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# Inside Outsourcing™



**Larry Janis'**  
**interview with:**  
**Thomas Torlone**

## **Inside with: Thomas Torlone** **Deloitte's Outsourcing Advisory Services Practice**

Deloitte provides professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of approximately 150,000 people worldwide, Deloitte delivers services in four professional areas - audit, tax, consulting, and financial advisory services — and serves more than 80 percent of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies.

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

***TT:*** You are correct that I have been in the Outsourcing Industry for several years, more than twenty, in fact. During that time I have seen a continuous evolution of approaches, solutions, and functional areas that have been part of outsourcing initiatives. Still, I believe that the present time is probably the most volatile in terms of change that I have seen in my tenure in this Industry. Some of the most fundamental change has occurred across the domains that I describe below:

**Functional Areas –** What once started as primarily IT infrastructure and Payroll has blossomed into functional capability that spans the entire landscape of a business. Today, BPO includes functional processes throughout Finance & Accounting, HR, Customer Care, Marketing and Sales, and IT Applications. In addition, the KPO market is emerging and is taking shape as another tool for business executives to leverage.

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### **From the Editor.**

Welcome to our current issue!

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.



## Inside with: Thomas Torlone

### Deloitte's Outsourcing Advisory Services Practice

- **Service Provider Market** – The number of Service Providers available in the market today has grown exponentially. From what was once a handful of Tier 1 providers, the market has exploded into a plethora of companies with very deep capabilities in specific niche areas. With this deep expertise in some well-focused areas, these service providers are constantly pushing the edge of what is considered “best-in-class” processes.
- **The process of crafting an outsourcing deal** – With the widespread adoption of outsourcing over the past ten years, the industry has had an excellent opportunity to learn from previous initiatives, whether successful or unsuccessful. This information along with some rigorous approaches to the evaluation and analysis of work are yielding much better results in terms of successful outsourcing deals.



- **Transformation** – A tired phrase, yes, but only because it has been marketed to death. But, there actually is a great deal of transformation and innovation being driven today through the creative use of outsourcing. Many of our current clients are using their outsourcing efforts to drive an effective “bottoms up” transformation within their businesses.

I am often asked today, both within my own Firm and by people active in this market, how long I think this outsourcing wave will last. In effect, won't we just reach an end to the functions that can be outsourced? To the contrary, I believe that we are only beginning to see how innovation and industry specialization can enable outsourcing efforts to have even more impact to the businesses that deploy them and manage them correctly.

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

**TT:** Without much doubt, today's business executives and buyers of outsourcing services are much more informed, experienced, and better able to drive outsourcing engagements to have a more positive leverage for their businesses than ever before. Part of this, as I mentioned earlier, is due to the amount and quality of information available throughout the Industry. Some excellent analysis of failed deals is available from a number of sources. Within Deloitte, we have just completed a large analysis of the global outsourcing market and found some rather interesting data that will be published in a paper due out within the next few weeks. This information has made the buyers of outsourcing services much better educated about the composite learning of the Industry, and given them a solid foundation from which to build a successful deal.

Also, we cannot overlook the fact that these companies are correctly coming to the conclusion that an outsourcing deal is a complex effort that contains a lot of subtlety. A problem in an outsourcing deal may not show up for some time before creating havoc within an operational process. Due to this, the outsourcing advisory business has emerged and grown to help businesses go through the rigorous process of outsourcing. Our job, as advisors, is to guide our clients through a very specific process of targeting, planning, and executing an outsourcing strategy and its implementation. As a group, we are a tool for our clients to use to gain a better deal and a more competitive advantage.

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### Deloitte's Outsourcing Advisory Services Practice

**LJ: What are the top five responsibilities in initiating/managing an outsourced relationship?**

**TT:** There is a clear trend in the Industry today to examine and evaluate the factors that truly differentiate a good deal from a bad one. Managing the relationship is one of the biggest determining factors of success. You are correct in asking the question as one of initiating/managing an outsourced relationship, because many of the managing criteria are set in place during the initiate stages of a deal.

At Deloitte, we are strong believers that having a carefully targeted outsourcing strategy by functional area and a rigorously analyzed plan of implementation are the keys to success. Part of this plan is the early definition and explicit decision making about ongoing management of the outsourcing relationship. We, at Deloitte, refer to this as the Measure and Manage phase of work and it is a part of the Governance plan we develop with our clients.

So, my top five responsibilities in initiating/managing an outsourced relationship would be:

1. Measure, count, and calculate everything (or as much as is humanly possible) prior to engaging the open market of service providers. Make sure that your plan and proposed scope of work is very specific so that there is no room for misinterpretation among different providers. This specificity, more than anything, will enable a direct comparison of service provider solutions.
2. Be fully transparent when discussing the opportunity with service providers. The better the information you provide to them, the better the solution they will provide to you.
3. As part of your service provider evaluation, build in plenty of time for open discussion about the proposed solution and how things evolve over time. This will provide ample time for you to assess how the service provider personnel are to work with on a daily basis. This is the best chance you have to assess cultural fit prior to contract award. Do not be fooled, cultural fit is very important to the ultimate success of the relationship.
4. Establish a very specific governance framework that defines and manages all domains of an outsourcing relationship. Simplicity is not always bliss. Simply relying on a strong contract and SLAs will not work for long. As an example, the Governance framework that Deloitte prescribes seeks to actively manage seven different domains.



Last, but certainly not least, the people that you deploy to manage this relationship truly are key. Many clients take the approach of using the same management team that previously ran the operation to be the first level of governance in the new outsourced environment. Just because an individual was good at managing the work in-house does not mean they will be a good fit for managing work to a defined result through others. The skill sets are quite different, and an awareness of that difference may lead you to a better result. Choose people for these positions based upon the skills required in the new operation.

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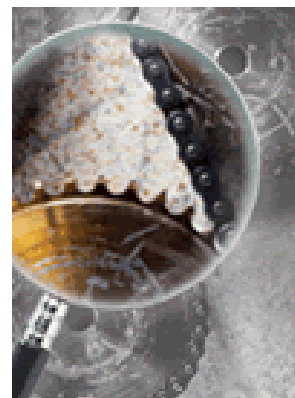
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**LJ: When working with various vendors in the selection process, what are the most difficult issues that arise in the process?**

**TT:** As advisors, one of the most valuable assets that we bring to our clients is the ability to manage the evaluation and analysis to a rigorous, well-defined process. That process is a part of our approach that has been used successfully in hundreds of client engagements, and refined for the particular needs of a specific client. When we are engaged and work with our client, we strive to understand the goals of that client and adapt our process to meet their unique needs. Inevitably, one of the challenges that we face with some vendors is a disagreement about the process that is followed. In some cases, a certain vendor may not like the rigor or structured approach that our process is built upon, and they fail to see the connection between this process and the goal of the client.

Another common issue that we see is that some service providers fail to do the necessary work to provide a solid, detailed operational plan for how a service will function. They choose instead to sell a more strategic capability to our client, and thus, shortchange the detailed view of the work. Outsourcing, as you know, is an operational solution and the specifics of this operational view are the foundational elements of a good relationship. The more strategic elements are very important, also, but they are built upon the shoulders of a solid, operational answer.



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

**TT:** As part of the Outsourcing Advisory Services group within Deloitte, we focus on those parts of an outsourcing relationship that will ensure our clients ultimate success. From our extensive work in the market, we know that the elements of a good engagement are foundational and their importance cannot be exaggerated. These elements are: a specific Strategic Assessment, to define the appropriate outsourcing targets by functional area; a Functional Operating Model to understand at a sub-process and task level what work is performed by the service provider and how it integrates with the remainder of the business, both in an as-is and a to-be basis; an implementation plan for how to engage the open, competitive marketplace and drive to a specific solution; and a plan for the future state organization and Governance model to achieve the desired outcome on a continuing basis. The elements are layered on two work streams that are an imperative. These are the financial model of the proposed solution and the management of change for the transition across the business.

At Deloitte, we differentiate ourselves in the market by our deep expertise and capabilities across all of these elements. In particular, our capabilities in strategy work for our clients across our vertical industry markets have given us a strong advantage over our competitors in this space since we have become experts in finding the appropriate balance between sourcing strategy and operational excellence. We also, as a systems integrator of many years, have developed a comprehensive view of industry leading business processes that makes our Functional Operating Model quite robust and valuable to our clients. Layer these capabilities upon our expertise in financial analysis, and we feel that our skills and capabilities can ultimately ensure success for our clients seeking to outsource. *(continues on next page)*



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## Inside with: Thomas Torlone Deloitte's Outsourcing Advisory Services Practice

### ***LJ: What makes you successful?***

***TT:*** For me, personally, any success that I have in the market is driven by a few simple factors. First, I thoroughly enjoy and take a lot of pride in working with my clients and getting to know them and their organizations in detail. Their challenges become my challenge, and my role as an advisor to them becomes a very personal crusade to me. Second, after so many years in the market, I have learned those aspects of my own skill set where I have depth, and those skills where I need a little help. I always know where that line exists for me, and I surround myself with highly capable people whose skills are complementary to mine. That way, we can cover the gamut of expertise for our clients. Third, as we all know, there is no substitute for the hard work and heavy lifting that creates success. Finally, I find great joy in being part of a firm like Deloitte, where there are so many skilled, talented, and smart people so focused on the market.



***"You can't have everything. Where would you put it?"  
-- Steven Wright***