

Outsourcing 2.0

Outsourcing extends to small and medium-sized companies

"The trend is unmistakable: more middle-market and small companies are in fact turning to outsourcing," said Gene Marks, the author of *The Complete Idiot's Guide to Outsourcing* and the owner of a Pennsylvania IT consulting firm. Outsourcing, when done right, delivers potent benefits, he said, and they go far beyond the cost savings that are often what first attracts a small-business owner to the idea. Improved performance — targeted skills delivered effectively, punctually — are the more enduring goal. "Outsourcing 2.0 is about core competencies," said Gurpreet Dhillon, a professor of information systems at Virginia Commonwealth University. "In Outsourcing 1.0, it was all about saving money. Now, companies want to concentrate on what they do well and outsource what is not central to the business." Experts quickly tick off multiple areas where outsourcing is already gaining traction in the middle market.

- **Accounting** "Fewer and fewer small and midsize businesses are doing accounting in-house," said Marks. Plentiful suppliers exist to provide this service, and they do it at cost-effective price points.
- **IT consulting** From setting up computer networks to troubleshooting ailing computers, more small businesses are looking outside for answers. Few businesses will be dealing with such issues themselves within a few years. "There is no point in doing IT in-house," said Dhillon.
- **Sales and marketing** "This area is ripe for outsourcing," said Marks. More suppliers are turning inbound call centers into outbound ones, where their staff prospects on behalf of other companies. Often, these call centers seek not so much to close a sale as to set up appointments for employees of the contracting firm.

Marks said that once a business decides to investigate outsourcing, it will likely turn to many business processes that lend themselves to being done by outsiders. The key question for any company contemplating outsourcing, said Dhillon, is this: What are our core competencies? With that question in mind, it becomes easy to sort through the business's recurring to-do list and decide which areas are prime for outsourcing, either to domestic third parties or overseas.



Loss of control is, of course, a primary obstacle to outsourcing initiatives, said John Willmott, the CEO of NelsonHall, a London-based firm that analyzes outsourcing trends. In many smaller businesses, top executives are usually accustomed to overseeing personally almost all that happens in their company. But once these executives focus on the benefits of turning over non-core processes to outside vendors for which these are core skills, they begin to appreciate that outsourcing frees them to focus on the activities that make the firm money and that set it distinguish itself in the marketplace, Marks said.

One reality of outsourcing is that it may prove to benefit smaller businesses most of all. "They really stand to gain," said Dhillon, who reasons that the more they outsource peripheral functions, the more they will be able to focus on what they do well.

Agreement is wide that small and midsize businesses are relatively late to climb aboard this trend, but expectations are for vigorous adoption in the near future. "We are only now entering the fat part of this curve," said Michael Janssen, an executive with the Hackett Group, an Atlanta-based strategic consulting firm. "We are just at the beginning of outsourcing. Globalization is driving this, and the trend will run deep in most organizations."

GOING GLOBAL: OUTSOURCING QUICKENS THE PACE

DriveCam, a small San Diego-based company, had the product and the sales leads, but it also had a big problem: turning those leads into dollars would require significant foreign language skills in multiple Asian languages, from Mandarin to Cantonese, with Korean, Japanese and several others thrown in. "They had exhibited at a trade show and found themselves overwhelmed with inquiries from Asia," said Kevin Bolen, chief marketing officer at Lionbridge, a Waltham, Mass.-based company that staffs 50 locations around the world and specializes in localization and globalization services for its clients.

DriveCam's product is an innovative windshield-mounted camera that continuously records video and audio inside and outside a moving vehicle. The data is saved only when there are sufficient g-forces — as in an accident or a near-miss. A benefit of the product is that, when properly used, it can help commercial drivers and their supervisors identify patterns of risky behavior (like tailgating) and take steps to correct them. The technology also helps companies defend against unwarranted claims of fault.

Lionbridge entered the picture when DriveCam outsourced to the Waltham company the project of creating collateral materials to support DriveCam in multiple Asian languages. How long would it take a