

This executive briefing from INEK Technologies focuses on successfully engaging and managing an outsourcing initiative, to achieve significant cost saving, service level improvements and satisfying clients & increase employee satisfaction.

Outsourcing without Compromising your Sanity For Small and Medium Businesses

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Executive Summary

Small and medium enterprises are typically regional and often bombarded with various vendors offering services in the business process / technology domains.

Given the business dynamics of the small to medium size business (SMB) market, the SMB service seeker is at loss for understanding the real value of such services, in clear terms of money, time and effort.

The question of 'what is the cost-benefit of this project?' is the major apprehension in undertaking a project that involves outsourcing/near-sourcing the customer's business and technology processes.

Money aside, is it even worth attempting with an outsourcing strategy? What are the risks involved? What is the cost of this experiment?

These are valid questions to be addressed by both the service provider and seeker together.

When approaching a SMB vendor, these questions and apprehensions have to be addressed. This will help you capture the untapped market in this segment and continue to provide services/solutions with tangible business value that sustains the quality of deliverables and continuous improvement.

This white paper examines the customer and vendor perspectives and proposes a business model that is appropriate for the SMB market in layman's terms.

At this point, it is also necessary to observe that any business model is successful when it adapts to changes in market.

SMB Customer's perspective

With various apprehensions, the SMB customer may not consider outsourcing its business activities. Aside from the apprehensions discussed in the executive summary, an SMB customer's decision-making depends on weighing the options between a large, well established vendor or a SMB vendor itself.

Is the SMB vendor in a better position to serve since it understands the challenges of another SMB? Will this kind of project be serviced and championed in partnership rather than a typical service level agreement?

A large, established service provider will definitely have variety of features in the services/solutions they offer. These are great and very useful for similar, large-scale customers. However, all of these features are not always necessary for an SMB customer.

Let's look at an example of a cell phone user, in which the most-commonly used features are calling, messaging, and the calendar. In this case, the cell phone user will probably want a phone for the features that he/she uses day-to-day. However, he/she should look for an upgradable phone that is capable of incorporating any new and necessary features that may be useful in the unforeseeable future.

These questions can be addressed through a little bit of internal research on the part of the SMB customer to streamline the strategy of outsourcing in the below areas:

What functions can be outsourced? One basic exercise that a business can do is to make an inventory list of all the activities and processes across the business. This will help identify potential savings and increase productivity. Doing so provides great internal business intelligence to the customer, whether or not the SMB customer is willing to outsource. The sample table below can shed more light about this exercise.

Challenge

- ✓ What will you outsource?
- ✓ Why are you outsourcing?
- ✓ Who will be your outsourcing team?
- ✓ Where will the outsourcer work?
- ✓ When will the work be completed?

| Activity | Estimated time -per day- per activity | Current Resources (FTEs, Technology etc.,) | Current Costs | Criticality Rating |
|-----------|---------------------------------------|--|---------------|-----------------------------|
| 1 | X hours | XYZ | \$ XXX | To be maintained in-house |
| 2 | Y hours | ABC | \$ AAA | Potential to be out-sourced |
| So on.... | | | | |

If the SMB customer is engaging a large-scale service provider, what is the position of the customer in their client priority list?

What are the scalable and measurable results that the SMB client is looking for, assuming they go ahead with the outsourcing project?

What are the current metrics and what are the proposed improvements by the service provider to these metrics? How does the service provider propose to achieve this?

What could be the surprise costs? Is the service provider clear on the responsibility sharing?

Is there a back up plan to maintain business continuity without compromise on quality?

Answering these questions will help in the decision making process of the SMB customer on two fundamental levels – Whether or not to outsource? Which vendor to consider?

The IT revolution changed it all. It has changed the whole idea of offshore outsourcing services making it the fastest-growing market over the globe.

SMB Vendor’s perspective

The first thing that is most important for the service provider is “Economies of Scale”. With this, the immediate question that follows is ‘where are the volumes to achieve this economies of scale?’ The vendor’s first goal is to obtain the client in the SMB segment. First time projects yield little to no profit on the side of the vendor, however, setting up processes that are cost-effective and tangible for the client, will provide a mutually beneficial relationship in the future.

The SMB vendor should also examine various aspects in the areas below before chasing the SMB market to promote their outsourcing services:

Quantitative Metrics (\$\$\$)

1. Cost Savings
 2. Time Savings
 3. Increase in profitability
- So on...

Qualitative Metrics (Experience of wow!!!!)

1. Change/transition management
 2. Willingness of the client to increase flexibility
 3. Knowledge transfer and sharing
 4. Logistics
 5. Standardization & Predictability
 6. Customer satisfaction (VOC)
 7. Centralized system for timely business intelligence
- So on....

Protecting Stakeholder interest with proper documentation, including but not limited to:

- ✓ Master Service Agreement
- ✓ Statement of Work or Purchase Orders,
- ✓ Non-Disclosure Agreement,
- ✓ Non-Compete Agreement,
- ✓ Security & Safety policies

..memo from your legal department.

What are the SMB customers' business priorities?

What kind of infrastructure is necessary to handle forthcoming volumes? Is the existing infrastructure sufficient for the current clients? What additional infrastructure is necessary for forthcoming clients?

Standardization of the services and solutions – Can we do this so that the service turn around for clients is quick, ensuring the business continuity during the transition?

What are the USP s that are critical contributors to the SMB client?

Pricing strategy? How are the surprise components foreseen and how will they be addressed? What may cause these surprise costs?

What is the back up and business continuity infrastructure so that the vendor is capable of providing seamless services?

Is the proposed project clear in terms of qualitative and quantitative metrics and their measurement models? The below sample table can be examined to understand better:

The objective of all the above exercise for the vendor is to PROTECT the stakeholders' interests, ensuring quality in the following areas:

Service Agreement
Statement of Work
Non-Disclosure
Non-Competence
Security and Safety Policies
Legal framework

Suitable Business Model

We have discussed the perspectives of both the customer and the vendor. It now becomes important that we understand the business model that is appropriate for the SMB market environment.

Simply put, business life should be as simple as shopping in a retail store for the SMB customer. Likewise, it should be as simple as the ability to provide services and solutions like a retail store for the SMB vendor.

Of course this model can be achieved by the vendor only if they have superb standardization with an ability to be flexible. The adage 'the customer is always right' rings true since the onus of responsibility in making the model successful lies with the SMB vendor.

Essentially, we are talking about simple services and solutions yielding powerful results.

Having said that, the standardization that we discussed throughout this paper gives rise to the question of “How do we address customization”?

SMB clients’ business performance is driven by simple business structure. This avoids complexity in conduct of the business that does not involve or require super specialty customization. Their focus is on “MAKE MY LIFE SIMPLE” factor.

Considering this fundamental factor, the SMB vendors should offer smart and simple services/solutions rather than pushing irrelevant customizations that do not fit with the SMB client’s business priorities.

Conclusion

In the SMB segment, for both customers and vendors, every dollar means big money. Unlike in large enterprises, the risk exposure and risk balancing is done by the very fact that they have a big portfolio that creates an in-built hedging of project risk.

However, in the SMB segment, the risk is not diversified and the project failure appetite is near zero.

There is no second time.....The first time better be the BEST.

About iNEK Technologies

iNEK Technologies offers innovative & cost-effective, business and IT services & solutions to a variety of industries for achieving superior business results. This enables our clients to cut costs, respond rapidly to market needs, streamline internal operations, enhance customer services and mitigate risks.

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