

OUTSOURCING in brief

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Chapter 2 ...Few examples of outsourcing

Here are a few more examples of what the big, diverse world of outsourcing is offering:

- In 1995 Xerox agreed to pay over \$3 billion to EDS to manage most of its computer operations around the globe. The deal is part of a massive re-engineering process designed to save \$1 million a day. Reason? Xerox, like others, needs someone in the know to keep up with the IT boom.
- IBM has turned over the running of its building facilities in Europe, the Middle East and Africa to Johnson Controls. The multi-million dollar contract gives Johnson Controls the management of more than 20 million square feet of facilities in thirteen countries.
- E Johnson Controls is everywhere. In head-to-head competition with Lear they control about half the production of car seats in North America and Europe. Counting seats made by outside companies, the figure climbs to 70 per cent.
- Catering giants Sodexo and Gardner Merchant from France and the UK merged to create the world's largest contract catering group.
- Hilton Hotels teamed up with Litton Computer Services to develop a totally new database and data communications system, allowing Hilton to steal a march on competitors by being able to predict more accurately best prices up to a year in advance.
- AT&T Solutions which provides technology lifecycle management has joined with CSX Transportation which manages a rail network of 19 000 miles of track to ensure consistently efficient telecommunications.
- Whitbread, the UK brewing and beverage group, signed a multi-million dollar deal to outsource the systems development and maintenance of its IT functions.
- Even the world's favourite airline, British Airways - long perceived as a holdout in doing everything in-house – is being swayed and is spinning off its much-

admired maintenance services division and Outsourcing from it as well. Ticketing, check-in and baggage handling.

- Digital Equipment linked up with Kodak Imaging Services to design, implement and operate print-on-demand centres.
- Typhoon Software of Santa Barbara, California, has set itself up to be a true low-cost provider of computer solutions. All its programmers and technicians are Russian and located in St Petersburg. Latest technology ensures compatibility, security and speed.
- EML (Expatriate Management Limited) is building a reputation from its London base for outsourcing expatriate employees, taking the strain off hard-pressed and often ill-qualified HR departments.
- Saks Fifth Avenue invited Deloitte & Touche to sit on their Profit Improvement Committee, which resulted in outsourcing its internal audit operations and credit department processing.
- Back in 1991 BP Exploration set a new outsourcing standard by contracting out its accounting function and staff plus the IT support groups.
- Ryder Dedicated Logistics designed from the ground up a dynamic distribution system to keep pace with the galloping growth of Papa John's - the fastest-growing pizza chain in the USA. This included training drivers to handle the cargo properly and realize that they as Ryder employees often had more interface with the store owner. Their opinion of the driver quickly becomes their attitude toward Papa John's.
- Canon offers its customers two repair programmes. But once Canon takes the call it is actually the Cerplex Group that delivers the service through a carefully integrated programme - that leaves the happy customer none the wiser.
- Avis Rent-A-Car has been able to stay up to the minute in technology due to its twenty year outsourcing deal with Automatic Data Processing, who have become an ever more integral part of the Avis business. In fact ADP is a major outsource vendor, handling the payroll of more than 17 million workers at over 300 000 client companies.
- Chi-Chi's International (CCI), headquartered in Brussels, Belgium and with its Mexican Dinner House restaurants in twelve countries from Indonesia, the Middle East and Europe outsources everything to longtime partners. Eat a chicken fajita in Bali, Kuwait or London and it comes from the same producer in France, same weight, same spices, same quality - they even source the sauce!

- Hooker Cockram, an Australia-based construction company, took itself back to the drawing board and rebuilt itself. Instead of doing everything they outsourced everything from plans to payroll, even the construction staff, concentrating on their core ability of getting business.
- Barclays Bank - one of Britain's biggest high street banks - put its computer operations out to tender, but let its inhouse team put in a bid. Theirs won. Not only did they stay, but they have since won outsourced business from a major utility, a merchant bank and others. Part of that came from the realization that computing for them was a core activity.
- Group 4 - one of Europe's leading security management organizations - made headlines when it won the first outsourced contract from Her Majesty's Prison Service for the remand and transfer of prisoners around Britain. After a cultural fit - who a few weeks of horror publicity about escaped convicts, regard their business they quickly settled down to a routine that has had few the way you do your glitches in recent years.
- Many contend that outsourcing is new but UK-based apparel retailer Marks & Spencer have been doing it for almost a generation and following the rules - or perhaps making them. Close supervision, an obsession with quality and a strong value-for-money image led them out of simple clothes retailing into other success areas like prepared food.
- Faced with massive social costs that were making it one of the cuckoos of an already sick industry, the Belgian state airline Sabena, outsourced many of its regional air links to small start-ups and charter companies. While frowned on by the company's air and ground crews they have so far got away with it, largely due to the threat of greater job losses if their plan to cut costs didn't work.
- DHL, the express delivery service, with headquarters in Brussels, has become a dynamic insourcer and outsourcer. On one side it is gleaning major contracts as a supplier of total logistic solutions for major corporations, on the other it has freed up capital by outsourcing street deliveries to independent drivers.

Certainly, based on this sort of record, this trend is unlikely to reverse. And while shaking out fixed costs inside an organization seems to dominate for the present, the saving in management time is seen as an increasingly major factor. What that translates into is giving management time to concentrate on the things it does best - not the things it has to do. Properly managed it sounds like an almost perfect world. The old Protestant work ethic always suggested that part of

earning your living was the ability to buckle down and do the things that had to be done, even if you didn't like them. Today, there's a new game in town. If you don't like to do it, you don't have to plod through it anymore - hating every minute. You can get someone else (who actually likes it, by the way!) to do it instead. If it saves you money and improves overall productivity as well - why not?