

# 10 Questions to Ask Before Outsourcing

Find out some of the most common problems that come along with outsourcing, particularly with technology initiatives. These problems include the lack of an escape clause; too little preparation for cultural issues, such as unhappy employees and managers; and a failure to first figure out whether the outsourcing effort will really provide a return on investment.

By **Samuel Greengard**

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The complexity of today's human resources management systems and the technical demands placed on an organization--and its IT department--are leading many companies down the path of business process outsourcing.

But achieving success is no simple matter. Not only is it important to know when to outsource, but it's also essential to know how to use outsourcing to full advantage. Here are 10 questions that industry guru Naomi Bloom says organizations should ask before embracing human resources BPO:

- **Does the outsourcing opportunity match the organization's business needs?** If an outsourcing initiative can create a strategic advantage, then it's worth pursuing. If it's merely intended to deal with temporary tactical problems--such as a reluctance to invest in an upgrade to a core HRMS while revenues are down--then it's doomed to failure.
- **Will outsourcing improve performance?** A successful outsourcing initiative translates into service that is better than it would be if an organization handled the tasks internally. Before turning to BPO, it's important to ask how and why it will drive improvements.
- **How can an organization that turns to outsourcing develop excellent human resources generalists, specialists and experts in managing vendor relationships?** Remaining human resources executives and managers use metrics and other measurements to ensure that the company is managing its initiatives and relationships well and meeting business goals.
- **How can an organization understand and control costs?** It's essential to understand the cost structure for various components of outsourcing, particularly if the entire package of products and services is bundled into a single fee.
- **How can outsourcing affect the organization in an acquisition, merger or sale of a peripheral business?** Any structural change to the organization can create new challenges and alter the dynamics of the business. It's wise to understand such implications up front.
- **Are the financial projections accurate?** Take a critical look at the numbers, particularly those generated by a vendor, and try to spot assumptions, oversimplifications or just plain misleading figures.

- **Are adequate protections in place for when business conditions change?**  
Make sure that the proposed contract protects your organization as much as it protects the outsourcing provider. Your business may look quite different three to five years from now.
- **What are the cultural ramifications of BPO?** How will managers and employees react to the changes? Will these individuals view the new system as a positive or a negative? How can such reactions affect the success of the initiative? Is it possible that these individuals will walk out if they see a major upheaval?
- **Who will manage the financial and performance aspects of the project?**  
Without people, processes and technology to measure and manage the outsourcing initiative, an organization can find itself overspending and underachieving. Factoring the management aspects of the task into the initial proposal can reduce the odds of problems occurring later on.
- **Is there an escape strategy?** If the BPO provider fails to live up to expectations--even with a solid service-level agreement in place--or if the vendor is acquired by another firm that has been previously rejected (because of management style, ethics, customer-service track record, technology, geographic coverage or other factor), there must be a way to make a change without enduring a crippling disruption.

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