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Running a Business—*Without Borders*

It's more common than ever for companies to reduce costs by contracting outside work, oftentimes overseas. Information technology call centers gave birth to overseas outsourcing, which is now a \$10+ billion industry. Although outsourcing isn't new, the shrinking world economy has changed it. With continuing price pressures, rising U.S. costs, and an inexpensive international labor market, when does it make sense to contract outside U.S. borders?

At a recent Northwest Entrepreneur Network meeting, Fred Crosetto, Chief Energizing Officer at AMMEX, one of North America's leading industrial products wholesalers that sources products from China, and Sanjay Kumar, founder and CEO of vCustomer, a customer support and business processing outsourcing company with operations in the U.S., U.K., Philippines and India, shared their secrets.

Outsourcing often gets a bad wrap. That's why some like to call it "right sourcing", or building your business with the best people DNA available. If outsourcing is all about capitalizing on a cheap labor market, right sourcing refers to assessing the global market and putting the right job in the right place. Those in the know say labor prices aren't always the obvious driver. There are taxes and issues like quality control and competitiveness to consider.

Two Approaches

Assessing whether to right source requires looking at job responsibilities with a different philosophy. The expanded perspective requires a belief that any job will float to where it can be done the best, anywhere in the world, for the least amount of money. For example, given ten things to accomplish for your business, you might find that it's best to strictly supervise the top three at the home office whereas the other functions

might be right sourced to another country. At AMMEX, where protective gloves are supplied to multiple industries, it was determined that everything except the intellectual property of sales and brand marketing, could be outsourced.

Executive Insights



Cheryl Isen

Aside from potential cost savings, an advantage of running a business this way is that it enables a company to focus on its core strengths. With AMMEX, although they don't own the expertise of manufacturing gloves, they do own the IP of gloves by understanding everything about them.

This approach enabled the company to run a true 24/5 operation, which revolutionized their business and increased speed to market. It also helped the company flourish and grow in the past downturn. Although the Great Recession put many businesses under siege in terms of cost compression, many like AMMEX using a right-sourcing business model were able to compete better and grab market share.

vCustomer is experiencing similar benefits from outsourcing, but took a different approach to ensuring their U.S.-based value. At its start vCustomer grew fast by offering clients outsourced manpower at its overseas call centers. Although the pricing was attractive, as the industry matured their business was at risk of selling a commodity service. This led to a reframing of the business. vCustomer now distinguishes itself by wrapping its outsourced call center services with U.S.-based front-end consulting and backend analytics. This differentiator transitioned the company

from providing commodity-driven outsourcing services, to a more competitive offering with intelligence that can transform a business.

How to Start

The internet has made it easier than ever to right source. In many cases access to overseas talent and suppliers are a click away. Sites like www.alibaba.com offer a great place to source suppliers. However, the ease of setting up a business without borders can also be deceiving. Experienced outsourcers quickly learn that everything is easy—until it goes bad. Things deteriorate quickly when an at-risk operation is 8,000 miles away, a half a day ahead, and reliant on foreign speaking experts. That's why it's crucial to always have a plan.

If you're considering a business without borders, start by keeping these helpful hints in mind:

- Enhance your bridge building skills. Successful outsourcing relationships require the capacity to build bridges with others that may think and act very differently.
- Think about overseas relationships from the partner's point of view. What do they want and need to be successful? There has to be a win-win or there's no incentive to make sure the relationship works. If an overseas partner isn't enthusiastic or shows any reluctance, walk away.
- Be specific, and put everything in writing. Get everything out of your head and into a defined, written process. The less left open to interpretation the better.
- Keep processes simple. Never approach outsourcing with a "whatever is possible" perspective. The more simple a

process is the less chance for mistakes and misunderstandings.

- Find the right fit. The best partnerships are usually with partners that are a similar size to your business. If your partner is too large, you won't matter. Too small, they likely won't be equipped to handle the work.
- Always trust your instincts. If a deal doesn't make sense walk away.

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