The Outsourcing Revolution

by Michael F Corbett, Dearborn Trade Publishing, (2004).

"The Bible of outsourcing", comprehensively identifies the meaning and effect of outsourcing, as going beyond merely saving costs and having an effect on the whole strategy of a firm.

Introduction

the emotion that outsourcing arouses in the media and among working people, who see it as a way of getting rid of employees and saving money, especially when it involves going offshore; but many reasons are given why these fears are based on misconceptions.

Whilst cost saving has been a significant reason for outsourcing, it is not even the principal purpose. It runs hand in hand with the call to companies to concentrate on their core competencies - those activities which they are uniquely good at. Paying other companies to do the tasks not in this category of key success areas enables one to focus on what really differentiates a company and gives it true competitive advantage. It increases the speed and flexibility of a company in carrying out its crucial operations and enhances the opportunity for innovation, when not cluttered up with activities which, however necessary, can be done better by someone else. Scarce money is then freed for investment in improvements to current products and services, and research and development for the next generation of them. Outsourcing is seen as essential to the future of the global economy.

Outsourcing has become a central issue in an organisation's strategy. The typical manufacturing company now outsources 70 to 80% of the content of its finished product. For a long while many companies have outsourced professional services to accountants, lawyers, advertising agencies, consultants. In many companies at least half of the Information Technology (IT) budget is outsourced. Call Centre outsourcing has become commonplace, where geography does not matter when IT is used effectively. (Some companies are even sending their Indian call centre staff to training in the UK to learn cultural nuances and better pronunciation!) It is no longer uncommon for companies to outsource their whole back offices to appropriate specialists, covering work as diverse as customer order processing, payroll, accounts receivable and accounts payable. And there is, we are told, much more scope for outsourcing - and soon.

Increased outsourcing has fundamental implications for the structure and working activities of companies. No longer will it be enough to manage just internal resources; managing outside relationships with outsourcing service providers will become at least as important. Managers will have to optimise the growing interdependence that outsourcing brings. Employee relations will have to be carefully managed as an increasing number of their jobs migrate to service providers. Customers are increasingly buying goods and services that leverage skills and resources from around the world in respect of the design, production and delivery of the products. The customers have thus expanded choice and opportunity for reduced costs. Investors also have the opportunity to invest in new companies which are arising all over the world to meet the needs of outsourcing. Many companies are actually creating and enhancing jobs for their employees, increasing returns for shareholders and fuelling growth for the economy of their countries.

A brief history of outsourcing

the classical view of organisations which said that organisations should be designed to be self sufficient and vertically integrated, with a hierarchical command and control system. It was believed that they should own, manage and control as many of the factors of production as possible. A stage was reached where this was no longer possible, practical or desirable. The accelerating pace of change meant that competitive advantage from investing in a wide range of internal activities was too limited; the investment cycle had become short and few companies could meet the consequently frequent investment demands, whereas for an external specialist provider such activities had become their business, to which all their investment was applied. The specialist company can develop high levels of competence in the area on which it focuses, whereas the vertically integrated company will not have the knowledge or skill to handle all support functions with equal excellence, and so will gain no competitive advantage from retaining such activities in house.

To continue to perform such functions internally meant that the company had to be better than its direct competitors in fulfilling them and better than the best service providers that its competitors could hire. Few were. And Peter Drucker is quoted as foreseeing this back in 1989, when he predicted that "more and more people working for organisations will actually be on the payroll of an independent outside contractor".

The need for the move to outsourcing was demonstrated by the inefficiencies of so many internal clerical, maintenance and support operations in companies. Internally they were usually monopolies, whereas once outsourced, they were in competition with the best service providers, with a beneficial impact on costs and effectiveness. This left room for the organisation of the companies who outsourced to concentrate on the aspects of their business in which they were ahead of their competitors - their core competencies. These would include their unique skills and knowledge sets: their long term, adaptable platforms; special points of leverage in the value chain; areas where they could dominate; elements on which customers were long term dependent; capabilities embedded in the organisation’s systems - and only a few in each of these categories. Tom Peters is quoted: "Do what you do best and outsource the rest". Chrysler up to the time of its merger with Mercedes, and the way Microsoft developed, are given as examples of this policy.

the progress of outsourcing in terms of the evolution of ten reasons for pursuing it: initially to reduce costs; then moving to the opportunity for greater focus, with its scope for cost structures more variable than the fixed internal ones had been, greater access to skills, growth of revenue, improvement of quality, conservation of capital and increase in innovation. Some of the examples given of these developments are striking. Management was redefined. Executives were freed from much of the “how” of the business to focus on the "what", from being diverted by day to day minutiae to delivering market place differentiation.

The failures of outsourcing, where perhaps the right opportunities for outsourcing had not been selected, or realistic expectations had not been set, or the wrong providers had been chosen, or where a balanced relationship had not been established and then managed between organisation and provider. Barriers to outsourcing are also discussed, such as: managerial fear of loss of control; or employee, especially union reactions; customer fear of remoteness. Good communications is a major part of overcoming these barriers.

From outsourcing to business processing outsourcing

The need to consider carefully what the company is outsourcing. Ideally it should not be just the department responsible for a particular function, but whole processes which may span several departments. Customers care about outcomes, not about internal departmental procedures. For example they care about ease of ordering and having the order accurately fulfilled. Meeting customer needs in everything that is done is the key point of business process reengineering (BPR).

Business is all about the end point where the company delivers to customers something they value. And choosing the right provider enables this to be more effectively undertaken. Outsourcing can facilitate the handover to the provider the management of a process which leads to satisfying customer needs and wants in a seamless way. The activities of the provider are process centred, not department centred. The term “Business Process Outsourcing” for this integrated approach, with the acronym "BPO".

Service providers who take over from the outsourcing organisation a whole range of customer concerns, from order taking, to scheduling, tracking, delivering, recordkeeping, and performance measurement. Departmental boundaries no longer get in the way of efficiency. BPO works from the end customer inwards to establish the needed unified process. Ideally the provider works with the company to reengineer the activities along BPO lines.

Cases are cited of Finance Departments, which outsource the whole range of back office activities; receivables and payables, making deposits, bank reconciliation, updating records, reports for the management of the company which is outsourcing. All this leaves the finance people in that company free to do the real finance job of financial planning and decision making. Similarly many of the routine activities of the Human Resource Department can be part of an outsourced process, leaving HR free to exercise their consultative policy role within the company on staffing, recruitment, benefits, change etc. Also a company which specialises in a process is likely to have a wide range of the latest software in order to serve a number of customers who outsource to them, thus providing a more efficient service than might be economically provided internally by any one of them.

To negotiate such outsourcing with the provider it is necessary for the company to move away from independent silos into shared services, who will consolidate activities previously performed separately within individual business units, in order to prepare for the handover. Or of course the consolidation can be made before deciding to outsource and this would of itself have brought about an improvement in the company, even if it then decided not to outsource. Sometimes this work of consolidation makes it possible for the company to spin off the shared service as a separate commercial enterprise.

E-sourcing is valuable for handling transaction work, driving transactions through common systems to multiple users anywhere in the world, with speed, whilst meeting the need to maintain control as business grows, involving large increase in transactions. Much of this is dealt with through BPO, using the Internet to connect internal and external organisations.

BPO can also streamline the whole activity of supply chains in appropriate circumstances. An example is given of a service provider specialising in food services, which ran the supply function for food requirements in a number of hospitals at a price and efficiency which no one hospital could have achieved on its own. The provider’s network, economy of scale and wide access to information and other technology were the keys.

The offshore dimension

Taking parts of the company’s operations away from the original country - offshoring - is not a new idea. It happened mainly in manufacturing as the global transport infrastructure made possible the shipping over vast distances of raw materials, subassemblies and finished products.

Now however it is possible to perform information-based activities anywhere in the world and instantaneously to deliver the results anywhere else. We live in a placeless world where designs can be drawn, programs written, bills generated and customer calls answered just as easily half way round the world as in the next street. This is significant in the age of knowledge based work.

Thus, India, the Philippines and Indonesia are countries where software and call centre work etc. are undertaken on a large scale for distant companies. This is partly because wage costs are so much lower, but also the need of local employees to get out of their poverty trap inspires a high level of commitment and conscientiousness. Wage costs can be as low as one tenth of Western rates, but there are start up and other costs. In the long term the cost benefits may diminish in at least some countries, such as in Eastern Europe.

Another benefit from offshoring is that business can follow the sun and give a 24 hour service, worked in ordinary hours in different locations. This is real Realtime! People in offshore call centres are usually well educated and often able to do a better job than the less educated employees often selected for this work in the West (in order to keep costs down).

A range of strategic values are offered by offshoring. Where cost differential is positive and capability differential low we have commodity sourcing. Where both are negative the term “beachhead sourcing” is used, where there is no immediate benefit overall, but it is used as an opportunity to gain a foothold and test the situation. Value sourcing takes place where cost benefits can initially be foregone because the capability benefit is so high. Strategic sourcing is where both features are positive.

Offshoring is often the subject of protest. Some companies have responded by using some of the financial benefits to pay for employee retraining and transition services for former employees. Overall, the benefit of offshoring to the economy as a whole brings benefit to everyone in the end, as well as growing new jobs in the expanded effort on core areas in a company. It does mean that job security is less certain than once it was, but figures are quoted to show that all is not doom.

Outsourcing as strategy

Outsourcing as originally employed, reactively and based merely on cost advantages, with seeing it as an integral part of creating sustainable competitive advantage in today’s hyper-competitive global economy. Outsourcing should be high on the strategic agenda, and not just a tool or routine. In fact outsourcing should be a discipline in its own right, aimed at serving the defined market optimally. The organisation’s sourcing decisions should be taken in direct response to the capabilities of the market place of available providers. Where the organisation’s internal capabilities are superior to the marketplace of providers, the activity is performed internally; where they are not, the activity is performed externally.

Traditionally the source of competitive advantage was seen only in the internal operations of a company. By adding the network of external relationships to its own internal capabilities, competitive advantage is enhanced. Internal investment is made only in those areas which deliver a unique advantage when done internally, with external investments made only where the provider can add complementary competitive advantages.

In order to determine the strategic advantage of particular outsourcing, the benefits which are captured by normal financial accounting provide insufficient information. So the techniques of the balanced scorecard need to be employed, where the less easily measured activities are assessed for their value in achieving objectives. In addition to the standard business case one needs to add the other benefits of outsourcing outlined above, such as the value of variable cost structure, acceleration of “getting there” before the competition, flexibility of the whole operation and the innovation made possible.

Developing a global sourcing strategy

Weaving outsourcing into the very fabric of the business’s decision making and operations can take a top down or bottom up approach.

The top down approach treats sourcing as strategy and integrates the business’s strategic plans with its sourcing plans. The bottom up approach identifies those areas of the business which are least likely to be contributing to unique competitive advantage when undertaken internally. Both approaches can be taken simultaneously.

Strategy answers the critical questions about what is happening in the environment and marketplaces the organisation serves, how it can make a unique and competitively viable difference in serving the needs of customers in those markets, and how it allocates and invests its resources toward the achievement of those ends.

In developing such a strategic process the first step is to segment the market into the combinations of customers served and the products and services they require. Then changes in these segments are projected over the planning period. Each segment is then assessed in terms of its overall size and growth. Decision is then taken on which segments to pursue and what it will take to dominate in them, for example by differentiation in design, features, performance, quality, speed, customer service or other aspects. At this point one has to determine how to source the work, how to blend internal and external sources, outsourcing those not crucial to the establishment of competitive advantage. The outcomes of these decisions are then forecast as to revenue, cost, profit and other key financial indicators. The final step is to invest capital, operating funds, people and intellectual capital.

This view of strategy gives outside relationships such as outsourcing a central role.

The bottom up approach is not of less senior concern, but it proceeds from the attempt to answer three questions

1. If starting from scratch today would we really build this capability inside the company?
2. Are we so good at it that others would want to hire us to do it for them?
3. Is this an area of the business from which the future leaders will come?

If the answer is yes to all three questions, then the activity is either a source of unique competitive advantage or near enough to warrant keeping it in the company, at least for the present. The second question is a very good way of cutting through the tendency a company may have to think it is world class in everything it does. Could this activity of the company compete against service providers who do nothing else for a living?

Both for top down and bottom up approaches the company can use its own version of the value chain concept as introduced by Michael Porter to identify the areas of activity to be put under the sourcing microscope.

Optimising outsourcing opportunities

It is suggested that companies should look for suitable candidates for outsourcing in areas where there is a robust marketplace of providers and where there is solid proof of their success from the experience of others, all viewed from a process - centric perspective.

Physical activities are the ones most easily outsourced - basic facilities from cleaning to cafeteria services. Specialist areas are the next most popular areas for outsourcing, because providers concentrating on a specific area will have more experience than is available within the company, eg legal, travel, IT, advertising. Next in order is the transactional area, such as telemarketing, customer ordering and enquiries. These are repeatable processes, employing a good deal of technology to good effect.

The “high touch - high sensitivity” areas, which are more directly concerned with the relationships with the company’s customers and its future development. Greater caution is exercised here, but the opportunities exist to outsource activities such as service delivery, field sales, and research and development.

By thinking in process terms, many opportunities arise for linking activities which were not previously thought of as being susceptible to linkage. An example is given of linking a number of call centres to provide a one stop facility for customers.

There are always risks, whatever the decision. Strategic risks may include loss of control, loss of knowledge, ill protected intellectual property, and changes in the business of the provider. Operating risks will include risks in relation to the people, both those who stay and those who transfer, and the level of their continued commitment; also risks associated with integrating the provider's processes into those of the business and vice versa. Results risks are obvious; the intended results may not be realised. Transaction risks included are contractual issues, such as termination, security of information and knowledge.

The biggest risk is the one that comes from placing another party between the company and the customer - outsourcing at the customer interface. Much of the face to face activity occurs in the outsourced area, where bad handling can lose a customer for life. Training by the company of the provider's staff can help, but the greatest risk area is where judgment is required, which cannot be dealt with by a manual of rules. It is wise to start with customer interactions which are less sensitive, before passing over the more sensitive work. If the customer group value the contact with the company highly, then it will be essential not to lose that connection through outsourcing.

Outsourcing must not endanger a brand reputation. Provider staff must learn to identify with the company for whom they are providing the service, so that the customer does not notice the existence of outsourcing. The value of the "customer experience" previously built up by a company must not be lost. Awareness of these principles of defining and managing the customer experience lie at the heart of the management decisions that have to be taken on the high touch - high sensitivity end of outsourcing. All the risks must be properly considered before taking an outsourcing decision.

Creating and leading successful teams

Strategy - assessment - implementation - ongoing management of the relationship; this forms a closed loop holding outsourcing together. Done well it will add value to the company. Done badly and there will be value destruction. Time must be taken in proceeding through a series of decision gates, from idea, to assessment, to implementation, to transition, to management. Lower levels of management must be given the opportunity to provide input on the detailed feasibility of an outsourcing proposal. The whole process can take well over a year.

Project teams devoted for a time to the investigation and design of outsourcing proposals are suggested as the best way of preparing the ground for outsourcing. This is cross functional activity. To leave it with functional departments will not be sufficiently objective. Personal interests and biases will all too easily get in the way of a sound analysis. The presence of a variety of different perspectives from different parts of the company safeguards against this. Consultants may help, but they too have their biases.

The role of the outsourcing project team leader is crucial. Successful leaders will have the ability to embrace and champion change, credibility across the organisation, recognition that the job is to manage - not to do, the capacity to build trust, strong communication skills, excellent negotiation skills, strategic planning skills, team management skills, marketing skills, expertise on process. He or she needs to understand the issues being faced and the value of what is to be accomplished. The person specification is very exacting and would be likely to attract premium salaries.

Engaging the marketplace

Outsourcing works only where there is a marketplace of high quality service providers who are in the business of performing the outsourced process for multiple clients. However there is still a considerable tendency for companies to engage with the provider marketplace along the lines of the traditional purchasing model. Most business people have not caught up with the developments in purchasing and still think in terms of prescriptive and cost-centric processes.

They approach the potential service providers with tight specifications, and an insistence on payment on delivery.

Outsourcing needs to be much closer to a joint venture than this; it needs to proceed on the basis that the chosen provider knows more about performing the process than does the firm commissioning the outsourced activity. Otherwise why outsource? Outsourcing is not a series of transactions. It is an ongoing, highly interdependent business relationship.

When companies outsource, they are really hiring both the equivalent of a senior executive and his or her whole department to do the work. They are recruiting rather than buying. This means that the choice of a service provider involves all the functions of recruitment. The responsibilities and results expected - the what rather than the how - must be detailed along with the kind of experience required from the staff taking over the work. Just as with recruitment there will be the “feel” of the provider and its staff. Salaries will be at the level they are worth, not at the lowest possible.

This means close and careful consultation between the parties to define what needs to be achieved and what it takes to achieve it, not in terms of provider input, but in terms of outcomes, not only in relation to work that is currently being done, but also extensions which could be undertaken. Before a decision is reached the outsourcing organisation will be tapping its own professional network for information about potential providers and perhaps engaging in direct research. Consultants in the field may also be able to act as guides in the selection process.

This process may be carried out formally by means of a pre-qualification letter, or a request for information, followed by a request to a short list for a formal proposal. To this extent a purchasing tradition is being followed. But whether it is or not, the focus needs to be on objectives and results, not on resources and methodologies, on principles, not mechanisms. The desired results need to be defined in clear, complete and measurable terms and the factors which will be taken into account in evaluating the providers’ proposals will be openly described with the relative weighting of these factors. The format in which the information is to be given needs to specified, sufficiently for ready comparison of proposals.

An honest statement of the kind of problems associated with the existing processes helps to gain a relevant proposal and it helps to lay the foundation of a good relationship with whoever is finally chosen.

The requirement for proposals is not the only route to successful outsourcing. If the number of likely candidates is few, the earlier joint discussion of design can take place the better. The collaborative approach works better than more formal ones, so long as the investigation into possible candidates has been thoroughly carried out. Case studies with a non disclosure agreement are one method for beginning this approach. Or design can be commercially commissioned before moving on to the actual outsourcing.

It is recommends the development of a scorecard to capture the key results and key success indicators, but maintaining a focus on results, not on day to day processes or inner workings. The scorecard approach essentially defines what is important and ensures that these factors are measurable. The scorecard will define the elements critical to the prime organisation’s business and the tangible actionable aspects of this along with the metrics agreed, how data will be collected and how metrics will be compared with goals.

The potential provider’s track record in innovation will be an important contribution to decision, along with knowledge of the kind of company they are, in terms of running their own business, its development and results. The company which is outsourcing has an interest in a providing company which is notable for good management. A significant question may also be how important you are likely to be to the provider’s business, particularly if the provider is large.

Building the business case

Capturing current costs objectively is an obvious starting point, including tracking down overheads in a meaningful way and as part of ensuring that no costs of significance are omitted, because they don't feature separately in normal accounts. Planning costs, and the travel and similar costs of personnel engaged on a project need to be captured along with the cost of gathering information for the scorecard. The cost of supervision of the preparation needs to be included.

Similar care needs to be taken with calculating the expected benefits, especially going beyond cost savings alone. Here the contribution of outsourcing toward intangible benefits and brand strength must not be overlooked, including the impact of greater focus on key issues within the company when less significant aspects have been outsourced.

The work of putting together a complete outsourcing case is significant, well worth the effort.

Pricing, contracting and negotiating

The key point in these important aspects is that the traditional viewpoint, to get the most favourable commercial terms at the lowest price, must be resisted. In a long term business relationship, both parties have to benefit. There has to be room in the relationship for evolution and flexibility and not a legalistic holding of each other to account. The interests of the two parties have to be balanced, risks and reward fairly allocated and the provider fairly compensated, while the organisation gets what it is paying for. This is a matter of attitude on both sides; a constructive and collaborative attitude will yield good results, throughout a relationship continuum. This approach moves beyond the conventional customer supplier/relationship; the provider "owns" most of the staffing, processes and technologies needed to do the work and therefore takes on many of the operational risks (and rewards).

The more seamless the relationship, the more effective it will be, to the point where it is difficult for the outsider to see where one takes over from the other, and the process is nearer to a joint venture than a mere outsourcing operation. The interests of the prime company and the service provider will be closely aligned. Both parties are cooperating to maximise their benefits, from the success of both. Although Corbett has his feet on the ground he is, in effect, propounding a philosophy of cooperation as the key to successful outsourcing.

The contract should be modular, stating the intent of the relationship, how it will be managed, the scope of the services, the responsibilities of the parties, how the result will be measured and how the provider will be reward. The type of information to be exchanged and the resources to be contributed by each will be identified in the terms section, along with the transfer or availability of physical and business assets from the outsourcing company. The transfer of personnel from the primary company to the provider will need careful coverage.

The pricing section will need to be transparent about how the fees are calculated, having regard to current costs and future improvement expectations. A number of options for pricing are discussed, from the not very motivating cost plus approach to unit pricing, based on usage, to fixed price whatever the volume, which can however encourage short cutting by the provider. Then there is incentive pricing, good so long as it is used to promote good behaviour, not as a punitive opportunity to save money in exchange for poor behaviour. Then there are gainsharing, achievement bonuses and risk/reward sharing as variations on the incentive theme.

A short section deals with negotiation which needs to follow a positive "win/win" approach as outlined by Roger Fisher of *Getting to Yes* fame, who observed that "each negotiation is an opportunity to strengthen the relationship between the organisations".

A quick reference guide summarises the common terms and considerations for an outsourcing contract.

Managing outsourcing's people impacts

The possible effects of outsourcing on existing staff. Some may have to move to the provider; some will stay but change jobs; some will become redundant. All will be in a state of anxiety that things are going to work out badly for them. A positive presentation of the case for outsourcing must be shared from the outset, to try to get staff to realise that the progress of the firm depends on the proposed outsourcing and that their own future is bound up with the success of the firm. Outsourcing must not be seen as seeking profit at the expense of the employees, though management cannot ensure that there is no pain. However it can communicate openly in a way which gives high priority to the wellbeing of the staff. The leadership must craft the outsourcing relationships with empathy. Communication must start before rumours have a chance to poison the atmosphere.

The communications must cover honestly the compelling need for change, the cost of doing nothing, the change techniques to be employed, the role of the outsourcing, the benefits and implications for the organisation, the benefits and implications for the customers, the benefits and implications for the employees and the community, the timelines and how success will be measured. An understanding attitude to the fears toward the employees must be apparent, understanding not only their financial worries, but also the concern about possible loss of current camaraderie.

Many of those who move to the service provider may get more responsible jobs, because where as they were previously just back office staff in the new company, now they will be mainstream, because what was incidental work is now central. Where unions are involved the sooner they are brought to the table the better, and even involved as partners in the developing progress.

The Human Resource Department has a crucial role in preparing for the changes and in helping to ease people into them. They have a training role for those having to change jobs within the company, issues like severance pay with those who will not staying or transferring, and negotiations with the service provider to secure fair terms for the transferring staff.

Communications are also required with the general public by means of media liaison and other publicity drives. This is important to the public image of the company, which will suffer if the company appears uncaring and ruthless. Everything that has been discussed in the move to outsourcing needs to be carried through with an eye on public perceptions, choosing words with care and honesty on every occasion and at every level. If this is done consistently against a background of an already good public reputation, then there will be no need to engage in spin to manipulate public opinion.

Creating and managing the new

Over half of the organisations which outsource spend more than 2% of the cost of the contract on managing the relationships with the provider. Yet 60% of the same executives say that they lose more than 10% of the contract's value because of poor working relationships with the provider. Some seem to think that getting rid of the need to manage the activities now outsourced, eliminates the need to manage the relationship. If all the steps we have been summarising are followed then they should not be confused in this way.

Ten principles to be followed in the new situation created by outsourcing are offered:

1. Keep the strategic responsibility close to the top.
2. Create multilevel links between the organisation and the provider.
3. Conduct regular, goal oriented meetings between the parties at all levels.
4. Use the most up to date communications technologies to make contact easy and ongoing.
5. Have a well defined process for signalling and dealing with problems as they arise.
6. Use the Scorecard approach to report results.
7. Apply incentives and penalties in a consistent manner, aiming at fixing problems and seizing opportunities.
8. See that the provider's employees share in the rewards as well as your own people.
9. Jointly implement change on a continuous basis.
10. Regard the relationship as a valuable asset.

Management needs to have a good deal of interdependence, particularly in the project area and in the planning process, which is not a once for all process. The primary organisation remains interested in getting the product to market as a high priority and therefore remains in constant contact with the provider, without breathing down their neck.

Outsourcing's future history

The more companies are specialists at something by which they gain their competitive advantage, the more their employees will feel as if they are self employed, being involved in the growth of knowledge and intellectual capital and the innovation that flow from them. The "Jack of all trades" approach does not have the specialisation enabling people to concentrate on an area where there is scope for positive creative change, and where a large number of employees operate laterally to maintain the interdependence necessary in outsourcing. And interdependence "means all organisations in the network are dependent upon each other for their success". This is one of the great organisational changes emerging through outsourcing.