



ThinSourcing: A New Way for Businesses to Operate

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Over the past 20 years, a lively discussion has taken place about the merits – and demerits – of outsourcing. Driven by the desire to reduce costs and focus on core business imperatives, many companies have shifted functions such as manufacturing, software development and call centers to outside vendors operating domestically and, increasingly, internationally.

While numerous businesses have embraced outsourcing, others have adopted an opposite strategy: insourcing. Insourcing is the establishment of an in-house unit that provides a discreet service to a larger corporate enterprise – but operates autonomously, often with a lower cost structure.

While both outsourcing and insourcing provide advantages, they also have distinct drawbacks. With outsourcing these include the “hidden expenses” of integrating and managing an outside vendor, plus reduced transparency, control and quality assurance. With insourcing, the drawbacks are typically the difficulty in hiring and retaining qualified employees, maintaining specialized equipment and technology and staying abreast of best practices.

ThinSourcing, a newly emerging approach, overcomes these drawbacks. ThinSourcing is an intimate business relationship between two companies that provides a cost-effective third party service and delivers that service in a manner that is virtually indistinguishable from the way the company itself would provide it. With ThinSourcing, there is, in effect, a very thin line between the vendor and the client.

Although ThinSourcing as a business approach has only recently been named and codified, several progressive companies have already been operating in a manner that is consistent with its principles and practices. For example, UPS has moved well beyond package delivery and now runs entire supply chains for some of its clients. ADP has expanded beyond payroll processing and now manages other companies’ whole human resources functions. And at DialAmerica, we actually become our clients’ sales force in many cases, devising their strategy and executing a multifaceted sales campaign.

These examples are quite different from the narrow outsourcing arrangements of yesterday. They clearly demonstrate that companies are willing to turn over core business responsibilities to outside vendors that truly understand their business.

Further support for ThinSourcing as a valid business model comes from a survey that DialAmerica in collaboration with the American Teleservices Association (ATA) recently

conducted with 24 major U.S. companies that outsource over \$300 million in customer acquisition and customer care functions. Among the key findings were these:

- The number one reason for outsourcing functions – cited by 77 percent – was to enable companies to focus on their core business imperatives.
- 94 percent said it was important that outsourcers have business experience in their industry sector.
- 95 percent said it was important that outsourcers understand the rules and regulations of their industry.
- 91 percent said it was important that outsourcers having an impeccable compliance record.
- The number one concern in assessing the value of outsourced customer care programs – cited by 94 percent – was customer satisfaction.
- 41 percent expressed dissatisfaction with off-shore outsourcing vendors.

In our experience, a successful ThinSourcing relationship must be built upon five key pillars:

- *A custom business solution.* ThinSourcing relationships require custom solutions that precisely meet the needs of contracting companies. Initially, the ThinSourcer acts very much like a management consultant, assessing needs and formulating a detailed plan of action. Unlike a consultant, however, the ThinSourcer implements the agreed plan in accordance with a clearly defined service level agreement and performance metrics.
- *A seamless, secure technology platform.* Seamless, secure technology is critical in a successful ThinSourcing relationship. Flawless integration with the client's IT system enables the ThinSourcer to operate indistinguishably from the contracting company – both internally and externally.
- *An advanced recruiting, training and retention program.* Hiring, training and retaining a high-performance workforce is perhaps the greatest challenges for the ThinSourcer, which needs to fully understand the demanding requirements of its own business, as well as the needs of its client company. Operating in strong labor markets and using well defined performance criteria, the ThinSourcer must effectively hire, train and motivate a highly skilled workforce.
- *A comprehensive, timely, transparent reporting system.* Operating indistinguishably from the client company means providing performance data and analytical information on a continually updated and fully transparent basis. This real-time reporting enables the ThinSourcer and the client to accurately track progress, engage in an open exchange of ideas and rapidly adjust program implementation, if necessary, to achieve business objectives.

- *An impeccable compliance process.* Thinsourcers must fully understand all relevant laws and regulations that affect their client companies and adopt operational practices that fully comply with these requirements. In many cases, ThinSourcers must track and adhere to multiple federal and state regulations that cover their own business practices as well as those that govern their clients' operations.

As companies look to lower costs, reduce capital investments, operate more efficiently, serve customers better and, ultimately, compete more aggressively, ThinSourcing represents a powerful, growing solution – one that will likely be embraced by thousands of businesses in the future.

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