

Insourcing Best Practices

Bringing a function back in-house after outsourcing:

1. **Roles** - HR should be the lead in bringing these functions back in house, but will need senior executive buy-in as well as input from managers, key employees as well as finance, and the IT management teams. The definition of insourcing means that your business has decided to cultivate internal expertise in this field. This means that expertise and experience at the management level are critical starting at the top.
2. **Identify the Strategy:** What are the expected outcomes, what is management's motivation, what is driving this and when is the desired deliverable needed? Finally how does this fit into the overall corporate strategy? Key triggers for insourcing are:
 - The need to innovate (R & D)
 - Protection of intellectual property
 - Identified area of competitive advantage
3. **Identify the Scope:** Just because you choose to insource HR doesn't mean there aren't vendors and outside service providers that aren't critical. Identify exactly what responsibilities are coming in house and which one stay with vendors. You can insource HR but leave payroll outsourced. You can insource payroll and leave benefits outsourced. Also be clear on similar but strategically different business functions. While it may make sense to invest in a software development group to develop new customer facing services, it may not make sense to build and maintain a datacenter to host those applications.
4. **In Starting: Identify Gaps, Challenges, and Define Goals and Objectives**
 - a. Identify business requirements: how are the various business functions handled by the supplier and any handoffs that occur whether it is processes, data, and/or technology.
 - b. Examine the real cost of bringing the function or functions in house - many times the supplier has reduced cost of services by more than 30% - can the internal function be cost competitive with this model?
 - c. Gap analysis - Why insource? What measures will be put in place to be certain that cost are not out of control, service levels will be maintained and that jobs will continue at or above current service levels?
 - d. Resources - Who will do the work? Often when a function has been outsourced the staff supporting those functions has been reassigned or replaced. Can resources be reallocated or be located? Can enough expertise be located, recruited and retained?
5. **Develop Action and Communication Plan** - The strategy, plan, total cost and resource impact must be communicated to senior management as soon as possible. Change will be public and corporate communications will need to delineate the reasons and impact to employees and shareholders. The changes must be communicated to all levels early and often.