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Inside Outsourcing™



INTERVIEWED BY LARRY JANIS

Inside with:

Scott Lever, Managing Consultant, PA Consulting Group

PA Consulting Group is an independent, employee-owned, global firm of 3,000 talented individuals, operating from offices across the world, in Europe, North America, Latin America, Asia, and Oceania. They have won numerous awards for delivering complex and highly innovative assignments, run one of the most successful venture programs in our industry, have technology development capability that few firms can match, deep expertise across key industries and government, and a unique breadth of skills from strategy to IT to HR to applied technology.



LJ: You have been in the Outsourcing Industry for several years in different capacities. What changes have you seen ?

SL: I've been in this industry since 1993 in the roles of researcher, academic, and consultant. For the last seven years I have been with PA Consulting as a sourcing consultant. The changes are many but some fundamental challenges remain. In the last 15 years we've seen outsourcing grow from an obscure specialization to a mainstream management technique. Offshoring has evolved from the exotic to an essential component of most major deals. Even more interesting is what hasn't changed. Outsourcing has proliferated but I am not sure companies are any more successful applying outsourcing than they were 15 years ago. A large number of agreements are unwound, or wither away and die. The pool of knowledgeable and skilled operators has not expanded as fast as the desire to apply outsourcing. The demand for truly knowledgeable and experienced talent for exceeds the supply. While our ability to write contracts, predict the HR complications, and create stronger governance agreements is all far more sophisticated, the industry is not creating enough talent to keep pace.

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FROM THE EDITOR

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Inside Outsourcing's goal is to provide you with articles of interest and with a forum for the exchange of information in this rapidly evolving industry.

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LJ: As an advisor to companies, how have the buyers of outsourcing services changed?

SL: Generally, clients are more sophisticated and better prepared to buy outsourcing services. But, again, there is a wide range of capabilities and sophistication. We frequently see clients with one or two experienced people, either from a previous job or previous initiative. One or two capable people is usually not enough to deliver a complex outsourcing initiative. A lot of buyers do their homework and read what has been published on outsourcing, and a growing number are ex-consultants. They don't need to be sold on the idea or concept - they get it. They need help articulating it to their senior executives, and implementing outsourcing when the talking is over.

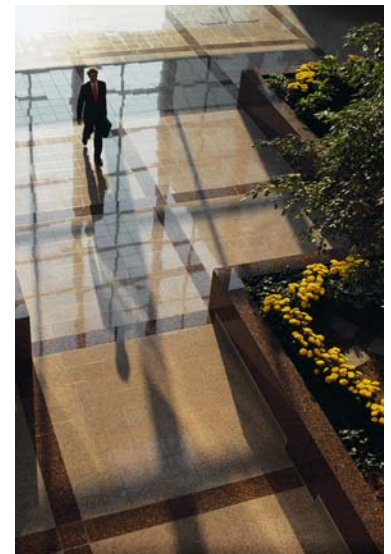
LJ: When working with various vendors in the selection process, what are the most difficult issues that arise in the process?

SL: There is a host of challenging issues around selection on both sides. Vendors still try to circumvent the process the client puts in place, much to the client's chagrin (and to the vendor's detriment). Vendors don't answer the "exam question" in the RFP process; instead, they try to carve out a scope they are happy with, leaving the client to retain much of what they hoped to outsource. There are significant variations in the quality of the vendor's team from client to client. We see this clearly when we are working with the same vendor with two different clients.

There are also challenges on the client side as well. Some clients appear to want rigor just for the sake of rigor, so they want detailed responses to things that won't ultimately be used in the selection process. Sometimes clients expect detailed pricing when they haven't worked out and communicated the scope of services. We work with both sides to remove unrealistic expectations, get vendors truly engaged with the client, and create clear communications. Occasionally, vendors treat us like gatekeepers and we don't see ourselves in that role at all. It's quite the opposite. I'm working with several vendors right now who I've not worked with before, but they have captured our client's interest with innovative and flexible solutions. I'm happy to see them succeeding with our client.



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LJ: Why do outsourcing deals sometimes fail?

SL: Deals fail more frequently than they should. I think it often comes down to meeting expectations and delivering benefits. PA did a global outsourcing survey and found that expectations about benefits delivery are the number one reason for dissatisfaction. Many outsourcing buyers are not seeing the expected benefit. PA has been making a serious effort to address the root causes of this with our clients. We have been putting a lot of emphasis on helping clients with transition planning and implementation, so the benefits can be delivered and expectations met consistently from the start. It's more than setting up governance - which gets a lot of hype. It's really about safely transferring services, people, and processes; and changing and preparing the retained organization for managing external service provision. Doing the transition well is critical to establishing positive and effective working relationships between client and vendor. We're trying to help clients avoid dips in service, or mistakes during the transition, so client and vendor can exceed expectations from the start and focus on delivering the benefits identified in the business case. We recently did a SIG webinar on this subject and at the June meeting of the New York IAOP chapter. Getting the deal is only part of the story. Success means putting the contract into effect.

LJ: What are the differentiators in how PA Consulting approaches an outsourcing deal?

SL: There are some very important differentiators. Primarily, we don't approach it as a deal - we approach it as an organizational change. We are consultants first, and transaction specialists second. Doing the deal is a small part of the overall process and, while quite important, doing a good deal alone does not meet the client's need. We work closely with our clients to help them understand and prepare for the challenges of communicating their service requirements, finding providers truly capable of delivering, making a compelling business case, reaching agreement, preparing for change, and implementing.

PA is completely independent, which a lot of advisors falsely claim, and that is a critical differentiator for us. We are solution independent. We don't have a vested interest in whether a client outsources because, as consultants, we can help them with an internal transformation just as easily. We serve our client's best interests, whether that is through outsourcing or some other program.

“delivering on the business results we promise and by focusing on their end-customers as if they were our own.”



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LJ: What makes you successful?

SL: One of the things I've learned at PA is to always drive, challenge, and question on behalf of our client. I try to be conscious of who among my team members is pushing for the best client outcome. Who has the baton? If I'm not coaching somebody else to take that role, I take it on myself. It is a mentality that comes from our culture, from training and experience, and from working to meet the demands of our clients. The second thing I've learned at PA is disciplined, top-down thinking, and that has served me remarkably well. The toughest challenge clients frequently face is how to decide a multi-layered decision. Disciplined and clear thinking help enable complex decisions by letting clients solve one thing at a time. The final thing to cite is my colleagues. I work with many talented and caring people at PA, we team in a collaborative way for our clients, and we succeed together.

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Integrated Search Solutions Group

We are a retainer based executive search firm with over a decade of experience in successfully attracting top talent in the areas of Outsourcing (IT, BPO and BPM), Consulting (Strategy & Technology) and traditional corporate functions (CIO, CTO, CFO, etc). We have worked effectively with major corporations as well as venture capitalized start-ups. Executive recruiters typically pride themselves in their ability to recruit top executives, irrespective of the industry. Leaders tell us a different story; they value what we do because we understand their business.

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