

Adopt Disciplined Multisourcing in Your Organization

Linda R. Cohen, Allie Young

Disciplined multisourcing is critical for long-term business success. CIOs and sourcing managers should use this Spotlight to thoroughly understand why sourcing decisions are integral to business outcomes and to establish disciplined multisourcing in their organizations.

ANALYSIS

Gartner introduced the concept of disciplined multisourcing in 2005, in response to widespread dissatisfaction and the outright failure of outsourcing deals. Although outsourcing became a mainstream business practice by the late 1990s, most outsourcing decisions were made in a tactical, ad hoc and compulsive way — usually in pursuit of short-term solutions, lower labor rates or other cost savings. Few organizations used a true sourcing strategy to guide them, and these tactical outsourcing decisions rarely had anything to do with business strategies. It is no wonder that the term "outsourcing" took on a negative connotation.

Disciplined multisourcing offers a new framework to help organizations get control of their sourcing decisions and ensure that their service relationships — whether insourced or outsourced — deliver long-term value and support business strategies. We define multisourcing 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." Multisourcing is not simply selective outsourcing or selecting multiple service providers to perform various tasks. Rather, it is a new way of making sourcing decisions that align with business goals that have been examined rigorously and are governed effectively.

If this argument seems to just give a new term to an old problem, then consider these Gartner predictions:

- Through 2010, organizations that continue to apply outsourcing as an ad hoc solution to tactical business problems will be dissatisfied with the performance of their contracts more than 70% of the time.
- By 2010, market leaders will instill disciplined multisourcing as a core competency for successful business operations. Lack of multisourcing management discipline will result in large-scale business disruption among buyers, suppliers and their value chains.

For this Spotlight, we have collected 10 pieces of research, one comprehensive report on outsourcing and a book we have written about multisourcing during the past year. Our research covers the philosophy behind disciplined multisourcing, makes the case for why sourcing decisions have to change and provides practical "how to" advice for organizations. These pieces also show how multisourcing fits in with other Gartner research.

Learn the Basics

- "Stop Outsourcing and Begin Disciplined Multisourcing" explains the concept of disciplined multisourcing. It shows CEOs, IT executives and sourcing decision makers how they should rearrange their sourcing decisions to make multisourcing a competency in their organizations. Our most-important tip: Start any outsourcing inquiry by discussing *why* you want to outsource.
- "Adopt Multisourcing as a New Management Discipline" argues that multisourcing is not some passing fad that superficially tries to make up for the mistakes of the past. This research explains how multisourcing evolved and how it aligns with modern business practices.
- "Successful Outsourcing Starts With Aligning Sourcing Strategies With Business Strategies" explains what a sourcing strategy is and how it can be aligned to the larger business strategy to get the most value out of outsourcing deals.

Review the Data

- "Outsourcing More but Enjoying It Less: What's the Real Problem?" uses Gartner Dataquest survey results to demonstrate the underlying causes of why many organizations are outsourcing more but are nevertheless dissatisfied with their outsourcing deals. The data shows that most organizations lack the kind of sourcing competence they need to sign good deals and correct deals that go awry.

Get Answers to Your Questions

- "Q&A: Understand the First Steps Toward Disciplined Multisourcing" answers common questions about multisourcing, including, "Who should lead this multisourcing effort?" and "What role should the CIO play?"
- "Shatter the Eight Myths of Outsourcing" explores the most-pervasive kinds of wrong thinking that lead to disappointing outsourcing deals. Among the myths: "The service provider is the enemy" and "Outsourcing is just another procurement exercise."
- "Sourcing Decisions: Using Governance to Deal With Power and Politics" shows how politics and power struggles can perpetuate sourcing myths and conspire to undermine sourcing decisions. This research also shows how sourcing managers can use governance principles to avoid problems or solve problems that arise.

Use "How to" Research to Make It Happen

- "Ten Steps to Mastering Outsourcing" draws on 20 years of Gartner research to develop a 10-step plan to get satisfying outsourcing deals. The 10 steps help organizations strategize, plan for, negotiate and manage outsourcing relationships.
- "Toolkit: How to Develop a Sourcing Strategy and Action Plan" is a PowerPoint presentation full of tools that organizations can use to craft their sourcing strategies, study their current conditions and project their expected outcomes from an outsourcing deal. (*This research is available only to subscribers of Gartner for IT Leaders.*)
- "Toolkit: Follow Gartner's Sourcing Decision Frameworks" is a PowerPoint presentation that CIOs should use to apply five sourcing decision frameworks to their organizations before they make any outsourcing decisions. (*This research is available only to subscribers of Gartner for IT Leaders.*)

Look at the Big Picture

- "Key Issues for Sourcing IT and Business Process Services, Through 1H07" shows how our multisourcing research links to the rest of Gartner's research agenda, including the sourcing life cycle.
- "Gartner on Outsourcing, 2006" presents a worldwide view of all the trends, data and predictions on outsourcing so that organizations can make better sourcing decisions.
- "Sourcing Management: Align Demand and Supply" looks at how outsourcing relationships often fail to focus on demand and supply, thereby inhibiting the outcomes that the organization expects. This research explains how the IT organization should recognize, align and communicate demand and supply perspectives in outsourcing relationships.

The book "Multisourcing: Moving Beyond Outsourcing to Achieve Growth and Agility" (published by Harvard Business School) is authored by two Gartner analysts, Linda Cohen and Allie Young. It expands on the research in this Spotlight and presents case studies and testimonials from the real world to show the shortcomings of ad hoc outsourcing and the success stories from the disciplined multisourcing approach.

This research is part of a set of related research pieces. See "Mastering Multisourcing" for an overview.

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509