

Using a PMO to Expand Your Outsourcing Program

By: Ian S. Hayes, Clarity Consulting, Inc.

Expanding the breadth and depth of outsourcing to incorporate multiple service providers and distributed delivery centers, requires centralized management to ensure consistency, replicate best practices and reconcile the differing approaches, processes and styles of all partners.

- Companies that engage in more complex, long-term outsourcing arrangements involving multiple providers and locations must establish formal and unified approaches to governing those arrangements.
- An outsourcing Program Management Office (PMO), given its capabilities and benefits, is the optimal vehicle for ensuring consistency across initiatives, and can even increase the value and effectiveness of outsourcing investments.
- PMOs insulate IT teams and business areas from the details of sourcing, monitor vendor performance, oversee project execution, identify and replicate best practices, implement common processes and automated tools, and ensure continuing alignment between company objectives and sourcing partners.

Maximizing the benefits of outsourcing requires moving beyond ad-hoc projects and integrating outsourcing into ongoing IT strategy, processes and governance structures. Expanding the use of outsourcing often means entering into long-term relationships with more than one service provider, using several distributed (offshore) delivery centers, and handling more complex work assignments. The management challenge in this expansion is contending with all of these variables and still ensuring consistent, high-quality results across all efforts. Allowing each internal area to manage its own outsourcing work is a risky approach as results will vary according to the abilities and experience of each group. Moreover, when several service providers are involved, differing or conflicting management styles and processes can create havoc. The best way to address these challenges is to institute unified governance, processes and tools applying to *all* outsourcing arrangements. Today, companies that are expanding their use of outsourcing are turning to program management offices (PMOs), central bodies responsible for managing outsourcing relationships and vendors, capturing and replicating best practices across engagements, and supporting all initiatives with the tools and guidance needed to produce optimal results in each situation.

Why Establish a PMO?

Existing IT and business area management structures are often a poor fit for outsourcing, as they were simply not designed to handle work distributed across several internal and external organizations, involving different cultures and time zones. As outsourcing environments become increasingly heterogeneous, companies need a new way to effectively govern long-term, complex relationships and ensure some degree of predictability. A PMO fulfills that need by:

- Managing all vendor relationships, comparing vendor performance, and allocating work to the optimal provider and location according to the project's risk/cost/performance profile
- Identifying and deploying similar management processes, tools, delivery frameworks, best practices and quality standards consistently across all initiatives
- Freeing individual IT teams and business areas from dealing with the details and logistics of distributed work, especially in the areas of project management, resource allocation and oversight of deliverables
- Using its enterprise-wide perspective of outsourcing to balance risk within the outsourcing portfolio, monitor vendor performance, direct work to the highest performers, redistribute work as company strategies change and maintain ongoing alignment between the company and the vendor community

The Role of a PMO

As the scope and complexity of outsourcing programs grow, the role of the PMO will likewise expand. From a strategic perspective, the PMO helps establish the direction and objectives of the company's outsourcing program. From a project perspective, the PMO puts tools and processes in place and oversees project delivery to help ensure the successful performance of each task. Within that range of oversight, the PMO will perform all, or a subset, of the following functions.

- Vendor management to oversee performance to commitments, resolve issues, compare delivery options and match projects with the optimal vendor and location.
- Financial management to measure and adjust vendor performance, assess any penalties and rewards, and oversee charges and payments.
- Process management to deploy consistent processes and automated tools across engagements, seek ways to boost productivity, use metrics data as input to continually improve performance.
- Delivery management to ensure that projects are delivered on time, within budget and according to specifications.
- Quality oversight to both establish quality goals and ensure that deliverables meet or exceed them.
- Communications to ensure the continuing satisfaction and participation of all constituents affected by outsourcing efforts.

The Composition of a PMO

A PMO is chaired by an experienced program manager under the direction of the executive owner, and assisted by a steering committee comprised of company and outsourcing partner executives. The size of the PMO will vary according to the scope of the outsourcing efforts that it manages. A few individuals may suffice for small engagements, while several teams – one for each function described above – may be required for large engagements. Although the PMO deals with technical projects, it is

preferable to staff it not with technical specialists, but with business and management personnel who understand the business context within which decisions will be made. Business knowledge comes into play when determining how best to source work (internally or externally) based on company objectives, coordinating activities between organizations, prioritizing competing sourcing needs, and ensuring that deliverables produce their intended business results.

Action Items

- Organizations that spend substantial amounts of money on their outsourcing programs should dedicate a percentage of those monies to the effective management of the initiatives.
- Rather than leave management oversight to individual IT and business area teams, centralize responsibility in a PMO with the expertise to match work with the optimal partner and location.
- When multiple service providers and locations are involved, use the PMO to identify and implement unified governance, processes and tools across vendors to ease management burdens and ensure consistency of results.

About Clarity Consulting, Inc.

Clarity Consulting, Inc. is a management consulting firm specializing in Information Technology strategies and emerging trends in areas such as outsourcing, process redesign, efficiency enhancement, productivity and service level metrics, service offering development, and IT product and service positioning..

For more information about our services and products, please visit our website www.clarity-consulting.com or call us at 1-978-927-0313.