

# The Sourcing Challenge

by Don Imholz

Expectations for IT are changing, and IT leaders must change their behaviors to continue to be effective. For many IT organizations, one of the changes taking place is adjusting the mix of work that is done internal to the organization and that done externally, or "outsourced". This may include consideration of doing work outside the United States, or "offshore". Outsourcing tends to be an emotional topic for employees, for IT leaders, and even for clients of IT organizations. Here are a few thoughts to keep in mind when confronting decisions in this subject area:

1. **Don't panic!** Evaluation of the mix of work done internally and externally is part of the periodic strategy evaluations that IT leaders must take seriously. A proactive approach, aligning and integrating the IT strategy with the overall organization's strategy, will yield the right decisions for your organization.
2. **Have an open mind.** The rise of service industries over the last twenty years has changed the landscape in corporate America. Organizations recognize that they are more efficient concentrating on a few core activities than trying to excel at everything. Further, supply and demand forces and the advent of low-cost high speed communication capabilities may create opportunities to do some work in lower cost locations domestically and internationally.

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April 29-30 & May 1  
St. Louis, MO

"Consulting Skills for the IT Professional"  
May 7-8  
Boston, MA

"Business Requirements Management"  
May 20-22  
Seattle, WA

"The Politics of IT Project Management"  
May 29-30  
St. Louis, MO

"Consulting Skills for the IT Professional"  
June 10-11  
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"Business Requirements Management"  
June 17-19  
Philadelphia, PA

"Business Requirements Management"  
June 24-26  
San Jose, CA

3. **It's not all or nothing.** Most organizations benefit from a systemic approach to assess different elements of IT, finding some that can be done more efficiently and effectively by outside service providers. Often, changes to internal service processes are identified as part of the process that make outsourcing less attractive. And partnering with world-class service suppliers to enable organizations to grow can be a powerful outcome.
  
4. **Integrate sourcing strategies with people strategies.** Sufficient, cost-effective resources are a must to execute any strategy. With college enrollments in IT fields of study having declined and baby-boomer retirements, many IT leaders list finding and keeping sufficient skills as a top concern. Decisions around training, skill set development, and retention must be integrated with decisions on sourcing.
  
5. **Involve stakeholders, don't go underground.** Clients, employees, and IT leadership are all impacted by sourcing decisions. Organizations who try to manage the strategy process involving only a small team usually have less success than those that find ways to involve all significant stakeholders. Utilize proven change management principles to build support for the strategy and increase the probability of success.

"Consulting Skills for the IT Professional"  
July 21-22  
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"The Politics of IT Project Management"  
Sept. 9-10  
Boston, MA

"Collaboration in Action"  
Sept. 22-23  
St. Louis, MO

"Business Requirements Management"  
Sept. 30 & Oct. 1-2  
St. Louis, MO

"IT as a Service Organization"  
Oct. 13-14  
St. Louis, MO

"The Politics of IT Project Management"  
Oct. 14-15  
Hartford, CT

"Internal Negotiating Skills for the IT Professional"  
Oct. 27-28  
St. Louis, MO

"The Politics of IT Project Management"  
Dec. 10-11  
St. Louis, MO

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6. **Experience and details matter.** Getting the strategy right is crucial, but once done it can fail if poorly executed. Good contracting processes, solid service level agreements, strong governance structures, and a host of other details must be put in place to ensure that the sourcing strategy results in significant service provider relationships. Take the time to get these items right or risk problems down the road.
  
7. **You can achieve win-win-win results.** Done well, changing the mix of work done internal and external can be good for all stakeholders. Organizations can grow faster and have better results. Employees can concentrate on areas that are core to the organizations and be more valuable. And IT leaders can create more value for the organizations in which they reside, and be viewed as better business people by their clients.

*Don Imholz is a senior consultant with O&A. As a former CIO with Boeing, Don brings a wealth of experience and knowledge to our clients. Don has created a senior level Sourcing Workshop that will soon be available.*

*If you are interested in learning more about this, please contact us. 1-800-878-4551 or visit our website at:*

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