

## Outsourcing evolves as employers think ‘long-term’

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According to recent data, businesses are using outsourcing not only as a temporary fix but also to get insights into long-term solutions and the value of certain positions.

“We’re seeing outsourcing benchmarks employed to identify and implement long-term improvements across the enterprise,” said Nigel Hughes, global services director of Compass, the division of Stamford-based Information Services Group that focuses on business and information technology analytics.

Hughes recently authored a report on trends in outsourcing based on the outcomes of 2010 client engagements.

“Benchmarks are alerting businesses to actions needed to drive change and quantifying the impact from taking action,” he said.

David Lewis, president of Operations Inc. in Stamford, said the trend is a new take on an old strategy in outsourcing.

“It’s the classic try-and-buy and this variation on it is becoming much more popular,” said Lewis. “In the past two years you’ve seen more and more companies doing this.”

Lewis said whereas in the past employers used to test an employee before hiring him or her, businesses are now testing the positions themselves to see if they have long-term value or could be done on a limited basis or even through a cloud service. He said economic conditions have caused employers to be far more hesitant about hiring.

“This gives them the option to look for a sign that the position and the employee are sustainable,” said Lewis.

Hughes cited a specific trend with benchmark analyses of outsourcing agreements increasingly being used to address core strategic challenges rather than short-term fixes like

pricing corrections. He said this demonstrates businesses are using outsourcing numbers and goal projections to determine precise cost savings.

Kathy Rudy, global consulting director of Compass, said historically benchmarks have been applied to outsourcing contracts to assess pricing and quality against industry standards with a focus on short-term adjustments. “That dynamic has often fueled contentious disputes between clients, service providers and third-party providers,” she said.

Rudy said clients now are recognizing their responsibility to change internal processes to achieve improvement rather than relying solely on the vendor to deliver it.