

Recent news that General Motors **plans to insource the vast majority of its IT** support positions caused shockwaves through the IT outsourcing industry. Client satisfaction with outsourcing deals has always been mixed, and one can speculate that after a twenty-plus year wave of outsourcing deals, perhaps it's time for the tide to turn the other way. So the questions are: Is this a meaningful trend? And what does it mean for you?

I hesitate to read too much into the GM announcement, given the taxpayer-funded bailout of GM and the current administration's need to show some US job "wins" in the run-up to the November elections. But even beyond politics, we do see some movement among our own client base to insource some previously externalized functions or, for those new to outsourcing, to take a go-slow approach that would have been questioned by the executive suite only a few years ago. Areas where we see some degree of pull-back are in IT client-facing functions (where the IT organization needs to eliminate the "noise" so it can focus conversations with internal customers on adding business value) and in business-critical application support, where outsourcers sometimes have difficulty supplying the business vertical knowledge and process functional expertise to be effective. On the other hand, there are even more headlines about the Cloud and Mobility trends where, either because of scale (Cloud) or a dynamic marketplace (Mobility), outsourcers are able to leverage resources, skills and investments that most IT departments would be hard-pressed to match.

So to the first question, it's very unlikely that this "pull it all back" approach will be a sweeping trend. What this does mean is that IT executives can now point to GM's decision and other market experience to be in a better position to make - and effectively execute - sourcing decisions without having to take the all-or-nothing outsourcing paradigm they've felt pressured to in the past. But, while the GM decision provides the anecdotal support for challenging the past approach, what's really underpinning the shifts you read in the headlines (and we see in our advisory business) is the rise of IT Service Management into a maturing capability.

IT Service Management

ITIL is now in its third generation and awareness of the value of IT Service Management processes is growing. More IT departments are mandating ITIL Foundation training for their staff members. Process development, documentation and enforcement are on the upswing. This trend has been further enabled by the advent of SaaS solutions in the ITSM space, whether from new entrants like Service Now or EasyVista or from traditional players like BMC. In the old days, it was too hard to manage a meaningful multi-vendor environment - there was no ITSM standard and it was too expensive to implement your own instance of an ITSM vendor software suite. The answer from the outsourcing service provider community was conveniently easy - "We've made the investment in processes and tools, and you can leverage these as part of our monolithic outsourcing deal." Of course, you could try to multi-source IT on your own, but back then IT service providers didn't "play nicely" together, be it on a commercial (think shared SLAs), technical, process, operational or client relations level. Today, however, the tables are turning in favor of clients, who are now in a better position to manage the integration of multiple external and internal actors in a complex service delivery fabric.

Optimal Delivery Models

Headlines aside, the trend I see that you should pay attention to maturing of IT Service Management to enable the outsourcing of discrete functions within the IT landscape, instead of the traditional "all or nothing" approach. That dynamic is driving the "shifts" in outsourcing that we are seeing now and will continue to experience for years to come as IT departments adjust their mix of service delivery actors to get the "best fit" of providers - whether in-house, onshore, or offshore. We can act now use outsourcing as a tool more like a scalpel than a blunt axe. Of course, managing a multi-vendor environment isn't as easy as it may sound, and there is a long climb companies need to make to develop the maturity necessary to effectively manage this complexity. I also predict a rise in third-party Service Delivery Integration and Management services, as IT departments struggle to make the investment in people and tools to transition to the future of IT sourcing.

So forget the "trends" you read in today's headlines. The real trend you need to pay attention to is behind the scenes: IT Service Management.