

TRANSCRIPTION:

Xerox Thought Leadership Podcast Series

Document Outsourcing.
Interview with Bryan Baker
Xerox Global Services

GM: Gabriele McLaughlin

BB: Bryan Baker

GM: I am Gabriele McLaughlin from Emerging Technologies. On behalf of Xerox Global Services, I welcome you to Think Free with us. This podcast is part of an ongoing series. Be sure to visit Xerox.com/ThoughtLeadership to download future podcasts.

GM: Today I'm speaking with Bryan Baker. Bryan is a thought leader at Xerox Global Services, and he's an outsourcing expert. Tell us, Bryan, why is it that outsourcing sometimes disappoints companies?

BB: A lot of times companies fail to define the strategy of what they want to achieve out of outsourcing. Often times it's an initiative to cut cost, to get a quick fix, and that in itself normally doesn't yield the results that they want long term. So, crisply defining what is the problem statement, what is the end point that they want to achieve, is very important.

GM: So, the pressure to locate a low-cost solution can cause companies to choose a non-ideal outsourcing provider.

BB: That's a true statement. A lot of times companies, through an RFP process, is looking for the lowest-cost response. That doesn't yield necessarily who they need for a long-term relationship. There needs to be a cultural fit. There needs to be a provider that has innovation built into the outsourcing contract, provide them more than just a cost takeout.

GM: Well, what can outsourcing provide beyond cost control?

BB: Really, innovation is key for companies today. They need to identify if it's a five-year contract, what can you do in the first 12 months, but long term, the business world is going to change, the company's environment is going to change, technology is going to change, and how can you use innovation to leverage up the resources that I have in my company today? How can I free up my people in non value-added steps in order to get them focused on the core competency of the company?

GM: Okay, so the company considering outsourcing should look beyond cost savings. What does the outsourcing provider need to bring to the party?

BB: The outsourcing provider needs to bring experience not only to the industry, but they need to help the customer identify and build a business case to see if it makes sense to outsource. In addition to that, the outsource provider needs to have innovation built into the plan. They need to look at just not taking over the business and getting immediate results in the first year, but how can we help this company grow and move forward and add increased capabilities long term? All of that is achieved through due diligence. It is really important for the outsource provider to have the skill set and the ability to assess the current state that the customer is in today and balance that against their long-term strategy.

GM: So, it's really about doing the due diligence up front. How long does that process take?

BB: Well, in the document management space that I work in, this can arrange anywhere from two to eight months. It really depends on the complexity and the size of the deal. What's important to understand is that this is a critical step that a lot of companies and outsource providers may choose to shortcut due to the pressures of getting a date that they have to meet, and deliver specific results in a short time frame. Everyone is excited that they've got to the point of making the decision to outsource. Both partners are engaged, but it is absolutely critical that this step does not get shortcut. If you don't do the due diligence up front and understand the current state, the gaps, the issues, and the entire environment, this can lead to problems down the road when you're outsourcing. So, either you do it now, or you'll have to perform this step later on while you've already outsourced the work, which is not the ideal state you want to be in.

GM: Is risk assessment a part of this?

BB: It's important that the outsource provider consider risk early on in the due diligence phase. An experienced outsource provider will know, through their lessons learned working with other clients in the past, that outsourcing doesn't go perfect every single time. Through their lessons learned, through their understanding about the client's unique environment, you really need to identify where you think those gaps and challenges are. For example, I've worked with a client that we identified early on that they were going to have some challenges and risk with the implementation of the project. What happened was during the start-up of the project, in fact, some of those issues

occurred. While we tried to mitigate that risk and plan for it as best as we could, it happened. The benefit to identifying those risks up front is that the expectations of the customer, the expectations of the outsource provider were level set. We knew what to expect and anticipate if this risk were to happen, and how to prepare and plan for that. The customer was well prepared for this, because we have identified it early on.

GM: Are there hidden costs that need to be vetted?

BB: Well, a lot of times they don't look at the upstream costs from the line of business, or compliance, or IT department. What is it that they are doing to create the documents, or get the data feeds, and all of the prework that happens before it gets to, say, production. There's an enormous cost associated with that. The change management when you have seven silos in an organization that are creating similar processes, they have no benefit of an enterprise-wide solution. So, there's enormous cost around document composition in some companies that they are all doing the same thing, but through their own solution. That cost component can be staggering just to get a file to a printer. A lot of times if they're outsourcing the print, they're saying, "Hey, can you just give me the lowest unit cost for printing?" That may not be where their biggest challenge is. Their biggest challenge might be upstream. Likewise, when they finish printing if it's a large transactional environment, there's enormous cost to process that through the mail shop or through the inserting department, and postage is the biggest cost in most operations. Are they effectively mailing out documents in a way that is utilizing postal savings?

Most large operations have achieved a lot of those benefits, but some haven't. If you look at making upstream changes and having an enterprise solution, consolidating some of the processes and workflows, that in itself can take out cost, but that also could impact downstream costs, such as postage or efficiencies on the operation. When you get in there and you look at the environment, you can see this isn't the bang for the buck. You really need to look upstream, and there's potential that that can take up cost at the back end of your operation.

GM: How about promises, contracts, and metrics?

BB: This is a very important part that outsource providers and companies need to focus on. A lot of times there is limited metrics identified in a contract that can cause challenges in a long-term relationship. It's important for the company to be able to articulate what are their business requirements. What is it that the outsource provider needs to achieve, and the outsource provider, through due diligence, to really understand and comprehend what it is they need to create in their environment to consistently achieve those service-level agreements and those objectives. All measurements come down to accuracy and timeliness at the end of the day. It's important that you just identify those, get those in the contract, and the outsource provider has the ability to measure and report against those.

GM: In the end, turning over a complex operation to an outsider requires a tremendous amount of confidence, even trust. Where does that come from?

BB: Trust and confidence comes from experience. An outsource provider needs to have the experience that they've done this work over the years, that they have the skill set, the resources in the company to perform this work. That experience needs to be challenged by the customer. The customer needs to ask questions: "Where have you done this before? Can you give me examples of how you've not only transitioned this work, but how have you applied innovation? How have you helped customers achieve long-term strategy goals? Show me where you've done this."

GM: Bryan, have you ever been in a situation where after your analysis you need to tell the company that you recommend they not outsource?

BB: There are situations where the answer is yes. Where a customer is focused on cost takeout only, and they have achieved significant results themselves every year through optimization, cost takeout initiatives, and they are not focused as much on innovation, value-added services, and increasing capabilities.

GM: Okay, Bryan, have you got any additional advice you'd like to impart to our listeners regarding the right way to go about outsourcing?

BB: It's important to start out with clearly identifying a strategy. What's going to work long term for the customer, and the outsource provider clearly understanding where they can add value and help them achieve the business results that they want for many years going forward. You can't skip the due diligence phase. It's extremely important once you get past identifying what the problem statement is or where it is that you are trying to go long term. Due

diligence is key to the entire project. It's important that from a customer's point of view while cost is paramount and every business is challenged with that, and there still can be cost takeouts achieved through outsourcing that you have to look beyond cost. You need to look at how can I grow my business? How can I remain competitive? How can I achieve the business results that I want year one in this contract, but through innovation and value-added services, where might I increase business in another area through this outsourcing engagement that will continue to yield benefits? Raise the bar in terms of what the outsource provider is going to provide in year three, year four, or year five of the contract. For both the company and the outsource provider, there must be a cultural fit. It is so important that both parties understand the dynamics around the cultures of each company, the people that are being brought to the table, and that they really embrace and understand, and have the mutual respect of how they approach business, what's important to them, how do they measure and define success, and how do they react to challenges and problems. You're going to experience the wins and the challenges and the pitfalls, and then the recovery and the celebration of getting out of those challenges. That can really only be achieved by trusting both parties, and if you can do that and achieve that cultural fit from the beginning and through the life of the contract, you will have the successful engagement and successful relationship.

GM: Thank you Bryan. If you'd like more information on Successful Outsourcing and other important topics, join us at Xerox.com/ThoughtLeadership.
I am Gabriele McLaughlin. On behalf of Xerox Global Services, thank you so much for listening.

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