

# How **OUTSOURCING** can bring **INNOVATION**

Outsourcing has been one of the most important business trends of the last decade. But there is still untapped potential in the innovation arena, with a lot of talk but not enough action.

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Historically, organisations have outsourced in search of efficient, reliable and cost-effective services. The popular conception is that it is the outsourcer’s job is to keep things running smoothly in the background, allowing the business to concentrate on new and exciting ways to drive growth.

In recent years, assumptions about the outsourcer’s role have started to change and expectations are increasing. Organisations still want the basic services that have underpinned the outsourcing market for decades, but many are also demanding some kind of strategic vision and a regular flow of original ideas.

According to CIO magazine’s *Outsourcing & Innovation Survey*, establishing an outsourcing partnership that fulfils these expectations is another matter. More than a fifth of senior technology executives were dissatisfied with the innovation offered by domestic IT outsourcers, with 44% saying the same of offshore providers.

## **Diagnosing the problem**

So where are things going wrong? Is real innovation simply incompatible with outsourcing relationships?

*“Absolutely not,”* says Nicole France, Fujitsu’s Head of Market Intelligence. *“If the outsourcing relationship is strong, innovation can come naturally. The main issue is understanding that both provider and client have roles to play to make this come about.”*

*“It’s important to remember that innovation is not just about creating ideas. It is about the practical application of those ideas and the realisation of positive business results – something which, ultimately, only the client can do. Outsourcers, with their vast experience across a variety of industries, are in a perfect position to help their customers achieve this – often by applying lessons from seemingly unrelated business contexts that the client would not otherwise be able to access.”*

Indeed, France believes innovation should be at the heart of the outsourcing relationship, with the customer and provider working together to implement new ideas and create added business value. This is becoming more important as the outsourcing trend continues to gather pace, she suggests.

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*“By outsourcing IT, businesses hand over much of the technological knowledge they once held internally. They no longer have the people in their internal IT department who can say: ‘I’ve come across some exciting new technology and I think we would benefit from implementing it.’*

*“One of the most important things outsourcers can offer is a direct equivalent of this internal knowledge. With deeper resources, broader industry experience and strong relationships with software and hardware providers, outsourcers should in fact be able to offer much more in the way of innovation than the internal experts ever could.”*

### **Working together**

Without innovation, the IT department will become irrelevant or even detrimental to the business it is meant to support. But business innovation is not something that the outsourcer simply ‘does’ for the customer.

Real innovation will only be achieved if the customer and provider work in concert. And if the customer does not have a genuine appetite for innovation, the provider will find it impossible to carry out the kind of pioneering work that has a real business impact.

*“Fujitsu’s own research has revealed that many companies lack the appetite for innovation that is needed if the outsourcing relationship is to be taken to the next level. We have also encountered companies who have been willing to innovate but unable to allocate the necessary resources,”* France observes.

But even when the desire is there and the resources are available, it is rare to see innovation written into the outsourcing contract. In truth, there is still some debate as to exactly how this can be achieved. *“It would be naïve to think that innovation per se can be written into contracts, simply because it is in many ways an abstract concept that is not tied to any concrete outcomes,”* France points out. *“It may be possible, however, to agree upon processes for fostering innovation, such as the amount of time and money allocated to it and the structures in place to ensure new ideas are successfully delivered.”*

### **A new dynamic?**

There is an argument that traditional outsourcing relationships have actually hindered innovation. Because providers work to stringent and unbending SLAs, they are unlikely to innovate unless it directly affects their ability to meet these targets. Even if the provider feels compelled to innovate above and beyond the specifications of the contract, it would need to take a significant financial hit to do so.

It is clear, then, that something needs to change. To create a real platform for innovation, providers will need to work much more closely with their customers and help them to develop and meet key strategic objectives. Redefining the relationship in this way will not be straightforward for either party, but it may well pave the way for a more collaborative and ultimately successful approach to outsourcing. ■

### **WHAT NEXT?**

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