



# Insourcing: New Motives and Best Practices for Success

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# Introductions



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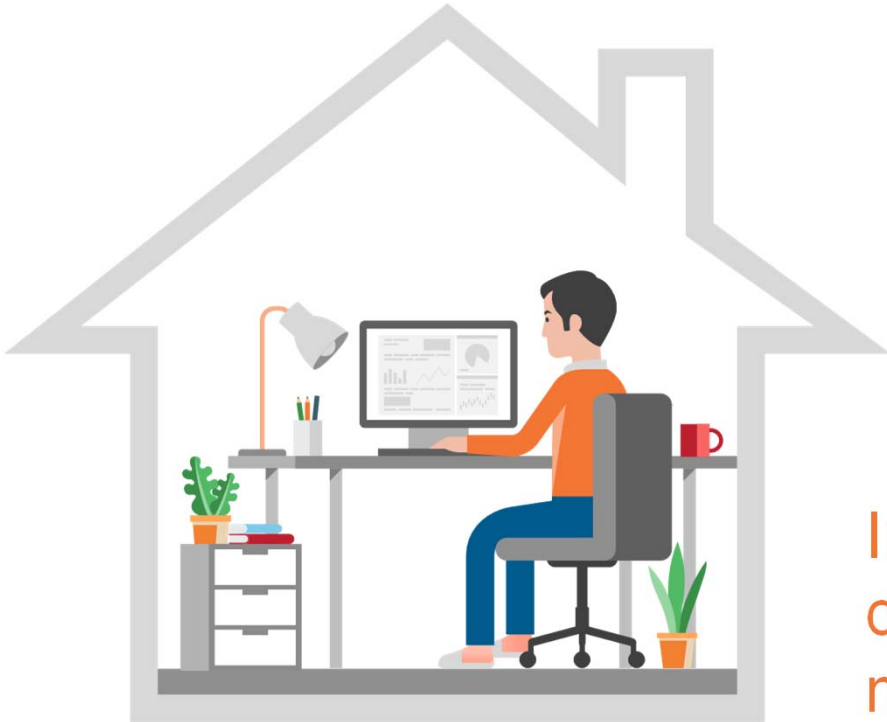
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# Defining insourcing

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Insourcing is defined as the shift in service delivery from a third-party outsourcing model to in-house/GBS model

# Multiple examples of enterprises rebalancing their sourcing model mix in favor of insourcing

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GSK mulls tech captive in India, may reduce outsourcing to Indian IT



**DBS' IT Spend: 85 Percent Outsourced to 85 In-House**



Insourcing, automation spark GE's IT transformation

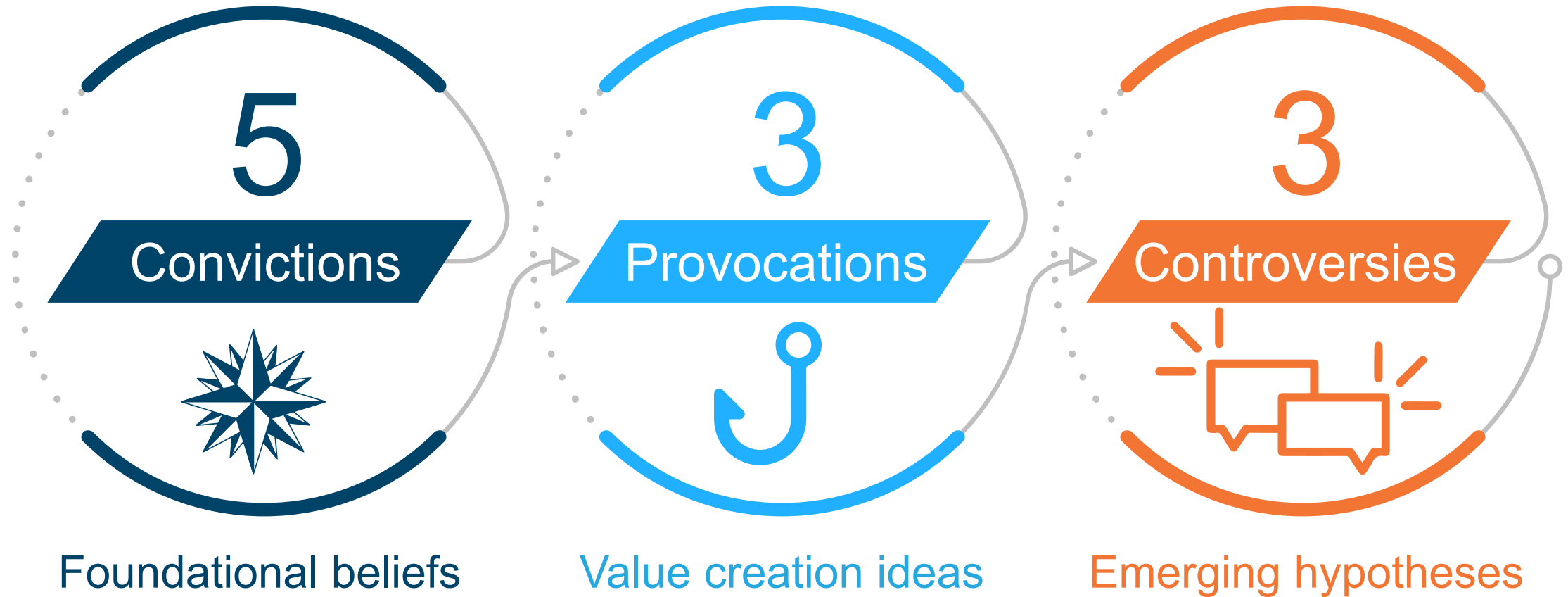


**NAB chief vows IT will radically simplify, not complicate bank**



**AstraZeneca IT insourcing exceeds expectation**

# Convictions, provocations, controversies





1 Enterprises are rethinking the services model; *all options are on the table*

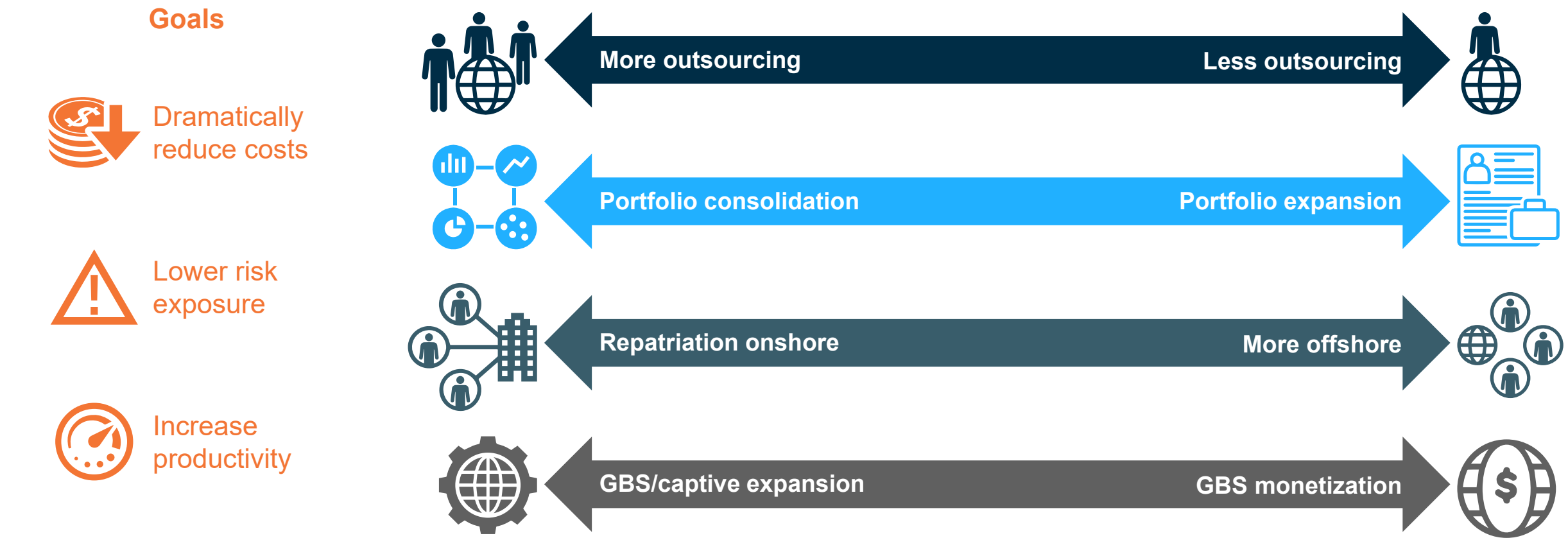
2 There are multiple triggers for insourcing; *saying “Yes” requires conviction and commitment*

3 Insourcing easier than before; *however, execution will eat strategy for breakfast*

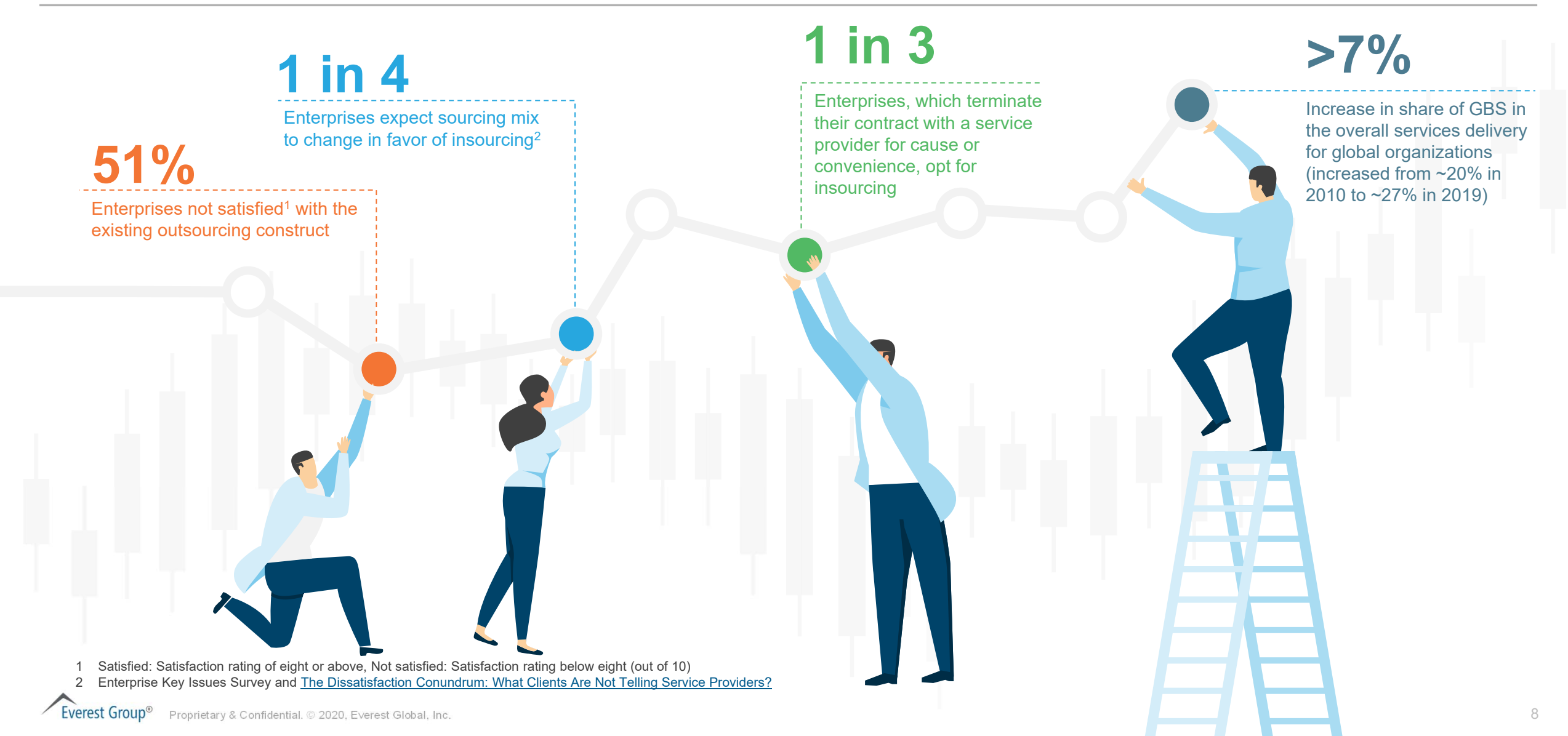
4 Done well, there will be benefits; *successful insourcing experiences vouch for ‘Citius, Altius, Fortius’*

5 Insourcing does not mean “No outsourcing”

# All options are on the table as enterprises prepare for the next normal



# Insourcing is on the rise

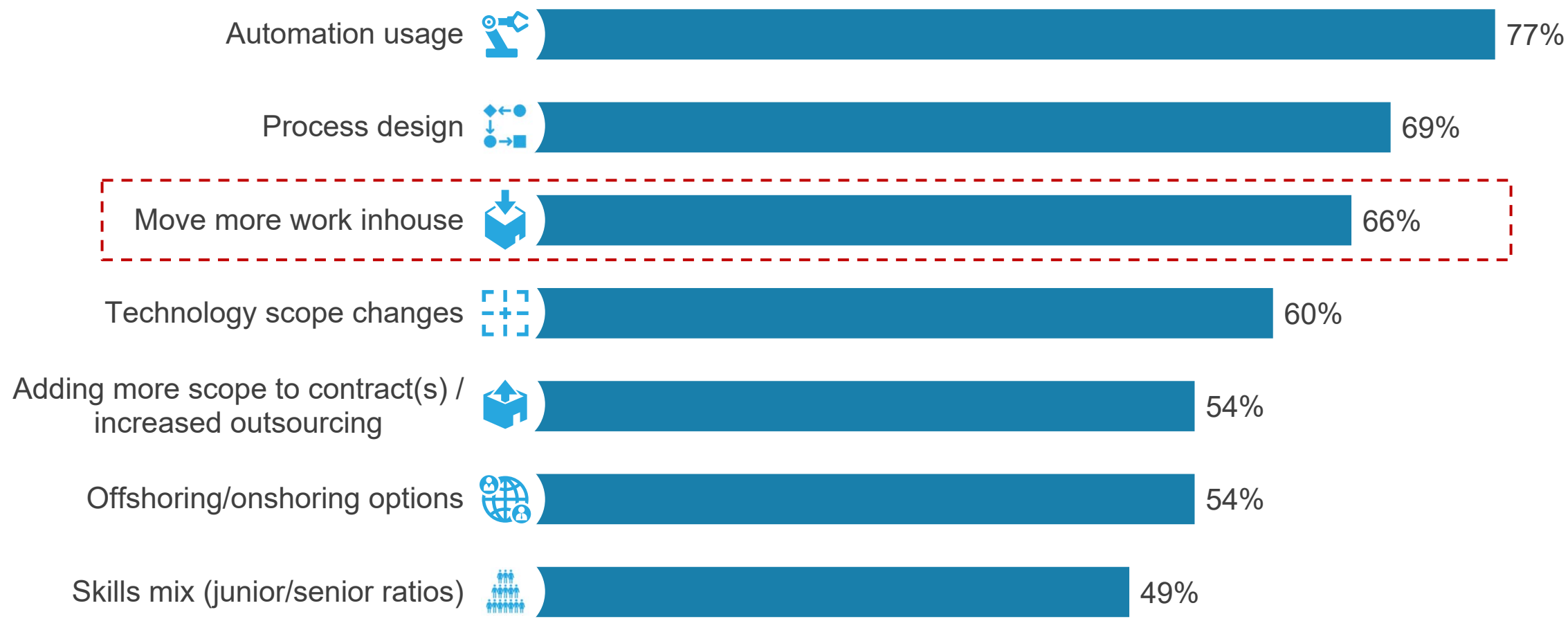


1 Satisfied: Satisfaction rating of eight or above, Not satisfied: Satisfaction rating below eight (out of 10)  
2 Enterprise Key Issues Survey and [The Dissatisfaction Conundrum: What Clients Are Not Telling Service Providers?](#)



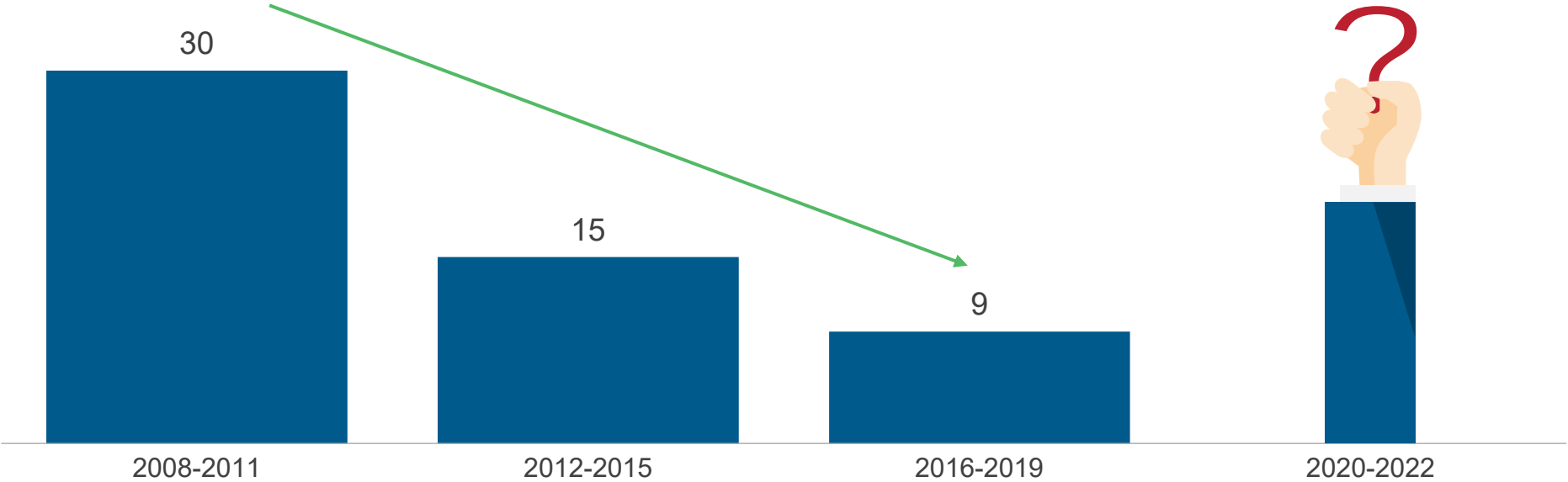
# Post-COVID, demand for insourcing is increasing...

What structural changes are buyers planning / asking of their service providers?



# However, experience from past crises also suggests likely increase in GBS divestitures

**Number of divestitures**  
2008-2019; number of GBS centers



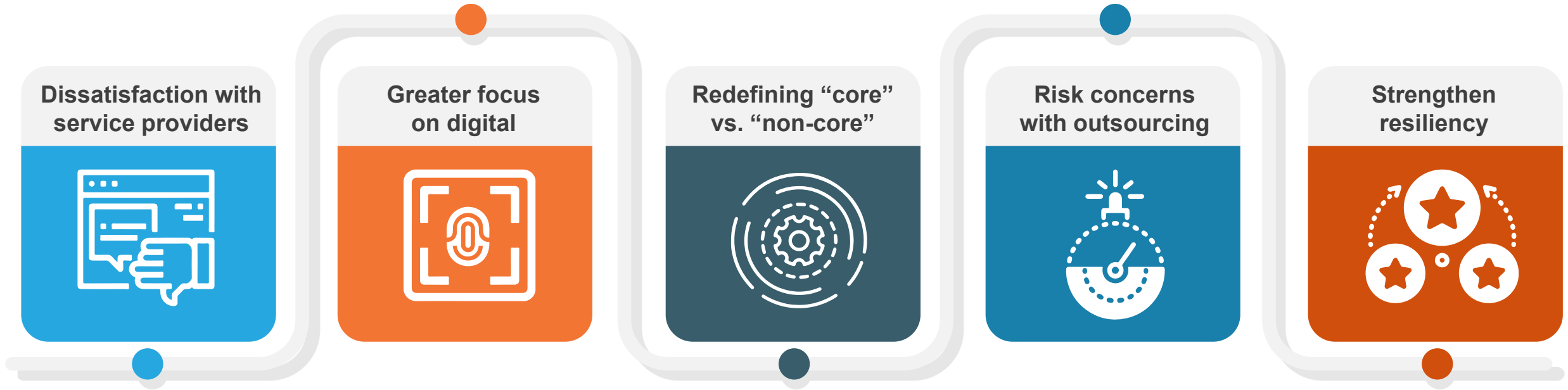
Number of divestitures spiked in 2008-2011 but the rate of divestitures has reduced gradually

**Will current situation  
also trigger GBS  
divestitures?**



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# There are multiple triggers for insourcing



# Poll question #1

## What is the primary trigger for insourcing?

- Outsourcing is not delivering value-additions
- Insourcing part of broader digital transformation agenda
- Risk and regulatory concerns with outsourcing
- Business and cost pressures

# The current crisis has strengthened the value proposition of the GBS organizations

**GBS differentiation levers that have become more relevant for the enterprise in the new normal**

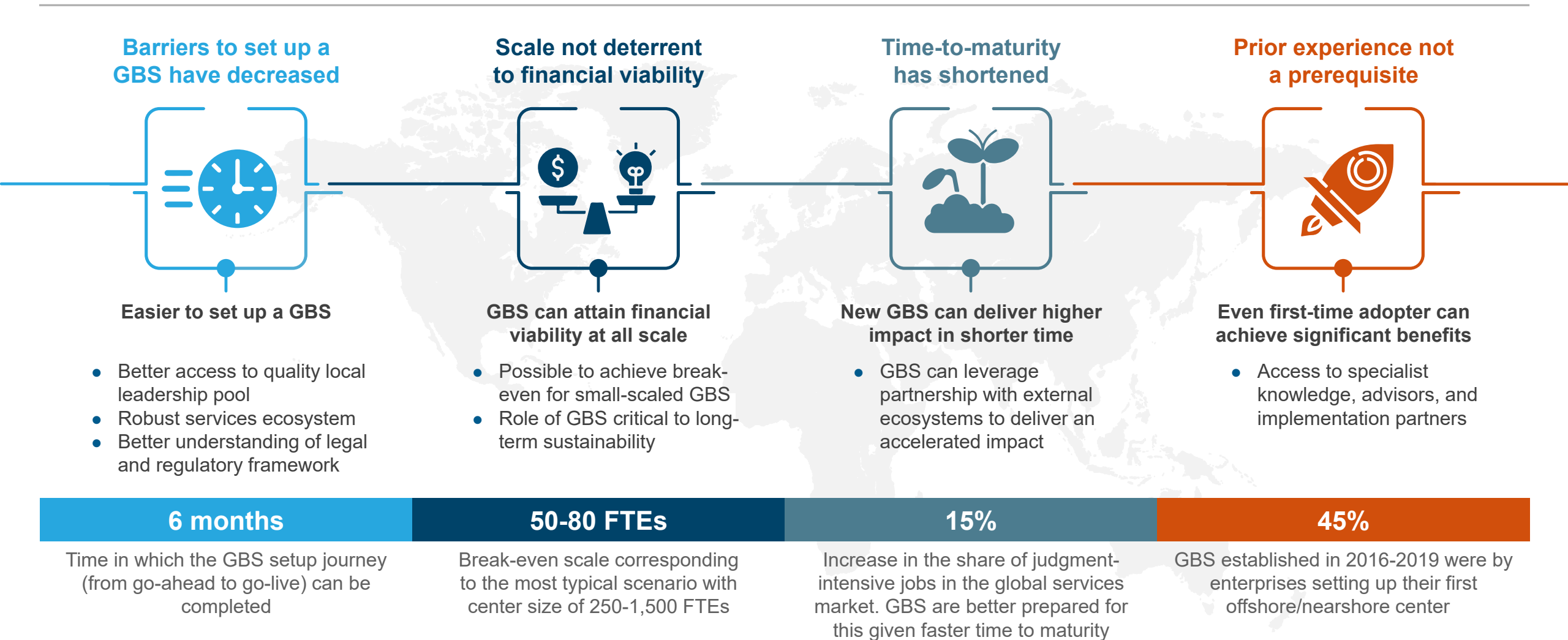


**Resiliency shown by GBS centers has strengthened enterprise confidence in these teams**



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# The entry barriers to insourcing have decreased





# Planning for insourcing is easy...

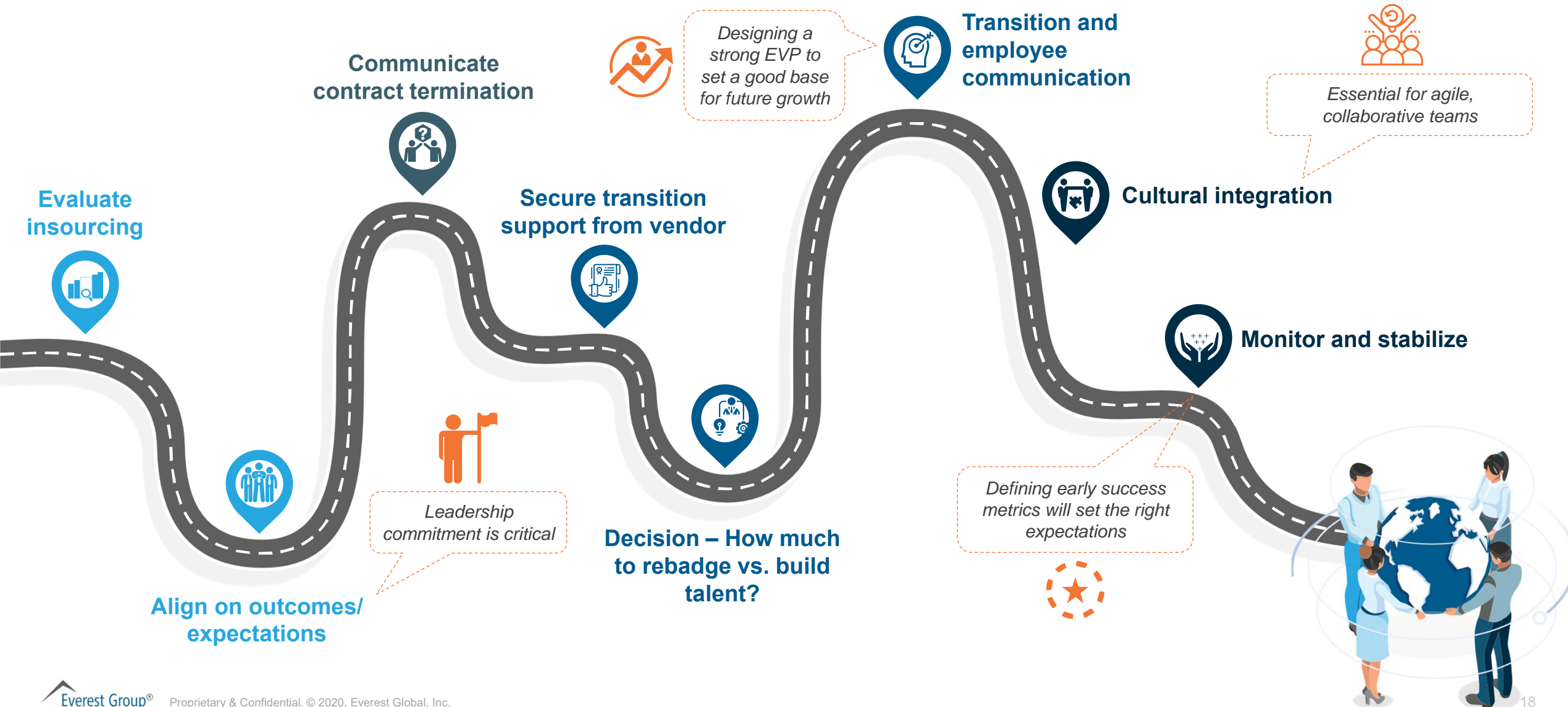
## STEP 1



## STEP 2



# However, *execution* is key in charting a successful insourcing journey



## Poll question #2

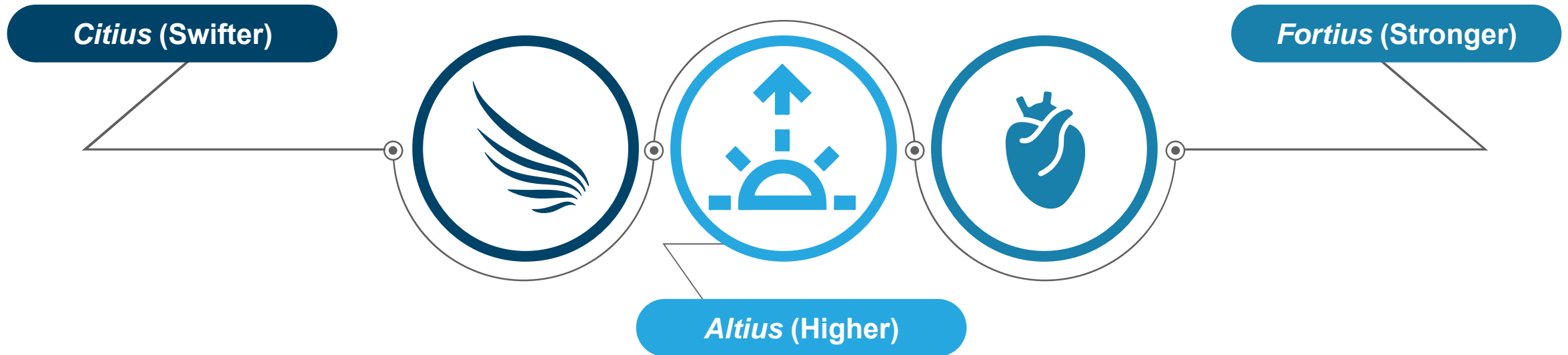
**What do you expect to be the biggest challenge in the insourcing journey?**

- Identifying when and/or what to insource
- Likely disruption in service delivery
- Limited capability to manage in-house delivery
- Securing leadership support
- Investment required



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Done well, insourcing can spur enterprises to become more agile and customer-centric (*Citius*), add new capabilities (*Altius*), and be financially stronger (*Fortius*)



**A leading US retailer** leverages insourcing to optimize the IT team size and add agility (**weekly** sprints versus **few times a year**)

**A US sporting goods company** turns to the in-house s/w developers to list products online within 30 mins of a major event (previously 3-5 days)

**A leading American manufacturer** turns around its NPS scores (4x increase) on the employee experience by insourcing IT support services

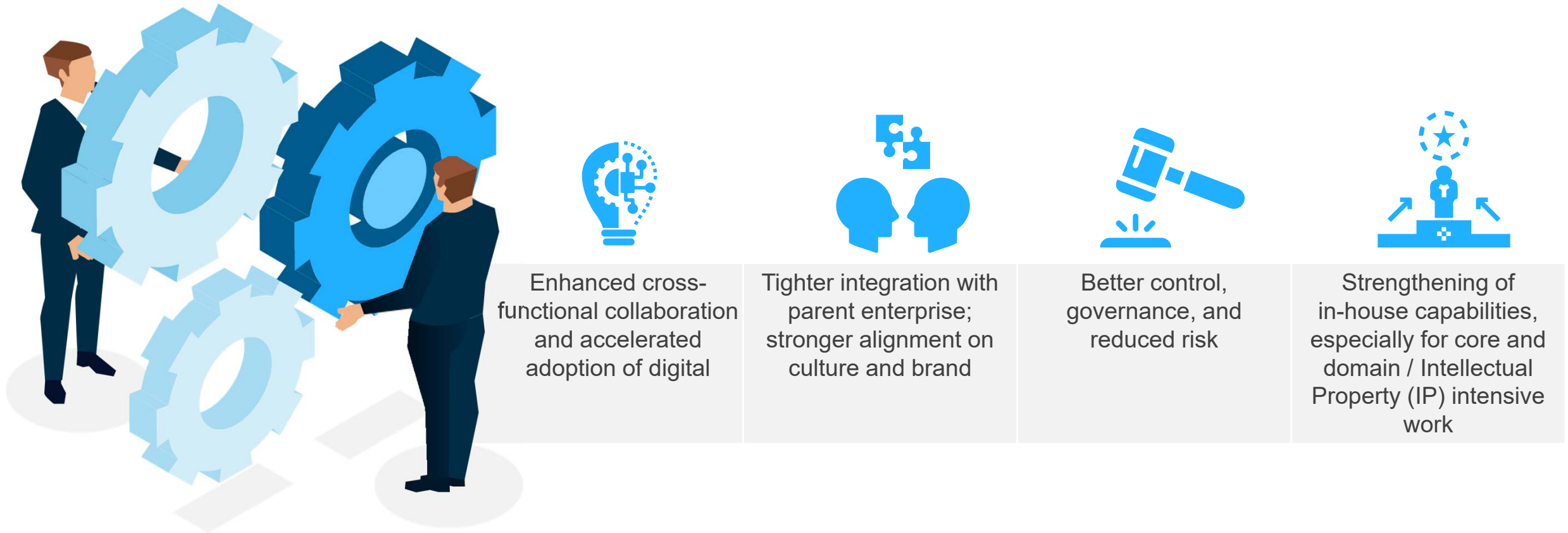
**For a leading retailer** insourcing renews the **focus on digital** that is today contributing to 2/3<sup>rd</sup> of the retailer's growth

**For a leading consumer goods enterprise**, insourcing spurred digital innovation and incubation of new capabilities in virtual reality, 3D printing, and robotics

**A leading healthcare enterprise** successfully optimizes the **total IT spend** by **~50%** over 3 years after pursuing an aggressive IT insourcing

**A leading Asian bank** has consistently improved its cost-to-income ratio by embarking on a digital transformation journey that was premised on insourcing of technology function

# These benefits result due to a mindset shift from delivering “non-core” to “core” services and a renewed clarity on changes in the operating model





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Insourcing does not imply end of outsourcing; There are multiple sourcing models that benefit enterprises differently



	De Novo	Assisted	Joint Venture	Build-Operate-Transfer	Outsourcing
Pros	<ul style="list-style-type: none"><li>• High control and cultural alignment</li><li>• High leverage of business know-how (“Core”) and protection of IP</li></ul>	<ul style="list-style-type: none"><li>• "Test-drive" the concept</li><li>• Flexible control and risk management</li></ul>	<ul style="list-style-type: none"><li>• Leverage of provider position and processes</li><li>• Turn cost center into a profit center by spinning-off JV</li></ul>	<ul style="list-style-type: none"><li>• "Fast speed-to-market"</li><li>• Operational risk rests with the provider</li></ul>	<ul style="list-style-type: none"><li>• Quick access to talent, skills, and technology tools/platforms</li><li>• Great in managing volume fluctuations</li></ul>
Cons	<ul style="list-style-type: none"><li>• High governance effort</li><li>• High initial capital investment</li></ul>	<ul style="list-style-type: none"><li>• High governance effort</li><li>• High initial capital investment</li></ul>	<ul style="list-style-type: none"><li>• High governance effort</li><li>• High exit related issues</li></ul>	<ul style="list-style-type: none"><li>• High transfer costs or exit issues</li><li>• Effort in rebranding and cultural reorientation</li></ul>	<ul style="list-style-type: none"><li>• Can be challenging to drive ownership and innovation</li><li>• Less control over delivery issues (e.g., attrition)</li></ul>
Increasing Service Provider involvement					



# Enterprises are intentionally thinking how best to leverage insourcing *and* outsourcing

“

**The talent we are targeting to bring in-house will provide a strategic differentiation for us. However, we will continue to work with strategic vendors.**

*– Country-head, European FS company*

”

“

**I don't see the outsourcing model being fundamentally challenged but I think it'll change in nature, slightly. And those things that can make a difference to our business, we will develop ourselves inhouse.**

*– CIO, Leading American retailer*

”

“

**It's a much stronger model to build that core capability as our employee than an outsourced one.**

*– Former CIO, Leading U.S.-based retail company*

”

“

**We are insourcing critical, competitive-advantaged applications and agile development work. And then, you have strategic partners that create complementary capability to your company.**

*– Former Global CIO, Leading European Financial Services firm*

”

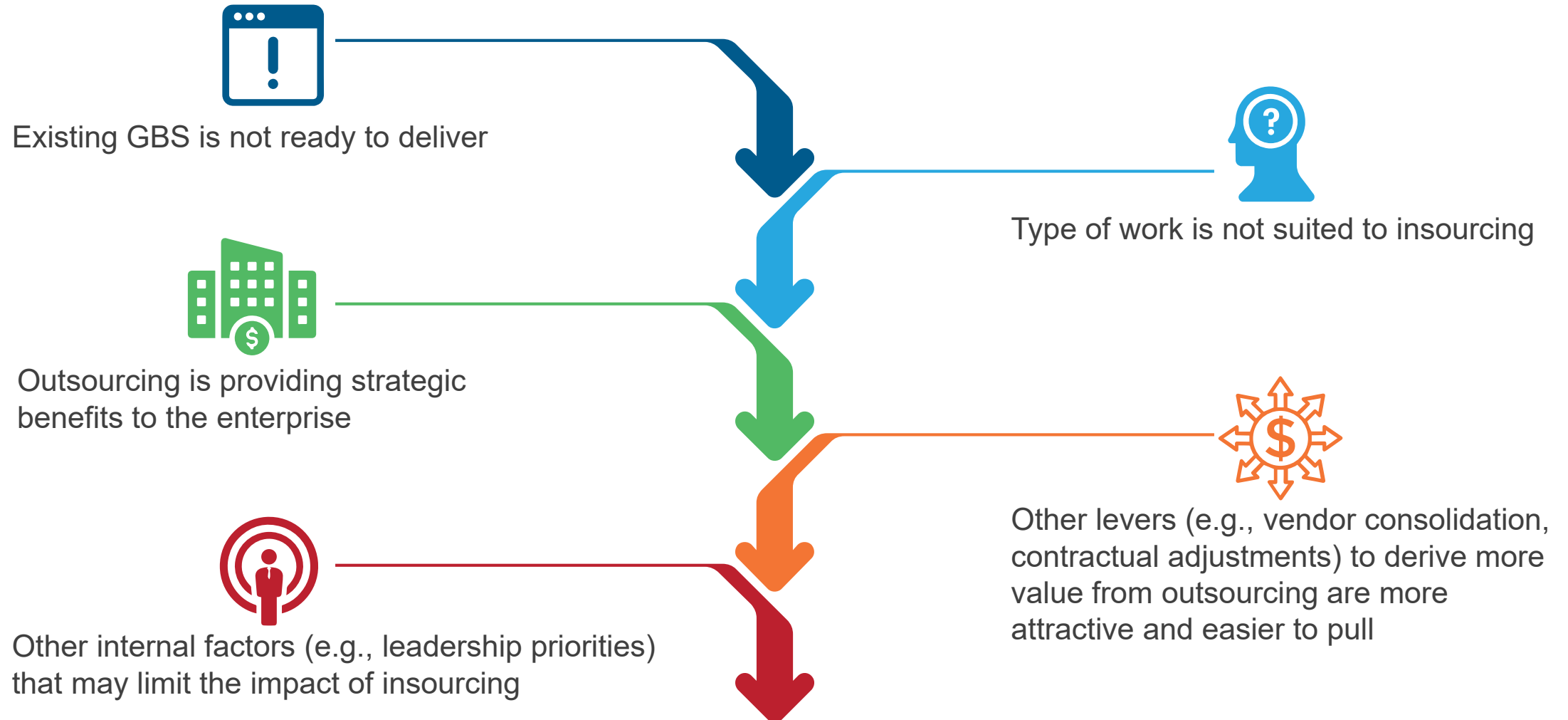


## Provocation #1

*Insourcing benefits seem attractive, but it doesn't mean it's the right answer for you*

# Insourcing is not the best answer in all situations

## Situations where insourcing may not be effective





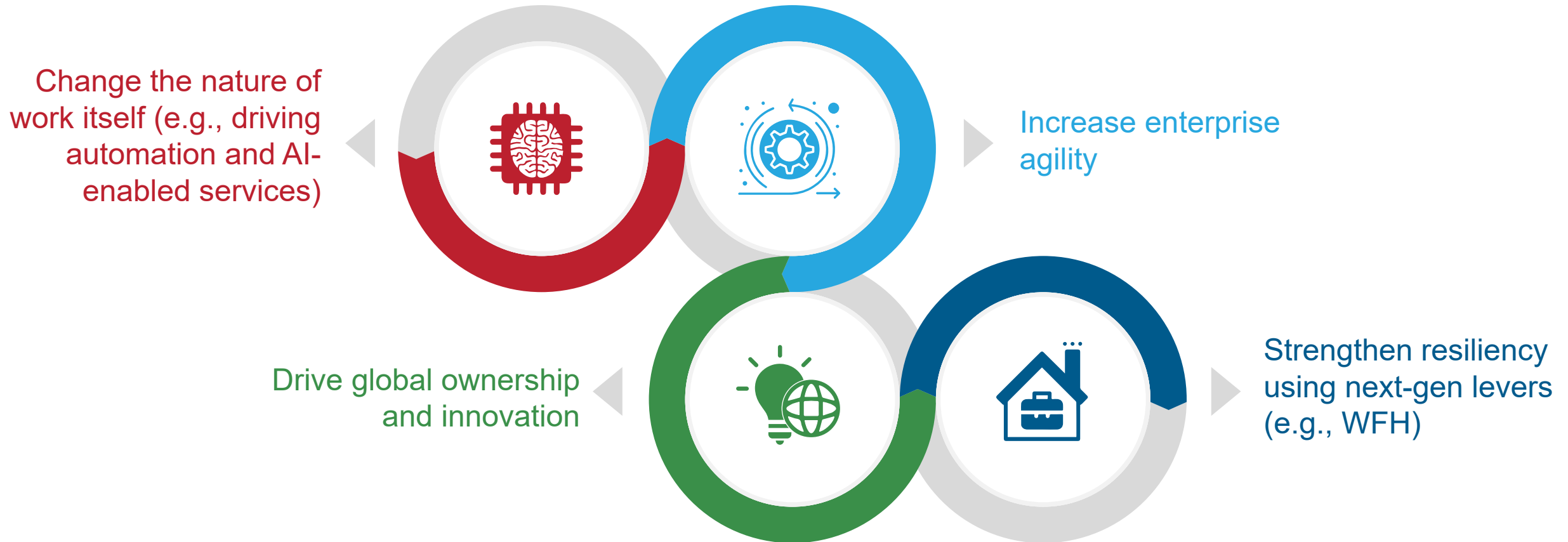


## Provocation #2

***Don't lose sight of the forest for the trees!***

*Look beyond the low-hanging fruit(s) to enable the broader transformation agenda*

# Broader transformation agenda that insourcing can enable







## Provocation #3

***This is a great opportunity to re-imagine the talent model***

*Look beyond immediate benefits to create truly agile and differentiated teams*

# Four opportunities to re-imagine the talent model through insourcing





1 Will insourcing continue to rise, or will the pendulum swing the other way due to the crisis?

2 Will insourcing be accompanied by reshoring?

3 How will increased adoption of WFH model impact insourcing?



# Want to assess maturity of your GBS model?

## GLOBAL BUSINESS SERVICES (GBS) MATURITY ASSESSMENT

Are your GBS organization's in-house delivery capabilities maturing to create superior value?



**Take our assessment and get immediate results**

Our GBS maturity assessment offers instantaneous results with a personalized report that includes recommendations on moving your GBS up the maturity curve.

Link (also provided in the Chat pane) to take the GBS maturity assessment:  
<https://www.everestgrp.com/gbs-maturity-assessment-survey/>



## To ask a question during the Q&A session

- Access the **Chat** panel within the GoToWebinar console, typically located on the right side of your screen
  - Type your question in the dialogue box, then select **Send** to submit the question to our session panelists
- 
- Attendees will receive an email with instructions for accessing today's presentation
  - To ask a specific follow-up question, or for a complimentary GBS maturity assessment, please contact:
    - H. Karthik, [H.karthik@everestgrp.com](mailto:H.karthik@everestgrp.com)
    - Jimit Arora, [Jimit.Arora@everestgrp.com](mailto:Jimit.Arora@everestgrp.com)
    - Vivek Bhatia, [Vivek.Bhatia@everestgrp.com](mailto:Vivek.Bhatia@everestgrp.com)

# Visit our COVID-19 resources

## Comprehensive fact-base to assist companies on their journey to next “normal” in services

### COVID-19: the journey from here back to the next normal

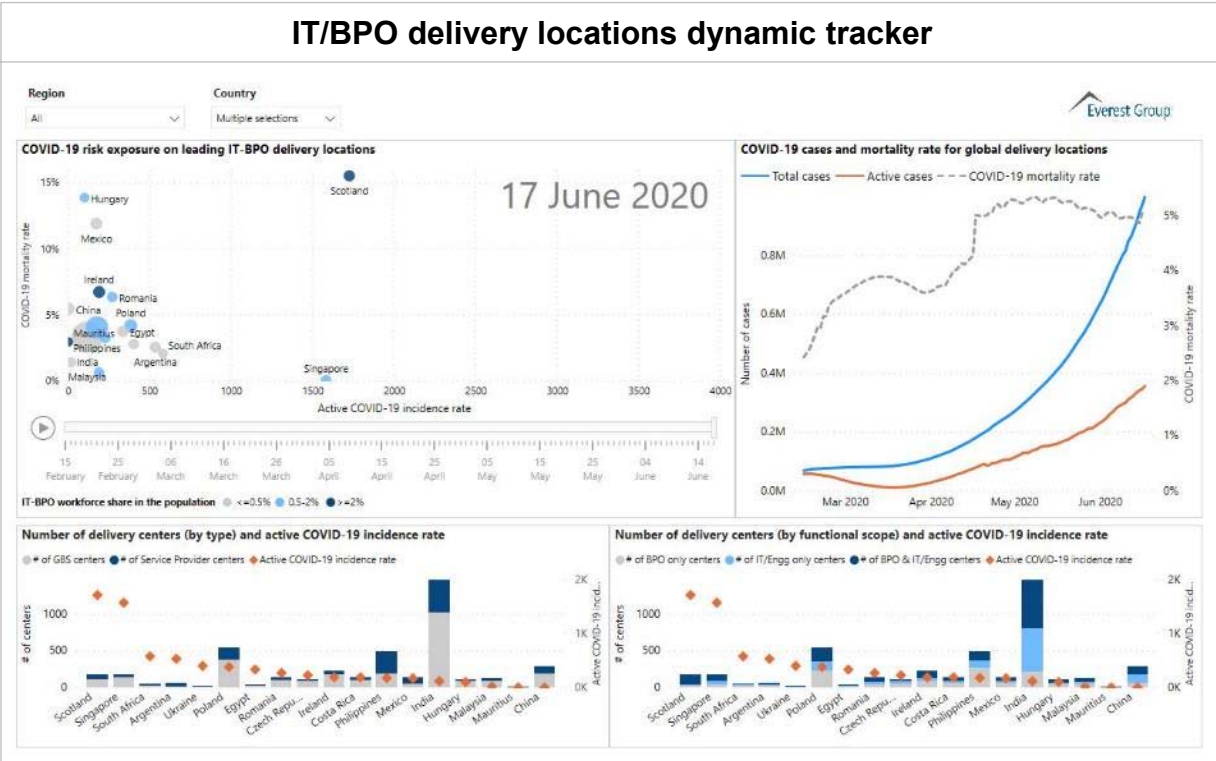
On this untravelled road, we are here to help you navigate through the twists and turns, the rough terrain, and the upcoming roadblocks.

We are with you on this journey.



### COVID-19 information tailored for you | On-page links

- Webinar | Coronavirus: Mitigating Business Impact and Uncovering the Positive
- Video | Top 10 Tips for Working from Home - Staying Sane and Productive during the COVID-19 Outbreak
- Podcast | COVID-19 Lesson #1: Digital Readiness - The Key to Surviving & Thriving
- For strategic outsourcing and vendor management leaders
- For global business services / shared services leaders
- For service provider leaders
- Recent COVID-19 reports
- External COVID-19 resources



<https://www.everestgrp.com/covid-19>







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