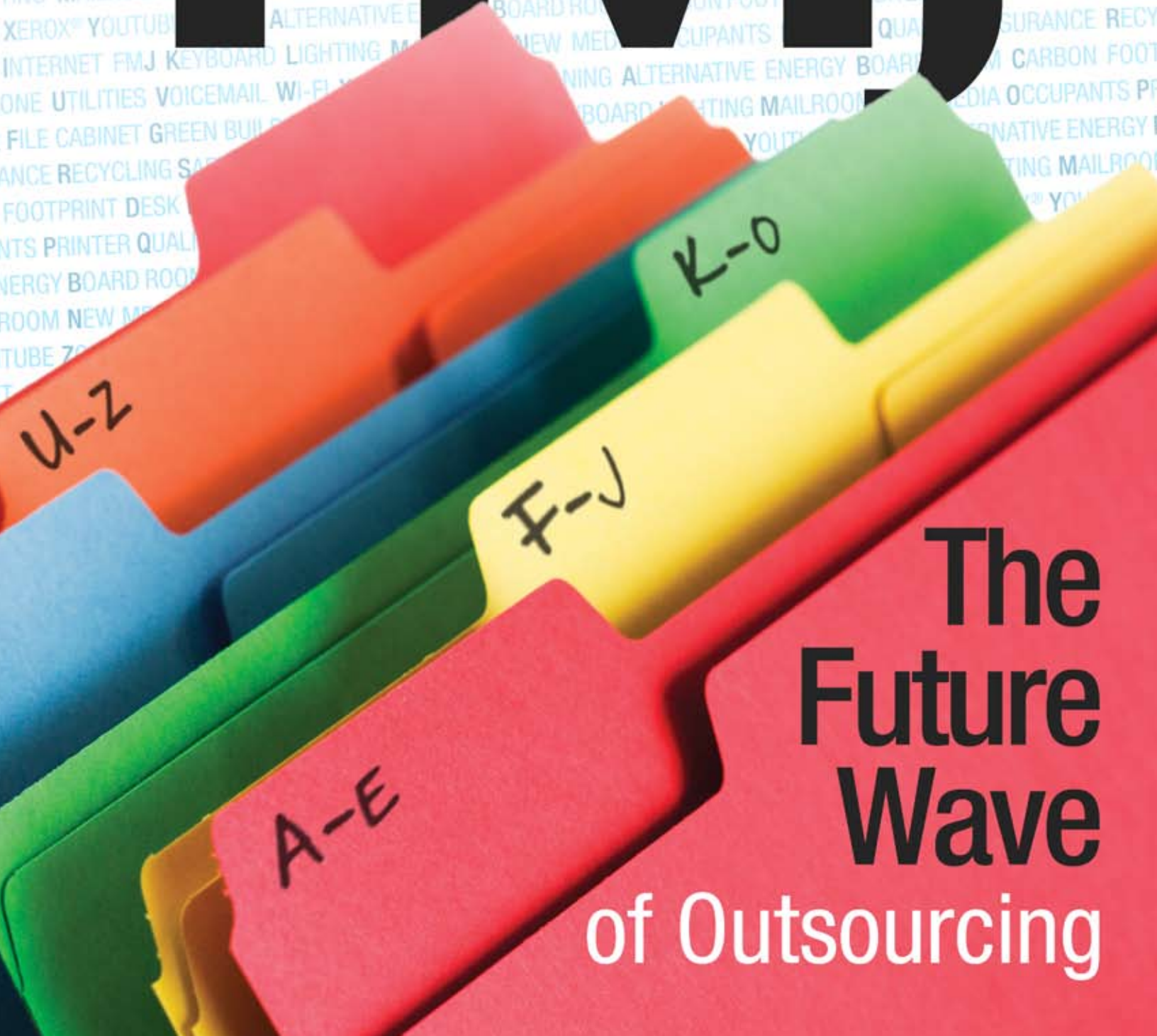


FMJ



The Future Wave of Outsourcing

Private outsourcing is when an individual elects to go to another country to acquire products or services at a lower cost than the going rate in their own country. A case in point is veneers. The average person living in the United States will pay a dentist US\$24,000 for a beautiful set of 16 pearly-white veneers on their teeth. If they travel to Nuevo Progresso, Mexico, it will cost around US\$8,000. It's a great way to take a vacation, cut your dental costs by two-

A niche market

In reality, outsourcing offshore is a relatively small piece of the American economy and many outsourcing jobs never leave U.S. soil. Indeed, many economists contend that while offshore outsourcing—such as call centers—eliminates low paying jobs in the U.S., it actually stimulates the development of higher paying jobs at the same time. The result is knowledge workers in America continue to be in demand, earn more and will thrive in the U.S. economy. Indeed, the U.S. Bureau of Labor Statistics says that network systems and data communications, computer software engineers, computer systems analysts and database administrators are among the fastest growing occupations. Over the next 10 years, total employment is projected to increase by 15.6 million jobs—with the service sector providing three-quarters of them.

As a result, the upcoming outsourcing wave will invariably be a combination of knowledge workers working for smart outsourcing companies catering to the service industry. The smart consumer of outsourcing readily understands this and will make decisions based on the level of knowledge the outsourcing company brings to the table.

On the world stage, outsourcing is still a niche market that caters to services or manufacturing that reduces labor costs. Payroll, human resources, document management, building maintenance, call centers and information technology (IT) services are pretty popular in today's outsourcing arena. The Internet and technology were the main drivers for the global markets. As far as domestic outsourcing in the United States goes, the focus is on front office administrative services—such as mail and copy center operations—as well as electronic document management software solutions intricately linked to these paper-intensive operations.

The old outsourcing paradigm in mail and copy operations no longer works. Simply providing people to run a mail or copy machine will no longer suffice. That area of the business is now a commodity and the low profit margins support that premise. However, smart outsourcing

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thirds and come back with a nice smile on your face. Thus, most Americans know that private outsourcing can lower their costs.

The future wave of corporate outsourcing will also put a smile on a facility manager's face if it can reduce overall operating costs while improving processes. Most companies considering outsourcing solutions will look well beyond the usual elements of labor, equipment and price. They want better results and a positive impact on customer service, technology, processes and systems compatibility. They also want help in dealing with some perceptions that outsourcing may not be good for the worker if the contract goes to China, India, Mexico or Russia. Such fears are overblown. A U.S. Department of Labor study shows that only a small percentage of layoffs are directly attributable to jobs going overseas.



makes a great deal of economic sense. If a worker loses employment due to outsourcing, then that worker needs to start focusing on career management. Seeking alternative opportunities may require training and developing new skills. Individuals must determine their own economic security and figure out what to do if their jobs become obsolete.

The vendor of choice

There was a time when outsourcing decisions were cut and dry. If the price was reasonable, the provider was reputable and the equipment was reliable, the decision was not that difficult. Twenty years ago, you could count the number of domestic document management outsourcing companies on your fingers. Today, there are

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many outsourcing or facility management companies that utilize multiple service offerings. If you place a request for a proposal for your copy operation, it

would not be unusual to have 20 bidders show up at your front door. So how does today's consumer of outsourcing or facility management services make an informed, intelligent decision on the vendor of choice? To begin with, if you consider them a vendor then they should not be on your short list. You want partners—not vendors. There are two important questions that need to be asked before any company decides to outsource their non-core, yet highly critical mail or copy center operations.

Can the outsourcing company reduce your transaction costs?

As a consumer of outsourcing services, you are not just buying equipment, labor or supplies. You are potentially buying multiple levels of service that should be

designed to improve your overall level of service while reducing costs. For example, if your outsourcing agreement includes copier equipment, how much will it cost for maintenance, paper and toner? How long will it take for the service technician to show up to fix the machine once it inevitably fails to perform? How will that downtime impact your costs if you are forced to send the copy job off-site? While the cost-per-copy might be low, how much will it cost for color copies, binding and duplicating CDs? What happens if it is a Friday night and you have a rush job that must go out?

A smart outsourcing company will provide you with a service level agreement (SLA) that will spell out the financial impact of equipment downtime, copy turnaround time, charge-back arrangements, system failures and enhancements, back-up support due to vacation and absenteeism and compliance with standard operating procedures. The agreement should not be a 60-page document that requires an army of lawyers to decipher. It should be 10 pages or less and provide you with certain guarantees if the job is not performed to your satisfaction.

The Achilles' heel in outsourcing is not simply reducing labor costs. Indeed, according to Gartner, Inc., "More organizations are now turning to IT outsourcing to enhance business outcomes instead of just to control or reduce costs." It is the business outcome and not the copy clicks that should determine your outsourcing decision. It is also the hidden transaction costs that can unwontedly creep into your bill. There should be no surprises in your facility management contract.

Can the outsourcing company invigorate your sales revenues?

Many outsourcing companies will be able to save you money simply because what they are providing you is their core business. Whether it's mail or copy management, they are experts in these areas and will generally do a good job for you. The way you separate the few from the many is to determine not how much they will reduce your costs, but how they will impact areas to help grow your business.

For example, an outsourcing company may bring in voice technology to sort your mail more quickly and accurately. The nice thing about voice recognition is no down time. If an employee is on vacation, any other employee provided by the outsourcer can use the voice system to sort mail without the need to memorize the mail slots for your employees. It's this blend of knowledge and technology that gets the job done, which in turn helps retain employees and keep turnover at bay. High turnover can be very disruptive in any operation.

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But how can the outsourcing company help drive revenue? One example is Web technology. If the outsourcing company is using Web-based technology to manage its facilities, then a national or international sales team can e-mail sales proposals to the outsourcing company from anywhere in the world and perform the job in time for the next sales meeting. This scenario is much cheaper than going to the local, retail copy shop.

A smart outsourcer will also use software to completely eliminate the mail-sorting process. Instead of sorting mail to bins, smart outsourcers use software to scan incoming documents and electronically forward it to the end users—eliminating the need to physically hand-deliver mail.

Another area that is a growing concern is expired or missing I-9 documents. Some outsourcing companies are using software to automatically track missing I-9 documents or documents that may have expired. It can be a nightmare for any human resources department subject to an I-9 audit by the Department of Homeland Security. A good outsourcing company will be able to leverage technology to manage

all documents—regardless of whether they are showing up in a mail center or residing in a file cabinet. Document management requires an enterprise-wide solution and must be compatible with one's existing architecture. Copy click management does not begin to approach this solution to improve business processes.

Knowledge truly is power and if it resides in the people that manage and operate an outsourcing company, one will reap huge benefits. Alan Greenspan, former chairman, U.S. Federal Reserve said, "The quintessential manifestations of America's industrial might earlier this century—large steel mills, auto assembly plants, petrochemical complexes and skyscrapers—have been replaced by a gross domestic product that has been downsized as ideas have replaced physical bulk and effort as creators of value. Today, economic value is best symbolized by exceedingly complex, miniaturized integrated circuits and the ideas—the software—that utilize them. Most of what we currently perceive as value and wealth is intellectual and impalpable."

Whether you're shopping for shiny new veneers or overhauling your mail/copy operation, the future wave of outsourcing is undergoing a dramatic shift. It is no longer just based on costs. The emphasis will be on smart outsourcing, software solutions and improving services on multiple levels. The old paradigm of simply providing people in mail/copy outsourcing operations is not enough. Savvy outsourcing companies today look beyond paper clicks and focus on a cascade of services to reduce transaction costs while stimulating sales revenues. It is the business outcome and not the copy clicks or mail sorter that's driving the outsourcing decision. **FMJ**



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