

Organizations sometimes are not clear on whether a particular process should be outsourced or not. IOAP - International Association of Outsourcing Professionals has come up with a matrix that helps organization evaluate whether a particular process/product is fit for outsourcing.

This matrix has two key parameters – (1) Performance of the process/product relative to the market and (2) How important is the process/product as a differentiator against its competition

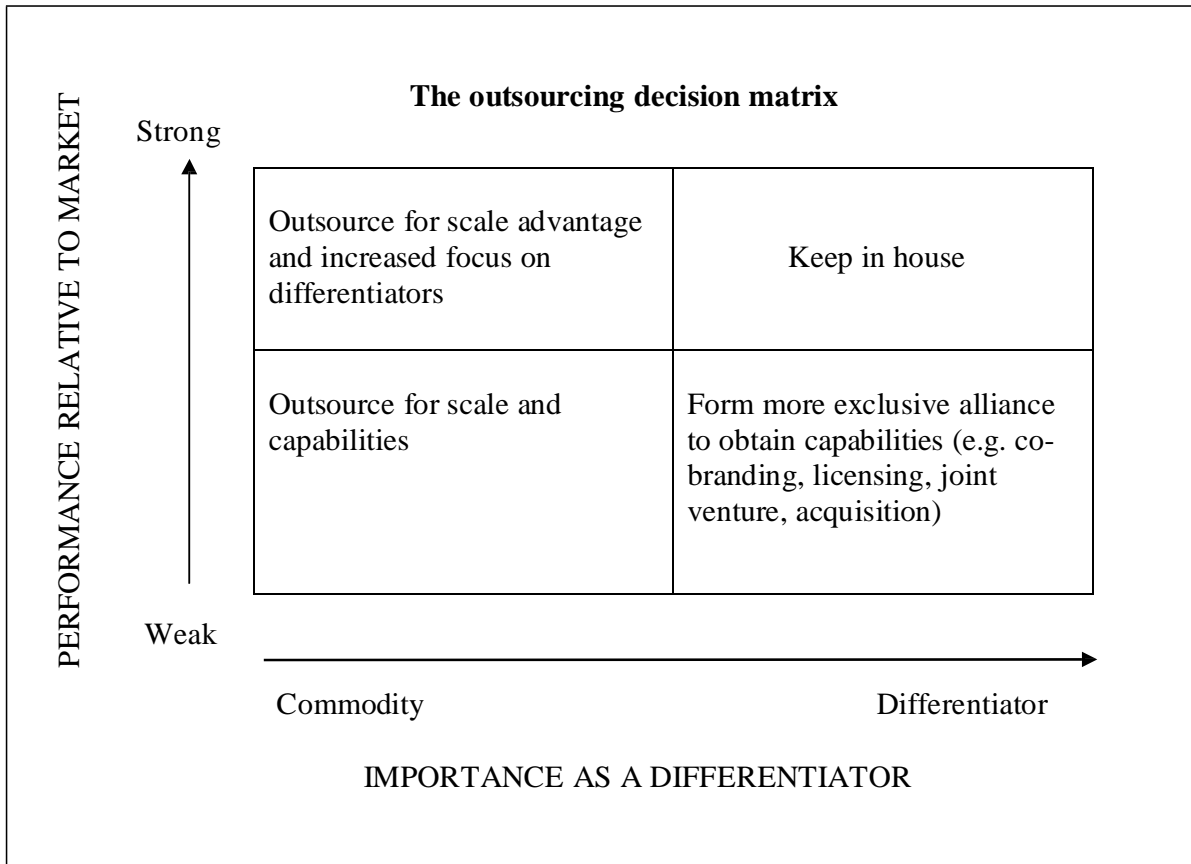
Answers to these two questions will help organizations place the product at the appropriate place in the below decision matrix.

For example, consider a process that has the below characteristics:

- 1) The process in question is not the best in the market i.e. its performance relative to the market is low
- 2) However, the process is very critical for me to achieve strong differentiation vis-à-vis my competition.

In such a case, the process lies on the lower right quadrant of the outsourcing decision matrix shown below, and the organization should ‘form an exclusive alliance to obtain capabilities (e.g. co-branding, licensing, joint venture, acquisition) and improve process/product performance relative to the market

For processes that are top performers relative to the market, and is also very critical to achieve differentiation with competition, the matrix says that the process should be executed in-house.



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