

4 Keys to Successful Outsourcing

For CIOs faced with growing technology demands and shrinking IT budgets and CFOs who require that the two issues be reconciled, the growing popularity of outsourcing and off-shoring in

particular, is a mixed blessing. The potential benefits are great, but reaping that potential depends on myriad variables, including the outsourcing approach and the short- and long-term expectations.

Simply put, outsourcing -- whether across the street or across the sea -- is most successful when the focus is delivering significant business value over the long haul, not cutting costs in the short term. *Here are four keys to success:*



Contents:

- Keeping Value Close to Customers
- A Global Economy
- Relationships Rule
- Projects may vary, but service quality can't

What You Need to Know

Keep the value close to the customers

Personal interaction is critical to the success of any outsourcing arrangement, especially during the all-important ramp-up phase. For outsourcers to be an extension of your business, they must understand who you are and what you do. Even in today's teleconferenced world, service providers can gain only a limited understanding of your business culture, goals, requirements and customers without face time.

In successful outsourcing arrangements, consultants spend plenty of time on-site initially, with periodic visits for training and relationship building. This is one reason that some companies still prefer to do business with local service providers. Off-shoring adds complexity, but in-person contact is even more necessary.

To accomplish it, consultants can spend the initial months of a support engagement at the customer's office, moving off-site only when both companies feel comfortable.



A global economy requires investments in global markets.

Americans are known for their business acumen. Not only does the U.S. have the world's largest economy; it also has a talented labour force that's addicted to working. (According to the International Labour Organization, Americans outpaced all other countries in labour productivity in 2000, and U.S. productivity has grown considerably faster than in other developed economies since the mid-1990s.) Where many U.S. companies fall short is their myopic view of the market, especially when competitive pressures come into play. In the long run, companies must invest in the global markets they plan

to penetrate; otherwise, they will have no competitive influence or impact in the local business environment.

“Motorola's entry into the Chinese electronics industry is a great example of how global investments pay huge dividends. Since the company established its China subsidiary in 1992, Motorola has become one of the most successful foreign companies in China, with 13,000 employees and \$6 billion in sales. “China is one of our most important crucial markets, and we are still the first and largest U.S. business in operation there,” said Fred Harburg, president of Motorola University, in the June 4, 2002, issue of Asia Times.

Outsourcers are seeing similar opportunities for global investments in rapidly developing regions, such as India and Eastern Europe. The key to success in these burgeoning markets is basing investment decisions on quality, flexibility and value -- not cost alone. For outsourcers, this approach opens the door to long-term, high-value business opportunities, ensuring that

ROI isn't limited to decreased expenses from lower costs. For customers, this translates into a more stable business partner offering greater service capabilities.”

Relationships rule.

Service-level agreements become the focus of many outsourcing relationships at home and abroad. But the dynamic complexities of day-to-day operations often transcend what can be dictated in a document, especially when the document is created before business begins.

Just as regular face-to-face communication with customers about their expectations builds successful long-term relationships, so does continual direct contact with managers in outsourced facilities.



This is particularly important in offshore arrangements, since extra effort is needed to mitigate cultural differences.

Severe cost-cutting pressures have led to the commoditization of some outsourced services, and in such cases, relationships are irrelevant. Margins are squeezed so tight that service parameters become equally tight. With higher-value outsourced services, the real payoff from relationships is having a business partner willing and able to step in when your company needs help outside of agreed-upon projects. In a free-market economy, companies may get lucky and still receive decent service -- but don't depend on it in a purely cost-driven relationship.

Projects may vary, but service quality can't.

No matter where operations are based, customers must see a united company through any type of interaction.

Despite differences in local customs or culture, every individual in the enterprise must understand the company's core value and deliver it. In the service-desk business, the core value is solving customer problems quickly, courteously and correctly.

In terms of technology, outsourcers may need to invest in telephony and other infrastructure upgrades to ensure that service is seamless to the customer -- a relatively straightforward task with today's cutting-edge technologies. However, consistent, high-quality service ultimately comes down to one essential ingredient: high-quality people.

When outsourcing or off-shoring support services, it's helpful to seed the new operation with staff from existing operations to instil the company's core values and commitment to customer service.



Conclusion

In the end, an outsourcing relationship -- especially one involving offshore operations -- can't just maintain its value proposition; it must deliver greater value over time. The frequency and impact of business and technology advances don't allow multinational corporations or their service providers to remain static; companies must innovate or lose their ability to compete. Innovations in technology, processes and services help

any company and its outsourcers ensure their value as business partners over the long haul. This, in turn, helps their customers realize the full potential of the relationship. Whether here or over there, that's the only way any business succeeds.

KSLM UK | Pragati Div.

2nd Floor | Cardiff House | London

UK, NW2 1LJ

Pragati is the trading name for KSLM Limited,
Registered in England & Wales No. 5464744