SMARTSOURCING

Driving Innovation and Growth Through Outsourcing

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Foreword

Work Moves As Global Markets Become Real

The forces of globalization have finally kicked in. For years, business has talked about being "global". But in truth, global often meant having a headquarters operation in London with distant branches elsewhere, and manufacturing products in countries with low labor costs.

Today, people, goods, and ideas move freely across the globe. The operations of headquarters are also scattered: the CEO sitting in New York; finance and accounting being performed in the Philippines; IT services delivered from Romania; and benefits programs administered from India. Material and product sourcing move between multiple countries as a function of price, quality, and speed. And customers are everywhere, expecting to be served with consistent quality and price, independent of location. The Internet has made markets global, even for the smallest company. In fact, information technology is the great enabler of these changes.

The migration to truly globalized operations has been occurring for some time. But three factors now require a new way of managing the movement of work: the scale of the geographical dispersion of work has increased dramatically; broad improvements in productivity have stepped-up the pressures of competitiveness as companies are driven to become more and more efficient; and the work that is moving—on-shore as well as off-shore—is increasingly intellectual, not just physical. Another way of describing the current condition is that the brains of an organization are now moving, not just the brawn.

But for many companies that have tried outsourcing or off-shoring, the experience of moving work has not been good. Service quality has sometimes decreased, rather than being improved; and companies have become less agile in their ability to adapt to changing markets, rather than more agile.

There are multiple causes for the failures of outsourcing. Service relationships are often just focused on price, rather than on creating some new business value. Deal structures are made too rigid for too long a period of time. Service providers can lack process competency as well as scale. Relationships often lack transparency. Companies can also be unreasonable, unwilling to accept standard ways of doing simple processes, arguing that their needs are special, when, in fact, industry standards should be applied.

This book offers prescriptions about how to outsource and off-shore intelligently. The term "smartsourcing" is an appropriate moniker for what companies must do. Work cannot simply be thrown over corporate walls, and it's not just processes that move. Competencies get outsourced, and competencies are a combination of processes, people, and attitudes.

So an intelligent outsourcing proposition must consider how a service partner will manage processes and people consistent with corporate needs and how the behavior of a service partner can be synchronized with the culture of a company that outsources. Once a decision on what to outsource has been made, being smart requires a cultural match.

Outsourcing and off-shoring also require a high degree of transparency. Work across a value chain must be efficiently integrated, and transparency becomes critical in order to design

cross-organizational processes that are in harmony—not conflict. Being smart doesn't mean being secretive. In fact, it's just the opposite that becomes important. Be prepared to open-up to a service provider and also demand that a service provider be open about its costs and operations.

And to get the most value out of outsourcing, be prepared to use the resources and capabilities that sit within the network of your industry, from suppliers to customers. Know what is operationally unique to your company and be prepared to use the resources of your industry in the form of standard operating processes. There is no need to reinvent what others have done well—especially on the increasingly weak argument that what your company does is different. Yes, there must be differentiation to compete, but that differentiation need not be in all processes.

Open markets and information technology have made intellectual work movable. Work will naturally go to where it can be best done—in quality and price. Trying to prevent this movement will just result in protected and weak economies. The movement of work must be intelligently managed and intelligently replaced in an increasingly dispersed world.

Jim Champy
July 2005

The most profound impact of the twentieth-century enterprise was in the way we moved workers to where the work was.

The most profound impact of the twenty-first-century enterprise will be in the way we move work to where the workers are.

Introduction

> And it ought to be remembered that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.
>
> —Niccolò Machiavelli

A Millennium of Change

This book is about a journey that started long before the topic of globalization became popular. It is a journey through the evolution of the way we work and the structure of the places we work in. It is a winding journey that meanders and takes us through 500 years of change; and whose path will lead us into the next 500 years. A millennium of change packaged in a book that occupies only a few hundred pages. Overly ambitious? Yes, but the topic is far too complex and its outcome is far too important to trivialize by taking too narrow of a path.

The thread of this story will take you to places you may never have considered going, from the changing role of education, to lessons on globalization, to detailed prescriptions and frameworks for deploying a global strategy and choosing global partners. There are no railroad tracks for this discussion. In many ways, this book reflects the reality and the challenge of blazing a new trail, creating a new vocabulary, and establishing a shared experience for the tough decisions ahead.

At the same time the premise of this book is simple; namely, that the mobility of work is propelling rates of disruption, discomfort, innovation, and opportunity for which it is difficult to find a historical comparison. While this book will cover much ground in describing the way this mobility has evolved, framing its impact and prescribing behaviors and methods to adapt to it, its components are found in three sections: mobilizing the power needed to do work, mobilizing the people who do the work, and mobilizing the work itself.

Many of the revolutions that have occurred in industry, commerce, and political and social institutions can be traced back to shifts in these three fundamentals. Surrounded today by a web of commerce, transportation, and ubiquitous power and information grids, it is far too easy for us to forget that the portable steam power that drove textile looms, transoceanic shipping, and transcontinental railways, communications via radio and wire, fossil fuel power, electric generation, and the coordinated massive migration of workers across the globe are all phenomenon of the last few hundred years—an amazingly brief period in the history of commerce and humankind.

Today we are at the threshold of a base shift in mobility as globalization alters the way in which businesses make decisions about where work can and should be performed. Traditional notions about the workplace, competency, and innovation are being challenged and redrawn on a global canvas, with implications that we are only starting to understand.

This mobility in the work force, even though it is called by the new name of outsourcing, is hardly a new topic. In the late eighteenth century, the global economy was rocked by a series

of propitiously timed innovations and events that together created not only the industrial revolution, but also a precedent for the mobility of work. James Watt's coal-fueled portable steam power altered nearly every aspect of the economies of the eighteenth and nineteenth centuries by mobilizing the power needed to run industry and transportation. Manufacturing, automation, and immigration were launched by this one innovation. If you trace its impact across the globe, the trail would look much like a smallpox virus spreading radical change in how and where work could be done. No longer were workers or work local. People, raw materials, and knowledge could be brought to whatever place was best equipped to accept the commercial, social, and political opportunities offered.

Much has changed in the last few hundred years, but what we are experiencing today as businesses look to globalization in order to obtain lower cost alternatives for goods and services is hardly a new phenomenon. We have been struggling with the ramifications of a global work force for centuries, trying every which way to "follow the sun" by creating tighter bonds between enterprises across increasingly larger geographies. And we will continue to do so in the future.

The current political and social debates about this age-old topic may gain greater visibility as the media itself gains greater power to transmit the images and implications of globalization. There is far more to the discussion than most of us have yet to fully appreciate. The topic of using outsourcing to cut costs, which has occupied the headlines so far, is only the smooth tip of the iceberg. The jagged edges and the greater challenges to our organizations lie just below the waterline and out of sight of most debates.

These more difficult and powerful forces are what this book labels as *smartsourcing.* These forces are the dynamics that will play out not only in the U.S. economy, but also throughout all of the world's economies as we start to make the gradual but determined global shift to metrics that are based fundamentally on innovation, rather then manufacturing and services.

Smartsourcing is the rule book for this new global economy—an economy that is based fundamentally on mobility, innovation, and the creation of a new set of attitudes about how we measure the value of our organizations and our people. It presents us with the final bridge we need to cross from the industrial to the innovation age economy.

This book will offer insights on how to build that bridge.

Part 1 explores the basic ingredients of smartsourcing. It frames the forces that have defined organizations to the present day—and discusses what will define them in this next era. The concepts of *core competency, economies of scale,* and *work mobility* are addressed, as are the roles of innovation and risk transference, and the impact of uncertainty in decision-making.

Part 2 delves into the nuts and bolts of the business of smartsourcing. You'll learn how to make sourcing decisions, as well as what defines the value of the smartsourcing approach—beyond simple cost reduction. The challenges to smartsourcing and how to manage the resulting firm are also addressed. Our objective is to go beyond the philosophy of globalization and provide you with the frameworks and metrics you need to embark on a smartsourcing initiative with confidence and competency.

Part 3 discusses the impact of smartsourcing on the structure of organizations. It explores how products and services will be created and delivered in the future, as well as some of the key technologies that will enable the creation of extended enterprises. Most importantly, we will look at the "do's" and "don'ts" of winning in this new environment. This section concludes with a look at how smartsourcing will change many basic institutions and notions of the organization—and offers some predictions about the legacy of globalization. The objective is to provide a context for the developments to come that

will accelerate and mature the precepts of globalization—and reinforce the assertion that smartsourcing will be one of the defining trends of our age.

Make no mistake, progress here will not come easy. Consider that half of all organizations have yet to even consider using outsourcing, while 75 percent have yet to consider its global counterpart, offshoring. The reluctance with which many organizations and managers are approaching smartsourcing stems from their already high level of resistance to simply outsourcing core aspects of their business. Such resistance is not surprising given the real high-stakes obstacles to outsourcing—and the recent public outcry about jobs being shipped overseas. Backlash against outsourcing is the political issue du jour and public debate on its pros and cons will most likely rage on for next several years.

With this kind of attitude toward the most basic component of smartsourcing, how can we be so antithetically optimistic about its impact? In short, because the current prevailing public sentiment is overly risk averse. It is steeped in antiquated thinking about what can be sourced through partners and, until only recently, heavily biased by the lack of technologies and methods available for outsourcing sophisticated processes. Nevertheless, a watershed is approaching. And its impact will be greatest on those who are most firmly set against change.

While today's hard-dollar savings are appealing for all of the obvious reasons, the soft-dollar contributions that drive the numerator of most business models are much more crucial in transforming industries. One has only to look at the incredible track record of innovation over the course of the last fifty years to understand that the greatest changes, those that drive industries to new heights, consistently come from those outside of the mainstream, with the least amount vested in the current way of doing business and most willing to adopt new approaches.

The shelves of stores are packed with products that should never have made it if surveys and focus groups had scripted the future. From Jacob Schick's electric razor, to Akio Morita's transistor radio, Walkman, and CD players, to Edwin Land's instant photography, to Steve Job's iPod, markets do not shape innovation as much as markets are shaped by innovation. New innovations redefine the way we experience the world, which in turn change our behaviors. After all, what would a citizen of the 1950s have thought of the sight of millions of people wandering the streets of any major metropolis in relative oblivion while earphones attached to MP3 players, cell phones, and PDAs link them to a virtual network connected to any point on the globe?

Similarly, what would we make of a world in which employment hinges on an economy of pure innovation, where work moves freely from point to point? What will that world look like and how will its inhabitants manage the pace of change and invention necessary to sustain growth and prosperity? These are tough questions that can only begin to be answered in the pages that follow. Nevertheless, it is a journey that business has already embarked upon.

Part I
Invisible Forces

"Vision is the art of seeing the invisible."
—Jonathan Swift

Chapter 1

Global Vista Ahead

"We are not in the middle but at the beginning of a transition with the high probability of a long period of dramatic changes. So how does one manage in a period of great uncertainty and very rapid change such as we quite obviously face at the present?"

—Peter Drucker

Picture a map of the world. What do you see? Is the image in your mind that of the classic Mercator projection that hangs in nearly every grade school classroom? What are the physical features of the globe? Do you see the great oceans and waterways that separate landmasses? Can you picture the national boundaries—those that were and those that are? Do you see the earth illuminated in the darkness by the bright lights of its largest cities glowing in clusters of commerce and technology?

Whatever your image of the world is, keep it firmly in mind. Now, where are the information superhighways that connect us to the world and the world to our desktops? Where are the networks that link us? Where are the myriad connections of power, wealth, intelligence, innovation, poverty, and terror that define our time?

Probably missing.

Our collective view of the world still lacks the most fundamental dimension of our lives and the promise of our future—the invisible conduits that connect us. *Apollo 14* crew member Edgar Mitchell once recounted his memories of looking back at a world without borders. "It's impossible," said Mitchell, "to come around from the dark side of the moon and see Earth floating out there in this vast sea of blackness and not have it affect you in a profound way."

From the instant that billions of us first saw that same image, globalization began to form as a collective vision and a realization of our fragile, interconnected, and isolated existence. The plain but striking image of a globe without manmade boundaries forever changed the way people regard the planet and view their place on it.

Today, every industry is experiencing a similar transformation as our definition of enterprise radically changes from an isolated collection of tasks to one that cuts across all dimensions of an organization's structure and geography. With the ability to capture, store, retrieve, and distribute vast amounts of information across the globe, we are pushing the limits of existing technology infrastructures and challenging current models of enterprise. We are faced with a fundamental challenge and a basic question: What will best define us, the factors that separate us or those that connect us?

Three days after September 11, 2001, we were scheduled to give a talk to a group of graduate students at a local Boston University. These were ambitious, driven people from around the world who had spent the last two to four years of their lives preparing to enter what had been one of the most prosperous periods in global economic history.

By September 14 the window of prosperity had been nearly welded shut. Uncertainty was lurking around every corner and a roomful of graduate students was waiting to hear a reason,

any reason, for why they should be excited by the prospects of what was to come.

What would you have told them about the world and the job market they were entering? One colleague we sat on a board of directors with suggested, "Tell them to simply be patient; this too will blow over soon enough." Wishful, but naive, counsel.

The fact is that we have not entered a cyclical arrhythmia in the economy. While the vivid pain and tragic memory of a single event may well dim with the passage of time, the context of our experience is not defined by any single event. We are in a period of profound and prolonged uncertainty, risk, and volatility. There will be fluctuations and periods of stability, but the context of uncertainty will not subside.

We are in for a long transition that will redefine our attitudes toward, and our abilities to cope with, this new image of the world—an image of connectedness that both causes and counters uncertainty and where small, loosely connected networks of people can have tremendous impact for better or worse.

Each age that humanity has passed through has been the result of unfathomable changes in society, economics, and technology, but the common thread among all of these transformations has been the move toward integration of global disparity. The path has not been a direct one. The most recent difficulties in creating a common European market, the continuing conflicts in the Middle East, the rise of terror networks, speak to the slow and uncertain nature of this process. Still, it is clear that the direction of humankind has been consistently toward increased global communications and economic interreliance. It appears that this need is something that is a vital and intuitive aspect of human nature. We strive to bridge the gap between individuals, work groups, organizations, societies, and nations in order to accelerate the process of progress.

However, global reliance also creates cascading effects. Troubles in one economy can quickly disrupt economies in other parts of the globe. Mutual reliance requires mutual reliability.

The political and social rifts that will surround this new age are already at full throttle. Globalization is a nemesis to as many as it is a savior. But our opinion here, in the pages of this book, will be clear. Globalization is evolution, it is survival, and it is the necessary counterbalance to the power of disruption now vested in the networks we are building civilization upon. Globalization creates mutual reliance, security, tolerance, and prosperity. It promotes values that dignify humanity through greater access to economic resources.

But it does none of this of its own accord. The technology of connectedness is without moral dimension. There is work to do, much work. It is the work of these newly minted MBAs as much as it is for any of us.

For you as a leader, businessperson, technologist, or student, that work begins by creating organizations that understand the basic tenets of this new age, that can navigate in these new dimensions, and whose image of the world is as radically different from the maps of Gerardus Mercator as Copernicus's universe was from Ptolmey's.

Seeing the Invisible

Smartsourcing raises difficult questions about an organization's core values and competencies. It forces dialogue that can be disruptive and uncomfortable for the status quo. It peels back layers of protective procedures to uncover the essential elements of innovation, and it makes apparent the presence, or lack of, the true differentiators of an organization, it's products and services. In short, it makes visible much of what has been deeply hidden inside the organization's legacy.

As children many of us played the game "lights on, lights off," where one player removes an object from a familiar setting and another player tries to figure out what was removed once the lights come back on. The more familiar the setting the harder it is to figure out what is missing. We simply ignore the commonplace and accept it as simultaneously immutable and invisible. Put another way, nothing is easier to ignore than that which you see day in, day out.

The same often applies to our organizations as part of what we call the *execution gap*. You may not be able to see the execution gap, but it is there. It is a gaping hole in most organizations into which they collectively funnel billions of dollars each year, money that could otherwise be invested in new innovations, great discoveries, and the advancement of every industry.

It is a gap between strategy and execution, governance and accountability, planning and uncertainty. It is a gap that stifles partnership on what does *well enough* and distracts organizations from focusing on what they do *best*.

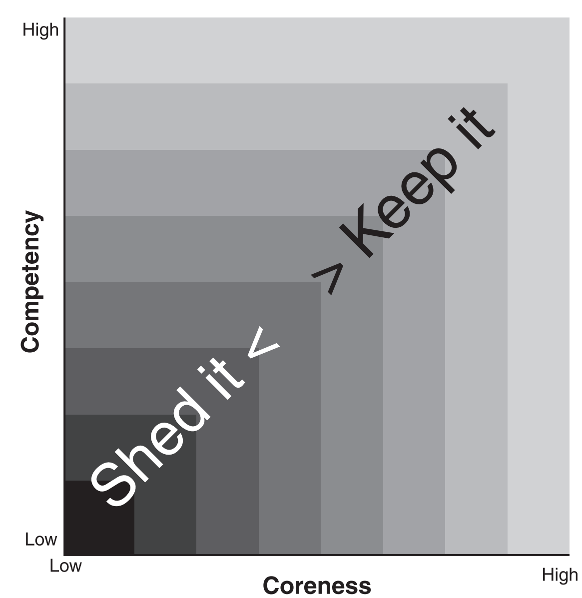

Figure 1.1
[Figure caption goes here.]

Even if an organization can define the areas that constitute its high-performance core competencies and those that make up its low-performing noncore activities, and then figure out how to partner effectively to bolster the latter, the remaining gray area between what an organization does well and what it does poorly becomes a gap. Unfortunately that gap often becomes a cost of doing business. Smartsourcing is about bridging that gap in order to finally shed the industrial age model of vertical integration.

At its core, smartsourcing provides a lens by which you can look at the spectrum of your organization's capabilities in order to determine how to best achieve the highest level of performance, cost, and innovation in each. But defining what it *is* may be easier to do by first defining what it *is not*.

Smartsourcing is not about economies of scale;
it is about economies of scope.
Smartsourcing is not just about technology;
it is about competency.
Smartsourcing is not about ownership;
it is about partnership.
Smartsourcing is not just about cost cutting;
it is about innovation.
Smartsourcing is not about cheap labor;
it is about smart, educated workers.
Smartsourcing is not episodic;
it is here to stay.
Smartsourcing is not just about outsourcing;
outsourcing is only one facet.

Most importantly, smartsourcing is not a theory. It is practiced today by many organizations in reaction to the pressure to lower costs without sacrificing process excellence, innovation, or agility; These organizations recognize the opportunity smartsourcing offers to close the gap.

The unfortunate reality is that in a climate of uncertainty and cost scrutiny the natural tendency of most people and businesses is to adopt an overly conservative attitude toward all decisions. Additional time is spent evaluating alternatives and overscrutinizing investments. In short, every decision gets dragged out. The irony is that uncertainty actually decreases the window of opportunity within which to make decisions. Innovation suffers at a time when it most needs to shine.

As uncertainty and market opportunity accelerate, the time to react shrinks dramatically. Information systems and management methods must reign in the tendency toward conservative decision-making by synchronizing the time to react with the window of opportunity (what we will describe further as the *uncertainty principle* in Chapter 4).

Accelerating innovation and increasing agility requires management and business systems that keep pace with the velocity of uncertainty. This can only be done if an organization forces itself to focus its bandwidth on its core areas.

Lastly, smartsourcing is the processes through which an entire economy evolves and matures by creating more productive and innovative networks of partnerships that can react to smaller windows of opportunity. In the same way that standardization in manufacturing created opportunities for the evolution of global supply chains, smartsourcing opens the door to a new era of integration for knowledge work.

Why Call It Smartsourcing?

One of the reactions to the term *smartsourcing* may be to ask, "As opposed to what, dumbsourcing?" At the risk of sounding trite our response would be, yes, exactly! The streets are littered with the remnants of sourcing deals that have not performed as expected or that have simply gone bad. These are decisions that were poorly thought out, for which both parties were ill prepared and from which collateral damage resulted, thus souring other companies on the sourcing process and its potential benefits.

Objective success estimates for sourcing are not easy to come by because the culprit in most of these cases is that an initial baseline and success metrics were never well established. After several years into the relationship sponsors are bound to ask what the payback and performance metrics are. Without a baseline from which to measure these and a set of service level performance criteria in place, all that remains is the cost of the engagement to consider when evaluating its success. Inevitably the steep costs involved in any sourcing arrangement lead to increased scrutiny, which few of these arrangements will stand up to without a well thought out and agreed upon framework and a corresponding set of metrics in place to objectively assess results.

In addition, there are many cases where the external economies of outsourcing have given way to internal economies of scale. In banking alone a number of large organizations have brought sourcing arrangements back in-house. For example, in the financial community, JPMorgan Chase, Citigroup, MBNA, Bank of America, and Capital One have all taken their credit card processing back as an in-house operation. While this seems to contradict the trend, it is no more peculiar than any other case where the scale of an organization may cause it to assume more of the risk for a particular process if the costs are lower or the performance is better in-house.

Take, for example, the case of large organizations that self-insure their employees rather than rely on a third-party insurers. Even these organizations will use a third party to administer the insurance payments and health care process. This combination of accepting risk in one area (self-insurance) but shedding it in another closely related area (administration of the

insurance) is an ideal example of smartsourcing where both internal and external economies of scale are maximized.

Smartsourcing is about establishing this balance of risk and putting in place methods by which to understand and manage risk. The frameworks we will present to help you strike that balance are simple but essential in establishing a constitution for the governance, measurement, and objectives of not only your sourcing relationship but also the relationship that you have with the risk inherent in all of your organization's processes.

To call anything less than this degree of due diligence and scrutiny of your risk *dumb* is to be kind in the extreme.

The second reaction that people have to the term *smartsourcing* is to question whether we are using it as a description or a prescription. The answer is both. Smartsourcing is as much a description of what you do as it is a set of recommendations for how your organization should work. In its simplest form, smartsourcing is the next logical step in the progression of work mobility; and this will occur no matter what we call it. But beyond the immediate trends of contracting, outsourcing, nearsourcing, and offshoring, smartsourcing looks at how an organization identifies the best way to coordinate its processes and resources in order to focus on what it does best—its core competencies.

How Is Smartsourcing Different from Outsourcing?

The greatest risk in traditional outsourcing is focusing exclusively on costs and ignoring a concurrent innovation initiative—this is simply being shortsighted. While outsourcing will often deliver reduced costs, the focus of outsourcing is too often replicating the status quo. Improving process excellence and promoting innovation are not prime objectives of the outsourcing process, although we will admit that a good partnership may yield dramatic improvements. Smartsourcing, on the other hand, is accompanied by a renewed attention on excellence and innovation among the organization's core process initiatives. This sort of partnership not only achieves cost savings, but it also establishes preeminence and differentiation. The combination of these capabilities is central in the shift from outsourcing to smartsourcing and will be the driving force in shaping the most competitive organizations.

While outsourcing's focus is on cost cutting, smartsourcing refocuses managers on building innovative capacity within organizations and ultimately within a global economic web of commerce.

Many organizations that pursue an outsourcing relationship operate under the premise that there are a core group of distinct and separate processes (shown in **Figure 1.2** in green) that are candidates for outsourcing. While this can result in dramatic cost savings, it limits the ability of an organization to fully focus on its core competencies, as much of its time

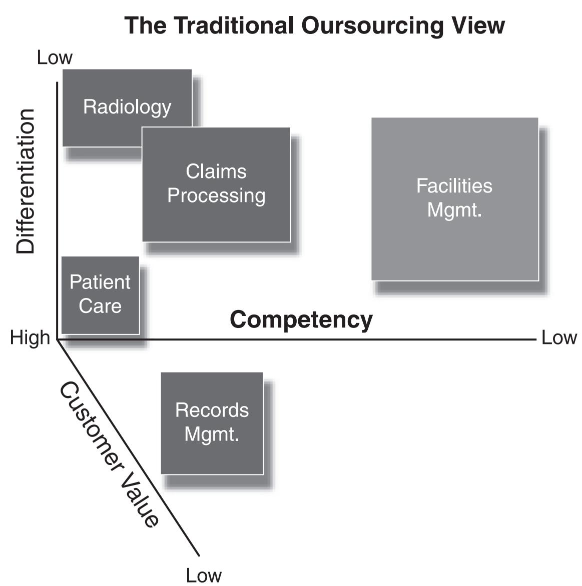

Figure 1.2
[Figure caption goes here.]

and effort is still expended on peripheral processes that do not add high customer value or differentiate the organization in its industry. For example, in **Figure 1.2,** the health care provider should focus on the core competency of patient care. However, they are likely to be spending much more time and money on the many peripheral activities where their differentiation, competency, and customer value are relatively low. When sourcing or service partnerships are created, the relationship with the service partner is fairly isolated and the handoffs few and well defined.

A smartsourcing strategy creates a much more intimate relationship between the organization and its service partner. Smartsourcing increases innovation throughout the range of process from core to noncore, allowing organizations to focus on their most critical areas of differentiation and customer value, while also achieving high levels of innovation in noncore operations. In the example shown in **Figure 1.3,** this means increasing the differentiation, competency, and customer value

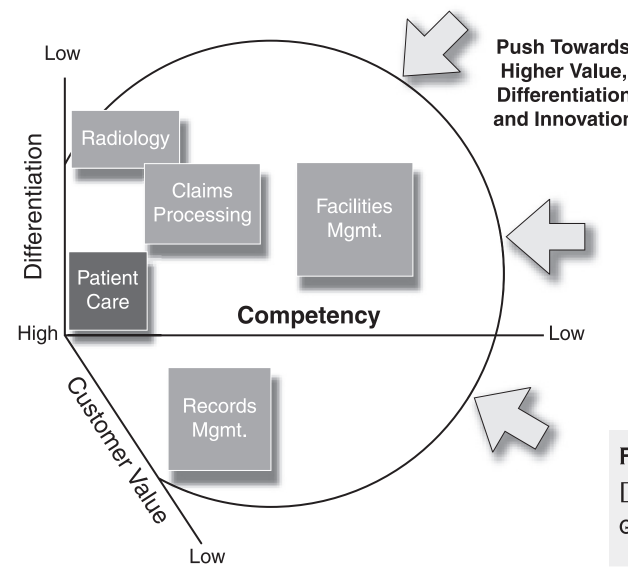

Figure 1.3
[Figure caption goes here.]

across the spectrum of activities involved in delivering patient care. This is the precise opposite of the commodity label that is often placed on outsourcing services.

And it all starts by answering some simple questions.

First, do you know what your core competencies are so that you can focus and prioritize your energies on them? Second, can you define your processes and your work so that you can transport them easily to partners? Third, are you able to measure innovation and its impact in all aspects of your business?

The answers we have found in working with organizations as we researched this book are frightening:

- 70 percent of organizations believe that their core competencies *are* their products. Products are not core competencies.
- 26 percent of all organizations claim they cannot define their noncritical processes well enough to source them to a partner. As the saying goes, "When you don't know where you're going, any road will take you there."
- Only 10 percent of organizations have innovation management programs in place. Most of the others openly admit that innovation is a matter of extreme redundancy, waste, and serendipity. The impact and effectiveness of innovation is simply *not* measured.

While most of us acknowledge that we are entering a new era of globalization and partnership, few of us have a road map for navigating in this new era, much less a sense for the implications that it will have on the way our economies operate.

Take for example the simple illustration of the shift in focus from tactical to strategic utilization of resources. As the number of opportunities presented to an organization increase, the rate at which the organization needs to respond also increases. Bandwidth is at a premium, as is the need to focus.

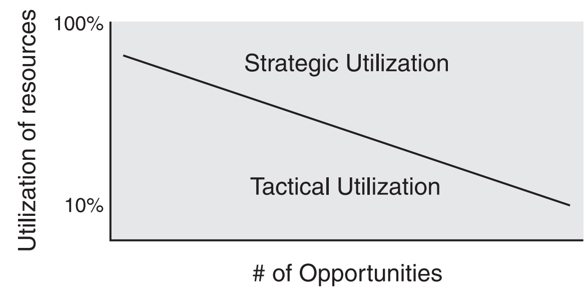

Figure 1.4
[Figure caption goes here.]

Although **Figure 1.4** is true in concept, it is difficult to predict what it will look like in real life and what impact it will have on the structure of our organizations and work forces over time. What will the bird's eye view of this new economic landscape look like? If we were to ask what an agricultural, manufacturing, or even a service-based economy looked like, most people would have an image in mind of farmland, factories, or skyscrapers. They would have some sense for the economics and the social structures that support it. The role of workers, educators, the middle class, the distribution of wealth, all of these would be somewhat understood. But what does an innovation-based economic landscape look like? If smartsourcing organizations shed all but the very core innovations that differentiate them, what are we left with?

Over time the inevitability of this transition will make the answer self-evident. But for now we need a rulebook. Smartsourcing is the road map and the framework. It is the rulebook for understanding how to make the shift into this new period of global uncertainty, alliance, strategy, and competition. It defines the fundamental behaviors, attitudes, and practices that organizations in every industry will need to adopt in order to compete. It is the most basic tenet of how we will structure and manage our organizations. And it is the overriding principle by which stockholders and stakeholders will measure value and performance.

Still, we will be the first to admit that smartsourcing is tough. It is without abundant precedent and it is certainly not without risk. But it is not optional. For individuals, organizations, and the global economy to prosper we have to build the bridge and cross the gap.