

Transformation Execution StrategiesSM

Insights to empower you to transform enterprise performance

Stage 3.0 Outsourcing

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Context:

After a sustained period of cost cutting and pruning the budget, corporations are looking for ways to grow their top line. Enterprise leaders driving transformation are finding help in an unexpected corner . amongst outsourcers!

Outsourcing has gone through two stages of change and innovation and is now entering a third stage:

Stage 1.0 Task-centric outsourcing

Stage 2.0 Technology-centric outsourcing

Stage 3.0 Solution-centric outsourcing

Stage 1.0 was about tasks such as prepping computers prior to installation in the IT domain and preparation of paychecks in the Human Resources domain. Stage 2.0 was about an entire process such as the order-to-cash process in the Finance & Accounting domain, including its underlying technology. Stage 3.0 moves it up one step, to the solution level, bundling in the domain expertise also, such as in Clinical Data Management in Pharma.

Over the past few years, as outsourcers took on responsibility, first for tasks and then for the technology associated with a process, they realized that these would soon become commodities and hence a low-margin business. They decided to shift up the value chain and began to invest in domain expertise and domain innovation. To further shore up margins, they built-out this capability offshore. *Want a USFDA certified consultant working on your Pharma's CDM solution in Chennai, India? No worries!*

The next few years will yield the results of this investment, both for you and them.

Analysis:

Stage 3.0 Outsourcing differs from earlier versions of outsourcing in the fundamental sense that it actually delivers change and innovation . i.e., it is transformational in nature. It contrasts with prior stages in that:

1. It is Solution centered Vs. Process centered
2. It is measured via Business Metrics Vs. Technology Metrics
3. Its selling proposition is Business Benefit Vs. Cost
4. Its impact to your business is Strategic Vs. Tactical

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5. The arrangement is Collaborative Vs. Narrowly Contractual

6. The supplier provides Expertise Vs. Resources

First Kernel research shows that Stage 3.0 solutions are being deployed in industries such as:

~ Life Sciences

~ Healthcare

~ Insurance

~ Financial Services

~ Retail

As outsourcers increase their investment in critical resources such as Doctors and Pharmacologists and in state-of-the-art technologies and software, the level of investment needed by you to replicate and scale this on your own will start to look pricey. Given the inherent transformational nature of these offerings, First Kernel predicts that Stage 3.0 outsourcing will begin to gain traction and adoption faster than heretofore predicted.

Take Away:

Outsourcers have quietly invested in domain expertise and technology over the last few years and are now ready to roll out powerful turn-key solutions in a wide range of industries. Your enterprise will increasingly be challenged to justify building out similar capability in-house on the basis of ROI, or even innovation.

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About First Kernel Research

First Kernel Research is a unit of First Kernel Consulting, Inc. We are experts in Enterprise Performance Transformation. We help enterprises develop and execute exceptional performance transformation strategies and initiatives to continually align costs, service quality and capabilities with the overall strategy and imperative of the enterprise.

Our Clients leverage the integration of our expertise, intellectual property, tools and guidance to achieve or surpass their SG&A performance targets. First Kernel has developed the industry's first *Enterprise Performance Transformation System*TM, currently pending a United States patent.

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