURCING PRACTICE

RETHINKING ITO, BPO AND CLOUD SERVICES

MARY C. LACITY AND LESLIE P. WILLCOCKS

TECHNOLOGY, WORK AND GLOBALIZATION

Advanced Outsourcing Practice

Rethinking ITO, BPO and Cloud Services

Mary C. Lacity
University of Missouri, St. Louis, USA

and

Leslie P. Willcocks
London School of Economics and Political Science, London, UK

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Series Preface

We launched this series in 2006 to provide policy makers, workers, managers, academics, and students with a deeper understanding of the complex interlinks and influences among technological developments, including in information and communication technologies (ICT), work organizations, and globalization. We have always felt that technology is all too often positioned as the welcome driver of globalization. The popular press neatly packages technology's influence on globalization with snappy sound bites, such as "Any work that can be digitized will be globally sourced." Cover stories report Indians doing US tax returns, Moroccans developing software for the French, Filipinos answering UK customer service calls, and the Chinese doing everything for everybody. Most glossy cover stories assume that all globalization is progressive, seamless, and intractable, and leads to unmitigated good. But what we are experiencing in the twenty-first century in terms of the interrelationships between technology, work, and globalization is both profound and highly complex.

The mission of this series is to disseminate rich knowledge based on deep research about relevant issues surrounding the globalization of work that is spawned by technology. To us, substantial research on globalization considers multiple perspectives and levels of analyses. We seek to publish research based on an in-depth study of developments in technology, work, and globalization and their impacts on and relationships with individuals, organizations, industries, and countries. We welcome perspectives from business, economics, sociology, public policy, cultural studies, law, and other disciplines that contemplate both larger trends and micro-developments from Asian, African, Australian, and Latin American, as well as North American and European viewpoints.

As of this writing, we have 14 books published or under contract. These books are introduced below.

1. *Global Sourcing of Business and IT Services* by Leslie P. Willcocks and Mary C. Lacity is the first book in the series. The book is based on over 1000 interviews with clients, providers, and advisors and 15 years of study. The specific focus is on developments in outsourcing, offshoring, and mixed sourcing practices from client and provider perspectives in a globalizing world. We found many organizations struggling. We also found some organizations adeptly creating global sourcing networks that are agile, effective, and cost-efficient. But they did so only after a tremendous amount of

trial and error and close attention to details. All our participant organizations acted in a context of fast-moving technology, rapid development of supply-side offerings, and ever-changing economic conditions.

2. *Knowledge Processes in Globally Distributed Contexts* by Julia Kotlarsky, Ilan Oshri, and Paul van Fenema examines the management of knowledge processes of global knowledge workers. Based on substantial case studies and interviews, the authors – along with their network of co-authors – provide frameworks, practices, and tools that consider how to develop, coordinate, and manage knowledge processes in order to create synergetic value in globally distributed contexts. Chapters address knowledge sharing, social ties, transactive memory, imperative learning, work division, and many other social and organizational practices to ensure successful collaboration in globally distributed teams.
3. *Offshore Outsourcing of IT Work* by Mary C. Lacity and Joseph W. Rottman explores the practices for successfully outsourcing IT work from Western clients to offshore providers. Based on over 200 interviews with 26 Western clients and their offshore providers in India, China, and Canada, the book details client-side roles of chief information officers, program management officers, and project managers and identifies project characteristics that differentiate successful from unsuccessful projects. The authors examine ten engagement models for moving IT work offshore and describe proven practices to ensure that offshore outsourcing is successful for both client and provider organizations.
4. *Exploring Virtuality within and beyond Organizations* by Niki Panteli and Mike Chiasson argues that there has been a limited conceptualization of virtuality and its implications on the management of organizations. Based on illustrative cases, empirical studies, and theorizing on virtuality, this book goes beyond the simple comparison between the virtual and the traditional to explore the different types, dimensions, and perspectives of virtuality. Almost all organizations are virtual, but they differ theoretically and substantively in their virtuality. By exploring and understanding these differences, researchers and practitioners gain a deeper understanding of the past, present, and future possibilities of virtuality. The collection is designed to be indicative of current thinking and approaches, and provides a rich basis for further research and reflection in this important area of management and information systems research and practice.
5. *ICT and Innovation in the Public Sector* by Francesco Contini and Giovan Francesco Lanzara examines the theoretical and practical issues of implementing innovative ICT solutions in the public sector. The book is based on a major research project sponsored and funded by the Italian government (Ministry of University and Research) and coordinated by Italy's National Research Council and the University of Bologna during the years 2002–06.

The authors, along with a number of co-authors, explore the complex interplay between technology and institutions, drawing on multiple theoretical traditions such as institutional analysis, actor network theory, social systems theory, organization theory, and transaction-costs economics. Detailed case studies offer realistic and rich lessons. These case studies include e-justice in Italy and Finland, e-bureaucracy in Austria, and Money Claim On-Line in England and Wales.

6. *Outsourcing Global Services: Knowledge, Innovation, and Social Capital*, edited by Ilan Oshri, Julia Kotlarsky, and Leslie P. Willcocks, assembles the best work from the active participants in the Information Systems Workshop on Global Sourcing, which began in 2007 in Val d'Isere, France. Because the quality of the contributions was exceptional, we invited the program chairs to edit a book based on the best papers at the conference. The collection provides in-depth insights into the practices that lead to success in outsourcing global services. Written by internationally acclaimed academics, it covers best practices in IT outsourcing, business process outsourcing (BPO), and netsourcing.
7. *Global Challenges for Identity Policies* by Edgar Whitley and Ian Hosein provides a perfect fit for the series, in that the authors examine identity policies for modern societies in terms of the political, technical, and managerial issues needed to prevent identity fraud and theft. The scale of the problem exceeds political boundaries and the authors cover national identity policies in Europe and the rest of the world. Much of the book provides in-depth discussion and analysis of the United Kingdom's National Identity Scheme. The authors provide recommendations for identity and technical policies.
8. *E-Governance for Development* by Shirin Madon examines the rapid proliferation of e-Governance projects aimed at introducing ICT to improve systems of governance and thereby promote development. In this book, the author unpacks the theoretical concepts of development and governance in order to propose an alternative conceptual framework, which encourages a deeper understanding of macro- and micro-level political, social, and administrative processes within which e-Governance projects are implemented. The book draws on more than 15 years of research in India during which time many changes have occurred in terms of the country's development ideology, governance reform strategy, and ICT deployment.
9. *Bricolage, Care and Information*, edited by Chrisanthi Avgerou, Giovan Francesco Lanzara, and Leslie P. Willcocks, celebrates Claudio Ciborra's *Legacy in Information Systems Research*. Claudio Ciborra was one of the most innovative thinkers in the field of information systems (IS). He was one of the first scholars who introduced institutional economics in the study of IS; he elaborated new concepts, such as "the platform organization" and

"formative contexts", and he contributed to the development of a new perspective altogether through Heideggerian phenomenology. This book contains the most seminal work of Claudio Ciborra and the work of other authors who were inspired by his work and built upon it.

10. *China's Emerging Outsourcing Capabilities*, edited by Mary C. Lacity, Leslie P. Willcocks, and Yingqin Zheng, marks the tenth book in the series. The Chinese government has assigned a high priority to science and technology as its future growth sectors. China has a national plan to expand the information technology outsourcing (ITO) and BPO sectors. Beyond the hopes of its leaders, is China ready to compete in the global ITO and BPO markets? Western companies are increasingly interested in extending their global network of ITO and BPO services beyond India and want to learn more about China's ITO and BPO capabilities. In this book, we accumulate the findings of the best research on China's ITO and BPO sectors by the top scholars in the field of information systems.
11. *The Outsourcing Enterprise: From Cost Management to Collaborative Innovation* is by Leslie Willcocks, Sara Cullen, and Andrew Craig. The central question answered in this book is: How does an organization leverage the ever-growing external services market to gain operational, business, and strategic advantage? The book covers the foundations of mature outsourcing enterprises that have moved outsourcing to the strategic agenda by building the relationship advantage, selecting and leveraging suppers, keeping control through core-retained capabilities, and collaborating to innovate. The book provides proven practices used by mature outsourcing enterprises to govern, design, and measure outsourcing. The final chapter presents practices on how mature outsourcing enterprises prepare for the next generation of outsourcing.
12. *Governing through Technology* by Jannis Kallinikos offers thoughtful scholarship that examines the relationships among information, technology, and social practices. The author discusses the regulative regime of technology and issues of human agency, control, and complexity in a connected world. He provides a valuable counter-perspective to show that social practices are, in part, unmistakeably products of technologies; that technologies are, through historical processes, embedded in the social fabric; and that, if technological determinism is naive, the notion of the regulative regime of technology remains alive and well into the Internet age.
13. *Enterprise Mobility: Tiny Technology with Global Impact on Work* by Carsten Sørensen explores how mobile technologies are radically changing the way work is done in organizations. The author defines enterprise mobility as the deployment of mobile information technology for organizational purposes. The author contrasts how large technology projects in organizations, such as enterprise resource planning (ERP) implementations, will increasingly

be managed differently because of mobile technology. The introduction of mobile technology supporting organizational information work will often be driven by individuals, by small teams, or as part of departmental facilitation of general communication services.

14. *Collaboration in Outsourcing: A Journey to Quality*, edited by Sjaak Brinkkemper and Slinger Jansen, is based on an integrated program of outsourcing research at Utrecht University in the Netherlands. The book is written for practitioners and is based on interviews and case studies in many global outsourcing firms, including Cisco, IBM, Deloitte, Infosys, Logica, and Patni – to name a few. The 16 chapters are short, tight, and written to communicate best practices quickly. The chapters cover the topics of governance, knowledge management, relationship management, and new trends in software development outsourcing.

In addition to the books already published and under contract, we have several other manuscripts under review but always need more. We encourage other researchers to submit proposals to the series, as we envision a protracted need for scholars to deeply and richly analyze and conceptualize the complex relationships among technology, work, and globalization. Please follow the submission guidelines on the Palgrave Macmillan website (www.palgrave-usa.com/Info/Submissions.aspx). Stephen Rutt (e-mail: s.rutt@palgrave.com) is the publishing director for the series.

Leslie P. Willcocks
Mary C. Lacity
September 2011

Foreword – Time for a Rethink

As revolutionary moments go, the day in early October 1989 when Eastman Kodak Co. CIO Katherine Hudson struck a deal to outsource the bulk of the company's IT functions undoubtedly ranks among the least noted. But in business history, it was a seminal event – one followed soon thereafter by major and even innovative outsourcing deals made by such industry leaders as DuPont, BP, the London Stock Exchange, and the Dow Chemical Co. These companies legitimized a sourcing strategy that had been tentative and experimental until that point. Since then, the growth of outsourcing has been extraordinary. Today, it is a global market estimated to be worth more than $300 billion – a number that could top the $400 billion mark sometime in 2011. The practice has evolved dramatically since its "Kodak moment" 20 years ago.

What will outsourcing look like during its third decade, and what will it mean to the competitive nature of organizations around the world? This book asks for a rethink of what we have learned and will continue to learn, and I welcome the opportunity here to consider ways forward in light of the two decades we have had already of outsourcing practice.

Outsourcing has not altered the fundamentals of business. But it has changed the way companies create and distribute optimal value from and around those fundamentals. From its origins as a hardware operations play, outsourcing has moved with a kind of relentless logic up the value chain – first to applications and software, and then to higher level business processes and services. The next wave of change will take companies to unexplored territory: strategic value and innovation.

Old rules, new rules

Catching that wave, however, requires an understanding of the trajectory of outsourcing to date and the insight to see where the trajectory of value redistribution will lead. It also requires an improved ability to manage those evolving value streams. In the late 1980s, after years of stagnation, the world's economy was booming again. For global businesses, fundamental changes in the nature of competition were at hand. Value redistribution had begun.

For example, companies such as Microsoft and Intel were about to transform the technology world by breaking up, or "disaggregating," the PC industry. Instead of relying on a single provider for most of a computing solution, customers could go with the best provider for each part of the value chain. In this context, outsourcing can be seen as a disaggregation, not of an industry or market, but of the enterprise itself. This was the period when business strategy was beginning to be driven by the conviction that companies should focus on their core competencies and get out of markets or functions in which they could not compete at the highest level. So why shouldn't the company continue to run the parts of the disaggregated business that remained core to value creation, but let an external expert run the parts that did not?

According to this model, value is initially built up over time for any kind of product, technology, or service. Eventually, however, that value levels out and then begins to diminish.

The first part of the enterprise to experience the diminishing value of running a function internally was the hardware side of IT. As a result, many early outsourcing contracts, including those initiated by Eastman Kodak and General Dynamics Corp., focused primarily on IT infrastructure – taking over hardware operations and running a client's data center. The value from such an arrangement was measured primarily in cost reduction. These were also financial arrangements. The outsourcing provider would write a big check to the client for its hardware – which, in theory, could then be used to serve multiple clients as a data center provider. It was a play to establish economies of scale, and, to an extent, it worked.

One major drawback loomed over outsourcing hardware alone, however. It was summed up at the time by the phrase "my mess for less" – that is, some companies had IT operations that were costly, redundant, and inefficient, so in effect the client was asking a provider to "fix" that situation for them while also saving them money.

As IT hardware outsourcing entered a period of commoditization and price pressure, it didn't take long for the value redistributed to the outsourcing provider to level out and begin to decline. By the early 1990s, the central question for both companies and their providers had become: Where else can value be created by disaggregating the functions and processes of the enterprise?

Moving up the stack

In outsourcing, the key to delivering ongoing value to both parties was now to "move up the stack" – higher up the ladder of business value. For their part, providers had to rethink their role if they were to maintain an adequate level of value for themselves. They had to move beyond commoditization and build a business case that didn't rely only on the cost side of the equation. A new generation of outsourcing arrangements would also need to be about quality, efficiency, and effectiveness – measured and visible via spreadsheets.

One innovative example of how both client and provider could hold on to some of that value came in 1992 at the London Stock Exchange (LSE). At the time, the exchange's trading and information systems were showing signs of age. But while the exchange and its provider were able to develop a transformation program to dramatically upgrade systems, the LSE was short of capital. So the two parties worked out an innovative "gainsharing" mechanism between client and provider. The plan worked extraordinary well, and some £50 million of savings were redirected into the implementation of new systems.

People, not machines

The next rung on the business value ladder was managing a company's software – the business applications that, various studies show, can constitute as much as 75% of a typical company's IT budget. Running a company's applications well would prove to redistribute value in a manner that was less fleeting than a hardware play alone because it requires higher order skills. This was really about running people, not running machines.

Canada Post was one of the first major organizations to leverage an application management outsourcing relationship at scale. By the early 1990s, companies were beginning to migrate from mainframes to the world of client/server and distributed computing. Canada Post executives felt that its organization lacked the skills internally to accomplish that difficult migration alone. By using an outsourcing provider, Canada Post could reduce both risks and costs, and was able to focus its resources on its core business and customer obligations.

Delicate balance

Another milestone was reached in the mid-1990s with chemicals giant DuPont's decision to outsource both IT infrastructure and applications (both considered cutting-edge) in what the company called an "alliance partnership" with two providers. At $4 billion over 10 years, it was then one of the biggest deals ever. The deal focused on cost reduction and efficiency, but also on other important business metrics: improving productivity, the speed of delivery, and the value of IT investments. Value redistribution from outsourcing had entered a new phase. DuPont and others were learning to discriminate between what could be commoditized – redistributing value by driving down costs and giving work to the lowest bidder – and higher level work, where the goal was to deliver more business value through improved efficiencies and the ability to focus more on business strategy and performance. DuPont itself achieved several important goals: increased variability in spending, greater flexibility in responding to business needs, and access to diversified, state-of-the-art business solutions, methods, skills, and techniques.

Application outsourcing evolved still further with Dow Chemical's decision to outsource its application development and maintenance activities in an arrangement known as "co-sourcing." Dow retained responsibility for some aspects of the IT function while outsourcing most of the application work. One of the distinctive aspects of Dow's arrangement was the rigorous measurement of results. In addition to the traditional commitments of on-time and on-budget delivery of the project, the ability to meet defined response and resolution times on issues, and support, higher level metrics – such as development and maintenance productivity, quality measures in terms of defect rates, and business measures such as speed-to-value – were also tracked. This work marked a turning point in value redistribution and in effective management: measuring the value given back to the business units and functions at Dow was built into the deal.

DuPont's decision to form an alliance partnership and Dow's co-sourcing tactic revealed a more complex approach to governance, with both client and supplier working to improve the ways they managed the arrangement. The notion of what Professor Mary Lacity, International Business Fellow and Professor of Information Systems at the University of Missouri–St. Louis, calls "relational governance" had arrived.

Process pioneer

If managing applications was actually about managing projects and people, why couldn't the skills and experience from application outsourcing be transferred to the external management of business processes and the people performing them? The beginnings of this marketplace were already present with payroll outsourcers; improvement, not just performance, was the need now.

Global resources giant BP got this message very early. Until 1987, the company had been partly government-owned, and analysis had shown that the organization was still too bureaucratic and costly to succeed in a rapidly changing industry. In 1991, the CEO of the BP Exploration business unit took an important first step in what would be a thorough transformation of the company by outsourcing all of the division's accounting operations for Europe.

The 1991 agreement consolidated all of BP's accounting centers throughout the United Kingdom in a single accounting system and at a single site. Five years later, BP outsourced the accounting functions for its US upstream, downstream, and chemicals businesses. And in 1999, following its merger with Amoco, BP outsourced its upstream business to one outsourcing provider, and its downstream businesses to another.

BP's success became a model for other companies looking to improve the efficiency and effectiveness of their business processes. Telecommunications giant BT became one of the first enterprises to outsource its HR function, US high-tech company Avaya pioneered end-to-end outsourcing for the enterprise learning function, and Deutsche Bank found that it could make wiser procurement decisions and better control its procurement expenses through an outsourcing relationship.

A second reason why BP stands out in the history of outsourcing is that its agreements made it clear that economies of scale would be an important part of the value redistribution caused by outsourcing. After its shared services center was established to provide finance and accounting services, it began to attract other companies in the oil industry.

Industrial strength

This kind of "one-to-many" delivery capability was a significant step in the industrialization of the outsourcing industry. Providers were demonstrating that, at scale, they could not only transition hundreds of employees into new organizations and manage them more effectively, they could also redeploy them where necessary to work with other clients on similar work. This approach boosted productivity and, because it rationalized the functions being performed, also drove down costs.

Notable in these early examples of BPO was the realization of how critical effective transition management is to realizing the full value of the deal. At BP, for example, as part of the initial agreement, European legislation dictated that a large group of BP employees (about 200) would have to be transferred to the provider.

Yet such a transfer was really more than a regulatory requirement; it was a key part of BP's strategy to move core players to the outsourcer, because of the importance of those employees' knowledge, skills, and experience with the company. At a higher level, companies were beginning to recognize that BPO could be a vehicle for radical change. For example, BP's decision to outsource its finance and accounting functions came as a shock – and was actually intended to have that effect.

New century, new goals

The next challenge for outsourcing came from an unlikely source: the looming Y2K emergency, requiring the massive rewrite code to prevent applications from recognizing "00" in date fields as 1900 instead of 2000. Given the enormity of the task, the answer was to take the work around the world.

This was when sourcing work to areas such as India and the Philippines took off. All the pieces were now in place – industrialized and standardized methods, transition planning, more effective relationships, and now, deep experience with global sourcing – to move outsourcing in a more transformational direction.

A 2001 Accenture study found that conventional outsourcing was reaching its limits in terms of generating incremental savings. Rigorous service-level agreements, and even establishing penalties for failure to meet performance targets, could not by themselves improve the business value provided by the kinds of outsourcing arrangements then in place.

The answer would be to pursue more collaborative relationships capable of driving both cost savings and innovations, in the same way that successful companies use a combination of internal resources and strategic partners for product development. Sometimes that meant sharing ownership for results – an insight adopted by many outsourcing pioneers.

In 2002, for example, when BP renewed its finance and accounting outsourcing agreement, two things happened. First, the company and its provider agreed to an enhanced risk–reward arrangement that set annual cost and service-level targets. The provider would receive additional financial rewards based on achieving those targets. Second, the contract set aside a number of days for BP to consult with the provider about innovation – new ideas, applications, and technologies. In effect, an annual commitment to spend time thinking about new and better ways of doing things was written into the agreement.

Recent research from Leslie Willcocks of the London School of Economics and Political Science, UK, stresses the importance of such collaborative relationships in taking outsourcing to the next logical phase of value redistribution: to innovation itself. According to Willcocks, both sides must strive for a deeper level of collaboration, "if outsourcing is to reach its next level of value creation" (Willcocks et al. 2011).

Bundled up

The move toward transformational outsourcing has led companies and academics alike to reconsider the merits of sourcing to multiple providers versus a single provider. The issue is complex, requiring careful balance. Independent research, including notably by the authors of the present book (see Chapter 1), has found that a combination of outsourcing and insourcing – rather than a total outsourcing approach – has historically achieved expected cost savings with a higher relative frequency. Yet this fact, perfectly applicable in a cost take-out environment, becomes problematic if the future of outsourcing is seen as a collaborative relationship focused on innovation and strategic value creation.

More recently, companies have begun to realize that the hidden costs of managing multiple providers are eating substantially into the value of the deals – and into the effectiveness of the overall collaboration. A 2009 research report from industry analyst IDC looks at the issue in dollars-and-cents terms, estimating that the governance costs in a multi-sourcing arrangement "can range from approximately 5 percent to 8 percent of the contract value." In addition, the report notes that shorter deals, which must be renegotiated every three years on average, add to procurement costs. "In some cases," cautions IDC, "these hidden costs have actually nullified the additional price benefits."

Similarly, another 2009 study, from the Everest Research Institute, crunches more detailed numbers when analyzing this phenomenon. The savings from using fewer suppliers for application development and maintenance can be as much as 22–28% of multi-sourcing costs on an annualized basis, including a 35–40% annualized reduction in one-time setup costs and a 20–25% reduction in recurring costs. Key drivers of these savings include reduced governance costs to manage supplier relationships and delivery, as well as optimized resourcing from suppliers.

By combining or "bundling" functions and processes to a single provider, companies can generate significant synergies resulting in both greater cost savings and a bigger impact on the business, especially because of the ability to create a deeper collaborative relationship.

Bundled approaches can vary considerably from company to company. They can involve only the IT function – combining both infrastructure and applications – or they can bundle the management of multiple business processes. Or they can combine IT and business processes under a single arrangement, reflecting the increasing centrality of technology platforms in the enactment of business processes.

Several groundbreaking bundled programs stand out in recent years. Unilever has gained from bundling the management of its applications and its HR functionality. A comprehensive bundling arrangement at Bristol-Myers Squibb – application development and maintenance, finance, and R&D – has helped the company adjust to regulatory and industry challenges, and has helped the company in its productivity and transformation initiatives.

Companies can implement a bundled approach in "big bang" fashion, though more often than not the approach is sequential. BT, for example, decided to expand its BPO strategy over time – beginning with HR, and then moving to learning and then to finance and accounting. Chapter 2 in the present book deals with the bundling issue in great detail based on meticulous research, and gives us fresh insights into the occasions when bundling is suitable and the sorts of payoffs that can be achieved where the decision is right for the parties.

Redistributing knowledge, moving to cloud

What's next? As always, outsourcing will continue to be driven by customer needs, and that will result in market-driven innovations and new types of value redistribution. Basic outsourcing is already being extended into other innovative applications, such as product life-cycle management. Who would have expected, for example, that aerospace and defense firms would outsource the detailed specifications needed to build aircraft through "engineering services"?

Industry-specific outsourcing is also an important part of the future because it leverages the power of the one-to-many platform mentioned earlier. Accenture's Navitaire, for example, provides a comprehensive package of integrated, outsourced services to the airline industry – from reservations capabilities to resource planning and distribution, to back-office functions and revenue accounting.

As the global economy has become knowledge-based, so too has the outsourcing industry, and the next stage in value redistribution will involve nothing less than knowledge itself. The modern enterprise now has the ability to source not only hardware, applications, and services but also knowledge and skills, anywhere in the world. Some of the knowledge needed to achieve competitive advantage in the future will remain internal to a company – distinctive intellectual property that drives new products and services. Other forms of knowledge will be sourced externally, opening up the walls of collaborative innovation to drive better ways of doing business.

Companies will likely increase their reliance on universities and private research labs, and on their suppliers. Outsourcing providers are already retooling themselves as providers of differentiated products and innovative processes. As these capabilities grow, co-sourcing with such providers to drive innovation will become increasingly important. It also seems likely that companies will take equity positions in organizations focused on emerging markets and new ideas. The possibilities inherent in what has come to be called cloud services are also massive, but the challenges are also considerable, as the last chapter in the present book makes clear.

Committing to exciting, shared goals will be critical to winning in outsourcing's next phase. So will a model through which both client and provider benefit from the partnership, with creative deal structures reflecting value creation that exceeds initial targets. The time is coming soon when even the very word "outsourcing" will be obsolete. No one in the industrialized world thinks of grocery shopping, for example, as outsourcing their family's food production, though that of course is exactly what it is. We simply procure food from reliable sources at the quality and price we desire. That is where business strategy is now moving – inexorably. It's an exciting time.

This book

Given this history and these prospects, I am pleased to welcome the in-depth rethink that Mary Lacity and Leslie Willcocks offer in this volume. These two researchers have been the leading academics in global outsourcing research for over a decade. Their work is evidence-based, rigorously researched, and independent, and offers major insights into the workings of the outsourcing market and into individual deals – they have obviously got very close to what actually happens in outsourcing arrangements. But they not only get the research done; their findings also contain solid guidelines for practitioners about what works and what to avoid. Their approach is nuanced, always highlighting in what circumstances certain things work, and what the alternatives might be. This is evident, for example, in Chapter 6, in the work on bundling which Accenture supported, seeing it as a key issue in outsourcing going forward, given the changing needs of clients and the changing, strengthening capabilities of providers.

The book bears fruit in every chapter at a time when change is in the air, fueled by new developments in information technology. The last chapter on cloud services asks perhaps the biggest question of all – whether it is time for an outsourcing rethink. What sorts of promises and what sorts of challenges does the much mooted move to the "cloud" represent for clients, suppliers, and indeed the whole outsourcing industry? At Accenture we have our own insights into these questions, and we are actively collaborating with our key clients and alliance partners in shaping the cloud future. Again, we saw this as a particularly key topic for the industry as a whole, and therefore sponsored the research study that is partly represented in Chapter 8 of the present book. The authors draw out major insights into the promises, risks, challenges, choices, and actions needed – for practitioners and providers alike – with the growing deployment of cloud architectures. It is a tantalizing look into what the next ten years could bring us, and an evocative way to end a book that assesses the history of outsourcing and what it teaches us, as we ready ourselves for what is yet to come.

Michael J. Salvino