



Outsourcing is a fact of life. Virtually every business in the world that wants to grow from a small or medium sized organization to a large organization will need to embrace the efficiency and increased professionalism that comes from outsourcing. Consider these quotes from recent articles on the topic:

A company should outsource non-core capabilities to keep its business focus. Industry analyst Gartner supports this belief with its recent report on outsourcing, stating that "the extreme focus on savings will moderate as more experienced buyers of application outsourcing become concerned with quality, attrition rates, expertise and cultural compatibility." With this mindset, application outsourcing becomes a strategic decision.

-- Accenture Consulting

Years ago, employers recognized that the repetitive and administrative tasks for benefits took away from their focus on core business objectives directly impacting the bottom line. As more companies enter the benefits outsourcing market, the choices and the process for selecting the "right vendor" become more complex.

-- Ceridian

It's clear that outsourcing can offer great benefits to business owners. Outsourcing provides an organization with access to industry experts, top-level technology platforms and streamlined processes that can reduce costs. It also frees up time internally for organizations to focus on more strategic initiatives. The question faced by most growing businesses isn't whether or not to outsource; the obvious benefits make that answer easy. The real question is about how to choose an outsource provider.

Ceridian writes, "Before you jump into the outsourcing arena, it's important to clearly identify what your organization wants out of an outsourcing relationship by determining and prioritizing goals. A bit of preparation and research will help you determine what the best type of outsourcing structure is for your business."

In an article written by A.B. Maynard, he says that, "As with any major effort, it is best to begin with the end in mind. A company should have a clear vision of where it wants to end up in its outsourcing... effort."

There is a common theme here – namely that companies that are ready to outsource must be clear about their goals; they need to be understand exactly what they want to achieve through outsourcing.

A.B. Maynard has suggested a four-step process that seems intuitive and useful:

1. Conduct an organizational readiness assessment that focuses on people, process, technology, and risk profile. The aim is to identify the strengths of the business, and the areas of opportunity.
2. Decide what specifically should be outsourced. A company may decide to outsource all of it's functions, or only a portion. The decision will vary according to each company's unique circumstances.
3. Decide what is needed from the relationship. Maynard points out that the company will have to determine the mix of skills and work-assignments that will reside with the company versus the skills and work-assignments that will reside with the outsourcing provider.
4. Decide what is wanted from the outsourcing provider. This becomes the 'blueprint' for the relationship between the business and the service provider.



The key idea here is that the four step process makes up a **needs analysis** for the business.

A reputable provider of outsource services must offer as its first step, a **needs analysis** to assist the business owner to perform a comprehensive review of the business. The outcome of this needs analysis must be that the owners of the business are able to develop an understanding of what benefits the business can derive from outsourcing, and more specifically, the exact functions that should be outsourced, and the structure of the relationship with the service provider.

Of course, there is the question of choosing the right provider.

Accenture Consulting has identified four qualities that characterize the service provider able to help organizations use application outsourcing to reach high performance.

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| Deep industry knowledge: | Choose an application outsourcing provider with a deep knowledge that can demonstrate its business experience. |
| Ability to adapt: | Select an application outsourcing provider that can adapt to changing business and technology landscapes with you. You want a teammate, not a company that will dissolve with a downturn in business. |
| Facility to help your company grow: | Pick an application outsourcing provider that can move and grow with your business: one that is innovative and flexible. |
| Global delivery model: | Find a provider that operates on a 24/7 basis |

Vendor responsiveness will be an important consideration. Try to determine whether the service provider can complement in-house efforts. Probably the most important factor is clear communication with the vendor about your goals, service expectations, and timelines. Finally, you will need to establish a means of measuring the performance and effectiveness of the outsourcer.

Before choosing a provider, check client references and any relevant certification for an industry-accepted standards model. Ask colleagues for details about any experience they've had with vendors. Ask the vendor for a demonstration of a running application. Gather as much information as possible from online reference sites, including forums and discussion boards. If the process seems overwhelming, you should consider that the vendor is likely to be more than happy to provide you with all the research material you need, including current client references, contact details and testimonials. Let the vendor do the research work for you.

Look for providers with a service orientation, as well as a good reputation and proven expertise. For example, do they offer 24-hour, expert technical support? Try to find a partner that's flexible, capable of understanding your organizational culture, and complementary to your philosophy and management style. Also look for real-life management experience ~ many consultants can show you a Harvard MBA, but the best consultants can show you years of experience successfully running businesses.

Choosing the right outsource partner is a critical decision. You need to look for a partner with the right resources and experience, as well as a compatible culture. The provider should give you all the information you need to feel confident in your decision, and should be prepared to do a thorough needs analysis of your business before presenting you with an outsourcing proposal.

If you approach the decision in a systematic way, you can choose the right provider quickly, and bring cost savings, and the twin benefits of efficiency and increased expertise to your organization. It only takes the commitment to move forward.