



The Outsourcing Dilemma: Mastering the Art of Letting Go

Organizations, both large and small, currently face a most important question about their present functions: When is it best to outsource, versus when is it best to handle services in-house? Decades ago, this wasn't such a big deal, but today's thinner profit margins and drive to cut costs have brought this old issue back into prominence.

A classic example is the function of payroll. Most organizations share 99.99% of payroll functionality in common. Yet many still insist on sustaining their own payroll software systems, payroll departments, processes and support functions. If, and when they might perform a full cost benefit/analysis on their payroll function, they usually find it more cost-effective to have payroll done externally. However, they usually decide against outsourcing. Why?

WHAT GETS IN THE WAY?

What might influence this outsourcing decision besides the bottom-line issue of cost? Ah yes, it is more delicate than that. As with many emotion-based decision models, this one is about power and control. Although the very strengths of power and control are what make a good executive, they can also work against him or her when deal-

ing with outsourcing decisions. In cases like this, "letting go" is the skill, and more importantly, the attitude necessary for success.

THE KEY QUESTION TO ASK WHEN YOU'RE CONSIDERING OUTSOURCING

Here is the key question when making outsourcing decisions: Which functions contribute to the core mission? Examine your organization's functions in light of which contribute directly to your core mission, versus those that contribute indirectly, or not at all. And yes, be sure you are clear about your core mission. In the public sector, this can be murky. For example, if you are an agency that works with the unemployed to help them retool for new types of jobs, you might have a

function that provides training in certain job types. It could be that your core mission is to enable to people to retool, but the actual training is a candi-

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WOLF CONSULTING
DIANE VASARKOVY
OWNER/CONSULTANT
360.264.5082
CELL: 360.789.3626
VASARKOVY@AOL.COM
WWW.VASARKOVY.COM

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“I always attend whenever Diane is speaking. It doesn't matter what the subject is, I know I will always learn something important...”
- Washington state employee

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date for out-sourcing.

DON'T MESS WITH YOUR SUCCESS

Your core mission is the reason your organization exists. It is your strength, your bread and butter. If you are good at your core mission, it is because you and your team have something beyond other organizations that supports your success. When outsourcing as a way to cut costs, be careful not to mess with that success.

The best candidates for services and functions to outsource are those that don't contribute directly to your core mission. A function like payroll is an obvious one, of course. But not as obvious is your information technology service or your network service. And how about your finance functions (if your business isn't finance?) These things are scarier to let go of, but they are good candidates, nonetheless.

HOW TO HANDLE LETTING GO

The best way to handle letting go of these functions is to maintain indirect control over outsourced functions. Do this by:

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- 1) Carefully selecting your provider
- 2) Entering into a most conscientious and accountable support agreement with the provider you select.

Whether this is a contract or a service-level agreement or a combination of both doesn't matter. The key is to have clear and specific intentions to perform to a detailed set of requirements. You'll know you have done a good job if the resulting agreement gives you a feeling of comfort that you will get high quality results for less than the cost of doing it internally.

With this comfortable base, you are now free to devote your attention to that core mission. And with the cost savings, you'll have more financial ability to do that. And you may find that thoughtful letting-go has its good side! ▲

***Washington State Public Employees:
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