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Outsourcing: Separating Myths from Realities

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What are we going to talk about?

Myth #1 – Outsourcing is bad.

Reality – Outsourcing is a legitimate method for providing services.

Myth #2 – Outsourcing is easy.

Reality – Outsourcing requires significant planning and resources to be effective.

Myth #3 – Once you outsource a function, it's permanent.

Reality – "Insourcing" is always an option.

Myth #4 – Outsourcing shows a failure in management.

Reality – Outsourcing is an effective tool used everyday by competent managers.

Myth #5 – Outsourcing can't be done in a union shop.

Reality – Outsourcing exists in all environments.

Myth #6 – Outsourcing will solve all my management problems.

Reality – Outsourcing relationships need to be managed to be successful.

Myth #7 – Outsourcing will solve all of my human resources problems.

Reality – Outsourcing staff are people too!

Myth #8 – Outsourcing is guaranteed to save me money.

Reality – Outsourcing may cost you more if not used properly.

Myth #9 – Outsourcing is an all or nothing deal.

Reality – Outsourcing is often used only for specific services.

Myth #10 – Outsourcing is inevitable.

Reality – Outsourcing is only one choice among many.

Myth #11 – Outsourcing is a topic that I should never bring up with management.

Reality – Outsourcing options should be reviewed on a regular basis.

Three Factors to Consider

1. Core competency directly related to the business.
2. Subject matter expertise that brings added value.
3. Operation is cost efficient.

Core Competency

- Service your customers expect.
- Service that has a direct impact on your customers' perceptions.
- Service that has impact on bottom line.

Subject Matter Expertise

- Applied knowledge of management and staff.
- Proactive internal consultant.
- Professional certification.

Cost Efficiency

- Accurate measurements of volumes.
- Cost per piece analysis.
- Quality initiatives.

Operational Review

- Regular customer surveys.
- Peer review.
- Internal/external audit.

Why Outsource?

- Savings / cost avoidance.
- Reduce headcount.
- Partnership with vendor.
- Long-term strategy.

Outsource vs. Insource Key Elements

- "3 factors".
- Core competency of vendor.
- Fair and accurate comparison.
- RFP process – internal operation must submit bid.

Outsourcing and Technology

- Has internal operation remain up to date with technology?
- How flexible is the legacy system?
- Investment vs. cost avoidance.
- Long-term strategy.
- Vendor – current state, future plans, charges for upgrade.

Outsourcing
Vendor Audits

- For both onsite and offsite vendors.
- More than just quarterly review.
- Multi-day monitoring of operations
- Interview key employees and stakeholders

Outsourcing
Vendor Audits - Report

- Identify:
  - Deficiencies
  - Risks
  - Remedies
- Review with vendor, allow response.
- Documented plan for moving forward.

Outsourcing
Weighing the Risks

Negatives	Benefits
Less control of daily production.	Don’t have to manage changes in daily volumes.
Not sole client.	Enjoy benefits of economies of scale.
No control of technology decisions.	Vendors invest in technology as part of core strategy.
May be difficult to change vendors or insource.	Not reliant on key leaders and managers.
Vendor must still be managed.	Company manages vendors today.

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Questions?

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