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## Focus

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### Outsourcing

A company should concentrate on those things that deliver its customers the greatest value. So called "non-core" activities may consume valuable business resources but offer little in the way of competitive advantage.

Consider public schools, for example. They are in the education business, yet many (most?) school districts are also in the transportation business because they own and operate fleets of school busses. Transporting students to and from school adds nothing to the schools' core mission: teaching. Outsourcing options exist from nationwide firms offering student transportation to school districts.

However, not all outsourcing choices are as clear-cut as the prior example. It is not enough to simply ask, "What should we keep in house and do ourselves?" Non-core activities should be grouped into **bundles** for evaluation and to maximize the ultimate outsourcing benefits. This requires careful study of internal processes and the hand-off zones between work groups. Creative thinking "outside the rectangle" (How might we do this better? Do we need to do it at all?) also helps. Consider:

- What related activities can be bundled together?
- What is the Real Total Cost of performing the activity in house?
- Can these bundles be independently managed?
- What activity bundles offer the greatest rewards, or ROI?
- How can we measure success?

The right partner is critical if you decide to outsource. The word "partner" is key. Outsourcing is an ongoing relationship. To endure, it must be mutually beneficial to you and the service provider. Expectations of both parties should be clearly stated in advance. Consider:

- Will our contract enable flexibility and accountability?
- How can we help our partner win?
- Is there a predetermined method for problem resolution?

Finally, make certain the transition plan is properly managed. Many are not. The sour taste of a bungled transition endures long after the outsourced processes are finally running smoothly.

*Tom Wagner*

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