

SMART OUTSOURCING

How to Start

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Preface

Outsourcing is a popular and common practice among business professionals these days. It is perceived by clients as the catalyst between having things done and focusing on your core work. Nowadays, outsourcing is seen as not only a way of saving costs, but also a way of increasing capacity and growing results!

In theory, it is becoming possible to buy, off the shelf, nearly any function you need to run a company, but there is more than meets the eye to this magical business solution.

This book aims to guide you through the world of outsourcing and together to understand and discover what type of outsourcing process is appropriate for your business or company.

As a Manager, CEO or business owner, it is important to understand what key steps you need to take in creating an outsourcing strategy and in establishing the right reasons of partnering with an third party company before deciding what is the perfect outsourcing model for your business.

This book presents the benefits of being an employee in a company that outsources its processes, giving you the advantage to understand faster how this could be implemented in your company, thus being more efficient and performing in your day-to-day activities.

There are two sides to every coin, and SMART OUTSOURCING presents the risks and the mistakes you may face when working with this type of service. Outsourcing is not always a smooth

sail!

To better understand the benefits of being part of this global trend, we are giving you some study cases of companies that choose to save their money and time as well as improve efficiency and customer satisfaction.

SMART OUTSOURCING is special for its way of deciphering the complexity of outsourcing in easy steps, facts and outcomes, which you can use in your company strategy; no matter if it is a small business or a multinational company.

Reading this book can change your way of thinking business, can maximize the potential of your work by delivering better products and services to your customers; ultimately it will bring you closer to success!

CHAPTER I

Outsource your problems away

Outsourcing is one of the major items on every company's list. It happens when a firm decides to contract another institution for handling non-core parts of the business. From small activities like taking care of the payroll, billing, and data entry to entire services like information technology outsourcing and business process outsourcing, hiring a third-party to take care of your business at a micro or macro level is one of the most favorable ways of coping with the new business environment. Outsourcing allows you to focus on core parts of your business and it supports you in realizing your management and leadership objectives. Nowadays, outsourcing parts of the process to a third-party company is considered to be the best business decision for both large companies looking to reduce costs as much as possible and small enterprises in a continuous battle with the competition.

The job of a solo entrepreneur is never finished, or at least that is the way it was considered to be. Outsourcing can help a start-up or a small company by getting the small things out of the picture and letting the entrepreneur focus on what is truly important for his business. The customer care system, the paper work, and even the human resources department; all can be outsourced to another specialized company that can ease your pain. In this way, you will no longer find yourself looking for an office in the center of the city and hiring 50 people in the first month just to make sure you are ready to meet the customers' expectations. By investing in other responsible companies,

you make sure that no mistakes are going to be made and that everything will happen as planned with no risks or surprises.

In comparison with a start-up, a big company has even more reasons for creating partnerships with other companies. Reducing the costs and maximizing the profit while keeping the same quality standards has become every manager's dream. Making more with less is one of the main reasons why big companies integrate outsourcing into their business plans. But apart from making sure that the small parts are being taken care of, a big company has to keep a close eye on the bigger picture. For them, outsourcing can mean more than just contracting a third party human resources company. For them, outsourcing firms created ITO (Information Technology Outsourcing) and BPO (Business Process Outsourcing). In other words, everything from programming to customer-related functions and even accounting can be cut off the main company and redirected to other partners. Enterprises choose ITO especially when they lack the resources to provide this kind of service. In this case, contracting a third-party will convey in visible cost-reductions and improvement in the quality of service. ITO will help any company get rid of any Internet or computer work and in this way gain leverage from a much more experienced IT company. Most of the enterprises opt for offshore outsourcing, making sure that their contractor offers a good quality-price rate. When it comes to BPO, things tend to get a little more complicated.

BPO enables any company to outsource anything that is related to any of the business functions. This means that a company can find a contractor that can take care of an entire supply chain, product line and even a part of your business, such as a call

center. This type of outsourcing is very focused on transparency and on creating reliable, trust-worthy partnerships. BPO implies a good working knowledge of all business objectives and it requires delegating both core and non-core parts of the business.

There are several benefits that you should keep in mind when considering outsourcing. Reducing cost is likely the most significant benefit nowadays but, apart from attracting talent by offering in return small revenue, there are some other reasons why outsourcing can be the right step forward for your business. Firstly, having an outsourcing partner will help you gain an enormous competitive advantage. You will be able to keep in mind only your leadership objectives, forgetting about the non-core parts of the business process. Also, you will have at your fingertips specialized firms that will deliver according to your needs. As far as your own employees are concerned, their job will be easier since they will be in charge of your core business, bringing value to your customers and will increase your return on investment.

Outsourcing can be tailored for every company and it can respond to a wide range of business needs, problems and objectives. The hardest part is realizing why, where and what to outsource but you will find out all about that in the next chapter.

CHAPTER II

Outsourcing reasons and benefits

Companies that have decided to outsource non-core functions of their business probably had several in mind reasons for doing so and for sure the wide range of benefits that this business decision brings was one of the main pillars behind their decision.

From reducing your cost and investing in what really matters, to bringing added value and making yourself a strong player on the market, outsourcing brings a lot of benefits to the company and if you are not yet convinced have a look at some of the most important and persuasive aspects you should consider before saying “no.”

1. COST ADVANTAGES are at the top of every manager’s concerns. Outsourcing a non-core function will improve your efficiency and it will help you save time. Imagine if one day IT services would no longer be your concern and not only that, but also supply-chain operations, learning and training, human resources, accounting and financial services as well as customer relationship management. By hiring other companies to take care of these small but important pieces of the puzzle, you would be able to focus on the extremely important parts of your job, such as strategic and investment planning.

However, cost advantages do not mean only that you commission another which you assign some task, but implies that you will eliminate all investments in fixed infrastructure and you will convert fixed costs into variable, gaining operating

leverage. It will be easy to predict all variable costs since you will negotiate with your outsourcing partner and make sure you receive the best price-quality balance one can get. Also, keep in mind that reducing your spending will translate into new capital that you can use for investments and implement those growth strategies you keep dreaming about. This will attract investors and gain leverage from economy of scale. And that is not all! By making your business successful, you will also attract the best employees and, in this way, reduce the labor costs, especially in terms of additional training.

2. INCREASING EFFICIENCY will offer you and your business the chance to become a change agent by removing all the tasks that might absorb human and physical resources and invest all that energy in the core parts of your business. You will be able to free your managers from day-to-day, long and dodgy processes that kept them from being productive and most important, proactive.

Being cost effective and efficient will help you consolidate and centralize functions and take advantage of all the benefits that scalability brings. Your business will no longer be affected by sudden change and you will be able to manage all increases or decreases in production, both temporary and permanent. Keeping that in mind, your business will gain a competitive advantage and will always be one step ahead.

3. GAIN COMPETITIVE ADVANTAGE is what you should be thinking about. The best way to make sure you are going to be the leader in your field is to always include innovation in your projects, products or services. By bringing added value and by

showing your clients clear benefits, you will not only increase the quality of your business but will also become reliable. An outsourcing partner will give you the time and money needed to specialize in your core business and gain certain skills that will make your customers return and recommend you to their peers. Also, you should seriously consider and strive to establish long-term, strategic partnerships with blue-chip service providers. By respecting their experience and by trusting them, you, as a manager, will have the time to focus and put into practice your strategic thinking.

4. That brings us to another valuable advantage from which you will benefit. Having **ACCESS TO SPECIALIZED SERVICES** will make your services much more efficient. An outsourcing partner will provide you with a larger talent pool and set of skills that will nevertheless bring high levels of customer satisfaction. So, take advantage of your provider's experience and offer your customers better quality of output. Their knowledge will reduce your need for internal specialists and will standardize every process, since an outsource company has expertise in dealing with problems for a variety of clients with similar requirements.

As you can now realize, outsourcing can give you and your company that extra push you need in order to move forward and exceed your customers' expectations and this goes even further. The list of benefits continues in the second part of this article.

You already know that by starting a partnership with an outsourcing company, you will experience severe cost reductions. You will give your business the needed flexibility by accessing

specialized skills and be one step ahead of your competitors. As you probably realize, this is not all, and although saving money and time is one of the most pressuring thoughts of a manager, keeping it simple and cheap is not a viable strategy in the long run. Keeping that in mind, there are some more benefits that you should take into account and remember in the dark days when being a leader seemed like a punishment.

5. IMPROVE CUSTOMER SATISFACTION should be your ultimate goal. An outsourcing partner will make sure that you deliver faster and better services and products and will give you the opportunity of converting your ideas into action much sooner than you and your customers expected. Exceeding the stakeholders' expectations will be an easy thing to do when you have at your fingertips all the best practices and proven methodology, both provided by your outsourcing company. Your business will have access to a wide range of technologies without assuming any risks or investing in expensive machines, software or hardware products. Yet, you will receive strong assurances that your outsourcing partner will make use of technologies that will improve the quality-price rate.

6. And because we are talking about taking chances, it is important to realize that a partnership with an outsourcing company will also help you **REDUCE RISKS**. As stated before you will gain leverage from your provider's extensive investment in technology, methodology and human resources and use their skills to improve your products and services. This is the right way to almost completely reduce the risk of technological obsolescence. Your outsourcing partner will offer you a customized product and service that will be tailored to your

company's needs. This will help you minimize the impact of rapid changes in technology without any alteration in your core or non-core functions of your business.

The contract-based agreement will entitle you to legal leverage on all services provided by the outsourcing company. Also, you will experience on your own skin how important having a risk management strategy really is and especially how powerful the "portfolio" effect can really be. You will no longer talk and think about reducing risks, but you will instead realize that assuming calculated risks is the key to success.

7. Now that you no longer stay awake at night thinking about all the risks you assume with every business decision, you can **FOCUS ON YOUR COMPANY'S CORE FUNCTIONS**. Eliminate all distractions caused by too many IT problems, payrolls or customer enquiries, get rid of all those time-consuming tasks and concentrate on your own job description. Remember that, "What an outsourcing partner really sells is focus," (Adam Katz-Stone, Baltimore Business Journal) and start building your brand, think more about research, innovation and new products and services.

Redirect all energy and personnel to core functions, focus on strategic thinking and eliminate the feeling that every workday needs a pain management plan. Create leisure time for you and your managers and optimize their work so they can give 100% and be targeted only on their own tasks and objectives.

If this sounds too good to be true, take into consideration that every outsourcing company will make sure you retain control

of all strategic decisions and always have the last and most important input.

8. If you look back and see that by now you've saved money, improved your business as well as your customer's satisfaction rates, all of these with no extra risks it is time to look even deeper into you core business and realize that customers are not the only ones crucial for the outcome of your business. Your employees should be the ones that you consider next because having an outsourcing partner gives you the opportunity to **DEVELOP YOUR INTERNAL STAFF.**

Poor attitudes will always be followed by a poor level of performance. By investing in your staff you will improve the quality of your business, increase the retention rate and on the long run reduce the costs of finding the right candidate for the right job. Constantly offer your employees learning opportunities and you will add a crucial piece of puzzle to your business: innovation.

Nevertheless, like everything in life, outsourcing comes with a set of challenges. But don't worry about that yet. They are far away, in the next chapter.

CHAPTER III

Risks of outsourcing

Like we said before, an outsourcing partnership should be based on trust. But, since trust cannot be earned overnight and since time in business is always limited, doing your homework is an important part of the deal. Think of outsourcing as a marriage. Although this life-long relationship will bring you happiness and security, it comes with a list of challenges. For outsourcing, we will talk about the main five things that can make you reconsider your decision.

1. LOSS OF CONTROL. When going into a serious relationship, you are expected to invest your better half with trust and eventually stop being a control freak. You will be expected to do the same thing in an outsourcing partnership. Turning over the managerial control to other company can be a problem for almost all of the CEOs. You should take into consideration that the outsourcing company will have a different mission and motivation and will also be interested in gaining profit. Although it sounds an impossible thing to do, you will have to accept that the other company has its own identity and try to find a common ground from the beginning. Respect their identity and customs. Try to remember that the outcome of this partnership is not the only thing that matters. Rely on your outsourcing partner and consider them a part of your business, not a third party in charge of washing your dirty dishes.

2. HIDDEN COSTS. You all think that a good thing comes with invisible responsibilities. Well, you are right, sometimes you might end up paying much more than you previously planned. In order to avoid this situation, you should negotiate the terms of your contract; remember to include every aspect of your relationship and make sure you are the one keeping the couch.

3. SECURITY AND CONFIDENTIALITY THREATS. Every outsourcing partner will need, at some point, information about you and your business. Make sure you protect yourself through the contract but still ensure that you offer the company all the necessary data.

4. DECREASE IN YOUR COMPANY VALUE. If you decide that being in this kind of relationship is the right way to go, remember that your customer will cease to be in the middle of your business. Also, you should take into consideration that your outsourcing partner has several clients and usually cannot provide you with their full attention. Your employees can also feel neglected and if you put it all together you might lose your focus and end up rethinking your decisions. In order to prevent this from happening, you should think not just if this solution will help you save money, but also if the partnership will add real value to your company. Remember that unlike being in a marriage, in an outsourcing partnership you can have everything you want. So, you can invest in your staff but also outsource the non-core parts of your business that are eating all of your employees' time. Promoting an environment where innovation is appreciated and outsourcing is encouraged, might be the recipe for success.

5. LACK OF FLEXIBILITY. An outsourcing company is a business. Like you, they don't enjoy dealing with undecided customers. So, be sure you know what you want and don't expect from their part a reaction that you and your business would never have. For example, don't expect them to understand you and your company from the first meeting. Communication is the key and only by being open to suggestions and having a real partnership with your outsourcing company you will get something valuable out of this.

As you already know, the coin will always have two sides and although people swear they will never get married, eventually some lucky ones do. Finding the right partner is always going to be hard but a good CEO will always know the right path for their business. Make sure you look for a partner for the right reasons and remember that saving costs alone is not a good long-term strategy. Always look for an outsourcing partner that cares and has that special power of allowing you to worry only about things that truly matter for your company.

CHAPTER IV

Outsourcing trends, growth patterns and future

It became a story worth telling in 1970 but since then, outsourcing had to overcome a series of challenges. At the beginning, in the first 10 years of its life, the process was taken under the protective wing of globalization and all the big companies seemed to believe that outsourcing parts of their business was the right thing to do. Nevertheless, when it reached puberty, outsourcing was left alone and it soon had to grow up, become a safe business and start offering real benefits. Even from the beginning there were companies, we can call them early adopters that jumped ahead and embraced the trend. But, without thorough planning and assessment prior to outsourcing the entire partnership is doomed to failure. At the end of 2010 there were several companies that considered outsourcing a dying business that would be eventually painfully killed by the big players, like Google. Computer World UK published in March 2010 the result of a survey conducted among several companies using outsourcing.

The result showed that most of the CEOs were not satisfied with the outcomes. Nevertheless, they realized that they joined the outsourcing club for the wrong reasons. “Companies expressed frustration with the quality of work being provided, according to a survey, but most businesses still said they chose the cheapest outsourcing option instead of the best quality. Nearly all businesses - ninety-four percent - admitted that the focus on cost was increasing the likelihood of their projects failing.”

Therefore, when it comes to spotting trends it is easy to see that cutting costs is still a dilemma. No matter the solution, you as a CEO chose, you are still going to have to invest some money in order to get results. It is better to consider your options and put everything into balance. What would improve your business: investing into your staff and giving them no other choice than becoming better and better with each training session and thousands of dollars spend or commissioning another company that would enable you to start thinking about the core parts of your business? It is hard to arrive at a conclusion in due time but, you should know that more and more companies are choosing outsourcing and more and more CEOs understand that risks have to be taken in order to grow.

Mohanbir Sawhney the author that was named one of the 25 most influential people in e-business by Business Week Magazine believed that the greatest benefit of outsourcing is that a company can access valuable work force at a very low price. "It would be an hourglass with the blue-collar jobs at the bottom and the white-collar jobs at the top getting hit the most." Why hire a very good US programmer with a full time salary when you can commission a very talented tech-savvy graduate in India for a third of the price. The only thing that Sawhney did not take into consideration was that every company is, at the end, the result of its employees. A CEO has to know the employees, trust them and manage them directly. Outsourcing companies acknowledged that trend and adjusted their vision on dealing with control freak CEOs. BPO, KPO and SPO are the three superheroes that saved the outsourcing world. But that is another story.

Before going deeper into the woods you should also know that all these trends and changes made outsourcing a much more stable business. CEOs already consider gaining more control over the outsourcing partnership in order to ensure the long-term success of strategic offshoring decisions. The CEOs are no longer looking for fast and short-term results. The globalization and the highly competitive environment made them look for long-term partnerships that would play a strategic role for the entire business. It is also expected that the IT industry will outsource overseas more jobs with 10 to 15 %, fact that will generate political debate and will increase the risk factors. War, terrorism, tsunamis, earthquakes and even the continuous competition between China and India are all factors that can effect and destroy an outsourcing business in minutes.

Nevertheless, outsourcing has proved its strength. The business is continuously adapting and will offer in the future standardized and optimized services that will assure the CEO that the business follows incremental steps to success. The managers are expected to gain more control over the contracts that will cease to be only project based. Also, the sophisticated and highly qualitative services provided will lower the risks and will provide the customer with even more options as years go by.

CHAPTER V

Types of outsourcing

We tried to make you think about outsourcing as your beloved partner with whom you want to spend the rest of your life. But as in every long term partnership we left some key things out for you to discover when you make your first steps. Now that you have an idea about how you should approach your future partner you might want to have a look beyond the surface. You should know that when you marry an outsourcing company you also commit to a series of “relatives”. As in every family there will be several people with whom you will rarely speak and also there will be some that will amaze, support and be there for you through every decision you take. It is exactly the same when it comes to outsourcing. Consider this the family dinner when you get to know all of her/his relatives. You will spot your favorites in a second.

TECHNOLOGY SERVICES OUTSOURCING

This is the cool uncle of the family. Technology Services Outsourcing will help your company when you are in need of investing in state-of-the-art technology. From network infrastructure and telecommunication to website development, mobile applications, e-commerce or other gadgets that will improve your online customer experience, technology services outsourcing is the family member you can trust. This cool uncle will be there if you feel that a technological investment is the right way to go. The main reason for loving this guy is that it

will help your company save some money. You will no longer be obligated to hire an entire team to make sure you do not get left behind in this tech race.

Even if you decided that you need a whole new team for this, remember that the cool uncle is specialized in bringing all companies to life (technologically speaking of course), and it usually is the go-to-guy in this kind of situation. Nevertheless, you should keep a close eye on this one. As technology evolves, you might be stuck in something that in a six month period will no longer be useful, viable or even preferred by your customers.

BUSINESS PROCESS OUTSOURCING

This one stands nevertheless as your future father in law and you will soon understand that having him beside you makes everything much better on the long run. Business Process Outsourcing (BPO) takes care of all operational functions as accounting, customer relationship management, human resources, logistics, procurement, manufacturing, health care and so on. BPO usually takes everything that is included in the non-core parts of your business off your shoulders in order to let you focus on the main parts, like strategy, investments and development.

Although slightly obvious, the good thing about being close to your father-in-law, in this case a strong BPO company, is that you can actually stick to your job description, taking care of your company while he makes sure everything else is running smoothly. The big advantage of contracting a BPO company is that they can provide you with expertise and the extra push

to be the best as you can be. Their experience will freshen up any dusty company and you will soon see that if you invest this relationship with trust you will be astonished by the results.

KNOWLEDGE PROCESS OUTSOURCING

Knowledge process outsourcing (KPO) is your mother-in-law, one of the key players in any relationship. As you probably already know, you must take into consideration this kind of partnership because you are going to need the services. To make it much more clearly, KPO is all about advanced research, analytical and strategic skills. This means that you are expected to hand over some processes, responsibilities, information and authority to your KPO partner. In order to maintain high standards, you will have to give the KPO specialists managerial control and to take into consideration their insights and decisions. As it usually happens in your personal life, where the mother in law has to be kept up-to-date with everything and has to be involved in every main event of your married (or not even yet) life, the KPO company will soon become a part of your company.

The good thing about contracting a KPO company is that they will be your advisers and they will provide you with that broader view over the entire market and business that usually lacks both small and big companies. The only thing that you should take into consideration before shaking hands with a KPO provider is that you have to be prepared and to be able to admit that in order to move further you have to invest others with trust and learn from their expertise.

SMARTSOURCING

Smartsourcing might just be the one, the lovely hand that fits perfectly into yours or the smile that makes your day. We know it sounds simply amazing and we must admit the fact that it really is. This type of outsourcing simply blends into every process, until it hits the core, until your company has everything. Before rolling your eyes, we are not talking about hiring gurus that promise you to change the company, the market and the entire world. The simple things are the ones that are truly important. Smartsourcing is all about including innovation in all your organization's processes and answering a wide variety of questions. Mainly, it will no longer be all about how to implement an incremental increase and walk quickly through the valley of the dead. Smartsourcing will help you reach your potential and provide the customer with a hard to forget experience.

The best thing about having a smartsourcing partner is that you are assured every day that you are (at least) one step ahead, that you no longer strive to survive but you reach for the stars. The main thing that you should remember is that trust is again required and you will have to consider your smartsourcing company as your long-term partner.

Close to real life, don't you think?

CHAPTER VI

How to choose your perfect outsourcing model

By now you can consider yourself in a long-term relationship, head over heels in love. But before changing your Facebook status and announcing it to the world, you should also know that outsourcing is not something you meet and make a life partner with overnight. The entire process will require lots of planning and thorough thinking. To help you even more, we studied some outsourcing gurus from both past and present and we came up with an integrated approach to different models of outsourcing from which you can choose.

In-source or in-house outsourcing is mostly preferred by companies which want to invest more in their existent employees or to bring in new team members. The Personnel outsourcing, as it is also called, can give you the extra push you need to finish a project in time, to exceed your stakeholders' expectations or simply to manage the workload.

The model can take any form, depending on your immediate needs. From an IT expert to an account director, the in-house model can bring the expert in your company to work on a specific project. The only drawback is that it can be costly and without serious planning it can also fail to be as efficient as you originally envisioned. Make sure you offer the guidance needed and you supervise the entire process.

Outsource to a third party. This is the “must have” model because it transforms the outsourcing company into a long-

term partner. We are no longer talking about a simple project that once finalized dissolves the collaboration between your company and the outsourcing partner. This is the model that will provide you with a reliable better half for specific non-core business functions. This is the help you need to focus less on the small details and look more into the core parts of your company. You can choose to have a project based partnership; a function based one or any other types of contract that will involve another company being there for you when you most need it.

Co-sourcing usually describes the situation when, due to various reasons, you contract multiple outsourcing companies. Although having one partner will considerably make everything easier in terms of aligning the non-core functions to the core ones, having more than one service providers can be beneficial for the company.

This is the way to go if you are looking into testing the market and in outsourcing a certain service / function. Many companies start by looking for a company that will provide IT assistance and customer management, for example. After a few months of testing the environment, they can spot for example that outsourcing pay roll activities can help them cut costs and they will find an expert in this field. This model is created specifically for companies that are dealing with immediate issues. Nevertheless, most companies finally agree and centralize all the activities to only one partner, in order to make the process smoother.

Multi-source outsourcing is for the early adopters, the

companies that are now familiar with outsourcing and consider it an important part of the business. In this case, a company can choose to spread its project or functions to different outsourcing providers on different markets and usually on different stages of the same project. The most common case is when a company is looking to outsource a call center that will provide a 24-hour customer service. Due to time differences, a company can choose to outsource 12 hours to a company in India and the other half to another provider that can meet the time requirements.

By reading through these models and by conducting some research on this topic you will be able to understand the choices you have when looking to outsource. The models will help you make a decision based on both your short and long term strategies and pick the framework that best suits your company's needs and future plans. Now that you have a clear understanding of different types of partnership that you can sign with a company, it is time to know what should and should not be outsourced, but more about that, in the next chapter.

CHAPTER VII

What you should not outsource and why

You must be excited by now and for sure, you already have some things in mind which you consider too expensive to be doing all by yourself anyway. Before running to Google and starting your search, remember the first lesson about outsourcing: it is not only about cutting cost. Sometimes, outsourcing something you do poorly but at a minimum cost can bring you great benefits if done by an expert; and speaking about things you want or are afraid of letting go, this chapter will take you through the main options you have when thinking to outsource or in other words what you should and should not say goodbye to.

Let's start with the "never outsource" category.

Core business competencies are never to be let out of site. You cannot give the wheel away and still expect to be considered the driver. The key functions of a company should not be delegated to an outsider, this even being consider against the law in some states. Another important thing that should be mentioned here is the knowledge-based function which again should be kept in-house. No matter what you decide to outsource, you must be aware that you will have to share something with your future partner. Make sure you don't violate any legal or confidential aspects regarding both your clients and your employees.

High-risk business functions are again a must keep item. One of the main advantages that an outsourcing partnership can bring is the ability to deliver certain and predictable results. Although

it will make you sleep better at night, you should keep the hard work for yourself. Don't think about outsourcing highly-volatile and very risky functions. Nevertheless, this will never include technological aspects or any other function for which you can predict the scope and risk structure.

Critical business functions, especially those that have a political implication. This applies to both big and small companies and it draws attention to the foreign subcontractors that have to function according to different laws and regulation than your own company. Political restraints, laws, regulations, nationalization and other aspects can make your life a living hell if you decide to share one of the major functions of your company. Although the law is usually on your side and the risk is manageable, you have to make sure that you don't deport half of your company in a no man's land, because by the time you get it back it might just be too late.

Employees are also important to your business so make sure you consider them a priority. Having this in mind, try to restrain yourself from outsourcing termination management. We know that someone has to do it and you usually prefer to be someone else but a manager has to be capable of delivering both good and bad news. In the same category is also the employee development.

Although there are amazing trainings and online programs available, you have to make sure you are a part of your employees' development. At the end of the day, you will be working with them and you will be the one planning everything according to their results.

Also, consultancy companies advise against outsourcing succession planning. You should be the one deciding on who and when should be promoted. Although, an outsourcing partner will be objective, it is in your best interest to have the right man on the right job.

Last but not least, when it comes to your employees try to keep retention in house as well. It is not all to raise them and fire them, if you aren't able to keep them happy and productive. Take this into consideration and remember again that any company is defined by its employees.

Don't expect to stumble upon a manual that will guide you through every step and tell you what you should and should not outsource. It all depends on your own company, the strategy you are implementing and the financial situation. Remember that these are general guidelines which are worth looking into.

What you should outsource and why

The picture of the functions you should never outsource is already painted in bright colors. Try to keep everything that defines the core of your business inside, take care of your employees and take into consideration everything, especially your long term strategy, before deciding on what you can let go of.

We underlined the most common functions and processes which are outsourced and they will for sure raise some new opportunities as far as your business is concerned.

IT functions are usually the ones that are let go first. From network management to website development and data warehousing, you can find an expert in any IT problem you are looking to overcome. It will help you save costs and also it will provide your company with the latest technology, software and highly skilled professionals ready to offer assistance 24 hours a day.

HR is the second most common department outsourced. Bear in mind that we are only referring to payroll, recruitment and secretarial services. Going further into detail, outsourcing payroll is usually recommended since it needs to be kept confidential. Outsourcing the activity will minimize the access to the data and it will protect your employees in the same time.

As far as recruitment is concerned, this process is usually considered to be a great time eater. There is a large number of extremely well prepared candidates on the market and hiring

a company that will only choose the best of them will help you save time and money.

The main benefit of outsourcing these activities is that you pay “as you go,” only when you require their services and so you will maximize the employees you already have.

Finance is definitely on the most go list. You can successfully outsource your entire accounting function, bookkeeping, invoicing and taxes. The main reason for doing this is the fact that, in the case of taxes, the law usually changes every year so it will be hard to keep everyone up to date. Nevertheless, a finance outsourcing partner will know the latest changes in the legislation even before you realize how they can affect your company.

Health and safety is tricky to maintain in-house. Similar to contracting a finance partner, hiring a consultancy firm specialized in health and safety compliance tasks is a big time saver. You will make sure you meet all the requirements and you keep everything cost-effective in the same time.

Sales and marketing are rather controversial domains. Nevertheless, the market shows several good case practices of firms that hired marketing agencies for communication management and of SMSs that boosted sales leveraging on experts with years of previous experience in this field. It is again a judgment call. In order to make a decision, you should analyze the market and your company’s performance. The main benefit is that you can still be in control of both your marketing communications and your ROI and also try new strategies.

Think about having the possibility of taking advantage of Social Media without being restrained to hire a manager for the job. An agency will always come with fresh ideas and you will know for sure that several bright brains will be behind a final product. A similar situation is if you decide to outsource sales. You can be in control of numbers and make sure that you are always on the right track.

Innovation. Although it will sound strange, it is time to admit that not all companies are capable of innovation. The problem is not that they don't have great ideas or a good financial plan to back this and in most cases is not even the managers' school of thinking that stands behind the lack of innovation. In most of the cases the problem is very simple. Time is the biggest constraint when it comes to innovation and an outsourcer can easily solve this problem. It is usually impossible to pull your employees from their daily tasks and expect them to work towards generating something new and original that could push the company forward.

An outsourcing company has it all: the determination, the knowledge, the drive, the time, and the resources to do it better than you could ever manage to do it.

CHAPTER VIII

Steps you should consider when deciding to outsource

In outsourcing, as in every other aspect of your life there are some steps one can follow. They do not guarantee success, but usually they act as a grocery list: prevents you from missing the important things. So we have for you 10 important steps to consider when outsourcing:

1. ANALYZE. Outsourcing is an important business decision. Before jumping into it think carefully about the details. Establish what is that you want to outsource: customer care, financial services, BPO, KPO, data relates processes, audit, etc.? It might help creating a SWOT analysis of your entire business and drawing the line: what does your business need in order to be better? The answer will be transformed in a measurable, clear and realistic goal that must then be shared with key employees and third parties. This is why the second step will require you to consider:

2. CONTACTING A CONSULTANCY COMPANY. A team of experts can offer you support for each stage of the outsourcing process. You might consider also including an attorney specialized in outsourcing procedures. He will help you negotiate the contract and maintain a professional relationship between your company and the outsourcing team. Nevertheless, you have to know that outsourcing is the type of business process in which you want to involve your best employees. You should

also create:

3. AN INSIDE TEAM. Your employees usually have an in depth perception of your company. They know what its strong and weak points are. They also know that an outsourcing company can give them more time to step aside bureaucracy and deal with important issues like training their new employees and implement process that can increase productivity and lower the costs. The management team also has to be part of these kind of decisions not only to show that you, as a manager are doing your job, but also in order to take due diligence and make sure that all important information is offered to all parties.

4. GATHER ALL IMPORTANT PEOPLE in a room and align all outsourcing goals and actions to your business strategy. Make sure your new outsourcing partner is integrated into your business processes and is kept in touch with the quarterly and annually goals of your company. This step is crucial considering the fact that you are about to “hire” a company that will have to stay by your side in the next 5 to 10 years. Make sure both you and your business plan are prepared for the future.

5. DEVELOP A REQUEST FOR PROPOSAL (RFP) that will make all outsourcing partners interested in your project to respond to specific questions. This will allow you to compare answers and see which one “thinks” like you. Look for short and conclusive answers that will convince you from the first read. Nevertheless, this is only the first step in finding the right company. Think about the importance of:

6. CREATING A COMPETITIVE ENVIRONMENT. Invite the bidders to your office and make sure you have consultants and members from your inside team. It is important to make the management team part of this decision since it will affect the performance and the profit.

7. NEGOTIATE THE CONTRACT. The team of experts you already commissioned will help you choose the right partner financially and legally speaking. Prior to this it will help if you could rate the companies you already consider for the position and ask for references. Hiring an outsourcing company is as we already discussed as important as finding a business partner.

8. BE IN CONTROL. We already know that you envisioned this stage from the beginning. Make sure you keep a friendly eye on your outsourcing partner. Plan everything and work together to establish goals and deadlines. Monitor the outcomes and always analyze the results with your outsourcing company. Tell them about what you think the next steps should be and discuss every change that the company suffers.

9. MAKE SURE YOU WILL GET SUPPORT AFTER THE PROJECT ENDS. As we already advised you, always have the eyes on the future. It is easier to negotiate this step from the beginning, than trying to get hold of the company three month after a project ended. Plan and think ahead but always:

10. TRUST YOUR INTUITION. This is a business partnership, so work with people you like and respect. Make sure they feel they are your partners, not your employees, and treat them like you would like to be treated. That's all.

CHAPTER IX

Building an outsourcing strategy

Outsourcing is more than just transferring responsibilities on other companies in an attempt to cover your...well...own position. A strategy is required no matter how small or big your plans are and even by saying that, we already encountered the first problem. So, how would an outsourcing strategy look like? We found the six things you need to do to make sure your outsourcing plan is viable and will not let you down.

ANALYSIS. For this step you wouldn't need more than your closest employees and an empty room. Go again through your entire business and establish which your strong and weak points are. Focus on the things you think would help your business move forward; customer care, IT and infrastructure, BPO, KPO, anything that would actually make a considerable difference for your firm. Once you found the process that can bring that extra something to your company, define the work alongside your outsourcing partner you already thoroughly selected. Define your relationship and spend some time getting to know the team that would work on your projects.

PLANNING. This is the fun part. Roll up your sleeves, ditch the fancy suit, and start thinking. What are your objectives? What would be the most appropriate tactics to support those goals? How much time do you think you would need to achieve them? How much would it cost? What impact would that certain project have on the entire business? How would you

measure results and monitor the entire process? Make sure your objectives are SMART in other words Specific, Measurable, Achievable, Realistic, and Time sensitive. Also, pay attention to the difference between tactics and objectives and remember to write down the strategy: if it sounds right at the end, you are on the right track.

KNOW-HOW. We already prepared you for this, this is the heart-breaking time when you will have to let go. Talk with your partner and assure them they have your full support. Provide them with all the information they require, invest them with responsibilities and give them ownership. No matter how small the outsourced project might look, it will affect the business so play your role well. To make the relationship even smoother, create a common vision.

INTEGRATE THE RESULTS IN YOUR BUSINESS STRATEGY.

Companies never excel when it comes to change. Usually, the entire organism has to suffer until both the employees and the managers adjust to their new job descriptions. Make sure everybody knows what is the exact purpose of the outsourcing company and how is this believed to influence the entire team. Insist on the key positive points: the outsourcing company is there to take some of the non-core process off your employees' shoulders, fact that will lead to an increase in productivity and the company will move forward.

MONITOR. The first step is setting up specific KPIs that would be easy for the outsourcing company to report on and for you to track. It is believed that 50% of the outsourcing projects fail, mostly because the difference in expectations the two parties

have when commencing work. You shouldn't fall in that trap. Establish milestones and make sure you meet bi-weekly with your outsourcing partner, just to stay in the loop. Remember to always choose a conference call or a meeting rather than e-mails or electronic reports. A successful monitoring will mix them together and will promote and establish a balanced relationship.

EVALUATE. This is usually the step that gets forgotten. The importance of evaluating your partnership will help you to decide if you can ask more from your partner or change it with another company that can respond better to your needs. At the end of the project go look for the strategy and the objectives you once set up. Go through them together and establish the reasons why things went well or average. Make sure you have your KPIs close and all the reports you received over time. Although it should never be, evaluating is usually a subjective decision. Like in any other relationships you establish in your professional life, let room for intuition and after you analyze the entire data think again: how good was the outsourcing company at communicating, how eager were they to actually be a part of your business and understand the puzzle behind the whole?

CHAPTER X

As the previous chapter tries to cover the more general benefits of outsourcing, the following paragraphs are addressed to outsourcing reasons and benefits for Eastern Europe. It has already been established that most companies turn to outsourcing as they are looking to reduce and control operating costs, improve company focus, reduce risks, use internal resources which have become unavailable to other projects or access major global capacities. While some may consider that the rules for outsourcing towards to this specific region may be applied worldwide, there are some political, economical and social factors that will vary from one country to another.

Cultural understanding and sensitivity is one of Eastern Europe's strongest points. As small as these countries are compared to others like Brazil or China, they have managed to integrate foreigners as a part of their society, allowing people from several cultures to understand and adapt to a new way of life. Children and teenagers become familiarized with concepts related to cultural sensitivity by joining numerous youth organizations that develop awareness and understanding of such issues. People from living in Eastern European countries have shown great interest towards other cultures, embracing them and showing respect for others. Cultural sensitivity will help Eastern European companies to better understand and acquire you and your firm's culture, making them excellent business partners.

Access to expert knowledge is also very important and Eastern Europe countries are highly preoccupied with the level of

education of their children. It is a well-known fact that people living in these countries are more open to studying abroad if this grants them access to better preparation and high-quality education. Even more, Eastern Europe provides a considerable number of large universities which can generate well-prepared labor force for your company, giving you access to a wide range of choices, different from one university profile to another. Engineering and science are two fields of great interest in countries in Eastern Europe, especially considering Romania's amazing growth of IT specialists, with a figure 12% higher in 2009 compared to the same period of 2008.

Experience in outsourcing is one factor that could turn the gears in your favor. Countries from this side of Europe have developed some years of experience in working with foreign companies. This means that it will be easier for them to anticipate your needs and better understand your services, thus leading to better results.

As you can see, the human component is one of the most valuable resources that a company could have. Having valuable employees is generally an achievement unlocked in time, so it could be more profitable to find experts in whom others have already invested. Eastern Europe has specialists from several fields to aid your outsourcing needs, covering areas such as IT, business, consultancy, science, human resources, production, logistics and many others.

Understanding the importance of outsourcing could be crucial to the development of your company, especially when going through a rough phase from a financial point of view. Discover

some more benefits of externalizing certain tasks from within your company to real specialists that understand and care about your work and are willing to adapt to your needs and improve certain aspects of your business. Eastern Europe will help you reduce costs and facilitate your access to an international market as they have become used to working to with multinational companies.

Cost reduction has become a very important aspect which is always taken into consideration in time of economic crisis, while companies are making tremendous efforts to save capital or obtain better results with a minimum of financial effort. While most of the countries in Eastern Europe are part of the EU, some of them have yet to adopt the international currency known as the Euro, which keeps gaining ground in the disadvantage of their national currencies. This is why companies in Eastern European countries find it more profitable to be paid in Euros and will charge you considerably less compared to the prices you may find for services in more stable countries such as Germany or France (stable from an economic point of view). Maintenance costs are often lower in these countries, costs such as rent, utilities, labor force and others. In some countries, hiring fresh graduates who have never worked before is an initiative supported by local laws and you may even receive compensation to cover part of their salaries.

Political stability is one of the key success factors of countries in Eastern Europe. There are currently no interethnic conflicts in any of these countries, no civil wars or major political conspiracies that could lead to an unstable environment. It is easy to predict political evolution in these countries, so there

are no major risks of radical changes. Thanks to this factor, it is easy for foreign companies to invest here as the political reign encourages incoming projects and financial sustainability.

Infrastructure is crucial, especially when your outsourcing partnership and exchange of information will take place mostly online and over the phone. Countries in Eastern Europe have adopted new technologies quite rapidly, allowing them to meet European standards recognized even by the EU. With fast internet access and IT specialists that will keep several kinds of systems up and running, these countries will have no need for extra knowledge as far as the technology field is concerned.

Economic laws are built to the advantage of companies. Countries like Romania or Bulgaria have some of the lowest taxes found throughout Europe. For certain types of investments coming from foreign countries, the government may even offer certain tax incentives and reductions in order to encourage foreign companies to consider their country as worth investing capitals.

CHAPTER XI

Projects an entrepreneur can outsource for a profit – Case studies from Rent eBrains

Throughout this book you have found out many things you need to know when thinking about outsourcing a project, except the most important thing: what exactly you could outsource advantageously.

As explained in Chapter 2, there are eight main reasons why companies outsource projects. If you outsource to be able to focus on your core work you do this to increase your profit, to access specialized services, to increase your profit, or to increase efficiency, once again, it's for a profit. Therefore, all 8 reasons can be phrased into just one: outsourcing is the right tool to increase profits.

Below you will find some examples of projects you could outsource. These are real examples from the portfolio of Rent eBrains (www.rentebrains.com) – my online smartsourcing company. I have selected the top five most outsourced projects we have encountered out of the over 1000 we have completed so far.

1. Translation and localization of your website to expand your business in other countries

Many of our clients thank us a few months later for convincing them to translate their website in multiple languages and not only in Chinese, Spanish or German (the most asked for),

because even with the most thorough research, you can never know where customers could be located. Translating and localizing a website is not an easy job, and it is not a job for a freelance translator. You need native professional translators with expertise in the industry of your business to translate the content of your website. Then you need to have a graphic designer at hand to recreate the text from pictures, banners and buttons in the target language. Then you need a web developer / programmer just in case, because complications might appear at any time in the process of typesetting the translation on the actual website and he might need to add some lines of code or correct some bugs. Depending on your budget and goals you should decide whether to put the translation on the same domain or on a new website (domain). If it is on a new website then it might get complicated and you might need that programmer to work for some days. If your website has flash movies or videos, you will have to recreate the audio and video files in the target languages, too. This means you will need an entire army of specialists (e.g. flash designers, voice talents, video editors etc.). Once everything is up, you need to approach a specialist in SEO (search engine optimization) to come up with a list of keywords that are relevant for your website in, of course, the target language.

2. Starting an online magazine/blog in another country

You decided to tell what you know to people from other countries. Whether it is a blog or a magazine, you need local specialists to choose a suitable name (and logo) that relate to the culture and also to the theme you want to approach. Write your own articles and find a talented translator or local writer

to transform your briefs into meaningful articles. Then if it is a blog, you just need to post the articles and start the promo. If it is a magazine, you will need a DTP (Desktop Publishing) designer to help you make the layout, choose some pictures from an online stock website and create a nice cover. You can publish it on www.issuu.com or on your own website. Or you can work with Rent eBrains and they can take care of everything from start to end.

3. Selling your products abroad requires a solid market research

To sell your products in foreign countries you need to research the target markets thoroughly to see if and how it is worth it – you need a market research done by a local specialist in the local language who can create a report in your language for the review and decision process. This can take a long time and can cost a lot if you decide not to hire a local expert for it. An example of such a project from Rent eBrains is a furniture company planning to expand from Italy to Switzerland. They initially intended to rent a space and create a posh showroom in one of the main cities in Switzerland. After market research, the conclusion was that opening a showroom was not advised because a high-end designed website, available in 3 languages, with a representative photo gallery would bring more profits and the starting costs will be significantly lower and the risks, too. Thus, the showroom was opened only 2 years later and the company had a successful start on the new market with their online outstanding presence.

4. Designing marketing/advertising materials

It is a known fact that advertising agencies charge a lot for creativity and expertise. Some would say they actually charge too much and they have the guts to do this because their services are so nicely packaged that they have plenty of customers, so why not raise prices through the roof? The truth is that many small and medium companies and even bigger ones do not need to pay so much for simple advertising materials like designing a brochure or a flyer. They can get all the talent, (more) pampering and the expertise they need from an online agency, without the high prices. To make sure you get what you want, you should check the portfolio of the service provider and request samples or test them. You will discover that remote designers are just as good as local ones, for better prices which include “boutique-like pampering” such as “unlimited number of reviews” or “money-back satisfaction guarantee” – unknown to big advertising agencies.

5. Writing and publishing a book about you/your life

How many of you haven't thought about writing a book at least once in your lives? What stopped you? Well...the lack of time, the lack of skills, fear of failure, just about everything that stops people from doing things in general and probably a few more reasons on top of that. Buy an audio recorder and start speaking your ideas into it, as random as they come. After this you can hire a personal assistant to transcribe them and a ghostwriter to put them on paper in a stylish way, just the way you envisioned them, or even better-looking. Once it was written and formatted, find a title, get a designer to create

the covers for it and you can publish it online yourself or your personal assistant can do it for you.

Conclusions

When looking for that change that could improve the direction and even figures of your company, outsourcing is one solution definitely worth taking into consideration. We have underlined the main advantages that will help reduce some costs, improve several aspects of your production line or service delivery and preparation and you now have specific examples of businesses which are often outsourced to another party in order to facilitate your focus on core activities inside your firm. Not to mention that not all technical resources are always found inside your company, which makes turning to experts the next best choice.

At the beginning of 2010, President Barack Obama criticized companies that turned to outsourcing because, in his opinion, it led to unemployment. However, the utility and importance of companies activating in the field of outsourcing cannot be denied and the president's words did not stop giants such as IBM or Sodexo. There has been significant progress and increase registered especially in companies that provide services and, due to the lack of know-how, time or money, decide to externalize certain activities to someone who can do it better, cheaper and faster.

It is crucial to understand that at times companies cannot afford to take care of every single aspect which is related to the production of certain goods or services. Whether we are

talking about cigarette companies that decide to turn to PR experts for taking care of their external image or a computer seller that decides to let IT experts take care of the maintenance part, outsourcing has become more than a phenomenon. It's a solution to certain problems.

Eastern Europe is one choice worth taking into consideration when it comes to taking that first step towards outsourcing. From lowering the costs to having access to a market in development and some of the best IT or science graduates, companies will find it easy to penetrate the eastern market with laws and politics that facilitate external investment in these countries. While outsourcing is a big step that implies trusting "outside" people to handle something that you would normally prefer to handle yourself, think of all the benefits presented above that should weigh considerably in your decision.



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