The sense of outsourcing: the viability of outsourcing corporate research and information services

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A summary of study findings

Study scope

Literature review
- Outsourcing library and information services
- Outsourcing research and information services for business information provision
- ... in the private sector

Empirical study
- Practitioners with experience of outsourcing research and information services for business information provision
- Suppliers
The “literature”

Outsourcing in library and information services

Outsourcing of research and information services in the business information sector
- Work by others with strong associations with outsourcing
  - Caroline Plumb – Freshminds
  - Mike Taylor - Evaluserve

Data subjects for primary data collection

Practitioners
- Large companies
- Global operations
- Sectors
  - Financial services
  - Professional services
  - Pharmaceuticals

Suppliers
- UK-based
- India-based
Supply of outsourced R&IS

Range of options

- Local
  - British Library
  - Business Insight
  - Freshminds

- Distant
  - Office Tiger
  - Outsource to India
  - Pipal Research

Flavours of outsourcing

<table>
<thead>
<tr>
<th>Work completed</th>
<th>By internal staff</th>
<th>By external staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>In same country</td>
<td>internal outsourcing</td>
<td>local outsourcing</td>
</tr>
<tr>
<td>Abroad</td>
<td>off-shored outsourcing</td>
<td>outsourcing</td>
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<tr>
<td></td>
<td>captive outsourcing</td>
<td></td>
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</tbody>
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Is outsourcing new to LIS?

Contracting out and externalisation

- Servicing library "space"
  - Security
  - Cleaning
  - Catering

- Document delivery
  - Cataloguing (over a century!)
  - Inter-library loans
  - Journal subscription services

"New" outsourcing in R&IS

Information delivery

- Market profiles
- Financial reviews
- Competitor analyses
- Due diligence on clients
- Sector and industry reviews
- Market research
Uptake of outsourced R&IS

Companies cited

- Abbey
- American Express
- Bain
- Deutsche Bank
- Goldman Sachs
- Lehman Brothers
- McKinsey
- Standard Chartered

Plus many more who do not publicise their involvement in outsourcing...

Motivations to outsource 1

Cost

- Main driver
  - 30-40% in general
- Labour
  - 40-70% in wages savings
  - 50% example
- Savings most evident in large, high volume projects
- Impact on share price
  - Share prices of companies that have outsourced outperform the sector average – according to the Centre for Economics and Business Research
Motivations to outsource 2

Improved efficiency
- Better decision making
- Management of work flow
  - Periods of peak demand during staffing shortages
  - Additional work arrives in ad hoc manner
  - Requirement for use of broader skills set than that held in-house
  - Extend provision to 24/7 model
- Coping with change
  - After downsizing
- For particular purposes
  - Business-to-business market research
  - Document delivery – 15,000 per month

Motivations to outsource 3

Enhancement of in-house services provision
- Focus on higher value core activities
  - Analysis, reporting, business development, facilitating, teaching, business development
  - IT, project management, staff management
- Possible to still deliver basic services
  - Staff released from less interesting work
- Opportunities for in-house services development
- Threat of outsourcing spurs standard improvements
The risks 1

Cost

- Costs greater than savings
  - Some operations too small to merit outsourcing
- Efforts to manage savings destroy them
  - Cross charging
- Time devoted to quality control
  - Recruiting and training staff, attrition rates
  - Filtering and checking work
- Costs on the increase
  - Wage inflation
- Cost savings overstated
- Patience required when waiting for savings

The risks 2

Inefficiency of additional workload

- Managing relationships
  - Intermediary between organisation and supplier
    - Contract negotiation takes much time: 18 months from initiation to going live – trips to India, pilot services, legal issues...
- End-users
- Procurement staff
- In-house R&I staff
  - Managing buy-in to avoid resentment, low morale
  - Coping with loss of power
  - Dealing with fears of redundancy, managerial liability
  - Training in new skills, e.g. negotiation, intellectual property rights
- Damage to absorptive capacity

Melanie Goody & Hazel Hall – LIRG Elsevier Award Presentation - 2005
The risks

Diminished quality of service
- Poor, inexperienced supplier ➔ inadequate work
- Failure to adhere to deadlines ➔ late work
- Lack of appreciation of local business contexts ➔ irrelevant work
- Cultural difficulties ➔ awkwardness of operations

Need for controls
- In contract
  - "Reference enquiry answers will be checked in x sources"
- In work practices
  - Draft work enhanced in-house

The sense of outsourcing?

The "literature"
- Positive?
  - Greater enthusiasm amongst those who have already outsourced for future outsourcing projects
  - Thawing of attitudes noted
  - "If I don’t do it, I’ll be asked to" strategy

The study participants
- Negative?
  - Talk of abandoning/changing existing arrangements
  - Many more drawbacks identified than evident from the literature, e.g. vendor problems, lock-in, compliance
  - "Chicken & egg" of attrition and challenging work, linked to investment
Dissemination of findings

Study report
- Full paper completed

Journal articles
- Business Information Review
- Library and Information Research

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