



## **To Outsource or Not to Outsource – that is THE Question!**

### **Introduction**

Globalization and advances in technology have changed the way businesses operate. Core business processes are no longer seen as proprietary information. Large and small companies are seeing both core and non-core business functions as dispensable components they can retain internally or offload to external strategic partnerships. With worldwide access to a global base of resources and talent, business leaders are now able to rethink the operations they want to do and where they want them done. All business processes such as manufacturing, distribution, human resources, even sales and marketing and research and development are open to questioning: can they be carried out more efficiently and cheaper; where should they be based and how should they be managed? This more open-minded approach to outsourcing is enabling companies to plan and manage their operations, expertise and resources more effectively. As a result, it is allowing them more opportunity to focus on how they provide service and deliver value to their customers, employees and business partners. Such globally-minded organizations aren't looking to optimize their business within traditional boundaries. They aren't constrained by geographical borders, time zones or language. They are targeting the worldwide market to cut their costs and tap into new sources of skill and knowledge. Conducting business in this manner and choosing where and how work gets done in order to maximize business value is the essence of the modern, globally integrated company.

### **But How Do Companies Make the Decision Whether To and What To Outsource?**

*Whether and What to outsource* is one of the most difficult areas of decision-making for executives. Too often such decisions are made on the basis of good intentions and limited information: qualitative rather than quantitative. Outsourcing raises many levels of practical and emotional uncertainty. Are we losing what defines this company? Will we be able to effectively manage quality, price and delivery? How do we address the

people issues? The very complex nature of the outsourcing decision requires a structured decision making process and solid information on which to base the decision.

**Eyes on China will take you through a systemic and structured decision-making methodology designed to provide a basis on which quality decisions can be made for whether to outsource, what to outsource and how to outsource.**

This is achieved by providing a *template* for an analytically oriented outsourcing decision process and a detailed description of the elements of that process. The experienced *Eyes on China* team will help your company implement this process and reach alignment on the key decisions. Subsequently, *Eyes on China* will help you manage the implementation of the new outsourcing strategy. In particular, an outsourcing decision may result in the need to form new strategic relationships and partnerships with previously unknown suppliers of services and products. *Eyes on China* will provide support in these situations by facilitating introductions and providing advice on forming and keeping beneficial long term relationships.

The *Eyes on China* process focuses on four critical factors:

- Strategic concerns for core competencies
- Impact on current operations, employee and community relations
- Lowest total cost with highest beneficial value
- Outsourcing implementation and beneficial relationship support

It provides a structured and comprehensive methodology that will involve all key stakeholders, identifying a variety of factors, collecting data on those factors and analyzing and presenting the data in such a way as to enable a reasoned and quantifiable decision.

An outsourcing decision analysis assesses the costs and benefits of having work performed by internal company functions versus outside suppliers of services and products. There are many forms these outsourcing decisions can take but in general can be categorized as follows:

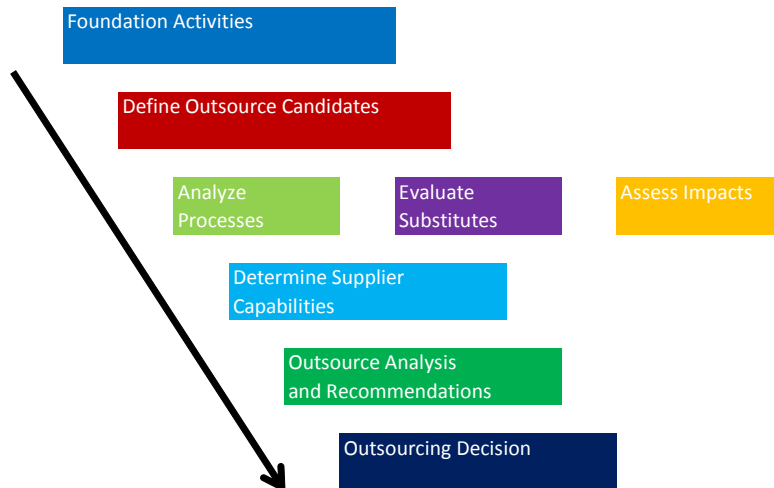
- Strategic Outsourcing of a complete function existing currently inside the organization. For example, Human Resources, Packaging, Transportation and Distribution, Supply Chain Management, Manufacturing of a complete or part product line, Warranty and Service support, Customer Service support, even Sales and Marketing
- Tactical Outsourcing is more concerned with lower level decisions on which manufactured parts or service elements may be outsourced. The focus here is normally just cost centered, with less strategic impact to the existing organization

Much closer attention to customer-supplier relationships are required for strategic outsourcing, as long term relationships and partnering are essential elements of a

successful strategy. Tactical outsourcing requires a less rigorous focus on the long term: cost driven evaluations may take place on an annual basis and necessitate flexibility in the supply chain base.

The *Eyes on China* process is primarily focused on strategic outsourcing decisions. However, most of the methodology discussed here could also be used for tactical decision-making.

### Here are the Basic Elements of the *Eyes on China* Methodology...



#### Foundation Activities:

- This 'homework' is essential in order to lay the groundwork for a successful process implementation.
- Define the key stakeholders and set up a senior management level Steering Team to kick-off the project, monitor progress, act as a sounding-board and provide a communication channel and escalation path to the executive management.
- Determine the core competencies of the company with reference to Vision and Mission statements which may or may not need to be redefined.
- Set the resulting strategic direction of the outsourcing project
- Appoint an Implementation Team and Team Leader
- Release funding

#### Definition Activities:

- Define potential product or service outsourcing candidates
- Categorize
- Drilldown to sub-component or sub-service levels
- Prioritize

#### Analysis Activities:

- Characterize basic technical or commercial requirements
- Develop process maps

- Analyze existing costs basis
- Identify information and documentation required for outsourcing

#### Evaluate Potential Substitutes

- Define *form, fit, function* for the product or service
- Can the function be re-scoped, replaced or merged?
- Is the product or item already commercially available?

#### Assess Impacts

- To the company culture
- To the company image
- To the employees
- To the environment
- To the local community

*This impact assessment may lead to a revaluation of core competencies and reworking of the strategic direction.*

#### Determine External Supplier Capabilities and Develop Ranking

- Short-list the potential outsourcing candidates
- Conduct a formal review of potential suppliers of the services or products
- Conduct a Performance Review and Quality Audit where necessary
- Quantify ranking

#### Outsource Analysis and Recommendations

- Use selected Quality Tools to drive the quantitative decision making process
- Provide recommendations
- Facilitate stakeholder decisions

### ***Eyes on China* will Manage your Outsourcing Strategy**

*Eyes on China* has significant experience in providing outsourced services, focusing on selected industries:

- Construction
- Consumer Products
- Food and Beverages
- Industrial Equipment
- Logistics
- Packaging
- Printing & Publishing
- Raw Materials
- Telecommunications
- Water Management

For example, *Eyes on China* will provide the following technical solutions for manufacturing outsourcing:

- Screening, selection, qualification and monitoring of manufacturing service providers
- Screening, selection, qualification and monitoring of supply chain elements
- Relationship development

When the focus is Human Resources:

- Employment Agreement / NDA / Employee Handbook
- Executives and Staff Training
- Executive Research / Recruitment
- Benefit Administration Services

When considering how to transport goods in and out of China:

- Global Trading Services
- Partner Evaluation Service
- Market Intelligence Service
- Verified Supplier Research Service

At *Eyes on China*, we address most of our client's business services needs in their commercial and industrial projects in China. Senior consultants, lawyers, accountants, taxation and financial professionals deliver the needed **Corporate Legal Services** and **Financial Services** to set up a company in China, optimize bookkeeping and tax requirements, solve disputes in cases of lawsuits and more. These services are complemented by **Human Resources Services**. One of your highest priorities in operating in China concerns your workforce. We take to find and train junior and senior staff as well as arranging smart benefit systems and tailor-made employee handbooks. On top of this, *Eyes on China* consults senior **Technical Services** in our ten specialized industries. Finally, through our subsidiary Hodaya International, we also deliver **Import & Export Services** for importers and exporters.

**Strong communication is an essential element of a successful outsourcing strategy and at *Eyes on China* we are proud of our excellent relationships with our clients, our business partners and our supply chain providers of goods and services. So, whatever your outsourcing needs, *Eyes on China* will be able to provide you with our own experienced professionals or match you with selected partners who will team up with you to deliver your long term business goals.**