



In These Troubled Times, the U.S. is a Competitive Marketplace for Outsourcing

In the current volatile and unpredictable economic climate many people are asking what has changed in the outsourcing space and where is it heading? Whether you believe that we are in the midst of a secular decline or a cyclical trend, the questions remain relatively consistent. In my humble opinion, it is the answers that are morphing.

By **Tim Schmandt**, VP Business Process Management, **DATROSE** & Shared Services Network Advisory Board

Most of the questions sound familiar:

- on-shore, near-shore or offshore?
- what things belong in the shared service center?
- what should we do first, second... (big bang vs "tip-toe"/pilot)?
- what is the best "right-sourcing" enterprise model?
- fix it first, or outsource a mess?
- should we hire a consultant or advisor?

Let's look at the proverbial first question regarding where to source.

The economic downturn does put some fog in the air as far as decision-making is concerned. Many are paralyzed with uncertainty, which can drive inaction. But the immediate need is to drive out cost fast, conserve cash and add shareholder value quickly. Recently, we have been experiencing unprecedented activity with regards to outsourcing. One interesting difference is a push by U.S. companies to stay "on-shore." It is possible that we may see a growing trend in this direction, depending on how markets settle over the next months..

The U.S. as a solution...potential reasons

Technology

With enhanced technology, workflow and automation, the need for classical heads-down keying and data processing has all but been eliminated. Going off-shore, therefore, actually increases the number of steps and could potentially slow down the process. Automation also null and voids the classical "lift & shift" model. No longer is it appropriate to settle for doing the work the same way with just the advantages of labor arbitrage.

Companies can squeeze out inefficiencies and gain productivity through technology. Automation can be implemented onshore fast and without a lot of investment in time, resources or dollars—not always the case with an "off-shore" solution. I believe that because of the need to reserve cash, there will be a tendency to back down from big bang, multi-towered projects. Companies will focus on quick hitters and lower risk and more mature towers, like accounts payable and accounts receivable.

Cost

We all are acutely aware of the rising wages in many in-vogue offshore destinations. Governance costs are significant in an offshore solution—its "hidden" costs are often overlooked. The world's most important currency today is not the U.S. dollar, the Euro or the Yen. Today's international business currency is TIME. Offshoring takes a considerable amount of time to mitigate risks, govern appropriately and bridge operations across the pond. There's also a high burnout rate for people responsible for managing these relationships—too many late night calls and complexities related to managing distant partnerships exert considerable pressure and consume time.

Labor Pool

With the recessionary feel of the economy and many companies downsizing, a large pool of very qualified workers is now available at much lower rates than a year ago. 2008 saw almost a million and a quarter of job cuts. This may be short lived, based on supply and demand, but at the

moment it presents an opportunity for service providers. There is also the reality of American workers starting to work longer and retire at a later age.

The Times

During times of uncertainty and turmoil, there is comfort in being "close to home"—an innate human tendency or trait that drives people to desire familiarity. Right, wrong or indifferent, this phenomenon probably plays out to some extent in the current persnickety climate.

Been There-Done That

Twice, recently, we were approached by companies looking to outsource, but with the requirement that there be no offshoring element. When I inquired about this risk averse mentality, the responses surprised me. In both cases, the answer was effectively that they were not risk averse, but that they had already tried off-shoring with less than stellar results. Having spent a lot of time and due diligence in many countries and seen first hand the impressive technology parks, the quality of people and processes, it left me wondering what the real issue was. Could it be that they tried outsourcing a mess? Was the blame being passed unfairly? Was it more costly than expected in time allocation or in money?

It is difficult to ascertain what the next decade, year, or even quarter will hold for sourcing, but it would be wise to include onshore, low-cost highly automated solutions in your options, especially if you are looking for quick wins. **SSN**