

BOOK REVIEW

*"Multisourcing: Moving Beyond Outsourcing
to Achieve Growth and Agility"*

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What is multisourcing? Why does it matter even to those who are not outsourcing or offshoring at the moment? What are its implications on how we look at the nature of the firm? And, furthermore, what is the relationship between multisourcing and sourcing as such? These are some of the questions that are addressed in this book. The burden of the questions given above is of relevance to not only the theory and practice of multisourcing, but to strategic theory as well. The existing literature on outsourcing unfortunately does not sufficiently address the strategic import of the practice for firms. The major preoccupation is rather with the problem of cost arbitrage; the invocation of strategy is generally no more than a ritualistic demand to focus on the firm's core competence. Even the concept of core competence is not examined at any length in the literature, but is understood minimally as an internal development in strategic theory that is either coeval with the advent of outsourcing and/or a legitimation of the latter. In other words, outsourcing is mainly described as a problem of operations management rather than of strategy. It is as though firms had decided to outsource the thought processes necessary to come to terms with core competence as well and focus on the practice of outsourcing instead. Hence there was a proliferation of books on the actual sequence of steps necessary to outsource and/or offshore successfully. It was left to the strategists to reincorporate outsourcing, if necessary, into mainstream strategic theory. The strategic payoff (as opposed to the operational gains) is generally not made clear in the literature.

While some writers on outsourcing pointed out the need for an alignment between the strategic goals of the firm and the outsourcing process, others insisted that the operational niceties of the latter be cordoned off, at least initially, since the concept of outsourcing had to be sold to the rest of the firm. Not insisting on strategic alignment is a way of saying that the firm would like to see if outsourcing works at least piecemeal before its practitioners attempt to sell the underlying ethos to the firm as a whole. It is therefore customary in the literature of outsourcing to begin with the *resistance* to outsourcing before enumerating its operational complexities. The underlying message was that even when decision rights were accorded to the vendor, the outsourcing firm can outsource work but not the underlying responsibility since the vendor will at best lose a contract if the work is not satisfactory while the firm stands to lose much more especially when

its brand is at stake. In other words, everything can be progressively outsourced (at least in principle) but not governance since the latter embodies what the outsourcing firm is in a sense all about. It represents a core set of responsibilities without which it will lose its identity as a legal person.

This book on multisourcing however argues for the need to move *beyond* outsourcing given that the use of external vendors has now become routine. It is therefore important to shift the focus of the debate from outsourcing to *multisourcing*, which the authors define, at the very outset, as “the disciplined provisioning and blending of business and IT services from the optimal set of internal and external providers in the pursuit of business goals.” In other words, outsourcing has not only worked, it is now fairly commonplace in the US. It has therefore become important to conceptualise a new set of modalities that go beyond mere cost arbitrage in order to derive competitive advantage and meet the new expectations of the capital markets. The authors argue that as much as half of all outsourcing contracts signed between 2000 and 2004 will fail to meet expectations. In order to meet these new expectations, the authors call for the abandonment of conventional outsourcing and the adoption of “a more holistic and strategic approach to sourcing as a whole.” Multisourcing, which seeks to work out a new operational model comprising both internal and external forms of sourcing, is, according to the authors, the way forward. This however will demand nothing less than rethinking the fundamental *modalities of sourcing* in order to meet the new demands and expectations of contemporary business.

In order to harness the possibilities of multisourcing however, companies must correct the misconceptions which litter the theory and practice of outsourcing. Some of these misconceptions include the notion that sourcing is autonomous, independent of business strategy, and can exploit economies of scale. Furthermore, companies expect outsourcing relationships to be self-managing and a steady source of competency amongst other things. While there is an element of truth in these misconceptions, it is important for companies to be vigilant and take a stronger interest in the outsourcing process in order to realise the value addition associated with these processes. Given the underlying shift in ground realities, however, there must be a greater connect between outsourcing of business processes and the business as a whole in order to generate a competitive advantage.

What is needed then is an 'integrated strategy' which recognises the overwhelming importance of governance modalities in order to build relationships rather than just increase the volume of transactions. And while metrics matter, relevant metrics matter even more. This book then is aimed at those managers who have overcome the traditional resistance to outsourcing and have then taken it to the other extreme, i.e. managers who are 'compulsive' about

outsourcing. This attempt at providing a guide to multisourcing is based on the work that the authors have done with companies at Gartner and includes a number of brief case studies reflecting the challenges that their clients have experienced in recent years.

The aim of this book is to help the reader-manager map the terrain of sourcing and then design a sourcing-cum-alignment strategy; everything else depends on getting this strategic focus right. The readers of this book should be able to design a 'customised map' to handle the demands of multisourcing in their respective organizations. An important change in how the authors conceptualise the problem of offshoring pertains to the fact that they prefer to use the terms 'domestic' and 'non domestic' since the traditional concepts of outsourcing and offshoring *don't* necessarily mean sending work outside the mainland United States (though the terms are often used to mean that in the popular imagination.) A service option is not merely a function of location but also of source. Therefore, four service possibilities emerge; they include both domestic and non domestic in-house, and domestic and non domestic outsourced. Blending of both domestic and non domestic resources is also possible in order to generate greater efficiency and value in the so called 'global delivery model.'

The authors then set out the forms of value addition in the four different models of sourcing and the three types of sourcing deals based on the attempts to realise efficiency, enhancement and transformation of the services being provided by a given set of vendors. Understanding the possibilities of global delivery by working out the right combination of models and sourcing deals will help a firm draw up a service map with the level of customisation necessary for its operations. It will then have to work out the modalities needed to build a strategy to source and make sure that its sourcing strategy does not violate its business strategy and get the necessary operational details in place.

This book comprises seven chapters; in addition to these chapters, there is also an introduction, a conclusion and an appendix. The main chapters attempt to map the possibilities of multisourcing using a global delivery model and spell out the operational modalities that must be navigated in order to realise the forms of value addition that are possible in principle. The authors offer a ready-made template to help firms work out a possible list of services that they might want to source, the type of action necessary to procure the service, the sourcing options available in principle, and the type of deals required to add value. Operating in a multisourcing context requires going way beyond simple procurement; it is quite simply a new way of doing business.

Multisourcing, unlike ad hoc and/or compulsive outsourcing, is much more intellectually demanding for the manager who decides to outsource and for the

different vendors. It may therefore be necessary to codify the underlying principles of the firm in the form of maxims. These maxims can then serve as the conceptual link between the firm's business and sourcing strategies. The authors also provide a number of examples of how to convert a business maxim into a sourcing maxim. Furthermore, these can be linked to IT maxims as well since maxims were first developed in the context of aligning business strategy to IT strategy. In other words, what was once true of outsourcing in terms of the IT function has now become relevant to sourcing as such. These maxims then provide the foundation for a firm's sourcing strategy, but the sourcing strategy per se represents the totality of 'sourcing action plans.'

What follows after that is the need to work out the modalities of governance by learning to identify, evaluate, and select the crucial vendors who can contribute to the forms of value addition presupposed by or explicitly envisaged in the new sourcing strategy. Once this is done, the company must handle the complexities of negotiating and managing contracts along with the development of the relevant metrics to measure the extent of progress, if any. Finally, the authors spell out the revolutionary element in multisourcing and argue that it will soon be comparable to the industrial revolution. In other words, those companies that do not take to these new sourcing modalities will soon be forgotten like the ones that could not come to terms with the industrial revolution.

The key forces that will push firms increasingly to turn to both internal and external service providers are the following: the changing notions of what constitutes "the optimal size of internal operations," due to the availability of information and communication technologies, the focus on core competences as a way of handling hypercompetition in the context of globalisation, the continual increase in the number of retirees in the West, and the ongoing revolution in services. It is therefore crucial to get top management interested in these new modes of value addition rather than merely hope that plugging into the culture of outsourcing will automatically produce results especially since "multisourcing *will be* the new normal for successful business operations."