



The sense of outsourcing

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

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A summary of study findings

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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

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The “literature”

Outsourcing in library and information services

- ▶ Pantry, S. & Griffiths, P. (2004). *Managing outsourcing in library and information services*. London: Facet.

Outsourcing of research and information services in the business information sector

- ▶ Ward, S. (2004). Outsourcing research: what's your position? *Business Information Review* 21(4), 227-239.
- ▶ Work by others with strong associations with outsourcing
 - ▶ Caroline Plumb – Freshminds
 - ▶ Mike Taylor - Evaluserve

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Data subjects for primary data collection

Practitioners

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

Suppliers

- ▶ UK-based
- ▶ India-based

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Supply of outsourced R&IS

Range of options

- ▶ “Local”
 - ▶ British Library
 - ▶ Business Insight
 - ▶ Freshminds

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

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Flavours of outsourcing

Work completed	By internal staff	By external staff
In same country	internal outsourcing	local outsourcing
Abroad	off-shored outsourcing captive outsourcing	outsourcing

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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

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“New” outsourcing in R&IS

Information delivery

- ▶ Market profiles
- ▶ Financial reviews
- ▶ Competitor analyses
- ▶ Due diligence on clients
- ▶ Sector and industry reviews
- ▶ Market research

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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...

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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

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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

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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

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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

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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&IS staff
 - ▶ Managing buy-in to avoid resentment, low morale
 - ▶ Coping with loss of power
 - ▶ Dealing with fears of redundancy, manager liability
 - ▶ Training in new skills, e.g. negotiation, intellectual property rights
- ▶ Damage to absorptive capacity

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The risks 3

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

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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

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Dissemination of findings

Study report

- ▶ Full paper completed

Journal articles

- ▶ *Business Information Review*
- ▶ *Library and Information Research*

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