



Six Ways to Assure Value When You Outsource Services

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More Los Angeles and Southern California business leaders today are turning to outsourcing in an attempt to make sure that business tasks are performed in the most efficient and cost-effective way possible. Outsourcing can provide a number of concrete business benefits, such as helping companies conserve capital, control costs, improve efficiency, lower overhead and, perhaps most importantly, stay focused on their core competencies.

Of course, there is a cost involved in outsourcing. Before diving in, smart owners and executives will take the time to carefully analyze the costs and benefits of outsourcing in order to make sure that they will receive the most value from any outsourcing engagement they might be considering.

Focus Areas and Objectives

The most important thing any company should do to ensure value from an outsourcing relationship is identify the areas of the business where the outsourcing firm will focus and the specific objectives it will strive to meet. This will help ensure that the business and the outsourcing firm are on the same page in terms of each other's expectations with regard to the outsourcing engagement, as well as ease any concerns the owner might have about maintaining control over the engagement or the time and cost that will be invested into it.

Six broad steps serve as a general outline for an outsourcing engagement and lay the groundwork for getting the most value out of it. These are sometimes referred to as the "6 D's of the engagement process":

- 1. Define the engagement** — Defining the exact parameters of the engagement up front will help ensure that there are no surprises later, for either your business or the outsourced services provider. This includes setting high-level strategic objectives and identifying specific tasks the services provider will perform in order to meet them, as well as the approximate timeline for completion of these tasks and accomplishment of the business objectives.
- 2. Determine the underlying cause(s) of the problems** — This is usually the first thing the services provider will do when it starts the engagement. This step typically involves in-depth interviews and high-level discussions with your executives, managers and any other staff deemed necessary to drill down deep and get to the root cause(s) of the challenges your business is facing.
- 3. Develop solutions** — Once it has a good understanding of why your business is facing specific problems, the services provider can begin to map out the appropriate solutions. This should be done working in close conjunction with you and other key executives and with your buy-in and cooperation; otherwise, implementing the solutions will be difficult, if not impossible.
- 4. Deploy the solutions** — Once developed, solutions must be executed. This is where the so-called "rubber meets the road." A great solution poorly executed will do little if anything to help solve the underlying causes of the problems identified in step 2. The solutions should include tactical initiatives that will be undertaken by the services provider that are designed to help solve these specific problems.

5. Document the solutions — By carefully documenting all the steps and tactics detailed in the solutions, you and the services provider together are creating a road map that will provide direction for the outsourcing engagement every step of the way. This document can then be consulted throughout the engagement in order to help keep everyone focused and moving in the same direction.

6. Debrief — A debrief of the services provider's findings, recommendations and accomplishments should not necessarily be put off until the engagement is complete. Rather, milestones should be built into the solution document, with the services provider debriefing you and your team at these key points so you are kept aware of progress that's being made along the way.

Define Parameters of the Relationship

Defining the parameters of the working relationship between your business and the outsourced services provider is another key to ensuring value from an outsourcing engagement. For example, will the services provider be fully integrated into your company? How will communication and knowledge transfer take place between the services provider and you, your executives, and your staff? And perhaps most importantly, what specifically will a successful outcome of the engagement look like?

Finally, you should take steps up front to try to ensure the best possible match between the outsourced services provider and your company. Try to determine whether the services provider will be able to work well within a collaborative environment and if the provider will be a good fit personality-wise with you and the rest of your team. Also, will the services provider be able to draw on a broad base of collective knowledge and expertise beyond him or herself — or in other words, is there a deep bench of support? This will enable the provider to bring proven processes, tools and industry best practices to bear to help solve your company's specific problems and challenges.

Concluding Thoughts

Following a systematic approach can help justify the cost of hiring an outsourced services provider and ensure that your company obtains maximum value from the engagement. This includes following the 6 D's of the engagement process, as well as carefully defining the parameters of the working relationship and trying to ensure a good match between the services provider and your company up front — before the engagement begins.

About CFO Edge

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