

Deciding what to outsource

Ability and cost-effectiveness of in-house team when doing this activity	High	
	Low	
		Explore Keep Outsource Acquire
		Low Competitive advantage created by the activity High

Notes

This matrix is designed to help you decide what things must be done by your business – and which could potentially be done for your business by an external specialist (ie outsourced or subcontracted).

To do this draw up a list of everything your business does - eg research, distribution, credit control, etc (the “activities”). Think about how important each activity is to your customers’ decision to buy, and keep buying, from you (ie the “competitive advantage” created by the activity). And think about how good – and cost effective - you are at each activity compared to a specialist. Finally, put each activity in the appropriate box on the matrix. NB: It often helps if activities with extremely high or extremely low ratings are put on the outside edge of the matrix, and those with moderate ratings on the inside edges.

You should then:

- *Keep* doing the “core” activities in the “Golden Zone” (ie the grey shaded top right box) in-house
- *Outsource* the activities in the bottom left box – since you are not very good at them, they are not core to your success and you will probably save time and money by letting someone else do them
- *Explore* the possibility of selling your expertise at the activities in the top left box to other businesses
- *Acquire* the skills you need for the activities in the bottom right box – perhaps through recruitment or by forging a strategic alliance with an organisation specialising in this activity

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