Outsourcing vs. Co-Sourcing: Selecting Expert Vendors Without Compromising Quality

3:00 – 4:00 p.m.

Speakers
Rusty Solomon, Chief Executive Officer, Mandrien Consulting Group
Brian Twibell, Chief Executive Officer, RedVision
Moderator: Chris Crowell, Editor, The Title Report
“Outsourcing is a very broad term, and many people often assume that outsourcing always means offshoring and sending work abroad. We need to differentiate between the two and understand how they fit into the complex world of title insurance and title production processes.”

— From Mandrien Consulting Group’s “Title Insurance and Mortgage Process Optimization Group” on LinkedIn
Sourcing Options

**Outsourcing:** The contracting out of a business to an external U.S. based provider.

**Offshoring:** The relocation of a business process from one country to another.

**Co-Sourcing:** The practice of task based services performed by staff from inside an organization and also by an external provider.

**Home-sourcing:** The transfer of business process tasks from office to home-based employees.
Co-Sourcing vs. Outsourcing

- Strategic Partnership
- Individual Tasks
- Collaborative Effort

- Arms Length Relationship
- Entire Processes
- Division of Responsibilities

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In-House vs. Home-Sourcing Staff

- On-site Staff
- Core Workforce
- Telecommuters & Intermittent Employees
- Flexible workforce
Outsourcing vs. Offshoring

Relocation of task onshore or overseas

Relocations of task overseas
Common Thread

All sourcing methods are a delegation of administrative, engineering, research, development, or technical support processes to a **third-party vendor**. It can also include the reengineering of processes.

The term **reengineering** in the context of outsourcing refers to a strategy of developing new process designs and solutions in order to eliminate business performance problems.
7 Drivers for Rapid Outsourcing Growth

1. Continuous cost pressure on United States and European companies
2. Rapid declines in cost for communications and computing
3. Dramatic improvements in Internet reliability and functionality
4. More outsourcing suppliers with better capabilities
5. High-quality onshore suppliers offering traditional offshore services
6. Access to low-cost, high-quality employees, especially for labor-intensive tasks
7. A business model for outsourcing that has been proven by successful pioneers such as General Electric and American Express
Creating an Outsourcing Strategy

1. Analyze your outsourcing goals and set the strategy
2. Create the delivery model
3. Negotiate the contract
4. Design service-level agreements
5. Manage the transition
6. Manage the relationship for maximum value
7. Measure performance improvement
“Often the compelling need to use an outsourcing company will strike due to a spike in volume or a sudden decrease in staffing. Regardless of which happens, it is a stressful situation that creates a less than perfect environment for testing the first experience for outsourcing. However, it will also be just the thing that motivates companies to take the plunge! It was what was needed, in our case, to get employees to finally see that it was a positive step that would not threaten their jobs. Instead, it would enhance their jobs and allow them to focus on the professional skills that they had developed over years in the title industry.”

— Patti J. DeGennaro, President
T.A. Financial Services, Inc.
Understand Processes vs. Task

**Processes**
- Order Entry
- Search & Exam
- Report Preparation

**Tasks**
- Locate property
- Attach tax info
- Deed chain
- Lien search
- Probate search
- Bankruptcy search
- Images
- Typing
- Delivery
Subdividing Process into Discrete Tasks

Search and Examination Tasks

- Locate Property
- Attached Tax & Property Description
- Deed Chain
- Lien Search
- Probate Search
- Bankruptcy Search
- Images Retrieval
Identifying Core Skill Levels

Order Entry
Images
Property Locate
Taxes
Deed Chain
Lien Search
Examination
Commitment
“We do not use outsourcing as a replacement for title examination. We are still doing the underwriting and file review. I believe this is a common misconception about the evils of outsourcing. Our staff now spends more time doing what they do best, which is resolving title issues and working with the customer to get their file to closing. Most people that speak out against outsourcing or offshoring do not understand that they can do so in varying degrees. They can choose what suits their business model. The key is to select the best business partner, which can be extremely difficult to do and does take time, but it’s worth it in the end.”

— Patti J. DeGennaro, President
T.A. Financial Services, Inc.
Identifying Job Tasks Distribution

- Volume
- Skill Set
- Skill I
- Skill II
- Skill III
- In-House
- Co-Source
- Outsource
- Automation
## Labor Savings from Offshore Customer Care Centers

<table>
<thead>
<tr>
<th>Number of Call Center Jobs</th>
<th>Total Annual Salary in U.S.</th>
<th>Total Annual Salary Offshore</th>
<th>Total Annual Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>$1,456,000</td>
<td>$312,000</td>
<td>$1,144,000</td>
</tr>
<tr>
<td>100</td>
<td>$2,912,000</td>
<td>$624,000</td>
<td>$2,288,000</td>
</tr>
<tr>
<td>500</td>
<td>$14,560,000</td>
<td>$3,120,000</td>
<td>$11,440,000</td>
</tr>
<tr>
<td>1,000</td>
<td>$29,120,000</td>
<td>$6,240,000</td>
<td>$22,880,000</td>
</tr>
<tr>
<td>1,500</td>
<td>$145,600,000</td>
<td>$31,200,000</td>
<td>$114,400,000</td>
</tr>
</tbody>
</table>
The Insurance Claim Process

1. Receive mailed claims from customers*
2. Open the claims envelope
3. Screen for missing documents
4. Scan image digitally
5. Send to offshore location via satellite or over the web

6. Manager reviews claim and assigns it to rep
7. Rep enters claims data online
8. Offshore uses OCR to compare digital claim with manually entered claim
9. Rep corrects discrepancies between two versions
10. Rep contacts insurer and claimant, validates situation, and adds missing data
11. Rep contacts reinsurers or coinsurers

12. Claim given to specialist to review, assess liability and determine validity
13. Specialist determines initial allocation amount for claim
14. Claim assigned to negotiator who oversees settlement process
15. Claimant paid
16. Reinsurer for other third parties paid
17. Claim file closed

*If claims are received electronically, claims processing can begin offshore.
Topics to Cover in the RFP

The Company

- Stability
- Vision
- Reputation
- Services
- Culture
- Management
- Pricing
- Location
- Legal
- Facilities
Topics to Cover in the RFP’s

- Quality
- Language
- Training
- Scalability
- Retention
- Compensation
- Other Resources

The People
“As with any operation your success is dependent upon the staff, the communication, and processes you put in place. I would suggest to anyone interested in offshore/outsourcing to make sure you have a say in staffing levels and actual staffing decisions. I would also recommend someone from your operations preparing the training material and delivering the training in person. Constant feedback is also a huge key. You need to think of the outsourcers’ office as another one of your company’s offices and their staff as an extension of your staff.”

— From Mandrien Consulting Group’s “Title Insurance and Mortgage Process Optimization Group” on LinkedIn
# Best and Worst Practices in Outsourcing

<table>
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<tr>
<th>The Best-Practice Companies</th>
<th>The Worst-Practice Companies</th>
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<tbody>
<tr>
<td>Search for and benchmark information from multiple sources</td>
<td>Listen to sales pitches and make decisions based on them</td>
</tr>
<tr>
<td>Are analytical. They compare their current capabilities with the vendor’s capabilities. (Value is only created if the outsourcer can complete the process better than you.)</td>
<td>Are ad hoc. They make offshoring decisions based on gut feelings and intuition.</td>
</tr>
<tr>
<td>Focus on the key questions in their RFPs.</td>
<td>Write 30-page RFPs that require 150-page responses from vendors.</td>
</tr>
<tr>
<td>Choose high-quality providers and negotiate the lowest prices from them.</td>
<td>Choose the lowest-cost providers.</td>
</tr>
<tr>
<td>Align incentives so that both parties work toward a common goal.</td>
<td>Treat their vendors like vendors rather than true partners.</td>
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Selecting Qualified Vendors

- Know their System
- Share Best Practices
- Challenge The Status Quo
- Be Willing To Change
Questions