

The Case for an Integrated Approach to Outsourcing Management Support Services

Management support services are essentially a "small business" with the corporation's employees and managers as its customers. As such, these services should be outsourced to an integrated provider that can behave like a CEO—managing globally, with a financial, tactical, and strategic vision.

by Donna P. O'Neill

When you buy a house, you hire an engineer to make sure it is in sound shape. You have every nook and cranny explored and inspected. After all, a crack in the pipes could lead to a flood in the kitchen, which would damage the flooring, which ... well, you get the picture. A company's management support, or administrative services are no less interdependent. Yet when it comes to outsourcing these critical functions this interdependency is too often ignored—with the potential for similar problems.

Why does this happen?

Unfortunately, management support services is often a corporate "black hole" consuming senior management time at an alarming rate. Worse yet, because these functions are not frequently understood, it is a job that is too often tagged onto someone's primary responsibilities—as in Director of Finance and Administrative Services. Staying on top of management support services quickly becomes such an all-consuming task that this director of finance, or whoever else may have been given the job, devotes less and less of his or her time to their primary responsibilities or spends little time on these support functions because of a lack of understanding. And, the lower the level of the poor soul saddled with the function, the more time it tends to monopolize.

The person's typical day becomes flooded with urgent pleas via phone, e-mail, and memoranda.

"We're short two people in the mailroom."

"My boss's Wall Street Journal is not getting to her by 8:30 AM."

"We're running out of file space."

*"I'm not getting my messages correctly."
"We need help getting these proposals copied, bound, and out tonight."*

"How can we handle additional workload when the software is not compatible with our branch offices?"

This executive is spending more than half of his or her time responding to these daily crises.

Next, an assistant is hired to help with the daily onslaught. When this doesn't resolve the problem for long, the knee-jerk reaction of many executives is to ask each administrative department—from the mailroom to reprographics to the records center—to outsource its operations. After all, the extensive resources and management skills available through the outsourcing firm should certainly reduce the amount of internal executive time devoted to these areas. The outcome, sadly, is often quite the opposite. Within about 18 months, the executive is in that same administrative black hole all over again. Why? Because:

- ◆ *the interdependencies of these functions remained the internal executive's problem to manage, and*
- ◆ *managing the number of new outside relationships created has itself become a very time-consuming job.*

The Case for Integration

For a corporation to successfully outsource its management support services, it must consider divesting itself of this "one function-one vendor" mentality. Each management support function exists for the sole purpose of helping employees and

managers achieve the company's true business objectives by focusing on their core competencies. By definition, then, these service functions have an integrated goal. It makes sense to manage them through an organization for whom their management is a core competency.

The alternative approach of outsourcing each administrative function to a specialist in that particular area certainly has merit. After all, who knows photocopying better than a company that makes photocopiers? The problem with this approach, as illustrated earlier, is that it ignores the very reason for outsourcing—which was to reduce the time devoted to managing support services while creating a better focus on core competencies and corporate goals. This is often lost in a bureaucratic shuffle of providers, none of whom have been given a large enough scope to see and manage the company's overall values, objectives, culture, and requirements. Indeed, it is ironic that a company would spend months analyzing, reengineering, and streamlining its operations, yet not look



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The majority of outsourcing vendors, especially those working in self-contained areas such as mailrooms, don't have the resources, experience, and commitment to handle the enormous complexities of integrating management support services for large corporate clients. In the end, non-delivery of added-on services is a common reason for terminating an outsourcing agreement.

A Formula for Success

An integrated approach to administrative services can be successful in a start-up environment as well as in medium to large companies. Although businesses of all sizes have seen bene-

been spending previously on management support services. Savings generally continue to increase two to three percent annually during the life of a three- to five-year contract. Profit sharing and gain sharing, as well as many other innovative approaches should be considered.

According to The Outsourcing Institute, finance and administration account for nine percent of all functions that are outsourced. Although no surveys have yet been completed, it is estimated that less than two percent of U.S. corporations are currently using an integrated approach to outsourcing administrative services. However, over the next five years this per-

easier to implement and perhaps less expensive. But, again, outsourcing multiple functions to multiple vendors for the sake of getting a high-tech edge is a poor strategy for a company that's seeking to streamline its operations and fully divest itself from any further administrative hassles.

Indeed, the beauty of an integrated approach is that a company can—as the saying goes—have its cake and eat it, too. An experienced management support services provider with a large financial and geographic network can align itself with technology partners that provide nonpartisan expertise in specific functions such as reprographics, mail, telecommunications, software, hardware, etc. Likewise, the provider many times can negotiate a lower cost with each individual vendor than could the individual company. Thus, the company benefits from an outsourcing arrangement with one experienced vendor capable of integrating affordable, state-of-the-art, function-specific expertise across the board.

The Measure of Success

A successful outsourcing situation will leave a company smaller in size, yet bigger in the sense of being strategically positioned to compete. The ones that will succeed will have an integrated support infrastructure in place, "owned" by one fully dedicated manager with responsibility for the outsourcing contract. And it will possess the human resources, the processes and procedures, and the technology to keep the corporate gears oiled and running smoothly and operating competitively.

What comes to mind is the story of the six blind men who try to learn what an elephant looks like by each examining only one part. The man who felt the tusk said an elephant looks like a spear, the one who felt the trunk said it looks like a snake, and so on. To understand the whole truth, the men had to put together all the parts.

The lesson, of course, is that a fragmented approach to something as vast as a corporation's support infrastructure is a sure way to lose sight of the corporation as a whole. ■

Questions to Ask a Potential Provider of Integrated Management Support Services

- How will you manage the outsourcing process as an integrated whole?
- How well do you understand my company's culture and requirements?
- How will you treat outsourced employees?
- How will you ensure that work is not interrupted during the outsourcing process?
- How will you measure productivity and savings?
- How will you ensure the continuing utilization of state-of-the-art technology?
- What kind of savings can we expect?
- How will we maintain control and quality?

fits, as a norm there will be a minimum of 200-300 employees per location, and a headcount of at least 15 to 20 employees performing the functions to be outsourced. This provides the vendor with a large enough human resource base to allow for cross-training of functions, and obtain maximum operational efficiencies through integrated management. In general, the number of employees outsourced can range from 10 to 60 percent, depending upon which functions are deemed essential.

Within the first year, a company undertaking integrated outsourcing can expect to see an average savings of 10 to 12 percent over what they had

percentage will rise dramatically.

Overall this may be a small percentage today, but it is a lucky few that comprise it. These are the companies that understand a basic tenet of administrative services outsourcing, which is that an outsourcing vendor must run management support services in much the same way that a CEO or COO runs a company. It's a business, pure and simple.

Just as a leader plans with a global perspective, so must an outsourcing vendor approach management support services globally. A function-specific tunnel-vision perspective to administrative services initially may seem

to fundamentally restructure its management support services. They need to become an integrated, cohesive "business supporting the business." Why try to reach a globally oriented goal using a distinctly piecemeal process?

The key is in viewing management support services as a cohesive infrastructure that supports the corporation—not only vertically within departments, but horizontally across departments. If, instead, one dismantles the ties that hold the infrastructure together, the overall organization is weakened. Integrate the infrastructure and you strengthen the corporation.

An Integrated Solution Requires an Integrated Approach

The way the actual outsourcing process is handled is just as critical. In order to ensure that integrated administrative functions are outsourced successfully, a cohesive, mutually beneficial strategic alliance must be established. To facilitate the transition process, it is critical for the outsourcing vendor to engage in a dual process of objective analysis and face-to-face meetings with management and employees. These meetings provide opportunities for the vendor to understand the culture, values and strategic directions. In addition to these processes it is vital for the vendor to understand the independent needs required of each department to support the corporation.

The vendor must map how each function works, how processes interact with one another, and how they all fit into a larger grand scheme. Likewise, the vendor must fully understand the expectations of the corporation's "intellectual knowledge carriers," that is, the employees at all levels and within all departments who may, or may not, be affected by the outsourcing decision. Essentially, the vendor is building a small business and must decide how best to provide a service, how it will be managed, and how much it will cost.

Only after all this information has been digested and the vendor has provided a snapshot of the current situation, can the company proceed to implement an integrated outsourcing plan, which must be accomplished without

any downtime. It is during this transition phase that the vendor begins building baselines (if none exist) that measure the scope of each function.

Baselines are vital, because they enable the vendor to evaluate administrative functions during the transition and implementation against benchmarked industry standards, as well as against the customized standards for that particular corporation. Without baselines it would be impossible to successfully outsource these functions in a global manner, to create economies of scale, to measure results, and to increase service levels.

During transition/implementation, the vendor must track such information as the level of employee satisfaction with the copy center, how long it takes each typist to prepare a certain document, how many e-mails are sent

within the company, how much information is transmitted through the fax file server, and how call response is managed and measured. Baseline data is captured on the vendor's database management system, which allows examination of all functions as a whole.

This is one of the most important keys to successfully integrating and outsourcing management support services, because now the outsource vendor can focus on the operational control of the corporation's entire interconnected set of administrative gears. The baseline is the big picture. And it is only at this point that the vendor can show the client exactly how well outsourcing is working.

The Results of an Integrated Approach

Results from an integrated approach to the outsourcing of management support have been impressive. One company found that within six to nine months and without any reduction in service, they had achieved: a 20 percent cost savings; a 12 percent increase in employee satisfaction; negotiated a better fee with an advertising agency; freed up 30 percent of the finance director's time; eliminated one subcontractor, and recovered more than \$40,000 owed them for non-delivery of overnight mail. The net savings over the first 14 months was 16 percent.

It's not that "one function" outsourcing can't work; it has been proven to work in certain areas, such as payroll and information systems. The underlying reason that managed services vendors don't always live up to expectations is that they're often asked, whether stated or implied, to do what they're not capable of doing, that is, manage other services, particularly administrative ones that are outside their niche. Corporations unwittingly set them up to fail.

In corporations, as in life, people say they want one thing but really need something else, or something more. The vendor must be able to dig beneath the stated requirements in order to uncover what everyone in the corporation needs administratively, from the senior executives to the receptionists.

Management Support Services that Benefit from an Integrated Outsourcing Approach

- Business Service Centers
- Customer Service Operations
- Reprographics/Copy Centers
- Desktop Publishing
- Document Processing
- Facility Management
- Space Scheduling/Hoteling
- Audio-Visual/Conference Room Management
- Graphics
- Records Retention
- Text Processing
- Mail Centers/Couriers
- Records Management
- Microfilm/Microfiche/Imaging
- Reception
- Filing
- Database Management
- Multimedia