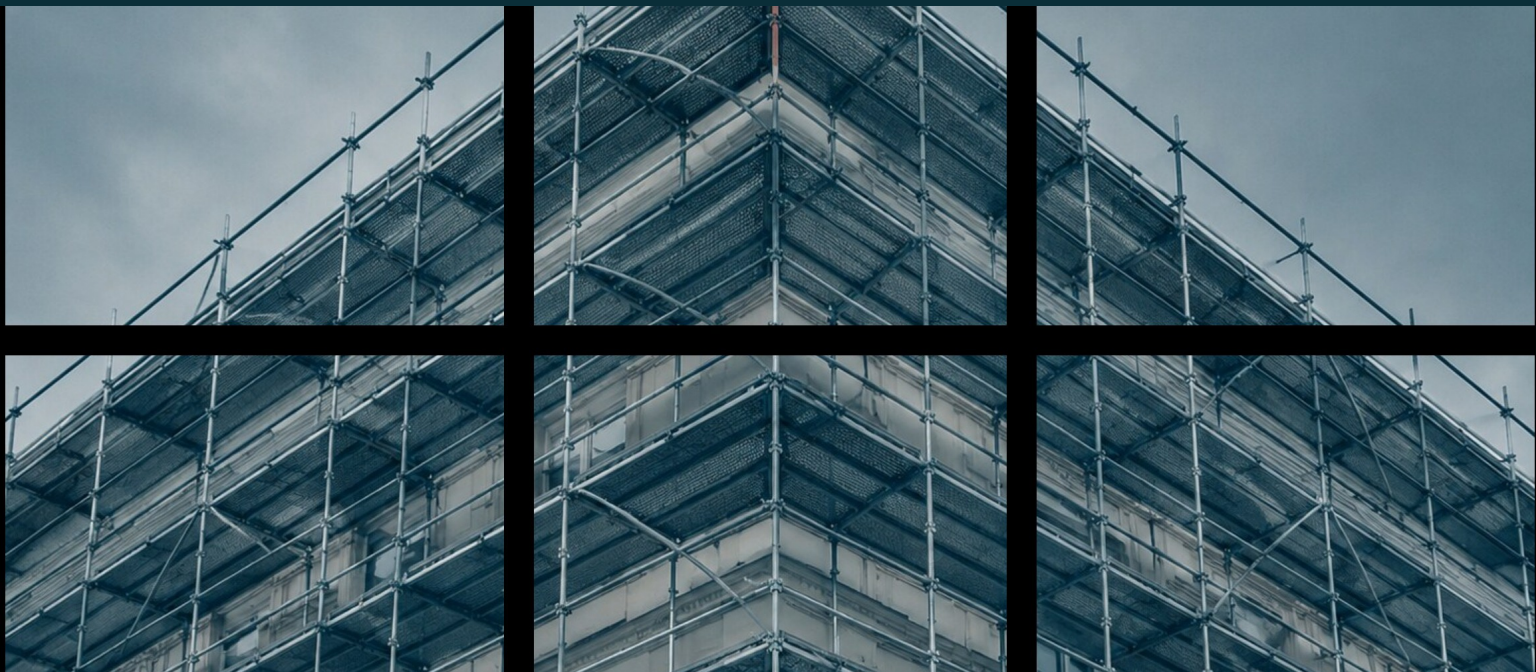


BEYOND BRINGING IT BACK

Re-Insourcing Fails When It Brings Back the Work but Not the Capability

Why ending an outsourcing contract restores control only when ownership, knowledge and operating capacity are rebuilt



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Transformation · No. 71

Originally written May 2005 | Re-edited and re-rendered for the WhereBeyond Edition, 2025

“The pendulum moves; the mechanism remains.”

1. The contract ended before the dependency did

The decision to bring the service back was taken in a single board meeting.

For eighteen months, operational managers had complained about slow changes, repeated hand-offs and a supplier that appeared more attentive to the service schedule than to the business. The commercial relationship had hardened. Every improvement became a change request; every failure became an argument about scope. Re-insourcing promised the return of control.

Nine months later, 74 roles had moved or been recruited, a new internal service manager was in place and the supplier's contract had ended. Yet the organisation still depended on the former supplier for three specialist applications, historical incident records and the only two people who understood the overnight reconciliation sequence. The work was inside. The capability was not.

This is the central danger in the re-insourcing cycle now beginning to appear after the first enthusiasm for large-scale outsourcing. Organisations interpret disappointment as proof that the work belongs internally. They reverse the sourcing decision without examining the operating design that made the service fail.

Re-insourcing can be the right decision. But bringing work back is not the same as rebuilding the ability to own it.

2. The pendulum explains less than we think

Outsourcing and re-insourcing are usually described as opposite strategies.

Outsourcing seeks scale, specialisation, lower labour cost and clearer service accountability. Re-insourcing seeks control, responsiveness, retained knowledge and closer alignment with the business. When one disappoints, the other appears to offer precisely what was missing.

This symmetry is attractive and misleading.

The same organisation sits on both sides of the pendulum. If it outsourced a poorly understood process, retained weak decision rights and managed suppliers through narrow service levels, those weaknesses do not disappear when employment contracts or reporting lines change. They return with the work.

The location and ownership of labour matter. They affect economics, access, incentives and flexibility. But they do not by themselves answer the questions that govern

performance:

- Who owns the end-to-end outcome?
- Which knowledge makes the service reliable?
- Where are priorities decided?
- How are exceptions resolved?
- What capacity and skills must be sustained?
- Which measures describe value rather than activity?

An organisation that cannot answer these questions as a buyer will not automatically answer them as an operator.

Re-insourcing restores authority on paper. Capability returns only when people, knowledge, systems and decision rights are deliberately rebuilt around the outcome.

3. Why “bring it back” becomes irresistible

The pressure to re-insource rarely begins with a strategic review. It begins with accumulated irritation.

A business unit waits ten days for a minor system change because the request must be estimated and approved. An experienced supplier analyst is replaced without consultation. A service-level report remains green while users chase the same incident repeatedly. The retained team spends more time interpreting the contract than improving the service.

Each event appears small. Together they create a belief that the supplier has become an obstacle between the organisation and its own work.

That belief often contains truth. Providers have commercial incentives to standardise, limit unpriced effort and protect their margins. A contract cannot anticipate every operational need, and a change mechanism designed for control can become a toll gate on ordinary adaptation. Distance between users and delivery staff can suppress the informal learning that once kept the service responsive.

But frustration compresses several different failures into one verdict: outsourcing does not work.

The organisation then moves quickly toward reversal. Control becomes the headline benefit because it is emotionally and operationally persuasive. The internal option is compared with the present supplier relationship at its worst, not with the full cost and difficulty of building a capable internal service.

The decision solves the argument before it solves the operation.

4. A composite return with no operating memory

Consider a technology-support service covering 38 applications used by finance, distribution and customer administration. It was outsourced three years earlier. The buyer retained twelve people for architecture, contract management and business liaison. The provider operates the service with 86 people across support, maintenance and

infrastructure coordination.

Performance is disputed. Ninety-four per cent of incidents meet contractual targets, but user satisfaction has deteriorated. Small changes take an average of seven weeks. The annual charge has risen through approved scope changes, and the retained team now has seventeen people.

The board approves re-insourcing with three objectives:

- Reduce change lead time.
- Restore knowledge of critical applications.
- Remove supplier margin and change charges.

The transition plan concentrates on transferring staff, tools, open tickets and procedures. It assumes that the internal organisation will operate the existing service more responsively.

During detailed preparation, four facts emerge.

First, eleven applications depend on specialists shared with other supplier clients. Those people will not transfer. Second, the provider's configuration records contain technical data but not the reasoning behind several workarounds. Third, the buyer no longer employs anyone who can challenge the support estimates for its two most important distribution systems. Fourth, many approved changes over the previous three years have altered the service, but the internal cost model still reflects the original outsourcing baseline.

The new internal team begins with 68 transferred or recruited staff. Within four months, it adds fourteen contractors to cover specialist gaps. Change lead time initially improves from seven weeks to four because commercial approval has disappeared. Incident resolution then slows as the team encounters unfamiliar interfaces and loses access to the provider's shared diagnostic expertise.

The service has saved the supplier margin. It has also inherited the supplier's labour structure without the supplier's scale.

After eight months, the re-insourcing programme reframes the problem. Instead of recreating all 38 application services internally, it classifies them:

- Twelve critical applications require internal ownership and deep retained expertise.
- Fifteen stable applications can use specialist external support under simpler arrangements.
- Seven applications should be retired or consolidated.
- Four low-volume tools can remain with their current niche suppliers.

The internal team is rebuilt around outcome ownership, application knowledge and rapid business decisions, not around a complete copy of the former provider. The programme begins to improve only when “inside” stops being the design principle.

The lesson is uncomfortable: the first re-insourcing plan was a sourcing reversal. The second was an operating model.

5. The strongest case for bringing work home

The case for re-insourcing deserves to be stated strongly.

Some work is so closely connected to business judgement that placing it behind a commercial boundary creates more friction than value. Strategic systems, sensitive controls and rapidly changing processes may require direct access to people who understand both technology and operation. Internal teams can change priorities without negotiating every variation. Knowledge can accumulate around the organisation's own needs rather than being spread across supplier accounts.

A failed supplier relationship may also be beyond repair. Trust can erode to the point where every decision is defensive. Key staff may churn. The contract may reward activities that no longer matter. Continuing simply because transition is difficult can be more expensive than rebuilding.

Re-insourcing can therefore restore genuine capability, not merely control. It can shorten decisions, reconnect users with delivery and develop skills the organisation should never have allowed to disappear.

The mistake is not choosing re-insourcing. The mistake is treating internal ownership as sufficient evidence that these benefits will occur.

Internal teams can become just as remote from users. They can preserve obsolete processes, accumulate fixed cost and resist external challenge. Without clear service economics, internal cost can become harder to see than supplier charges. Without career paths and scale, specialist skills can be more fragile inside than outside.

The supplier's margin is visible. Internal inefficiency is not necessarily smaller because it is hidden.

6. What must be rebuilt

A credible re-insourcing decision starts by separating five things that are often bundled together.

Capability	Question	Re-insourcing requirement
Outcome ownership	Who is answerable for the complete service?	Name an internal owner with authority over priorities and acceptance
Operational knowledge	What makes the service work beyond the procedure?	Recover patterns, dependencies and exception logic before exit
People and skills	Which capabilities must be dedicated or shared?	Secure critical specialists and create a sustainable skills plan
Systems and records	What information and tooling make control possible?	Transfer usable data, history, licences, access and configuration
Economics	What will the full internal service cost?	Include management, facilities, tools, contractors, peaks and renewal

Each capability has a different transfer path. Staff transfer does not guarantee knowledge transfer. Data transfer does not guarantee that records are intelligible. Removing commercial change control does not establish sound internal prioritisation. Ending a service charge does not reveal the cost of internal capacity.

The transition must therefore be designed backwards from the future service, not forwards from the departing contract.

1. Define which outcomes require internal ownership.
2. identify the knowledge and decisions that protect those outcomes.
3. choose which execution capabilities must be internal, external or mixed.
4. build the management, skills and systems needed to sustain them.
5. test the future team on real exceptions before supplier exit.
6. preserve access to scarce expertise where internal scale is insufficient.

The sequence matters. If the organisation begins with “which roles are coming back?”, the inherited workforce becomes the operating model by default.

7. Do not re-insource the contract

One of the strangest outcomes of re-insourcing is the recreation of the supplier relationship inside the organisation.

The new internal function keeps the same service categories, queues, measures and approval stages because they are familiar and transferable. Business units remain “customers.” Requests still pass through forms and boards. The contract disappears, but its operating assumptions remain.

Some continuity is necessary during transition. Changing the provider, process, tools and organisation simultaneously creates obvious risk. But continuity should be a stabilisation device, not the final design.

The organisation must ask which controls existed to manage a commercial boundary and which controls the service genuinely needs. A formal estimate may still be valuable; a contractual notice is not. A service target may still matter; a penalty mechanism may not. A change board may still protect priorities; a sequence of commercial approvals can be removed.

Re-insourcing should simplify the work where ownership has genuinely returned. If every old boundary remains, only the letterhead has changed.

“The purpose of re-insourcing is not to become your own supplier. It is to become capable of owning the service again.”

8. The retained organisation becomes the seed

The organisation that retained too little capability during outsourcing faces the greatest difficulty when bringing work back. Yet the retained team is also the natural seed of recovery.

Its strongest people know where the supplier relationship created friction, which business decisions were delayed, which applications carry disproportionate risk and which operational managers can distinguish inconvenience from consequence. They should

design the future service, not merely administer the exit.

That may require changing the retained team itself. Contract managers remain important, especially through transition and continuing external arrangements. But re-insourcing needs additional strengths:

- Service design.
- Operational leadership.
- Application and process knowledge.
- Workforce planning.
- Financial management.
- Technical assurance.
- Change prioritisation.

The team must move from holding a provider to account to creating the conditions in which delivery can be held to account.

9. Break the cycle, not just the contract

The re-insourcing cycle is not evidence that outsourcing was always wrong. It is evidence that sourcing decisions are often asked to solve operating problems they cannot solve alone.

Organisations outsource to escape cost, complexity and fragile knowledge. If those issues are not redesigned, they reappear as supplier dependence. Organisations then re-insource to escape commercial friction and recover control. If capability is not rebuilt, the same issues reappear as internal cost, skill shortages and operational fragility.

The pendulum moves; the mechanism remains.

A mature decision does not ask whether internal or external is inherently better. It asks where ownership, knowledge, scale and adaptability are best placed for each part of the service, and what integration is required across those choices.

Some capabilities should return. Some should never have left. Some remain more sustainable with a specialist. The work is to distinguish them before dissatisfaction turns a broad reversal into an expensive experiment.

Re-insourcing succeeds when it restores the organisation's ability to understand, decide and improve. It fails when it merely changes who employs the people performing the inherited process.

Bringing the work home is the visible event. Rebuilding the capacity to own it is the transformation.