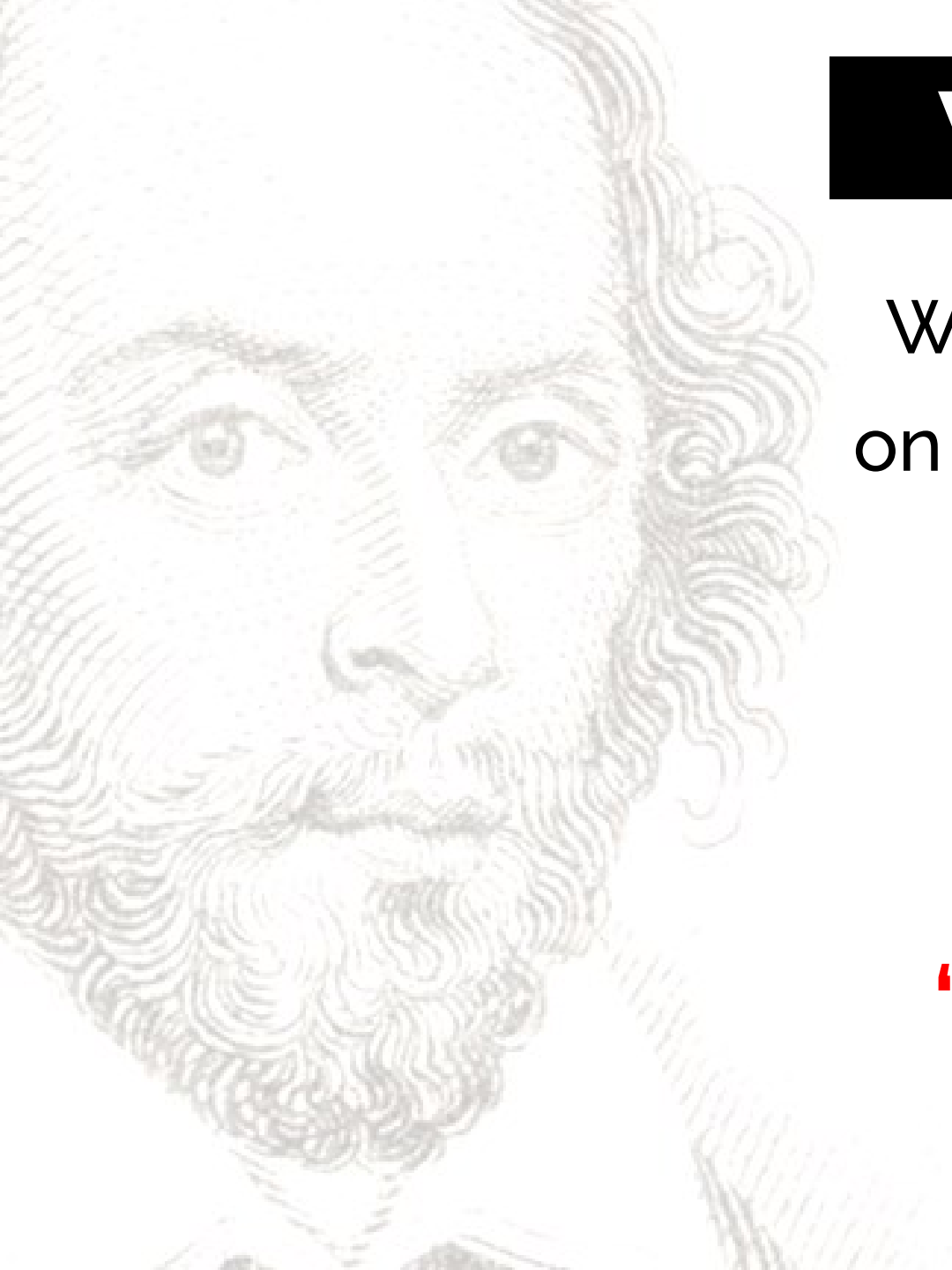
ABOUT SOURCING
CORE OR NON CORE?
THAT'S THE QUESTION
PENSAR
MANAGEMENT CONSULTING & INTERIM



WHAT'S THE QUESTION?

When wondering to in- or outsource
on seeks **criteria** for this consideration.

A criterion often used
is the distinction between
something being

"CORE" or "NON CORE"

to the business.

SO WHAT IS CORE?

CORE a DEFINITION

The capability, relationship, asset or infrastructure:

Delivers undeniable **value** to the business.

Is considered of **strategic importance**

and therewith crucial to the success of the business.

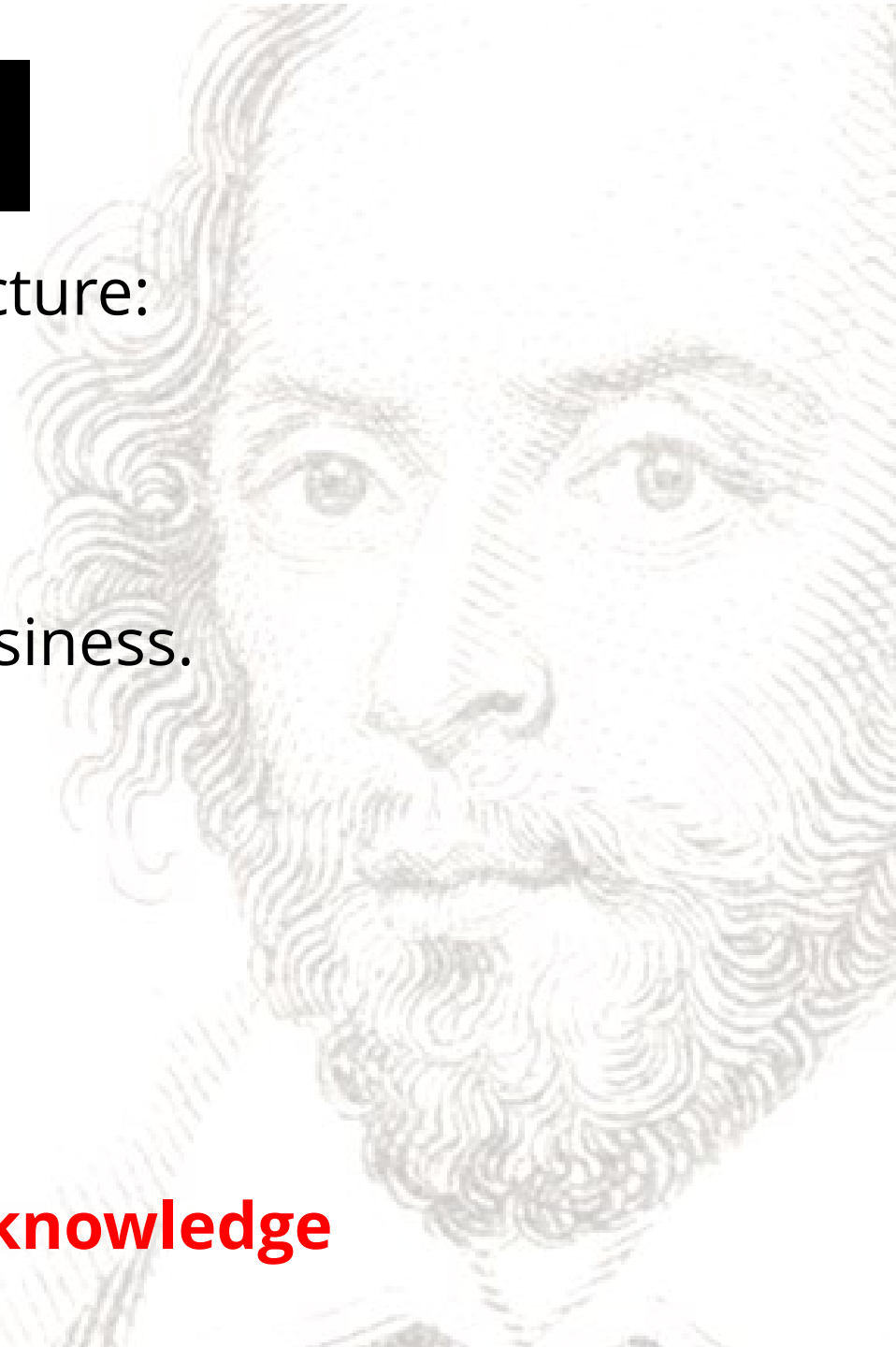
Is **critical** and central to business operations

and therewith considered a differentiator.

Not in the least due to its proprietary nature.

It's **loss** is considered **irrecoverable**.

Is dependent on key **business judgement** **&** **knowledge**



HOW TO DETERMINE?

DETERMINATION METHOD

Answer Yes or No

Id.	Criteria	Y	N
a	If started from scratch today, would the business build the capability internally?		
b	Is the business so good at the activity that others would hire it to do it for them?		
c	Is this an activity of the business where its future leaders will come from?		
d	Does the capability, process, function, task, etc. add value?		
e	Is the process supported strategic to the company?		
f	Is the result delivered (output) strategic to the company?		
g	Does the capability, relationship, process, etc. provide a competitive advantage?		
h	Is it considered a differentiator?		
i	Does the capability require key business judgement?		
j	Is the process aligned with the company vision?		
k	Proximity: the capability, etc. is close to the business?		
l	Is it defined by law or regulation as core to the business, in the sense that only the company may perform the task, e.g. regulating flight traffic?		
Sbt			

DETERMINATION METHOD

Answer Yes or No

Id.	Criteria	Y	N
m	Is the capability, etc. considered routine work (involving high skills)?		
n	Can the capability, etc. be automated?		
o	Can the cost per transaction be reduced when outsourced?		
p	Is the ability to focus on activities that deliver value improved by removing this function?		
q	Does outsourcing the task enable business staff to undertake more core and strategic functions?		
r	Are cyclical (seasonal) peaks and valleys applicable to the function?		
Tot.			

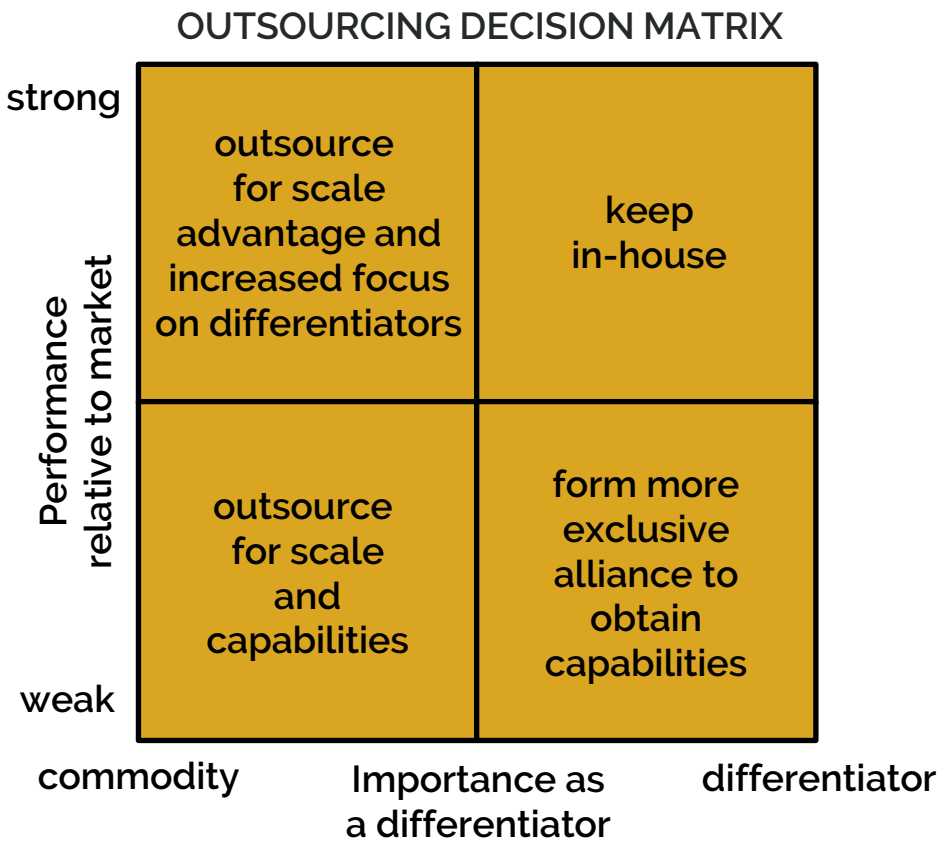
The first column represents CORE, the second column NON-CORE.

Adding up the columns and comparing the scores provides the answer to the question whether and to what extent the subject at hand is to be considered CORE or NON-CORE.

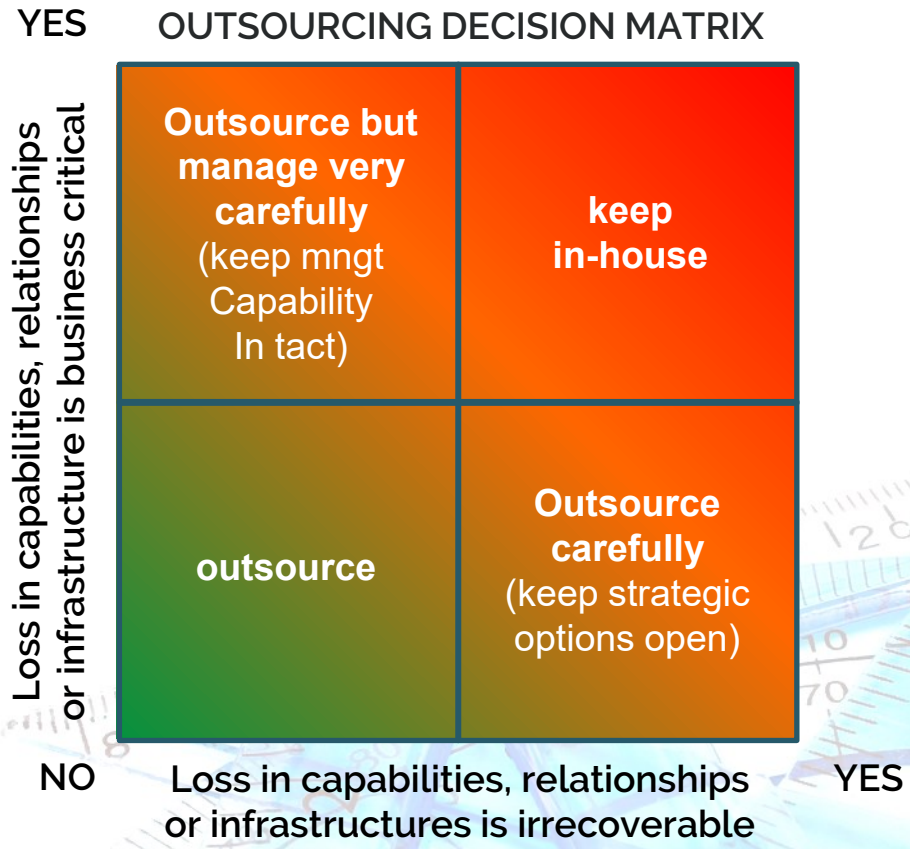
WARNING

The use of the core/non-core distinction is challenged / questioned in the sourcing community. This since it is considered hard to designate any business function as merely routine and less conducive to future business development (where would your business end up without systems maintenance?).
Furthermore, the core/non-core distinction is argued to be outdated, since it is said to not take into account recent changes in outsourcing such as increase in Business Process Outsourcing or Knowledge Management. These tasks can be routine day-to-day activities that are actually vital to the company's development, but here they are being outsourced.

THEORY ANNEX



Source: IAOP OPBOK 2010



Source: Vivek Sood 2014

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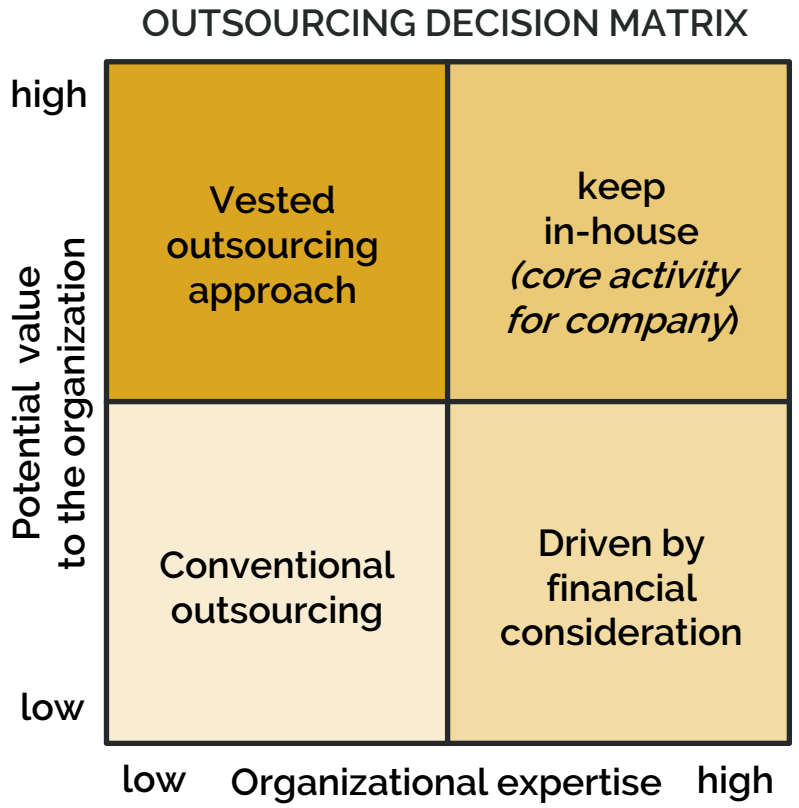
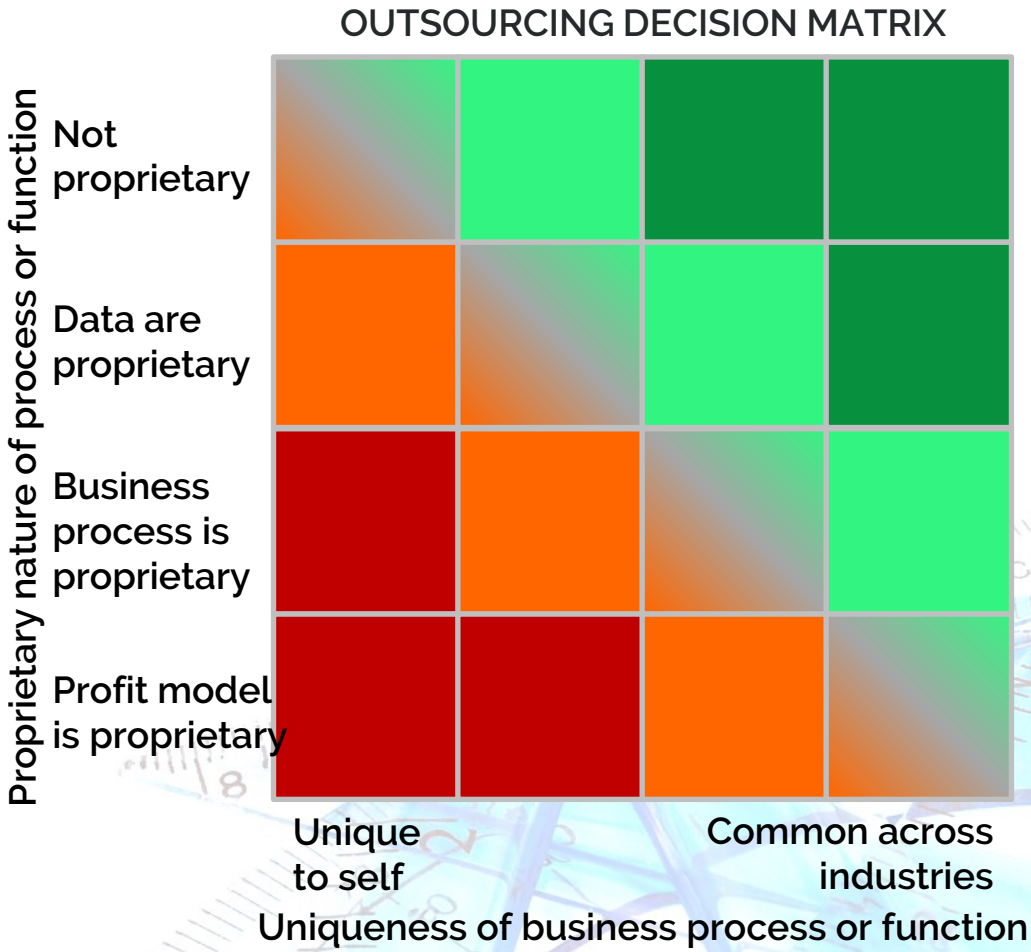


Source: Visatek & Ledyard, 2010

Vested Outsourcing is typified by an outsourcing relationship in which both parties have a stake in maintaining the arrangement and work together to create a performance partnership that takes both the company outsourcing and the service provider to levels of cost, service and profitability not realized before.
Elsewhere called: joint venture, strategic alliance, etc.



Source: Gottfredson, et al, Harvard Business Review, 2015

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