Effective
OUTSOURCING

YOUR GUIDE TO MAXIMISING THE ROI FROM OUTSOURCING

The essentials of outsourcing

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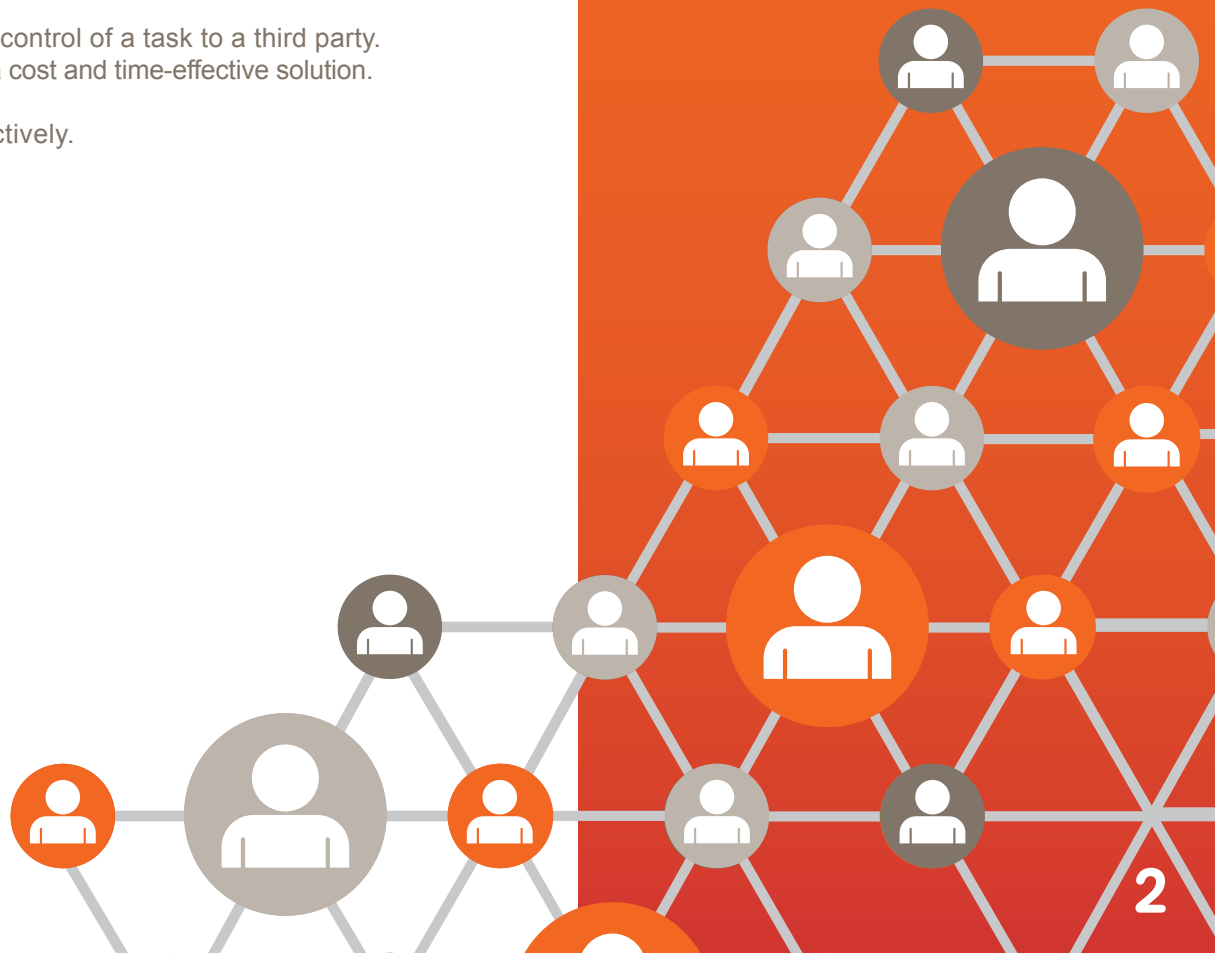
Introduction

The British economy has turned a corner. As a result, there are plenty of opportunities for companies to grow. However, the financial downturn which began in 2008 has left its mark. While budgets are growing and an increasing number of companies have more money to spend, many organisations retain a conservative approach to investment.

Without spending though, companies could be missing out on the growth opportunities that are available to them now. To solve this conundrum, some businesses are outsourcing non-primary functions. This gives them access to the expertise, facilities and technology required to fulfil tasks without the need for substantial investment.

Other businesses remain cautious about the idea of relinquishing direct control of a task to a third party. But with the correct management of the process, outsourcing can provide a cost and time-effective solution.

We have produced this guide to help your organisation outsource effectively.



Tip 1:

Outsource appropriately

It is generally accepted that outsourcing enables businesses to reduce costs without compromising service levels. But some companies aren't sure what functions to outsource or how to go about doing so. In this instance, simple business logic should prevail. If the cost of outsourcing the process is lower than the cost of in-house (including hidden costs such as extra office space etc.) then consider subcontracting the task.

- ☑ **Determine whether direct control of the function is necessary to ensure your business remains competitive in the future. If so, keep it in-house.**
- ☑ **Think about the costs of not outsourcing – will your business suffer because you can't invest in the level of expertise, technology or facilities that are needed?**
- ☑ **Consider what your areas of weakness are and where improvements could be made.**
- ☑ **Weigh up the potential risks of completing a task in-house provision (e.g. industry regulations) vs those that are associated with outsourcing (e.g. IT security).**
- ☑ **Consider the advantages of scalability both up and down. By outsourcing to an expert you can increase the value of your business whilst lowering costs.**
- ☑ **Outsource what you understand best – don't try and outsource processes or functions that are not well defined.**

Organisations claim that they achieve, on average, a 15% cost reduction through outsourcing

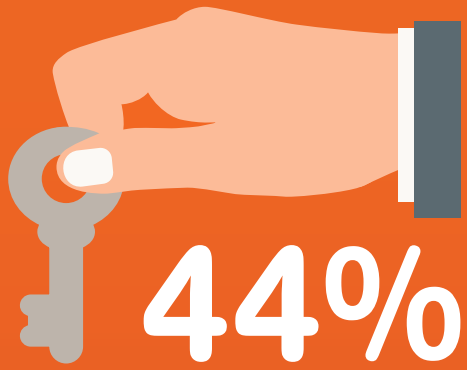
– Booz Allen Hamilton

Tip 2:

Set clear and measurable SLAs

SLAs are an important part of business these days, especially in modern economies where the service sector makes up the majority of industry. Acting as an agreement between two or more companies, they define what services (and to what standard) must be provided within certain timeframes. Thus ensuring maximum effort is made to fully enhance the customer experience.

- ☑ **Use the agreement to define what is expected from all parties but keep some room for flexibility.**
- ☑ **Set out clear processes and deadlines for monitoring/reporting progress.**
- ☑ **Have a clear dispute resolution strategy in place.**
- ☑ **Review and update SLAs regularly – they must reflect changes in business needs and technology advances.**



44%

of business leaders admitted a barrier to outsourcing was their unwillingness to lose control of key processes

– Statista

Tip 3:

Budget accurately

While outsourcing a business function should ultimately save time and money, companies shouldn't underestimate the investment of both that's necessary for effective subcontracting. Therefore, as with any in-house function, an outsourced task must be accurately accounted for. Failure to do so could lead to increased costs and poor service in the long term.

- ☑ **Consider how much time should be invested in managing the inter-business relationship.**
- ☑ **Are your expectations about the benefits and costs of outsourcing realistic?**
- ☑ **Don't just choose the cheapest supplier. You need to consider which partner is best suited to your organisation's needs.**
- ☑ **Try to form a long-term relationship with the outsourcing company. Switching partners can be a lengthy and messy process – costing you more time and money in the long run.**

Since 2010, the amount spent on outsourcing services in the UK has doubled to

£88 billion

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Tip 4:

Keep communication open

Clear communication is essential to business success, especially when it comes to outsourcing. Therefore, it is crucial to keep the lines of communication open and honest between you and the supplier. This ensures that all messages are fully understood by both parties, and your partner will know what is required of them and by when. N.B. when sourcing a potential partner; ensure they can provide you with the detail and information you need.

- **Ensure a Non-Disclosure Agreement is in place so that you can discuss all aspects freely with your partner, whilst protecting any sensitive information.**
- **Although the partner is responsible for the process, you still need to actively manage the relationship.**
- **Nominate someone from your organisation to act as a liaison and contract manager to work with the partner at a strategic level.**
- **Maintain regular communication – account updates should be provided as often as is necessary to keep you informed about how the function is performing.**
- **Don't forget about your own company. If you start to outsource tasks, staff may begin to fear for their jobs – be open with them to retain high morale and reassure your workforce.**

admit they should give up more high-value work and responsibility to their providers

– Horses for Sources

Tip 5:

Relinquish (some) control

Companies outsource for multiple reasons; most frequently to gain expertise or to free up internal resources to fulfil primary business functions. In each case, ensure you have enough information to trust the partner prior to your relationship's start date. Otherwise, you could end up wasting time discussing small details or not making the most of their knowledge.

- ☑ **Trust your partner agency to perform the function they have been tasked with.**
- ☑ **If applicable, ensure that appropriate confidentiality documents are signed before the partnership start date.**
- ☑ **Be flexible with your approach – provide some leeway for times when it's in the best interest of both parties to deviate slightly from the SLAs.**
- ☑ **If you're going to trust the company, you have to be sure you can trust its IT security too.**

31%

of companies use outsourcing to free up internal resources

– Statistics Brain

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Tip 6:

Screen potential suppliers

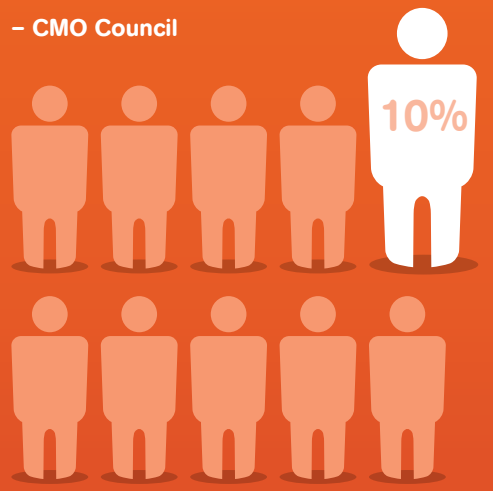
Choosing the right partner for your business' needs is one of the most important factors in determining how successful your relationship will be. Remember, you want to form a long-lasting association in order to maximise productivity, increase trust and reduce costs. Therefore, you need to speak with several potential providers before committing to the best fit for your business.

- ☑ **Obtain references from potential providers' existing clients, especially from companies which operate in similar industries or use comparable processes to you.**
- ☑ **Be confident that key members of the outsourced team will remain in their role for a while – you don't want a different account manager every couple of weeks.**
- ☑ **Check that any potential partner is financially sound – if it's a public company then you will be able to check their fiscal performance. If not, then you can always check with credit agencies, obtain bankers' references etc.**
- ☑ **Visit each provider on your shortlist. This way you can see its premises, how they work, check its IT systems etc.**

Only 10%

of management feel they are extremely good at identifying, qualifying and securing partner introductions

– CMO Council



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Problem-free outsourcing

Every business has support functions that their company needs, but doesn't directly rely on for survival. These are the best options for outsourcing. But bear in mind that managing a business function will always require a level of management, whether it's in-house or outsourced. Subcontracting a support function removes the process from your company's duty, but the responsibility of management still lies with you.

Hopefully this guide will help you to outsource cost centres to organisations that specialise in that area – therefore saving your organisation time and money. Inevitably, there will be hiccups when managing a process, whether it's undertaken in-house or sub-contracted. But with the right strategy in place, you can minimise the probability of such instances occurring.

For more information about how outsourcing fleet management to CLM can save your company time and money, speak to one of our experts on 0845 643 5794.

About CLM

At CLM, our specialism is the fully outsourced management of our clients' vehicle fleets, which is exactly as it sounds – we take care of everything to do with your fleet, so that you can concentrate on your core business activities.

We have been providing fleet and dedicated driver solutions for over 30 years. Our independent status has meant it's easy for us to be innovative and create new fleet strategies that suit our clients.