



## Onsite outsourcing: More than a trend in corporations

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Outsourcing, this much maligned and misunderstood business practice has become nearly synonymous with "off shoring" U.S. jobs overseas where historically, labor is cheaper. However, this describes only a small part of the overall concept of outsourcing. In fact, most outsourcing occurs at the local level as companies outsource - "onsite" - to a service provider, those tasks which are not core to its business. Due to the rising cost of labor in many developing nations, and issues with time differences as well as language barriers, off shoring may be hitting a roadblock whereas onsite outsourcing is gaining steam.

Corporations are benefiting tremendously from the outsourcing trend. The ability to outsource non-core functions allows executives and their staff to focus on the core competencies of their business and areas that are revenue producing. "Cost, service and technology are three of the primary reasons companies choose to outsource or change outsourcing providers," commented Melanie Frost, VP of outsourcing for Swiss Post Solutions Inc., formerly known as Forrest Solutions. "With the scalable resources of an outsourcing partner, even small and medium sized organizations can improve service levels while reducing costs. Onsite outsourcing companies also provide skilled personnel without burdensome overhead expenses."

Corporate real estate departments are no strangers to onsite outsourcing. Many CRE departments' tactical activities, such as day-to-day property management and transaction management have been outsourced or "out-tasked," where external service providers perform select tasks or defined projects through a structured service agreement. Pay Wu, senior manager of Capital & Real Estate Transformation for Deloitte Consulting LLP, added the following, "In the past, internal real estate departments were task masters, they are now trying to be more strategic and advisory with their units. CRE departments are focused on being a better business partner to the business divisions in the company and as they outsource more, they become a manager of these outsourced vendors versus manager of a task or project." The goal for the successful CRE department is to function as a consultant to its executive management, providing expert guidance on where the business is headed, what are the infrastructure impacts, and how to get ahead of the process. In this case the CRE department becomes a value add versus a cost center.

Many different roles are being outsourced in corporate real estate departments, ranging from support functions in a building, to construction project management, and design services, especially when the associated tasks are deemed as outside of the companies' core competency. "Many project based positions may have been in-house five years ago, such as architect, planners and project managers, but are now outsourced for the most part," said Wu. "It's more efficient because then you don't have to manage the 'peaks and valleys' between projects. CRE departments have become much more efficient." Administrative positions are also being outsourced in increasing numbers. Frost said, "These outsourced facility positions can include any non-core function from

reception and administrative support, to messengers or copy/print/scan support. Many of our clients have benefited from an integrated support approach where we provide an administrative service center that offers a full range of facility support services."

While outsourcing of CRE departments has many benefits, there is a downside. "There can be definite trepidation by employees, a huge change management element comes into play and you have to manage that effectively," said Wu. "Otherwise there could be a backlash." Clearly there is a human resource management issue here, people need to know they are valued and know where they fit into the new operating model. Another downside is the potential negative impact on service provider businesses. The creation of the independent project management industry, for example, can be attributed to a switch in CRE departments from managing construction and design projects in-house to outsourcing the management. If for some reason this trend reverses, it could have a profound effect on the project management industry. Ray Arnold, managing director for VVA added another example, "We see a reversing trend in IT outsourcing, companies are bringing it back in-house. After spending huge sums of money on Y2K and during the last several boom years, many companies decided they wanted to reduce the amount of IT spending." A third perceived downside to outsourcing is a lack of control. This is a common misconception. According to Frost, "Companies think they lose control but in actuality they gain more. An outsourced employee can far surpass in efficiency an employee who is pigeonholed into one role. For example, the outsourced employee can be working the mailroom in the morning when it needs more coverage and then move to support the copy department in the afternoon, and this is all managed and tracked by the outsourcing provider."

As outsourcing continues to expand and more non-core functions are outsourced, business units will become leaner, more efficient, and presumably increase their bottom line. However, effective change management policies and technology is key to successful outsourcing. A clear operating model must be in place to effectively manage outsourced individuals and to ensure employees and other stakeholders understand the outsourcing model and feel secure in their roles. Technologies are available to assist in this area, and include employee time management and other HR software packages. With an appropriate operating model in place, corporate real estate departments stand to gain from the benefits of onsite outsourcing.

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