



# **‘Outsourcing Advisory 2.0’**

**A collaborative approach  
to accelerating the benefits of outsourcing**

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*Forward-thinking  
Advisors are  
accelerating the natural  
evolution of the  
outsourcing ecosystem*

### Introduction

The face of outsourcing is indeed changing for all participants in the outsourcing ecosystem. The rate of change, level of innovation, and availability of opportunities are reaching an inflection point that Frank Casale, Founder and CEO of The Outsourcing Institute refers to as 'Outsourcing 2.0.' From the perspective of the progressive Advisor, the drivers for this next generation of outsourcing are very similar to those driving the Web 2.0 movement; technology, collaboration, proven practices, and the proliferation of online social and business networks.

The primary constituents; Buyers, Providers,

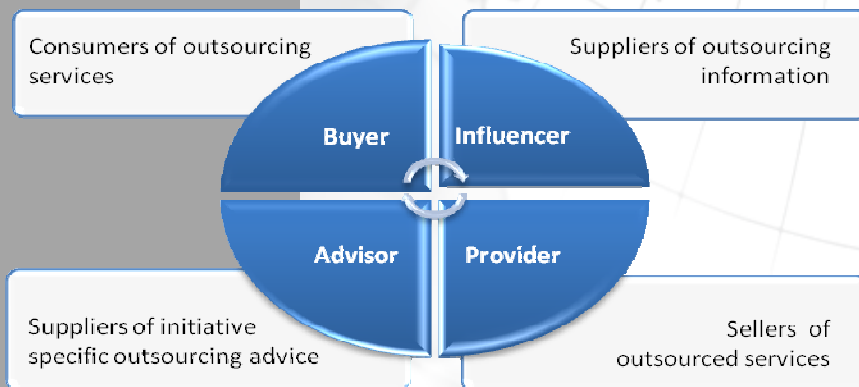
Influencers, and Advisors, have high expectations for the transformational opportunities afforded by this promising new operating model, and more importantly, they have no patience to wait for it; they want it now.

This whitepaper is intended to describe how forward-thinking Advisors are accelerating the natural evolution of the outsourcing ecosystem, through the introduction of a new paradigm in service delivery that is focused on liberating the value of outsourcing by bringing Buyers and Providers together in a collaborative manner.

### Advisory Service's Role in the Outsourcing Ecosystem

In the early 90's, the outsourcing trend was initiated by a select set of pioneering companies, who consummated a number of landmark offshoring deals (e.g. Xerox, GE, Kodak...). As outsourcing established itself as a viable option, other adopters soon followed. In its early days, the market was driven by these large Buyers, who guided the offshore Providers to extend their capabilities and deepen their understanding of the Western world.

By early 2000, the outsourcing ecosystem had evolved beyond the occasional consult from the ubiquitous law firm, to include the involvement of Advisors (e.g. extensions of the former Big 5, and pure-play advisory firms) and formal Influencers (e.g. content libraries, web portals, and specialty law practices). The Advisors seized this opportunity to mature the approach to outsourcing into a highly repeatable delivery process, equipped with proven methods, tools, and best practices.



As part of the 'Outsourcing Advisory 1.0' era, Advisors contributed to the expanding market by providing a much needed intermediary between Buyers and Providers. Under this first generation model, outsourcing flourished, with Buyers outsourcing tens of billions of dollars of services on an annual basis, and offshore Providers emerging as multi-billion dollar companies.

During this era, it is estimated that Advisors played a role in as many as half of all outsourcing transactions, and were routinely involved in any deal over \$10M in total contract value.

### The Current State of Advisory Services

Fast forward to the current day; where the recent recession has expedited the inevitable, and propelled outsourcing to be viewed as a business imperative. What was once a topic of interest to the CIO, has now become an integral business strategy of the CEO. In alignment with this elevated level of attention, individual Advisors have been lured from their ranks, to now sit at the Buyer's table as in-house Executives. This recent, and abrupt transference of knowledge, has served to shift the power back into the hands of the Buyers, as it was in the early days.

The Advisor community remains highly fragmented,

with organizations ranging in size from 10 to 500 Advisors. The large pure-play firms, that have dedicated themselves to providing outsourcing advisory services, have recently been forced to right-size their staff in order to come into alignment with the reduced market demand for their traditional, transaction-focused services. The outsourcing advisory practices, within the Big 4 Consultancies (formerly Big 5), are being realigned back into their mainstream Risk Mitigation and Business Strategy lines of business. At the same time, the boutique outsourcing advisory services firms continue to carve out tight niches, at the lower end of the buying spectrum.

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## The Drivers of Change

As with all observable acts of evolution, they can be traced back to a catalyst. In the case of outsourcing advisory services, the recent market recession has served to provide the impetus. Many Buyers, who were comfortable acting as followers or late adopters, have discovered that they are now compelled to act in order to improve their operations, preserve margins, and variabilize operating costs.

### Knowledge leap for Buyers

The Buyers have been forced to take action. In support of this need, and based on their ability to attract and retain experienced in-house Advisors, the novice Buyers have quickly developed the

capability to conduct Do-It-Yourself-Outsourcing (DIYO) efforts. Very similar to the Do-It-Yourself homeowner who elects to build an addition on to their home, the Buyers have the ability to get the job done, but could benefit from the support of an external Advisor. The Buyers have embodied the required knowledge, and are fully capable of understanding the requirements, engaging Providers, and transitioning services to an offshore venue.

Based on their outsourcing and advisory needs, Buyers can be grouped into three categories as described in Table #1 - Characteristics of Buyers:

*Buyers have quickly developed the capability to conduct Do-It-Yourself-Outsourcing (DIYO)*

Characteristics of Buyers			
Category	Company Size	Outsourcing Needs (prioritized)	Advisory Needs (prioritized)
Elephant (Fortune 2000)	over \$1B in annual sales	<ol style="list-style-type: none"> <li>1. Finance and Accounting (FAO)</li> <li>2. Human Resource (HRO, RPO)</li> <li>3. Business Process Outsourcing (BPO)</li> <li>4. Information Technology (ITO)</li> <li>5. Application Maintenance (AMO)</li> </ol>	<ol style="list-style-type: none"> <li>1. Advisory support services</li> <li>2. DIYO services</li> <li>3. Full service advisory services</li> </ol>
Lion (Upper SMB)	\$250M - \$1B in annual sales	<ol style="list-style-type: none"> <li>1. Information Technology (ITO)</li> <li>2. Application Maintenance (AMO)</li> <li>3. Finance and Accounting (FAO)</li> <li>4. Human Resource (HRO, RPO)</li> <li>5. Business Process Outsourcing (BPO)</li> </ol>	<ol style="list-style-type: none"> <li>1. Advisory support services</li> <li>2. Full service advisory services</li> <li>3. DIYO services</li> </ol>
Cobra (Lower SMB)	\$50M - \$250M in annual sales	<ol style="list-style-type: none"> <li>1. Information Technology (ITO)</li> <li>2. Application Maintenance (AMO)</li> <li>3. Business Process Outsourcing (BPO)</li> </ol>	<ol style="list-style-type: none"> <li>1. Full advisory services</li> <li>2. Advisory support services</li> </ol>

Table #1: Characteristics of Buyers

### Advisors Retraction

Advisors have been forced to respond to the reduction in demand for outsourcing advisory services by reducing their headcount. The Big 4's outsourcing advisory practices have been consolidated into their stalwart lines of business, while the pure-plays have simply contracted to reflect the change in demand. This change in the demand/supply curve has also resulted in a

commensurate reduction in Advisor's billing rates, which has placed even further downward pressure on the boutique Advisors, who in-part are differentiated by their ability to offer lower rates.

Based on their unique selling propositions, there are three types of Advisory organizations as described in Table #2 - Characteristics of Advisors:

*Advisors have been forced to respond to the reduction in demand for outsourcing advisory services by reducing headcount*

Characteristics of Advisors				
Type	Practice Size	Preferred Deal Size	Client Focus	Unique selling proposition
Extensions of the Big 4	200 – 500 Advisors	over \$1M in total contract value	over \$1B in annual revenues	<ul style="list-style-type: none"> <li>• Brand recognition</li> <li>• Existing client relationships</li> <li>• Risk mitigation</li> </ul>
Pure Play	50 – 200 Advisors	over \$500K in total contract value	over \$500M in annual revenues	<ul style="list-style-type: none"> <li>• Outsourcing experience</li> <li>• Unbiased</li> <li>• Established</li> </ul>
Boutiques	10 – 50 Advisors	over \$100K in total contract value	over \$50M in annual revenues	<ul style="list-style-type: none"> <li>• Niche focus</li> <li>• Price</li> <li>• Speed to delivery</li> </ul>

Table #2: Characteristics of Advisors

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*Much of what was traditionally considered intellectual property or proprietary, has now been marginalized*

*Present day outsourcing Advisors are behind the '2.0' curve, as opposed to ushering it in*

**Influencer Evolution**

The influencers, being relative newcomers to the outsourcing ecosystem, offer a great deal of reusable content associated with the outsourcing life-cycle. Influencer' portals provide artifacts, benchmarks, access to SaaS-based (Software as a

Service) collaboration tools, and virtual communities, all of which serve to further the Buyer's quest for self-sufficiency. With Influencers making what was once proprietary, now generally-available, Advisors are compelled to reinvent themselves and their approach to adding value.

**The Shift to 'Outsourcing Advisory 2.0'**

Key to the definition of 'Outsourcing Advisory 2.0' is the acceptance that much of what was traditionally considered intellectual property or proprietary has now been marginalized. As time progresses, even more best practices and data sources, which were once the parlance of Advisors, will become generally-available through the use of online tools, subscription services, and affinity groups. By embracing the emergence of this trend, actively participating in the development of tools, and disseminating best practices, the '2.0' Advisor will help set the stage for a common standard of interaction between the Buyers and Providers of outsourcing services.

degree of automation throughout the lifecycle. An Outsourcing Advisory Toolkit provides the platform for all participants to fully engage in the sharing of knowledge, execution of work activities, and review of deliverables, the benefits of which, is only fully realized upon completion of the transition phase. The processes, metrics, reports, and dashboards that are developed during the transition phase are instantiated directly into the toolkit. These same artifacts are then used throughout the steady-state phase of the initiative, in a SaaS model, to support the execution, management, and monitoring of the outsourced operation.

Taking the next step to 'Outsourcing Advisory 2.0' also requires the Advisor to embed the use of tools as being systemic to the process. The progressive Advisor must deliver an automation-centric approach to advisory that fully leverages process management, workflow, collaboration, and simple integration with tools that are readily available in the market. While continuing to leverage the benefits associated with formal methodologies, templates, applications, and numerous artifacts; the new engagement model must include a high

As the present day outsourcing Advisors, in their current incarnation, work diligently to reengineer themselves, they find that they are behind the '2.0' curve, as opposed to ushering it in. The 'Outsourcing Advisory 2.0' movement, has taken on internet-speed, subjugated the standard journey, and has simply arrived.

This phenomenon is best characterized by the tenets that have changed, as cited in Table #3 - Changing Tenets:

Changing Tenets	
Outsourcing Advisory 1.0	Outsourcing Advisory 2.0
Privileged access to proprietary outsourcing information	Open access to artifacts through online communities and libraries
Low-volume of large outsourcing engagements	High-volume of small outsourcing transactions
Advisory assistance is required to enabling outsourcing	Advisory assistance is desired to support Do-It-Yourself-Outsourcing
Process focused (process for the sake of process)	Outcome focused (get to the results)
Due diligence-based sourcing (driven by Procurement)	Accelerated sourcing (driven by the Line of Business)
Stand-alone tools and point solutions	Collaborative, SaaS-based tools
'Random-walk' approach to understanding the business	Surgical focus on outsourcing components of the business
India is the primary destination	Considerable capabilities available in multiple geographies
Focused on transitioning work (lift and shift) to offshore	Focused on transforming the business
Time & Materials fees, best level of effort	Performance-based fees, paid at the outcome
Pyramid approach to project staffing, with a part-time Senior Advisor coupled with a number of onsite Junior Consultants	Apply only experienced Senior Advisors (20+years) throughout the entire life-cycle of the project
Traditional vendor selection process (long list, to a short list, to a bake-off, to a selected vendor)	Facilitated match-making and collaboration between Buyers and Providers

Table #3: Changing Tenets

The final step in the evolution to 'Outsourcing Advisory 2.0' is the complete elimination of the "Random Walk" approach to delivery, which is unnecessary for the experienced Advisor and no longer productive for the mature Buyer. The commitment to outsourcing in general, or specifically to the development of shared services centers, is a critical business decision that requires guidance from Advisors who possess a combination of capabilities, skills, and most importantly, experience.

### A Market Led Movement

The movement toward this new operating model is being led by the Buyers of outsourced services, facilitated by the Influencers, and being forced on the Advisors and Providers. This is different than a corporate mandate, whereby participants are forced to comply against their will, and equally different from a "grass-roots" movement, whereby a select set of stakeholders attempt to effect a change from inside the ecosystem. This movement is being driven by necessity; Buyers are fighting to run their businesses in the most effective manner possible, and capable Advisors are commercializing offerings in a fully enabled service model, which includes a combination of experiences, methods, and leading practices that are all available through the Internet.

This movement is clearly not a fad, or slow-moving train. This movement is an imperative that is already upon us. The only remaining question is the speed at which Advisors will be able to adapt to this new paradigm, and retool their historic offerings to

Over the past 5-years, outsourcing advisory has greatly matured, with the trends toward process maturity and enabling technology forming the basis for a new generation of advisory that remains focused on driving the successful transition and transformation of services. In keeping with the term 'Web 2.0', the progressive Advisor is leading the way into the second generation of outsourcing advisory that facilitates open communication, secure information sharing, interoperability, hosted applications, and collaboration.

be in alignment with the demands of the marketplace.

The '2.0' Advisor must bring new, high value-added services to the table, the fees for which must be based on the Buyer's attainment of their stated goals. These new services must support novice Buyers as well as the experienced Buyers of outsourced services. The advisory services must be viewed as having equal value to the Providers, with a focus on bringing the Buyers and Providers together in a non-adversarial manner. This new era Advisors must appreciate that the Buyers possess the knowledge and experience that is required to deliver an outsourcing transaction. As such, the progressive Advisors will leverage their acquired knowledge and enable the provisioning of down-stream services that virtually guarantee the successful transformation and transition of services, which have long been acknowledged as the most difficult and highest impact component of the outsourcing equation.

### Sylvan VI's Perspective

Sylvan VI, Inc. ([www.sylvanvi.com](http://www.sylvanvi.com)) is a new-breed of outsourcing advisory firm that provides expert advice to support its clients in transforming their businesses through the application of innovative models, that leverage the new approach to providing advisory services in a '2.0' environment. The company, founded in 2007 as spin-off of a Big4 consultancy, is based on the fundamental precept that there is a better way to provided higher value-added advisory services, which are in direct alignment with the needs of today's outsourcing ecosystem.

Sylvan VI, in collaboration with a number of key Buyers, has developed an approach to accelerated outsourcing that applies a series of ground-breaking tools and techniques to outsourcing scenarios, in order to deliver faster results at considerably less costs than were thought to be possible, while still maintaining the level of rigor that is required to support critical business initiatives.

This innovative approach to providing outsourcing advisory services is currently being piloted by a select set of fortune 2000 companies, and has already displayed the promised level of value.

The accelerated approach is perfectly adapted to satisfy the current market demand for speed, rigor, and reduced costs. While there are still many proponents of the "old-school" approach, there are obvious reasons for implementing an 'Outsourcing Advisory 2.0' centric approach to outsourcing.

In order for the accelerated approach to be effective, the implementing organization must have the ability and desire to move faster than the traditional approach would normally permit.

To appreciate the efficacy of the accelerated approach, the analysis cited in Table #4 - Comparison of Traditional vs. Accelerated Approach, should be carefully evaluated:

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*This movement is an imperative that is already upon us. The only remaining question is the speed at which Advisors will be able to adapt*

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*Sylvan VI delivers ground-breaking tools and techniques which delivers faster results at considerably less costs than were thought to be possible*

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*The accelerated approach is designed for those initiatives that are being driven by a compelling business event*

Comparison of Traditional vs. Accelerated Approach		
Area of Concern	Traditional Approach	Accelerated Approach
Organizational view of outsourcing	The organization has had limited and/or mixed experience with outsourcing, and is undecided about its true level of added value.	The organization is already a proponent of, and a firm believer in the value associated outsourcing and offshoring.
Business need	There is an ongoing effort to reduce costs, and the organization would like to explore outsourcing / offshoring as a potential option.	There is an imperative business need that is driving this initiative (e.g. mandated reduction in headcount). The organization has a strong reason to move fast.
Sponsorship	This is a departmental initiative, and is being sponsored at the Manager or Director-level.	The need is so great, that this initiative is sponsored at the leadership level, and is being championed by a C-level Executive.
Involvement of Procurement	The Procurement department has a rigid approach to vendor selection and contracting that must always be followed, as part of any outsourcing event.	The Procurement department understands that this is a different approach to the traditional vendor selection and due diligence process, and is willing to actively participate in the process.
Gathering of Requirements	The organization feels strongly that the requirements must be fully described before vendors become involved in the process.	The organization appreciates the value of collaborating with prospective vendors, as part of shaping the services that will be outsourced.
Approach to Solution Development	The organization fully understands the detailed components of the solution that is being sought, and would like to put it out to bid.	The organization understands the business objective, and is interested in accepting innovative solutions from experienced vendors.
Approach to working with Vendors	The organization prefers to keep the vendors at arms length, in order to negotiate the best possible commodity-based pricing.	The prospective vendors will be brought into the process early, in a collaborative mode, in order to develop the final solution and value proposition.
Cost of Advisory Services	The organization has budgeted dollars that are dedicated for use in seeking the advice and guidance of experienced outsourcing advisors.	The outsourcing process is only deemed valuable if something is outsourced, and proven to yield at least a 25% savings in operating costs.

Table #4: Comparison of Traditional vs. Accelerated Approach

While the accelerated approach can effectively be applied to any type of outsourcing initiative, it is designed for those projects that are being driven by a compelling business need. If the organization has the luxury of time, and availability of funds, then it is recommended that a traditional approach be

assumed. But, if like most of today's businesses, there is a need to attain quick and meaningful results, that are virtually guaranteed to be in direct alignment with the desired goals and objectives of the business, then the accelerated approach represents the only legitimate path forward.

### About the Author

Paul Pinto, is a Co-founder and Managing Partner at Sylvan Advisory LLC. where he is responsible for providing a unique and highly differentiated set of 'Outsourcing Advisory 2.0' services to U.S. and U.K.-based clients, that are interested in experiencing the accelerated benefits associated with the new-era of outsourcing.

Egypt, Malaysia, Mexico, New Zealand, Slovakia and the United States.

If you are interested in understanding more about the accelerated approach and how it can liberate the promised benefits associated with your organization's outsourcing initiative, then you may contact Paul at: [ppinto@SylvanAdvisory.com](mailto:ppinto@SylvanAdvisory.com)

Throughout his 25-year career, he has provided advice to a variety of fortune 2000 companies. Along with numerous speaking engagements and participation in panel discussions, Paul also serves as a Senior Advisor to The Outsourcing Institute.

It is important to appreciate that the accelerated approach represents an innovative way of doing business, and while the risk and level of investment are limited, the approach can only be applied in organizations that are truly open to conducting business in a different manner.

As part of 30+ advisory engagements, Paul has facilitated the outsourcing of services to Providers located in Canada, China, Brazil, India, Philippines and Russia, and has setup captive centers in India,

Your feedback, comments, and/or criticisms, regarding the content of this whitepaper, are greatly encouraged.



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