

An Outsourcing Guideline

The purpose of this guide is to aid the company considering outsourcing in determining why a company should outsource, what will it take to successfully outsource a process and what to look for in an outsource company. There are many outsourcing stories out there, both positive and negative. However, if you prepare correctly, and select the proper outsource company, it will be a positive experience and you will find it extremely beneficial to your company. I suggested read on outsourcing is "The World is Flat," by Thomas L. Friedman. This explores how globalization is occurring and argues that those who don't adopt outsourcing will not be able to compete effectively.

The following represents some significant reasons why a company would want to outsource:

- Realize a 40 – 45% cost savings over transactions performed in-house
- Variabilization of costs. Most outsource engagements are based on a price per transaction versus a fixed price for a certain headcount
- Ability to easily ramp up or down to meet demand
- Acquire expertise not available in-house
- Allows management to focus on developing new products, services and core competencies that can differentiate a company in the market place
- Meet or exceed desired levels of quality
- Obtain a fully documented business process (because that is one of the first steps to outsource an operation)

Once you have decided that outsourcing makes sense to your company, there is a realization that it will require some resources and decisions that will need to be thought through before selecting the right outsource vendor. Some of these steps in the process include the following:

- Select a process that is somewhat well defined (e.g. pick the low hanging fruit). Outsourcing complex processes work well, but it is always good to pick something easy to start with. Many processes are back office functions, but those involving "business-to-business" transactions are good candidates as well. Web based applications make for easier outsourcing candidates given the World Wide Web
- Select the time you need the process to be in operation. For example, you may want it to start several hours before start time on the east coast so that completed transactions will be available when your staff arrives for the day. It is also not uncommon to run processes 24 x 6 or 7 as well
- Select a person who will be the "Central Point of Contact" or outsource operations manager. This person needs to understand how critical this is to the company and be responsible for managing the outsource team from the perspective of:
 - providing any process changes and improvements,
 - being available to answer questions and resolve issues that come up on a daily basis

- set the goals for the outsource team
- to have the authority to make production decisions
- to understand and point out process issues that need to be corrected
- Have regular meetings (initially once a week and work toward once a month) to review how the process is functioning in relation to a set of mutually defined Service Levels. This session will provide time to review issues and improve understanding of processes and process changes. And if you are truly engaged with a superior outsource company, your outsource team will recommend ways to improve the process to make it better, faster and cheaper
- Lastly, it requires commitment. Every company does things in different ways. It may take a while to come up to speed, or to adapt to the exact ways one company processes an operation versus another. It won't take long before the outsource team will be achieving quality and turnaround levels that will more than justify the effort to outsource the process.

Lastly, you need to understand what the criteria are for selecting the right outsource company. The following is a partial list of characteristics that pertain to every outsource operation. Obviously, each individual outsourced process will have its own unique set of requirements.

- Know and have proven experience in each component of the outsourced process
- Have an infrastructure that in place to meet the needs of your business. In other words, does it have US based telephone lines to the desk of key people off shore? Does it have private telecom capabilities that carry traffic other than the Internet?
- Is your data secure with the outsourcer? Are they certified for ISO 27001 (the international standard for secure processing environments)? Do they have a current SAS 70 type II audit?
- Is there a disaster recovery plan in place for the outsourcer and are they going to produce an additional item to recover your processes?
- Does the outsourcer understand every aspect of the supply chain for the service being outsourced?
 - Do they have experience with how your customer expects the service to be delivered (e.g. a lender, a realtor, etc.)?
 - Do they understand and have experience meeting your expectation for product delivery?
 - Do they have experience in working with your suppliers?
 - And lastly, do they understand how the entire supply chain comes together and builds and enhances business relationships?
- Does the outsource vendor value your processes, customer and doing business in the same manner as you?
- Is this outsourcer motivated and willing to change and grow with your business? Do they have proven ability to:
 - Streamline processes
 - Apply 6 Sigma to improve processes
 - Develop high tech solutions to dramatically improve the business dynamics of a process

- You know that you cannot count on what is going to happen to your business next week. So is your outsourcer able to “turn on a dime?”
 - Ramp-up and ramp-down
 - Are there buffer resources available on a day-to-day basis to smoothly handle spikes in volume
 - Do they “keep the lights on” to work through overtime to keep up with transaction volumes
 - Are they able to make process modifications and correctly incorporate them in a timely manner
- Does your outsourcer understand and is willing to work as your company does business? Are they willing to work in the same manner as you do? Are they willing to customize processes to not only meet your requirements, but your customers as well?
- Do they have a robust reporting capability that details transactions, quality and depicts trends in services?
- Do they provide “dashboards” for certain services that provide a view of where things are at a given moment to give you a good view of the process?
- Does the outsourcer provide internal QC reports so that you know where their problem areas are and provide insight to further process improvement?
- Is the outsourcer willing to set mutually agreeable Service Levels to meet your expectation regarding service delivery?
- Can the service provider provide customer references?
- How financially sound is the service provider? What kind of backing do they have? Are they in it for the long haul? Remember, many outsourcers suffered in 2008 just like most everyone in the mortgage related businesses.
- Is the company suited for your business? Do the proportions match up in terms of quantity?
- Do they perform the process on a per transaction basis?
- Does the outsourcer make you feel like you “own the team” in the following sense:
 - You decide how involved you get in day-to-day management
 - Setting goals
 - Communication
 - Hours of operation
 - Process updates
 - Forecasting
 - “Letting it all hang out” in terms of working through issues
 - Constantly striving for improvement

It boils down to the following main issues:

- Trust – do you trust the outsourcer that they have the best interest of your company in mind every step of the way?
- Partnering – is it a 2-way relationship.
- Ability to work together – are you going to be comfortable with the particular outsourcer

- Valuing People – Does the outsourcer value their people? Remember, most of these services involve a heavy dose of people, so the people have to be well trained, and well respected.
- A company that understands the culture of business in the USA –
 - Partnering in the process
 - Communication
 - Expectations – setting, meeting and proactively modifying
 - Delivery – do they come through on a day-to-day basis