



TenStep Supplemental Paper

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Towards Successful Outsourcing

In the past decade, outsourcing has evolved from a progressive management strategy designed to conserve internal resources for core functions into a standard business practice. Evidence - A 2000 Buck Consultants survey found that 70% of employers, ranging from small to large to mega-sized, outsource at least one benefit or HR function. Meanwhile, revenues in the outsourcing industry are growing 15% a year, four times faster than the rate of economic growth in the country.

While the major reason for outsourcing remains the desire to reduce and control operating costs, companies are also trying to improve company focus, obtain access to world-class capabilities and free internal resources for core business functions.

Outsourced services are generally dynamic because vendors are constantly upgrading technology systems and capabilities. They can spread out the costs of these upgrades among large client bases. By contrast, internal systems are often static.

Outsourced should never mean out of mind. The key to successful outsourcing partnerships is the development of close relationships between clients and service providers that include monthly oversight meetings, annual benchmarking and strict agreements governing service levels and transaction cycle times. Before embarking on outsourcing, a detailed examination of the scope of services that are being transferred, including all processes and systems, transaction times and performance measures, must be developed. This exam should also include methods for measuring customer satisfaction from the point of view of both management and employees.

While making thorough evaluations of benefit administration processes and systems and benchmarking them against standard industry practices can be a complicated task, the effort often results in improvements to benefit programs.

A lot of discipline is required to make thorough evaluations of current processes. Almost any organization can get some enhancement by looking hard at its current systems and processes and improving them.

Future outsourcing activities include:

- Upgrading technology
- Conducting employee feedback surveys
- Increasing the number of administrative functions outsourced
- Changing vendors
- Re-negotiating contract performance standards
- Consolidating outsourced functions with fewer vendors
- Changing from partial to total outsourcing



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- Changing from total to partial outsourcing
- Decreasing the number of outsourced functions