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Analysis of Offshoring and Homeshoring

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Analysis of Offshoring and Homeshoring

An Interactive Qualifying Project Report
submitted to the Faculty of
WORCESTER POLYTECHNIC INSTITUTE
in partial fulfillment of the requirements for the
Degree of Bachelor of Science
by

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I.   INTRODUCTION AND PROBLEM STATEMENT

In the 21st century, American businesses have sought new ways of solving old problems. The effect of globalization and the opening of new markets have caused a previously defined course of action for cost reduction to become obsolete. As new markets have been developed, the goals of Outsourcing, and its cousin, Offshoring have had to change and adapt to the modern world of business. The recent trends towards offshore outsourcing have proved successful in most cases and a number of businesses have adopted this practice. However, many businesses now believe that some of their functions or services which were previously sent oversees to offshore setups are better off staying on home soil. A relatively new strategy, coined homeshoring, is the latest choice for many companies desiring to move some functions out of its main facilities. Similarly, other types of jobs that are unable to be offshored but traditionally carried out at main offices are now being performed from home.

Multiple definitions of outsourcing and offshoring exist, and during the research for this project the following definitions were used: Outsourcing is defined as the delegation of non-core operations or jobs from internal production (services or goods) within a business to an external entity that specializes in that operation. Offshoring is defined as transferring operations to another country, typically overseas. Offshoring is similar to outsourcing when companies hire overseas subcontractors, but differs as companies transfer work to the same company in another country.

Homeshoring is traditionally defined as the transfer of service industry employment from offices to home-based employees with appropriate telephone and Internet facilities.[1] Home-based work in the U.S. originally exploded to market in the form of call-centers and similar services. Now, many different industries have found aspects of business suited for workers to successfully

perform the duties of their jobs out of their home. Homeshored call-centers have proved that this segment of business can be kept on home soil with many advantages as compared to offshoring the jobs. In the recent past it was not uncommon for a business to homeshore its call centers, and aside from a few information technology jobs that was about the total of jobs done from home. Currently, though, things have changed so that basically any type of job one can think of, from engineers and architects to accountants and financial analysts, is being done from home.

Popular countries for outsourcing and offshoring activities include Canada, China, Eastern Europe, India, Israel, Ireland, Pakistan, Philippines, and also the Caribbean. Many companies have received significant negative publicity for their decisions to outsource, most notably AT&T Wireless and Dell, for their use of non-US labor for customer service and technical support. However "McKinsey Global Institute has estimated that for every dollar spent on outsourcing to India, the United States reaps between $1.12 and $1.14 in benefits".[2] More research is needed to determine if US companies are truly increasing value to shareholders and the general public.

The desire to improve operations and equity is the driving force behind the modern economic system. In particular, using these foreign providers provides several benefits which include: the reduction of operational costs, the improvement of service levels, the freedom to focus on core business, gaining access to specialist information technology (IT) skills, the improvement in ability to respond to business change, and reduction of risk. However many doubt these improvements and a number of critics view the "benefits" not as benign, but see them as causing great damage to our national economy and pride.

Companies in the modern business world are constantly searching for ways to save money and run their business as efficiently as possible. Ideally, companies would be able to

produce goods and services domestically, but trying to balance cost reduction, quality of service and jobs for the domestic public is very difficult. Additionally, companies have a hard time realizing such goals, which if it is a US company means benefits to Americans, without outside interference. There are many problems stemming from the current situation, and public dissent is readily apparent.

Looking back to the early years of the United States, most sources of income were obtained through home-based work on a more personal level, whether through agriculture, carpentry, blacksmithing, and other traditional jobs. As the U.S. became more industrial the majority of jobs began shifting to out of the home settings and into larger places such as factories. In more recent times the trend shifted to office work involving a commute to a company's place of business. Currently, however, the country is reverting back and many people are working out of their home again.

Currently, there are very little set guidelines for companies seeking to outsource. There is substantial risk associated with outsourcing. Questions that were investigated were the following:

- What process do managers utilize when deciding what functions should be outsourced?

- What are the criteria for selection of vendors?

- After organizations outsourced, did they realize all of their anticipated gains?

- What problems did they encounter?

- What types of companies are most likely to benefit from outsourcing?

- How likely are companies to participate in outsourcing activities again?

- What organizational structures are arising that aim to protect the stockholder's interests, and therefore the public?

As the outsourcing market continues to grow these questions needed to be investigated to provide a proper guideline for outsourcing.

Similarly, homeshoring and general home-based employment had to be examined. Questions that were investigated in this regard were the following:

- What are the benefits as well as disadvantages to both the home-worker and the company?

- How is productivity affected?

- How does a person or company come to get involved with home work?

- What skills are necessary to success?

This project examined and analyzed these business practices through literature research and by interviewing business people currently involved with them. The process with which companies decide to outsource and to who was looked at, and through this the strict guidelines and objectives companies used to ensure proper conduct while maintaining the stakeholder's goals were observed. It was important to examine and understand home-based work from both the home-based worker's view as well as their employers'. The interview questionnaires give current firsthand accounts of different aspects of home-based work. The questions were specifically designed to explore the opinions and circumstances of these people. Companies seeking to offshore or homeshore need to apply a similar business model, meaning they should seek long term, results orientated relationships while maintaining a degree of management control over risk.

II. METHODOLOGY

The following methods were used:

- Literature Analysis

- Interview Conduction

Offshore Interview Questionnaire

1. What is your **most important strategic reason** for outsourcing?
   - That is, what are (or have been) the **drivers/triggers** for outsourcing?
   - Was there a specific **event** that led you to outsource (e.g., budget problems or management edict, etc.)?
2. What **process** do you go through before deciding to outsource?
   - Do you conduct an analysis (quantitative and qualitative) to determine whether to outsource?
   - How do you **identify your needs**?
   - How is the **decision made**?
3. What **criteria** do you use to evaluate what services, functions or products will be outsourced?
   - What services, functions (e.g., back office functions, business processes, IT functions –software development) or products (e.g., automobile industry) will be considered for outsourcing? Why?
   - What services, functions or products will **not** be considered for outsourcing? Why?
4. What criteria do you use to select an outsourcing provider?
   - What process do you utilize to analyze the ability of different providers?
     Do you ask for bids from different providers?
     Do you ask for references from other clients that the top three providers have already provided outsourcing work for?
     Do you prefer outsourcing to one country over another?
5. Once you have made the decision and have selected an outsourcing provider, were there any structural changes (e.g., manager layoffs, reduction in office space, etc.) that had to be made within the company?
6. Any staff retraining/repositioning?
7. What are the key challenges in working with an offshore partner? Please list the challenges that you see or have experienced after you outsourced?
   - Methodology challenge (i.e., do your methods of conducting business in the U.S. match and/or coordinate with the methods of the offshore partner)?
   - What is the most difficult aspect of outsourcing?
8. Will any of the outsourced services, functions or products be brought back into the company? If so, why? If not, why not?
9. What do you believe are the critical success factors in making outsourcing work effectively?
10. Are there any long-term implications of outsourcing to the U.S. economy?
11. What functions, services, or products benefit the most from outsourcing?

Home-Based Employment Questionnaire

Background Information

Name (optional):
Company or Industry involved in:
Type of work you do:

Please feel free to elaborate on the questions to best answer them. Thanks!

1. How did you get involved with working out of your home? Did a specific event or personal reason trigger you to choose home-based work? (disability, children, transportation issues, etc.)

2. How have you benefitted by working out of your home?

   a. Where do you see cost savings as compared to working in an office?

   b. Any extra expenses incurred?

3. Are there disadvantages? Have you run into any complications?

   a. Has physical distance between you and other employees ever been an issue? Any specific situation?

   b. Do you receive less of a benefits package? How is it different?

4. Is productivity affected? (positively, negatively, no difference?) Why?

5. What skills are necessary to be successful working at home?

III.   RESULTS

Offshore Results Data Chart

The chart below summaries the answers each interviewee gave for each question.

ECI Biotech - Mitch Sanders	Fidelity Investments - Dan Richards	Nagog Hill Partners - Richard O'Brien
1. - Cost savings - Human capital - Experts in the field	- IT expenses - Enables the support of new business products	- Use of money - Smaller burden of upfront costs - Use money and resources more efficiently
2. - Uses consultants - The consultants help decrease risk	- Analysis to see if it is applicable and useful - Decisions are made after discussion and presentation of data (costs vs. savings)	- Make or buy analysis - Quality of skills and experience
3. - Makes sure the people he is working with are experts - Starts people off slowly to see if they are worth the investment	- Sensible decision making - Night support is important - Gets more work done in a day than an eight hour day	- Managing outsourcing is critical - Involvement of every aspect of the process
4. - Use the best people - Feel that in the long run they save more money	- Security is most important - Want to be sure they are safe - Costs is of secondary importance	- Want someone with the resources for success - Expertise, someone who is ready for anything on the job

ECI Biotech - Mitch Sanders	Fidelity Investments - Dan Richards	Nagog Hill Partners - Richard O'Brien
5. - No changes -Used consultants to prevent any structural changes	- Had to change a few aspects of certain positions - Planned well so there were no layoffs	- Changes depend on how you manage everything - Control hiring practices so layoffs aren't necessary
6. - No real changes - They hire what they need - Use consultants	- Fair amount of retraining - Mostly cultural training	- Large amount of retraining - Cultural training and new ways to work with new partners
7. - Challenges are becoming increasingly smaller - Technology makes the world smaller and tasks easier	- Finding the right provider for the lowest cost. - Takes lots of research to find the right provider	- Culture and language are the biggest challenges to face
8. - Expertise is needed more in the beginning of a project - Bring back some services	- Depends on the situation - Believe in the saying "If it ain't broke, don't fix it."	- After maturing and learning they are able to bring back some of the services

ECI Biotech - Mitch Sanders	Fidelity Investments - Dan Richards	Nagog Hill Partners - Richard O'Brien
9. - Cost - Value - Delivery on time - Use outsourcing cautiously	- Communication - Chemistry - On-time task completion	- Supervising the process - Making sound decisions
10. **-** Unsure - The economy and industry has its ups and downs	- Long-term, the economy usually balances out - Economy is always changing and adapting	- Job loss - Outsourcing isn't entire to blame - Bad management and decision making
11. **-** Regulatory clinicians, saves lots of money outsourcing them - Use student resources to save money also	- Outsourcing touches all industries - There is no standard template for outsourcin	- Medical field is difficult to outsource

Homeshore Results Data Chart

The chart below summarizes the answers given to each of the interview questions.

Zurich -Bill Franzen -Insurance Underwriting	Fluid Sealing Industry -anonymous -Sales	Medquist -Karen Nitsch -Medical Transcriptionist
1. Companies desire to keep key personnel. Long-term relationships and excellent track record.	- Companies desire to keep key personnel -His branch office closed but desired to keep him.	- Type of work referred from a relative. -Kids were little so it would be easier to be there for them from home.
2. -Enjoys full autonomy and authority. - Able to complete and implement complex projects in less time.	- Makes his own schedule -Doesn't have to deal with or be involved in the office politics. -Sets his own agenda	- Flexibility -If kids are sick, or snow days occur, she is there for them.
2a. - Commute expenses -has expense account when travel is necessary	- Fuel cost -travel time	- Commute -Gas Prices -Work Clothes Doesn't have to eat out.
2b. - No	- No	- No, her company provides everything -would be paying for cable whether or not she worked from home.

Zurich - Bill Franzen -Insurance Underwriter	Fluid Sealing Industry - Anonymous -Sales	Medquist - Karen Nitsch -Medical Transcriptionist
3. - Telecommuters may be the first positions eliminated during downsizing. -loss of visibility -Dealing with other time zones: flexibility is part of the deal.	- No	- No social interactions -No office Christmas party. -there's no one next to you to ask questions to.
3a. -No	- No	- No, never meet them face to face. Everything is done by email, by phone, or by teleconferencing.
3b. - No	- No, benefits are the same.	- No, same types of benefits -Medical dental, 401k plan, vacation time.
4. - Yes, Positively -Projects require extensive research – no interruptions at home. -Able to complete and implement complex projects in less time	- Yes, Positively -Has the attitude that he is never off the clock. -Can work at midnight or 5:00AM if necessary.	- Yes, positively -Interrupted less at home -More distractions at the office.

Zurich	Fluid Sealing Industry	Medquist
- Bill Franzen **-Insurance Underwriter**	**- Anonymous** **-Sales**	**- Karen Nitsch** **-Medical Transcriptionist**
5. - self-motivation -self-discipline -having a full office separate from rest of house.	- Disciplined work habits -Must be able to prioritize -Goal setting, planning, execution. -Self Analysis	- Trained and certified at typing

IV.   DISCUSSION

Offshore Outsourcing and its Role in the Global Economy

This topic is important because of the large role that outsourcing has taken in the world economy and the businesses that comprise it. Arguments among differing viewpoints are common when it comes to the topic of outsourcing and its positive and negative effects. "Outsourcing remains one the most controversial issues facing American corporations today," says president of TheLadders.com, Marc Cenedella.[2] Research has shown that there is evidence for critics favoring outsourcing as well as those opposed. For example, one study suggests that compared to five or ten years ago there seems to be a lot more approval with the outsourcing process and there has been a substantial trend toward more subcontracting in recent years. However, in a study in the late 1990's, experts agree there were increases in the amounts of outsourcing projects, but state that the level of dissatisfaction in them had been steadily growing.

When individuals were asked about whether outsourcing generates value, two surveys taken had differences in opinion. In one survey it was reported that nearly two thirds of the respondents believe that they are not receiving good value for what they spend on outsourcing. This number is very different from the same question asked in a 1995 survey where nearly sixty percent answered affirmative to receiving value for the money they put in.[3] Companies looking to outsource are torn between the advantages and limitations it can bring. Information is available to support both sides.

Advantages

Expertise

The advantages for companies involved in hiring out are cost savings, expertise, and overall improvement of business performance. One research project executed by The Bureau of National Affairs (BNA) provides evidence that the desire for expertise is a driving factor in deciding to outsource. The Bureau surveyed more than 940 HR executives and came up with some surprising results. The number one reason top management wanted to outsource was for the expertise. Neither costs nor a desire to achieve a more strategic role most often drives the decision to outsource, the BNA report says. Sixty-nine percent claimed they wished for expertise, followed by improved service quality (44%), and cost savings (28%).[4]

Undetermined Savings

Even though cost savings is high up on the priority list BNA found that evaluation is difficult. Many respondents report difficulty with evaluating the success of outsourcing in terms of cost savings and re-allocation of resources. In reality, these companies said the net cost savings and reallocation of resources were "undetermined" because of the complexity of measuring outsourcing.[5] Along these same lines, the FMLink Group who conducted a survey found that companies are starting to realize the hidden costs and why some of the "undetermined" savings might be misleading. FMLink Group found that the time taken by in-house staff to manage outsourcing contracts is not insignificant, ranging from 13 to 44 hours per month, depending on the type of function being outsourced.

Expanded Market Potential

Today successful businesses usually excel by reaching its target markets effectively. By setting up on the opposite side of the globe they are able to expand their potential markets and reach additional clients with greater ease.

Comparative Advantage

A writer from TechNewsWorld points out the benefits of outsourcing by looking at the principle of comparative advantage. This principle says that even if the United States enjoys an absolute advantage in producing all goods and services, the benefits of trading with another country are mutual and worth pursuing. This enables the U.S. to focus on some of its strengths such as business creation and product development, which are key parts of outsourcing.[7]

Planning and Control

In a recent Accenture survey of more than 800 executives in the US and Europe, 86% said outsourcing gives them more control over business outcomes in a variety of critical areas, the most important being the ability to plan. Executives feel they have more freedom to make decisions because the results come quicker. While cost-cutting is among these key areas, the executives also reported equal levels of control in reliability, cost variability improvements and effective implementation of ideas. Surprisingly 55% of respondents said outsourcing allows their companies to implement strategies and change at a faster and more controlled rate.

Commitment

As for the overall prevalence of outsourcing, more than 80% of respondents said they are committed to outsourcing at least one business function permanently. Executives feel that instead of putting the burden and extra stress on themselves they can be relieved by an outside provider. Only 14% plan to use outsourcing on a temporary basis to improve key functions and return them in-house once efficiencies are realized.[8]

Ramp-Up Factor

In most businesses, "time is money" and efficiency is crucial. Sean Walsh, President, Symphony Services' Commercial Software Group, analyzed some data to conclude that a reason not so obvious to upper management deciding about outsourcing is what he calls "the ramp up factor". A key finding he encountered was that companies don't realize that if they do decide to do a project in-house, it will take a considerably longer time to start up than shipping it somewhere else. He claims an outsourcer can get the center up and running a lot faster, sometimes as much as twelve months sooner.

Another hidden fact Walsh uncovered is that Indian workers, for whatever reason, appear to be more productive than the average American worker. He has observed that Indian workers are 60-75 percent as productive as American workers when they start a project. Initially, he needs ten offshore employees to do the work of seven Americans until they get into the rhythm of the project. He says they typically take six to nine months to achieve productivity parity with their American counterparts. With a good portion of projects not even lasting that long he feels that outsourcing is crucial.[9]

Technology Cost

Investing in new technology is very costly and often risky. As the technology market develops rapidly, it is difficult to keep up with latest innovations and solutions. Thus outsourcing to companies that have the resources, expertise and desire to continuously update their technological solutions, offers a true competitive advantage. Outsourcing streamlines firm operations in ways to cut cycle time, speed decision-making, and reduce coordination costs. Hiring an outside provider allows a company to spend less time on tasks which means it will have more time to focus on core components. With the ability to make quicker decisions,

companies have more slack and room for error. Also, eliminating major in-house efforts

ultimately makes fixed costs turn into variable costs hopefully less.

U.S. Job Creation

In the U.S. today it is common to hear that India and other such countries are stealing

American jobs. But not many people actually take a look at the research and numbers associated

with the number of jobs being outsourced, and the number of new jobs being created in the U.S.

It is true that the U.S. sends a larger portion of its software development and call center work to

India than other countries. But the concern over job loss in the US following outsourcing to India

is an exaggeration. Only 274,000 jobs moved to India from 2000 to 2003 compared to the net

annual job increase of about 327,000 in the US during the period, according to the consultancy

firm, McKinsey, which has said, "The figures so far suggest that the number of jobs transferred

to India is tiny relative to employment in the US service sector."[10] Many consider the job loss to

outsourcing to be a drop in the bucket compared to that of the U.S. economy. But some wonder

why there are declines in the U.S. employment rate. Some say that the post 2000 job decline was

following a technology boom, so it is only natural to have a decline. "Since trade and offshoring

weren't the primary reasons for the weak post-2000 US employment performance, they shouldn't

be the focus of policies to create or restore jobs," it said. However, there was a big loss in the

area of technical occupations such as programmers and support personnel, said McKinsey.

Outsourcing probably caused 99,090 computer programmer jobs to be sent to India.[11]

Researchers from the Information Technology Association of America (ITAA) reported that

twice as many jobs as are put out of place will be created through IT outsourcing in the U.S. This

group figured that in the year 2008 there will be 317,000 jobs created due to effective

outsourcing. The key fact of lowering business costs is that money is more abundant for paying

American workers. The advantages of new jobs are vast, ranging from U.S. economic efficiency to boosts in exports and raised wages.[12] Another viewpoint is that there is a tradeoff of job loss and gain between certain types of industries. "On one hand, U.S. manufacturing jobs are being lost to overseas competition, yet we're seeing a large amount of job creation in the US at higher levels in industries like advertising, IT and marketing", said Marc Cenedella. [13] This is insight to a process where lost jobs in one area are made up for with job creation in other areas.

Disadvantages

Communication Problems

The first big problem between outsourcing deals, and the reason why so many of them fail or are not satisfactorily completed, is the lack of communication and lack of work from the start to design and set the parameters of the relationship. Executives and vendors see outsourcing from two extremely different philosophies, and don't realize or understand the effects of the others view. The executives expect the outsourcer to act and behave in the same manner as their own people. This is not a rational thought, because the vendor is its own company in a way. To the vendor, its company is just doing business with another company. The vendor will do extra work, if asked to do it, but will charge the company for it. The outsourcer, on the other hand, sees itself as providing a set amount of service for a set price. The vendor sees extra work as additional service, which requires additional payment. Companies expect that little extra, whereas vendors see everything as part of a contract and nothing more. The problem is that the executives and vendors don't discuss these vast differences in ideas. The problem is ignored and keeps growing as the vendor keeps charging the company more and more, and the company sees

the vendor as leeching off the company, trying to make a few extra bucks. This results in many failed relationships and deals. It all has to do with incentives. The company's workers have incentives in the form of bonuses or raises to put in the extra work, but the vendors have no real incentives to make the company better. Vendors have no incentives to do work they are not getting paid for. Because of this the company believes that the service it receives is subpar, and degrades the relationship even more.

The next issue is the lack of understanding of the specifics of the deal. The proposals made to the executives by the vendors are usually a general description of the expectations of the vendors. A proposal may not be specific of what is going to be done. To make something specific usually takes a large amount of effort and discipline. The people that make and define boundaries of proposals don't want to spend weeks in meetings trying to define the contractual parameters. It isn't worth it to them to spend so much time on a proposal that may not even be implemented. So, the parameters end up being poorly designed and described, and each side has a different idea of what they are responsible for doing. The company executives assume that the vendor will do everything that the people who work for the company do, even if specifications weren't in the outsourcing contract for those jobs. The vendor thinks that it has specifically defined the jobs to do, which wasn't very specific to start with, and is going to get paid for the work done as described in the contract. With these different views it is only a matter of time before the relationship goes sour and both sides end up losing out.[14]

Job Loss

Among the topic of American jobs controversy has arisen with some arguing occasional negative effects. A temporary displacement of jobs can occur when a company begins

outsourcing, creating large amounts of job loss. This is not to say that large economic efficiency occurs. One researcher, Maury Harris, reports "Over the past three years U.S. companies' foreign job outsourcing caused a gross job loss of just over 400,000 per year." This will eventually even itself out with economic returns, but those who suffer the initial job loss are very against this cycle and their position in it.

Control

A typical problem for companies is the feeling of loss of control since operations are now far away and the company heavily relies on a vendor. Complete trust in the vendor is necessary but risky. In general though oversees vendors are honest and minimize risk. It is bad for their business if they aren't, because people won't hire them if they can't meet standards set by companies. Outsourcers are a team of experienced developers who have already proven themselves as an effective unit. In most cases the company outsourced to will always be sure to reach given targets, deliver on time, ensure stringent security and maintain a level of productivity which will keep its business partners for a long time. Outside partners more than not want to show their worth by providing honest work.[15]

Problematic People

"Outsourcing is frequently considered a panacea - a vendor promises that because of their experience, knowledge base, proprietary tools and systems, leverage with its suppliers, etc., they can do what you do better and for less money. Unfortunately, it rarely seems to work out as well as it should. Why?"[16] Salespeople and executives can be problematic. The sales peoples' job is to sell their product. They tell the executives what the executives want to hear in order for the executives to buy the product being sold. Executives like to do big, flashy projects for their

company to look good and succeed. Outsourcing is one big way to show that one is doing

something to help the company. [16]

Home-Based Employment

General Information

Working from home has materialized as a common business practice due to several factors such as the cost of office space, the flexible and extended hours that customers demand, and more affordable technologies.[17] For the future there will probably be more and more types of jobs being performed from home. The trend is moving toward more professional types of jobs becoming home-based, and this is already being seen in a few areas. A report by Staffcentrix's Editor-in-Chief, Michael Haaren, described how there is a growing trend toward high-end professional work. "We're seeing the marketplace broaden its embrace of home-based workers, beyond the administrative and technical area and further into the ranks of professionals and other specialists," Haaren reports. "In addition to virtual attorneys and CPAs, we're finding more and more positions for translators, editors, interpreters, resume writers, nurses and teachers. Hirers are also leveraging the Internet to improve and cut costs in older project-fulfillment models in unexpected areas. Virtual mock jurors is a good example, with law firms now using home-based individuals and Internet tools to predict how an actual jury might respond to a pending case."[18]

A common system for homeshore call center setups involves three levels of contributors in which all feed off of the same business. The first area is the large company. The large company is seeking to outsource its customer service needs. They turn to the second portion of the three tier system, the virtual agent call centers. Usually these companies are fairly small with their role being to hire workers who work from home. The third segment is the home-based workers who would be self employed.[19]

A few major companies that utilize home-based workers are:

- JetBlue Airways
- VIPdesk
- 1-800-flowers
- oDesk
- LiveOps
- Alpine Access
- WillowCSN
- Working Solutions
- West Corp
- Office Depot
- McKesson
- J. Crew

Susan Eixenberger, explains how she feels about her job as a Jet Blue home-based agent in Salt Lake City.

"I've been with JetBlue for three years. My hours are on a set schedule over a three-day week: 11am to 2pm and 6pm to 9pm. I work around bringing up my three sons, and when my husband comes home, he deals with the kids while I work.

As well as allowing us to share childcare, one of the best parts is not commuting. Not having to deal with the commotions of office life or dress accordingly are pluses. Best of all, it's the ability to go downstairs, do your job and get it over with.

I'm in daily contact with my supervisor, mainly through email. Sometimes they phone to see how things are going. It can be hard, not having colleagues physically around you, but there are opportunities to meet up - today I am going into the office for a meeting. I socialize with colleagues. There are activities once or twice a month to get involved in.

You always think you should be paid more, but there are expenses, such as gasoline, work clothes, lunch, day care, you no longer have to budget for. Working from home is also a tax write-off. Put that into the mix and my salary seems fair."[20]

Workers Advantages

Home-based workers see many advantages to this type of work. Two cases where this is extremely beneficial are when one is set back because of mobility problems or one has children to care for. These personal needs are then met so other aspects of their life besides work can be fulfilled.[1]

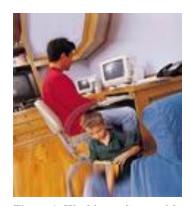### Parents

Figure 1: Working at home with his child.

One of the largest groups that homeshoring benefits is the parents of young children who have to stay at home. Many parents are unable to afford childcare and a schedule that will work to accommodate taking care of their children along with working. By staying at home they can meet both needs of having a steady income and taking care of their children.[21] Many parents who cannot afford childcare would not be working at all, thus being able to work from home was crucial contribution to household income.[22] Parents benefit greatly from the flexibility that working at home provides. It's essential to raising kids and contains a certain freedom to set priorities for the family that is very advantageous. The children's accessibility to the parent is also a plus due to factors such as emergencies and illnesses. The feeling of isolation is also helped by having children present.[23]

Physically Challenged

Being able to work out of the home has proven to benefit physically challenged workers. Many cannot leave home so this type of job is the perfect solution. A good case of this is a story about Dan Stogsdill (pictured below), who was suffering from muscular dystrophy, which was interfering with his motor skills. Eventually he was unable to work at his job as a technical data clerk because he could not make it to a job outside` of his home, but he had a wife and daughter for whom to provide. The solution to Dan's problems was working from his home. Equipped with a computer, internet access, and a telephone he began working as a "virtual call center" agent, working about 30

Figure 2: Dan Stogsdill

Figure 3: Andre Poulin

hours per week. He works for the National Telecommuting Institute which is based out of Boston and helps disabled Americans find jobs. "It's the most ideal opportunity there is for someone with a disability," Stogsdill said.[24] Another success story of home-based work for the disabled is that of Andre Poulin

(pictured below), a home agent for St-Hubert barbecue chicken restaurant chain. Poulin lost his right leg to the flesh-eating disease in 1989. He reported that at age 50 and being disabled it's a tough task to find work that suits him. His job, which he describes as ideal, guaranteed work, involves processing food orders, handling customer complaints, and providing information via phone and the internet. Gerald Desmarais, a St-Hubert official said "It's practical for us…Even if there is a winter storm, it allows us to have rapid response to our customers because there's no need for the home agents to displace themselves." Desmarais also puts praise upon the system's

way of helping both the company and employee by saying it "helps those who aren't mobile while helping us."[25]

Other people that companies are hiring for the virtual call centers are itinerant military spouses, seasoned retirees living half of the year in warm climates, disabled veterans, and even corporate wives trying to get back into the workforce.[21]

Commute

One of the many advantages to workers is that they do not have to worry about the everyday commute, and this translates into savings of money and time. The current gas prices are a very large expense to commuters. "The high price of oil, which impacts the price of gas, impacts commuters who are asked to drive to brick-and-mortar call centers."[26] The time it takes to travel to work is also very inconvenient. Office workers have to wake up earlier in the morning, and may arrive home late in the evening. Home-based workers are able to increase family and leisure time, which in turn often helps to alleviate high levels of stress.[17] Cost savings are realized because there is no dress code or necessary uniform. Karen Nitsch reported that it is not uncommon for her to start work in her pajamas. Other cost savings are on food. One doesn't need to purchase an expensive lunch; one can brown bag.

Flexibility

Having the flexibility of time is an attractive part of working at home. Workers report that it's very stress free compared to an office environment. The feeling of comfort for their worker, companies say, is the reason why they are seeing higher sales, greater customer satisfaction rates, and generally more productive business. Karen Nitsch describes it as "not having to leave the house at certain times and being totally away all day." Also with kids in

school she is able to be home for them and still able to work if they are home due to weather conditions or sickness. Another home-based respondent enjoys the flexibility of it by pointing out that he makes his own schedule, and does work at his convenience. Companies can benefit from the workers' flexibility because the flexibility enables the home-worker to choose to work when their creativity is at its highest levels, which for some people is not during the ordinary office hours. This, in turn, increases productivity.[17] Studies suggest that flexibility is perceived as a major benefit for both men and women, but for slightly different reasons. Men point to opportunities for self-expression, personal liberation and the reconciliation of work and leisure, while women look at it as a chance to work as well as take care of the household.[22]

Personal Skills

In order to be successful at home, one must have very strict work habits. A great home-based worker must be self-motivated and have a lot of self-discipline. Working in an office there is often a manager or superior to oversee what people are doing. The lack of looming authority may make it tempting to slack or become unorganized. Learning how to prioritize, set goals, plan, and execute plans are the basis of success. It's vital to constantly perform self analysis. This involves understanding what is done well and working to make it better. It also means to uncover the things not done so well, and improve upon them.

After looking at all of the cost savings from working at home, one would think there has to be some areas of extra expenses incurred that would not be present in work from an office. This is mostly untrue though. Karen Nitsch reports that with her position the only additional expense is the requirement of having a cable connection. For most people this is something they would be paying for anyway. For Bill Franzen there are little extra expenses for him as well. He takes periodic trips to the head office, but his expense account pays for most of it.

Company's Advantages

Companies that homeshore are seeing cost savings in many areas as well other benefits. These benefits include an intelligent and experienced workforce, lower absenteeism, retaining key employees and attracting new ones, higher productivity, better customer satisfaction and responsiveness rates, and better usage of available technology.[17] By not providing for the workers being physically in the office or in a call center, companies save on overhead expenses.

Office Costs and Space

An area of savings for companies running call-centers is the fact that they no longer have to deal with real estate costs. For example, IBM reported that by selling buildings and reducing its leased office space it saved $75 Million.[17] The entire cost of owning and running a building is basically gone. Owning call-center buildings is a much more expensive way to handle customer service needs. The Office Depot deploys virtual call centers as part of its

Figure 4: Typical Call Center Office

business tactics. The company decided to make a switch to virtual call centers and has been very successful with it. Julian Carter, the Office Depot executive in charge of the call center switch said, "We are actually realizing some pretty good double-digit savings from this." Office Depot expects savings of $15 million a year.[27] Lower costs can also be realized due to reduced energy consumption, parking spaces, and overcrowding in offices.[17]

Productivity

  Productivity levels have shown to be increasing with home-based employees. Studies in various companies have shown increases in productivity anywhere from 15% to 50%.[17] A psychologist and employee productivity expert, Dr. David Lewis said, "Managers must understand that every individual has a different style of working, so by allowing staff to work how they feel best able to achieve results can only benefit their wellbeing and most importantly increase their productivity and ultimately customer service."[28] It has been shown that higher levels of productivity may be due to the fact that employees are more focused on achieving better results rather than just being physically present at the office. One factor which influences this trend is documented lower levels of interference and interruptions.[17] Karen Nitsch reported that there are much fewer interruptions at home. Distractions are more likely to occur in the office. Bill Franzen agreed, reporting that his colleagues are constantly being interrupted by meetings and phone calls. In his work of complex and unique projects that require much research, it is important to be free of most distractions. In Bill's opinion, "When one is interrupted, you never pick up where you left off, but rather have to backtrack to pick up where you left off." Through fewer distractions one is able to save time. The Dilbert cartoon below is a comical example of office distractions. The employee is unable to perform the tasks of his job because of office distractions.

Figure 5: Dilbert Cartoon

Bill Franzen improves his company's productivity by taking on specific non-routine issues in order to maintain a smooth workflow at the head office. A description of the situation by Bill Franzen is as follows:

> "My colleagues in the head office are in a better position to handle the routine issues and be available for interaction with field personnel (usual authority referrals with short timeframes). My manager appreciates having a remote resource to handle the frequent non-standard assignments, to avoid disrupting the normal workflow within the office."

A salesman involved with fluid sealing is in agreement with the fact that his productivity is affected positively. By having the workstation at home one is also able to perform tasks at any point of the day. He has the attitude the he's never off the clock. If he needs to get something done he can do it at midnight or 5 AM if necessary.

Retaining Key Personnel

The desire to keep certain skilled people in a company can be a reason to have home-based workers. This was the case for Bill Franzen. Bill, living in the northeast, had to initially decline a position offered to him which would require him to move to California to the company's home office. He had personal reasons to remain where he lived. The company though was so interested in using him for the role they offered to explore a telecommuting arrangement. This setup proved successful for both Bill and the company. This is a great example of a company trying new things in order to retain key personnel. Although Bill currently works for a different company, Zurich, he still works from home. Zurich was also able to solve an issue through telecommuting which involves the need for certain critical skill sets. They were having trouble attracting key disciplines (legal, financial, actuarial, etc.) to the head office in

Schaumburg, Illinois. By allowing telecommuting for these positions, Zurich can attract and retain the key employees it needs.

The story of a salesman in the fluid sealing industry, from one of the interviews, is another example of setting up home-based work to keep key people. In this case the branch office near his home where he worked was closed down but the company desired to keep him. He is now a home-based employee of the company, and actually the only one from the area that the company kept. "Businesses must keep up with, and adapt to, ever evolving working practices is they want to continue recruiting and retaining the cream of the talent pool," said Dr. David Lewis.[28]

Performance Measurement

Through certain technologies, companies are also able to monitor workers and their performance. ODesk is a company built around making connections between other companies that want outside help with tasks such as programming, graphic design, or technical writing. Some of the appeal of oDesk to other companies is its system of locating trustworthy work for them. Three areas that oDesk put focus on to keep control over their operations are employee resumes, worker monitoring, and the handling of billing and payments.

The first step for oDesk is to look at resumes. They need to make sure that all skills and languages necessary for the job are well known. They also use a system of feedback similar to that of eBay where people give feedback and comments as to whether or not they had a positive or negative experience with that person. This system has helped people by raising monthly rates to those with good feedback.

Secondly, how can a company measure the workers productivity and time management if they are not near one another? Concerns about employees who spend more time slacking off at

home than putting in work are common and oDesk has a few ways to monitor the workers. First, oDesk takes random screen shots every ten minutes to see what their staff is doing. They also deploy a webcam, making it possible to see in real time if someone is or is not at their desk. They also have the technology to take a log of how many mouse clicks or keystrokes are made every minute. This may seem like oDesk is taking away all privacy from the home worker, but in reality if the home-worker worked in an office a manager could be standing right above them at any minute as well.

The third technique to retain trust and control over their operations is that oDesk is in charge of handling all of the billing and payments that occur. When doing business oversees it can get tricky with currency conversion and other factors such as security and fraud. ODesk takes a credit card of the employer before any hiring takes place and from there cuts a check each week to the contractor.[29] Through a 21st century piece-rate system workers for call-centers are only paid for the time they spend on the phone working.[21]

Returning Home

Making the move from offshore to homeshore call-centers has at times been made due to the cultural problems associated with oversees agents. It is unhealthy to a business to anger customers with language and cultural problems when the customers make calls for assistance. This may also lead to higher costs due to increased number of calls. Consumer complaints have impacted some businesses and were the key reason to move their call-centers on to U.S. soil. Making moves to return the jobs to the U.S. improved customer satisfaction rates. Customers are interested in talking to people with similar cultures and easy to understand language and accents.

Disadvantages

Isolation

One issue that some home-based workers run into is the feeling of isolation. It is often described as 'people-withdrawal' and is very normal.[23] Karen Nitsch cited the fact that she has little social interaction as a disadvantage with her job at home. "You don't have someone in a cubicle next to you to ask a question to," she pointed out. It is often the home-based workers feeling there is a lack of technical and organizational support to assist them, which also adds to higher stress levels.[17] Many feel it is a decent trade-off, however, to not have to deal with office gossip and politics. Although one of the advantages of having children at home is helping with feelings of isolation, parents often feel the need for adult conversation to overcome these feelings.[23] To cope with the feelings of isolation many will develop friends from all over the country in which to volley messages back and forth with during work.[30] There are many opportunities to join work-from-home chat forums. Karen Nitsch dines with some good friends once a week for more social exposure. Many studies point to isolation as a negative aspect, but tend to show difference in reasoning for it between men and women. Men put emphasis on lack of social relations with colleagues and work culture, while women cite reasons of a more broad sense of personal detachment.[22]

Worker Benefits

On average home-based workers receive the same benefits as in-office workers. A disadvantage to home-based call-center workers is the fact that sometimes they do not receive the same benefits as workers who commute to a workplace. Most often times it is the large business call-center jobs that are not given health insurance, which is considered very important

to the majority of Americans. A typical situation where health insurance is not provided is that of Jacqueline Lesane, a Working Solutions cyberagent. She leads a happy life and owns a home in Atlanta with a pool, but on the other side she and her husband do not have health insurance. This is the trade-off that she has decided to live with: very few benefits but much more of the flexibility and control one can obtain by working from home. All of the people interviewed for this research paper answered that they received all of the same benefits as they would if they worked in an office. Specialized home-based jobs as compared to call-center positions are much more like normal office jobs. Another point worth mentioning is that some critics of homeshoring feel that it's just tossing more and more jobs into the global discount-labor bazaar. They say it may be a problem that these people working from home are on their own in the "workplace jungle".[21]

Visibility

A downfall of working from home is a loss of visibility in the company, which in turn could mean less of a chance of promotion and advancement. Bill Franzen learned the hard way that in times of corporate downsizing, telecommuters may be the first ones eliminated. In Bill's line of work he deals with customers, brokers, regulators, branch offices and other Zurich employees from all over the country. This means that with the different time zones his responsibilities must be very flexible. "Conference calls at 6 a.m. or 7 p.m. can be expected. It's part of the deal," he reports.

One disadvantage to some companies is the fact that the certain employees who they would consider allowing to work from home are usually the ones they would prefer to keep at the office. These employees are most likely the more competent, trusted and motivated

employees. Another negative can be the manager's unhappiness due to difficulty in changing

management styles to accommodate for these workers.[17]

Homeshoring and Offshoring

A Zogby International poll reports that 71% of American voters believe that "outsourcing jobs overseas" hurts the economy and another 62% believe that the US government should impose some legislative action against companies that transfer domestic jobs overseas, possibly in the form of increased taxes on companies that outsource. This poll of over 1,000 Americans was conducted in August 2004.[3] Public opinion is not the only obstacle that stands in the way of US companies seeking to outsource operations. Security is also a major concern for companies. In April of 2005, a high-profile case involving the theft of $300,000 from four Citibank customers occurred when Indian call center workers in Pune, India, acquired the passwords to customer accounts and transferred the money to their own accounts opened under fictitious names. Citibank did not find out about the problem until the American customers noticed discrepancies with their accounts and notified the bank.[4]

Boomerang Effect

To U.S. workers, foreign companies, such as Wipro, were seen as a threat to their job security; but that is all changing now. All types of companies based in offshoring countries such as India, China, and Taiwan have begun setting up bases in the U.S. and hiring U.S. workers. This is an example of the boomerang affect, where jobs being offshored to other countries are returning to the U.S. for a multitude of reasons. These companies want to be closer to the markets they are selling to so they see that as reason enough to move to the U.S. Also, many U.S. companies are concerned about by the bad publicity and failures offshoring is causing for them. Consequently companies may start creating more U.S. jobs than they are shipping away to

other countries. Foreign investment for setting up U.S. subsidiaries and plants doubled, to $82 billion, between 2002 and 2003, according to the Commerce Dept. That translates to 400,000 new jobs in the U.S. Most of these jobs are tech-related, says the Organization for International Investment. Over the same period of time, it is estimated that 300,000 U.S. jobs have been lost to outsourcing, according to tech consultancy Forrester Research. So in total, foreign companies have actually resulted in the addition of some 100,000 U.S. jobs. Foreign companies are also hiring out U.S. workers to work for them overseas. Such companies are willing to pay top dollar for top talent. Many of the U.S. workers are usually consultants or specialized workers in the tech industry.

U.S. Jobs

Running call centers on U.S. soil provides employment to many Americans. A major concern with offshoring is the displacement of U.S. jobs to foreign countries. Differing viewpoints suggest that the savings that offshoring provides to U.S. companies is more beneficial as it allows the workers to earn higher salaries. It depends on how it is looked at, there is either a larger amount of created jobs, or the current jobs get higher pay.

Culture

There are many benefits to keeping call-centers on home soil rather than offshore them. These benefits surround topics such as accent fatigue, cultural disconnection, security, service quality, and local knowledge. A common problem with offshore call centers is the difference in culture between the customers and the workers on the other end of the line. Confusion can mount due to accents and language differences. Frustration among customers is not rare, but this can all

be solved by keeping the call centers at home. "The golden rule that 80% of the business comes from the top 20% of the customer base certainly factors into how you take care of those customers," says Houlne, CEO of WorkingSolutions. "If it takes you two or three calls to resolve a transaction offshore because of the language barrier, the cultural issue or the dialect issue, then did you save money?"[26] Security is a concern when doing oversees business. The risk here is with the exchange of private data (credit cards etc.) and the fact that once they are out of the country they are out of U.S. law as well.[21] Service quality is at more of a risk being offshored, because control becomes a bit weaker.

Locality

The home-based workers' knowledge of local conditions is an advantage for homeshoring. Fielding calls with home agents "gives you the ability to staff with local people who speak the language well, that have the same culture, the same trends, that basically live in the same place," said Esteban Kolsky, a Gartner analyst. "That's very appealing to most customers." They are able to connect better with the customer and use their local knowledge to better do their job.[1] An example of a real business experiencing offshore cultural problems is with the company 1-800-FLOWERS.com. The company did a test trial in India which, within a few weeks, proved unsuccessful. Lou Orsi, in charge of this operation for the company, said this failure "was a reminder that customer service is as much about psychology as technology. Florists often double as condolence therapists, interior design coaches, and relationship strategists…the folks were difficult to understand…we were afraid that we would lose sales, and we couldn't risk that." He reported that although for his business he needed call agents with a similar culture to the customer, the Indian workers were more efficient with emails. Orsi began homeshoring to Americans but still kept some business offshore for two primary reasons; busy

times such as Valentine's Day and the ability of the Indians to answer email requests better.[21] Many businesses decide to keep their call center workers on both ends of the globe so there is always enough customer support during odd hours and busy time periods.

V.   CONCLUSIONS AND RECOMMENDATIONS

Obviously the biggest concerns to companies are profits and expenditures. From this "big picture" view, companies see outsourcing as a cost savings mechanism. Research showed that no matter what the size of the company, its primary reason to outsource was to lower expenditures. This was the primary reason, but from the analysis, other subsidiary reasons were found. Efficiency was also important. The outsourcing companies want to get a bigger bang for their dollar, which means they will get more work and production with less costs in another country than if they did the same in the U.S.   Another reason is time savings. By outsourcing, companies are able to give a portion of their labor to the outsourcing provider. This allows the company to concentrate their time on other tasks, and in the business world, time is money.

Knowing that a company is going to outsource is a small portion of the big picture. Next companies must decide what tasks are going to be outsourced, and where these tasks will go. Each company has different tasks and work that can be outsourced so it is impossible to say that they all outsource IT or fabrication work. Although, it was found that companies believe in outsourcing work that will cost less elsewhere. These companies usually start off small, to see if the outsourcing process is actually going to work for them. They look to see if they are actually saving money, and if they aren't losing any quality of work. If it appears to be going as planned, then they will usually increase the amount outsourced.

Companies look for experts and experienced outsourcing providers. With experience comes an ability to adapt to new situations, which allows for a higher chance of success. Outsourcing providers are also expected to have a certain degree of security to protect their clients' products or interests. It is also interesting to find that companies look for outsourcing providers that are in different time zones. This allows them to double productivity. So when one

group is working the other is sleeping and vice versa. This means that instead of an eight hour work day in a normal setting, the company is getting two eight hour work days in one day, or 16 hours of work per day. This increases productivity, which saves money.

When the outsourcing starts to take place, companies may experience restructuring or retraining. Most companies find that if they plan well then they won't have many job losses. There is some restructuring, but retraining is probably the biggest part. There are many types of retraining that company's use. The most important one is cultural training. This is to prepare them for their future partners overseas. The other retraining that is prevalent in outsourcing situations is team work retraining. This is also to prepare people for working with new people in new situations. These types of retraining will ultimately result in savings. If people are able to work together better efficiency will be increased, which results in cost decrease and savings.

Home-based work trends are really taking off. As the practice is becoming more mainstream business professionals will begin to feel more comfortable using this business practice themselves. Trust issues will become obsolete and home-based work will not be overlooked as an accepted and legitimate way to earn a living. Management styles must change from traditional ways to have greater focus on results and relationship building with its workers. With a company's decision to begin employing home-based workers it is essential to its success that it is complemented by effective management practices. 2006 estimates of the number of at-home call agents were upwards of 140,000 people, and by 2010 that number is expected to reach 300,000. "The whole pie for outsourcing is growing," says Stephen Loynd, a telecommunications analyst for IDC, of Framingham, Mass. "That means more work will be offshored but at the same time there will be more work that's homeshored."[31]

Businesses that do not employ home-based workers should be made aware of the benefits that come along with it. The company may be able to employ workers such as stay-at-home parents or those with physically disabilities who would be otherwise unavailable. A company may also see higher productivity in some functions of its business. It would also be able to retain key personnel that might otherwise have to leave the company. A large benefit to companies that would definitely be realized would be the reduced costs and minimized office space.

The home-based workers as well as the businesses also must be aware of the issues that come with this type of work. Working from home eliminates certain expenses such as that of a commute, child care, and food costs. Another benefit of importance is the flexibility of time. Possible disadvantages must also be noted such as feelings of isolation, potential for less worker benefits, and a loss of visibility in the company.

Although this project presented a strong case for home-based work there are limits to the degree of its use. The advantages really seem to outweigh any disadvantages, but there will always be traditional offices and work centers necessary to run successful businesses. Certain segments of businesses must be kept in traditional offices in order to maintain control. The point is not to eliminate office work but to open business people up to other practices such as home-based work designed to decrease expenses and increase productivity.

At this time there are a few recommendations that are ancillary and tangent to the project. More interviews should be undertaken to get a broader scope and a more varied opinion. These interviews should also be taken from a variety of people from different industries and fields and many more people should be interviewed to get a good sample. Outsourcing providers should be interviewed to get another perspective on outsourcing and its effects. The questionnaires should be more refined to get more in depth answers. By seeing the conclusions drawn from the data,

the questionnaire questions should also be more tailored to test the conclusions that have been arrived at.

Business is conducted in different ways throughout the world. It is quite necessary to adapt and react to changing conditions in order to continue or begin successes. The techniques discussed in this research paper have impacted and are important to the evolving business of today and the future.

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VII. APPENDIX

Interview A:

OUTSOURCING INTERVIEW MANUSCRIPT
ECI BIOTECH- PRESIDENT MITCH SANDERS

1. What is your **most important strategic reason** for outsourcing?
   a. That is, what are (or have been) the **drivers/triggers** for outsourcing?
   b. Was there a specific **event** that led you to outsource (e.g., budget problems or management edict, etc.)?

"Cost, savings, and strategic focus, human capital (not having the resources). I guess the second is needs. And I guess the last would be experts in their field, and without them we would be lost."

2. What **process** do you go through before deciding to outsource?
   a. Do you conduct an analysis (quantitative and qualitative) to determine whether to outsource?
   b. How do you **identify your needs**?
   c. How is the **decision made**?

"I think that you have a profound understanding at what your good at and you know who the leaders in the field are. For example on our grants we always have our consultants who represent experts in the field whether clinicians, or people who focus on clinical research, or animal research. There are expert consultants. The management team consisted of me up until a week ago so for eight years I've been working with consultants. Consultants to help me negotiate deals, consultants in different areas of expertise in different industries. We do a lot of outsourcing for animal studies with large animal facilities. One out in Michigan and another in the Boston area. So I guess it comes down to what you need to get done, what is your strategic focus, and how can you get it done faster in a relatively cost effective way. And it always comes down to the overhead and the costs on some of these people would be enormous up front. Now that said, as your company gets bigger you may need to start pulling some of those in and as an example we spend a lot of money on lawyers. I've probably got enough lawyers to field a soccer team right now and there may come a time when we may consider to bring someone in house to reduce our bills."

3. What **criteria** do you use to evaluate what services, functions or products will be outsourced?
   a. What services, functions (e.g., back office functions, business processes, IT functions –software development) or products (e.g., automobile industry) will be considered for outsourcing? Why?
   b. What services, functions or products will **not** be considered for outsourcing? Why?

"Well I have a rational for this. If there is an expert in the field and I already know them or respect them either through someone I know or what have you then we can start a relationship. If it somebody new I typically although they may want a full blown consultant agreement which is ridiculous retainer fee I always go with an hourly rate till I know that the person is worth the money."

4. What criteria do you use to select an outsourcing provider?

a. What process do you utilize to analyze the ability of different providers?
Do you ask for bids from different providers?
Do you ask for references from other clients that the top three providers have already provided outsourcing work for?
- Do you prefer outsourcing to one country over another?

"I would say that you seek the best people in the field and they stand out and are typically busy, and unfortunately some of these people are expensive, others a little more cost effective, but as I say you always want to kick their tires and make sure they can work with you and it's going to be a meaningful long term relationship. But if they are out to just gouge you which some consultants can do that is why I like them hourly because you can just pay them ten hours and then get rid of them. If they fail to perform or they have a pattern of gouging you for money in just the first couple hours, then there is something wrong there."

5. Once you have made the decision and have selected an outsourcing provider, were there any structural changes (e.g., manager layoffs, reduction in office space, etc.) that had to be made within the company?

"Not at all. We probably use consultants from everything, from our human resources to business development consultants to consultants to get us through regulatory and it enhances the team that have here. It doesn't result in any layoffs. It just allows us to be faster, quicker, smarter. You don't need a full time regulatory person until you're really in the throws of several products. If you only have one going to market, or two or three going to market at a time then you can probably deal with a regulatory consultant that will team you up with the FDA and get you to the dance on time. So you save money so you know it allows you to focus on being nerds, focus on development and get the expertise you need in other areas."

6. Any staff retraining/repositioning?

"No, no. We pretty much hire what we need. We have gone through little bursts of reduction in staff just because of cash flow reasons back in 2002 for example but after about six months we ran back up and we are kind of continue to run at a reasonable clip and grow at about twenty percent a year."

7. What are the key challenges in working with an offshore partner? Please list the challenges that you see or have experienced after you outsourced?
a. Methodology challenge (i.e., do your methods of conducting business in the U.S. match and/or coordinate with the methods of the offshore partner)?
b. What is the most difficult aspect of outsourcing?

"I think in this global economy and with the internet and secure servers and secure socket layers it is much easier to partner with anyone anywhere. We have clients in UK, we work with folks in Florida, California, and other areas of Europe. In this day and age they can be a phone call away and we've only met them once but you can get a lot done. So the notion of having to be in a major city is long gone."

8. Will any of the outsourced services, functions or products be brought back into the company? If so, why? If not, why not?

"So as the company grows you start to realize that you need a person full time. We hired a CEO out of a billion dollar diagnostic firm. Prior to that we weren't running that burden. We were probably paying for one third of a CEO. Conversely there has been certain expertise that we outsource that eventually we find a person who was really good and other

examples of that are we had some partners that have a great employees and rather than outsource that we chose to hire them right out of the company they we are working with. "

9. What do you believe are the critical success factors in making outsourcing work effectively?

"Cost, value, delivery on time. So you've gotta get what you pay for, you can't be taken for a ride, and you gotta add value. And if you don't then you terminate that relationship and go on to the next and I would say that most times that I have been burned from outsourcing but since I keep them on a very short leash I've only lost five thousand dollars or ten thousand dollars. It's not that I've lost a hundred thousand dollars. And the ones that are gems like our HR person we keep, we've been working with a long time our phone person who does all our CAT5 and all our phone service we've been working with for five years. The guy who does all our upgrades to all our computers we don't have any IT groups we just use Macs at work to come in and give a one terabyte server get it running and walk away. And so for the money and getting an expert that knows exactly what you need but you're only paying them a week over a year and you're not paying for benefits makes a lot of sense. Computers today are fault tolerant they run themselves and if the drive goes down then you just swap for another one."

10. Are there any long-term implications of outsourcing to the U.S. economy?

"I don' know. I would say that there are a lot of outsourcing people in the US economy so I would say that typically what happens when you have boom and bust industries and the .com and computers have kind of had their ups and downs, you find a lot of people become consultants because they lost their job and that doesn't mean they are any good but I guess that I would say that when the economy slides a little bit you start to see a lot more people opening their door front calling themselves consultants. And just because they call themselves consultants doesn't mean they are competent or able to provide the services that you need."

11. What functions, services, or products benefit the most from outsourcing?

"Well I would say that in our field regulatory outsourcing make a lot of sense. These regulatory clinicians can be very expensive. They charge you a grand or two grand a day. If they are on your pay roll you would cry. So you are much better off outsourcing that. When you are getting into a new field and you haven't really bought into whether you are going to launch a product in that field sometimes its really worthwhile to getting a technical innovator in the field or getting a lead consultant in the field to come in and say this is the game you have to play to get into this field. Think about these things and get back to me and maybe I can help you more. We outsource a lot to students to have us analyze market opportunities and on those needs and often times we get that data from our billion dollar partners so I think that you can do a lot with marketing and a lot with financial modeling and doing that all outsourced. It's not until you're a billion dollar company you start needing to bring in a full blown marketing team. Now it depends on how you sell things. If you sell things with a licensing model then you don't need a big sales force, but if you sell things direct then you are going to need it. It really depends on what you do. In our case we can go through distributors so even if we had a sales force it would only be a team of two to four people that would be regional sales reps working through distributors. But because most of our stuff is being sold to billion dollar firms that are gonna market our stuff we don't need sales reps but occasional we do need marketing input and understanding what the value proposition and what the unmet need is."

<u>Interview B:</u>

<u>OUTSOURCING INTERVIEW MANUSCRIPT</u>
<u>NAGOG HILL PARTNERS – RICHARD O'BRIEN</u>

The business he is in is to be the person that sets up and creates opportunities. His clients are trying to either manufacture or outsource. He tries to understand both sides of that issue and put people together. Interesting problems…. He is a sole proprietor. He has been in this business for 30 years. It is convenient to work alone, but he brings in the right partner for the right situation.

1. What is your **most important strategic reason** for outsourcing?
   a. That is, what are (or have been) the **drivers/triggers** for outsourcing?
   b. Was there a specific **event** that led you to outsource (e.g., budget problems or management edict, etc.)?

By far it's the use of money. By outsourcing a product a company doesn't have to put up the upfront costs to hire workers, to establish facility, to prepare the tooling: the upfront costs. They can now depend on someone with experience and with quality assurance. The use of money, the flow of cash, so they don't have to put the money up front and they don't have to spend it until they receive the product is the most important aspect of outsourcing.

Choosing outsourcing is usually about money and using your resources more effectively.

2. What **process** do you go through before deciding to outsource?
   a. Do you conduct an analysis (quantitative and qualitative) to determine whether to outsource?

It is kind of a make or buy type of an analysis: where you decide what it would cost you to do it inhouse and what it may potentially cost out-house. Its also not just pure money, but recognizing the skill, the experience, the familiarity with a product or new technology or whatever it is that is going to be prepared just isn't there. It takes education, culture and a lot of other things. If you want to be sure that your shipping something that works and that the customer can rely on you want to go to experts that can do that. If you are smart enough to recognize that up front and have a customer, then you want to put the best possible product in his hands. So, it's about money but it's also about the quality of the product you deliver.

   b. How do you **identify your needs**?

I don't think historically managers worried about this. Until globalization occurred and competition reached the level it is today most people weren't too worried and were confident and were more concerned about retaining information and being secure about what they are handling. Today, it's not about security, its about getting to market, and getting there with the strongest package possible. So, identifying what your strengths and weaknesses are is the first thing. Many think just because they are creating something unique you are prepared to compete, when really they haven't even formed a business. They need to create a real business and market it and give it life. So identifying those needs isn't obvious but it should be something that most people come to grips with. For example, if you find you're good at creating and selling things but not so good at manufacturing then you have to consider options, like outsourcing.

3. What **criteria** do you use to evaluate what services, functions or products will be outsourced?

One important thing is you need to manage outsourcing. It is your product, so you better be in a position to not only negotiate and arrangement, but also be able to manage and participate in the process, and if its not there, without direction they may make decisions you might wish they hadn't made.

It's really important for you to learn from the process. Whether or not you intend to bring this initial outside production in-house at some point or not, you still better understand what it is you are doing. Because if you hit a point where you aren't happy with the production and the development, you going to want to make another selection, and if you haven't learned from that process you're in trouble and the problem may be repeated. So it's MANAGEMENT: engineering, management talent.

You regard this outsource as a partner, and if you manage it well through financing etc. you can get there. Software development- helps you to keep on time, keep the process in check. Part of the learning, understanding, and control generally.

Control is a funny thing in a business. Some people are over the edge and some are far too lenient. The larger the organization the larger the control issue becomes: there is much more at stake: big numbers and hard to recover from poor decision. Most of the outsourcing is delegated to a principal in the company that is manufacturing oriented and effects that portion of the operation.

a. What services, functions (e.g., back office functions, business processes, IT functions –software development) or products (e.g., automobile industry) will be considered for outsourcing? Why?
b. What services, functions or products will **not** be considered for outsourcing? Why?

4. What criteria do you use to select an outsourcing provider?

One of the first things and the most important area is you have to find somebody who has the resources to be successful, or financial stability. It needs to be someone who can show you they're not on their last legs and they need you to stay in business because its just too risky. Maybe they can show you their balance sheet and income statement to show you that they manage their business.

Two is the expertise. You really want to understand what the resources are on the outsourcing side. To have just a few people who can assemble and tool the product is absolutely minimum. You need quality control like ay organization so you have some oversight, understanding and experience. You want the right support and supervision necessary. You need experience in exchanging information and that is very significant. If they can put a product together but don't listen to you about your experiences b/c they are "confident" , that is bad news. This is the value creation portion of what you're doing and you need to understand them, talk to them, be able to exchange comfortably. They have to show you examples of things they've done so you can sense how they've done them and have a comfortable feeling about of their expectations and levels of quality, cost, approach and willingness to give feedback. Once you start building something you learn about it quickly and find things that can change, so feedback is huge.

a. What process do you utilize to analyze the ability of different providers?
Do you ask for bids from different providers?
Do you ask for references from other clients that the top three providers have already provided outsourcing work for?
Do you prefer outsourcing to one country over another?

I wonder why we are going offshore to find these cost advantages when I believe we could do that here. But there are reasons why you do go over: Medical devices in Ireland: in U.S. you need to approve your products, not there. And you can talk to them easily. When you go to China, the cultures are an issue. They value certain things and have certain things we don't. We in turn bring things they don't understand. They work hard and long. There are intellectual property issues, they are frequently substituting materials and cost issues that are hard to find and surprising: is it my product and am I in control? That is a problem. Some say here are my specs, no make it. This is alright but most companies have to be much more competent than that. The hours of difference are interesting. You cana send a message to China at 5 pm and that's their morning, so you have the answer the next morning. Some buiy facilites in China, and in his experience only half have success. Some work closely with local population and they can assimilate, and then they really benefit. Others who act as the owners and above the workers, they will not succeed. The language and culture problems will catch up to them and they won't overcome them.

The benefit of language is significant in Eastern Europe, in asia the problems of intellectual property is significant.

5. Once you have made the decision and have selected an outsourcing provider, were there any structural changes (e.g., manager layoffs, reduction in office space, etc.) that had to be made within the company?

It depends on how it is managed. It doesn't have to end up in lay-offs. If it's done well those people can end up doing other things than being laid off. Operating leaner is a help no matter what company you are. You don't need a lot of employees to be successful, and so the tendency to hire people to do things that may not be essential is pretty widespread. A company in a mature industry that is having difficulty competing globally and are losing sales and are worried about there future suddenly decides to outsource and close a plant, that can be quite significant. Some of that is a natural phenomenon that occurs with globalization. Priorities and fundamentals change. A company with dedicated employees and decides to outsource and close a plant is not thinking very long term about themselves and their employees, and this move is a cop-out. This is something that managers today are not addressing.

6. Any staff retraining/repositioning?

Big time. There is such a skill to communicating with these companies and supervising their work. The people who know how to do that are being hired by certain companies because they realize the delicacy of this management problem. Your own employees can't think of the outsourcing folks as enemies, or as people challenging their jobs. If that's the case the company has done a poor job of making a good strategic decision and communicating to the world. But it occurs and you have to help people to realize that these are advantages that the company can use and it doesn't necessarily enhance every individual

job but it certainly improves the ability of the corporation to compete and they need to look for ways to understand, appreciate, and use it. It's a big deal, subtle but difficult type of retraining. Some companies give classes to their employees and tell them what they are doing and their strategy and suggest ways to take advantage of this approach. This retraining puts them in tune with company strategy

7. What are the key challenges in working with an offshore partner? Please list the challenges that you see or have experienced after you outsourced?

Culture, language.

Substitution of materials because of availability or familiarity. You may end up with things that are different than you thought you were buying.

    a. Methodology challenge (i.e., do your methods of conducting business in the U.S. match and/or coordinate with the methods of the offshore partner)?
    b. What is the most difficult aspect of outsourcing?
8. Will any of the outsourced services, functions or products be brought back into the company? If so, why? If not, why not?

Absolutely. Ex: Company has 1 large product, outsources it and makes room. They start 3 more products now, and now have 4 items. They decided now that they are a mature enough company to take the 1st mature product in-house.

9. What do you believe are the critical success factors in making outsourcing work effectively?

Managing of the process is critical.
The strategy of using outsourcing needs to be looked at more carefully. A lot of things that are being outsourced don't have to be. They are short term solutions to long term problems. Managements call to outsource needs to be carefully examined.
Being prepared to deliver a product and have it ready for when someone needs it.

10. Are there any long-term implications of outsourcing to the U.S. economy?

Yes. We've opted out of responsibility of retaining the value added character of what we do in business. If Americans want to keep jobs, we need to keep raising the level of education and improve a lot of things that we do. But bottom line is why are we giving these jobs away? We don't have to. Managers are not thinking creatively on how to contain costs, how to be more effective at building and assembling things so that they can create much less expensive products and less costs. It's management's responsibility to understand both its employees and its stockholders and appreciate the difference.

Its an effective management technique but it needs to weighed very carefully and it isn't the answer to a lot of the problems companies have. It's a simple way for managers tro get out from underneath some issue, not a solution long term.

11. What functions, services, or products benefit the most from outsourcing?

Almost everything can be potentially outsourced and be profitable. It can apply to almost anything and be successful if it was a strong business strategy that worked towards long-term viability.

One area where there might be less outsourcing and there is less is in the medical device area. The problem there is the FDA had to approve of and supervise the production of products. If you decide to make a medical device in China, you have to be prepared to fly the FDA to China a lot and its difficult to supervise that type of thing because of complexity.

Some things don't transfer well, nuclear facilities for example.

Interview C:
OUTSOURCING INTERVIEW MANUSCRIPT
FIDELITY INVESTMENTS– DAN RICHARDS

Pre-Interview
"This is more generic discussion; more what industry is doing rather than what Fidelity is doing. Outsourcing is one thing. Off shoring is another. Need to differentiate because a lot of large companies are not outsourcing but off shoring. Motorola, Texas Instruments have presence in India. They're only off shoring. The outsourcing trends are the HR payroll/benefits. Don't want to keep in house so they outsource it. Let's say you're spending a billion on IT and you want to get more for your billion dollars than what you're getting today so lot of people think you're trying to save costs. For most companies it's not about saving costs it's more about productivity and more for your dollar. So they're still going to spend that billion dollars but if you spend 25% of that in India by using resources in India for that 25% which is 250 million you're probably getting 500 million of additional work. Let's say total cost of operations is four billion dollars which 25% is IT and revenue is six billion dollars. Your business grows, revenue goes up to eight billion dollars so your cost structure should go up but meanwhile if you outsource some of that but for the same billion dollars you're able to support a growing business but your cost haven't gone up. This is a decision where you decide to do off shoring than you have two paths you can outsource that or start you own center there. You need to know what you're doing. Are you outsourcing or off shoring? You start with that. Then if you decide to off shore you have another decision after that. Do you off shore or do it through your own? Must companies do both.

1. What is your **most important strategic reason** for outsourcing?
    a. That is, what are (or have been) the **drivers/triggers** for outsourcing?
    b. Was there a specific **event** that led you to outsource (e.g., budget problems or management edict, etc.)?

"Your IT expenses. Your cost is divided into three kinds of musts: first cost is nondiscretionary cost: things that you have to spend to keep business alive (all these applications and machines). Then is discretionary. Break up into two. One is non-strategic. R & D and future infrastructure. The main thing is to support new business products. In financial services your website keeps changing (new software and different ways to manage your phone calls). The business will

come and say I need these capabilities. If you go to different parts of the business they'll be marketing folks, product folks, customer service guys, and so forth. And you ask them what do you want IT to do this year and they'll have a list of things to do. When you add that all up, they're demands is more money than you have. So you ask them to prioritize because we cant do all of these. You only have a discretionary amount and they need to decide on most important projects. They're not happy but they don't have a choice because the discretionary bucket is fixed. Every year your nondiscretionary gets bigger and bigger so your discretionary money gets smaller and smaller. Every year the company loses the ability to develop new products because most of the money is going into supporting what you developed in the past. At some point if your budget is the same you want to tell the business we are running our data bases and machines we have any money to do any new development. You can solve this by adding money to the budget, you can outsource some discretionary prices to get more bang for your buck, or you can take nondiscretionary pieces and outsource that. If you need one hundred people to run your machines and it cost you ten million dollars and you take those one hundred people and do same things off shore then it probably costs you five million dollars that is freed up to develop new products. 45-50% of the budget goes to maintaining the past and goes up five percent annually. Other triggers are talent pool and get access to the best people. For example, Fidelity has outsourcing not just in India but also in Ireland. Another is business contingency. You have geography dispersed so risk is dispersed. Say something happens in Boston you'll have folks in India who could pick up the slack. In the case of Fidelity, we started doing software outsourcing. People traveled back and forth and got very excited about the country. Some of the portfolio managers went, "Hey, this is a pretty cool place to do business" so we actually opened up a mutual fund there in India and there's a portfolio manager doing that. It's the second largest mutual fund in India. What triggers it off is cost and its really not the cost but trying to get more out of the savings. People want more for the same amount. The other thing you realize is. . . "Let's say years ago I have a project and it would be a cool thing to do and I present my numbers for the project. Say if you do this project its going to cost a million dollars.

2. What **process** do you go through before deciding to outsource?
   a. Do you conduct an analysis (quantitative and qualitative) to determine whether to outsource?
   b. How do you **identify your needs**?

"It is a very in depth process. There is the idea that maybe outsourcing would be useful to our company. We then usually have some people gather data on it. From this date we are usually able to see pretty easily that it would be in our favor to outsource or not. A few people then discuss what the data and future decisions could mean for the company. But in the end it is pretty easy to say it is going to save us money and it should be done."

3. What **criteria** do you use to evaluate what services, functions or products will be outsourced?
   a. What services, functions (e.g., back office functions, business processes, IT functions –software development) or products (e.g., automobile industry) will be considered for outsourcing? Why?

"Let's talk about off shoring. I'll give u an example of Micro. What makes sense to off shore first? What makes sense is your nondiscretionary core. The reason you outsource that is that

most of the operational worth happens in the night and it's daytime in India. People get paid in the middle of the night, software is done, computers are up. If they want to install hardware boards they can't do it during the day because people are trading. You have to do it during the night. The most obvious ones are nightly supports. The second kinds of things you outsource are testing of software. So you develop that software then you go through a testing cycle. When you do testing in the daytime it takes 1/3 of the time to develop software and it's a biggest from the time perspective. You can two testing teams. One here and one off shore. Now you're getting 16 testing hours a day because once you finish here u send it over. You're taking advantage of what they call the global clock. If you take advantage you can get 24 hours of work done in a day instead of 8 hours. You're not spending any less and getting the project done faster. The current thinking is there is no such thing that can't be outsourced. The mindset that these are good things to outsource and these are not is fading away. You may not want to outsource something but off shore it. We have R & D at Fidelity overseas. Those guys we never see them they're in the labs and they just play around with technology. Like in my group I had 10 architects and 70 people doing development. Now I have 30 architects and 80 doing development with 40 of them in India. I hired people who can do bigger picture, connect the dot, being able to talk to the business folks and the actually programming work is slowly shifting there. Nothing you cant off shore.

Kevin : Do you think outsourcing will shift around the globe and move from India?

"It will move around the globe but India right now has the advantage because they speak English and have a good education system. There's going to be a labor shortage in India and companies will have to move somewhere else. Just like here in 2001 when companies started moving elsewhere. When you talk about pure labor arbitrage…My definition of arbitrage means that there is a differential pricing in two places for the same product. Cost is not only criteria, but you have other things like talent pools etc. China has tremendous potential in software. Pakistan is trying to get in there. Philippines set up a place. I think the trend will be that people will open up places in multiple continents.

        b. What services, functions or products will **not** be considered for outsourcing? Why?

You could offshore everything. You'll get different answers from everyone. You would think that call centers are the most obvious thing to outsource. At Fidelity Brokerage Company we think that customer service is so critical to abandon. We don't have one single call center operator for brokerage. We need to train them and haven't made that leap. Some companies it's the most obvious thing and some companies the CEO will say it's the last thing we'll do.

    4. What criteria do you use to select an outsourcing provider?
        a. What process do you utilize to analyze the ability of different providers? Do you ask for bids from different providers? Do you ask for references from other clients that the top three providers have already provided outsourcing work for? Do you prefer outsourcing to one country over another?

We asked for bids from different providers. We checked profitability and stability. Huge for us was our security people visiting their data centers. What is their security process? We actually

found out that their security was better than ours. You don't have any access to the hard drive, no zip drives; you can't get anything out of the computer. Right now I can walk into my office and go on the computer and take information from a zip drive. We picked 3 big ones and 2 small companies so they would be competitive against each other. The small ones actually do better business sometimes because they want your business more and they put their best people on it. We do fixed or variable bids. Variable is when the work content isn't very defined. If they'll be overruns or if things are defined we do fixed bids.

5. Once you have made the decision and have selected an outsourcing provider, were there any structural changes (e.g., manager layoffs, reduction in office space, etc.) that had to be made within the company?

Not if u plan well. You're actually adding people. All you're doing with that net additional growth you're actually now getting people from offshore. You do need to train your managers on how to do global business. You may have to hire specific off shore project managers. You may have to restructure your organizational structure. What new tasks do people do? In my group we haven't laid off anyone. The net effect is hiring 3 or 4 hardcore project managers. We have to plan on the expenses for people going back and forth.   We need to find office space. We had to change things like working hours because if you work 9 to 5 here then we want to change their time to correspond to overlap. There's a whole bunch of things you need to do but u don't need to lay off people. People in our company go on extended assignments and stay for a couple years. Generally in the industry in the IT side it's been growth. We have more high value jobs here then start up jobs.

6. Any staff retraining/repositioning?

Project managers you need to train people in different situations-how to manage globally. They take part in certification courses. A number o f my staff went through that. Also, cultural training. Our instances have been mostly positive. On the offshore side we have some problems with retention. Companies try to hire your employees by giving them- let's say a 10 % raise. We make sure they document everything so if they leave someone else can pick it up. The hardest part is transferring the knowledge off shore.

7. What are the key challenges in working with an offshore partner? Please list the challenges that you see or have experienced after you outsourced?
    a. Methodology challenge (i.e., do your methods of conducting business in the U.S. match and/or coordinate with the methods of the offshore partner)?
    b. What is the most difficult aspect of outsourcing?

As previously stated in another one of my answers two difficult aspects in working with off shore providers are the language barrier and finding a country with a solid educational background. In my experience, I always try to find aid in a country which a good educational structure and thus they are more reliable to do an efficient job because they have the skills necessary.

8. Will any of the outsourced services, functions or products be brought back into the company? If so, why? If not, why not?

Well, it all depends on the situation. If a product or service is working out sometimes its just best to let it be. As they say, "if it ain't broke, don't fix it." However, sometimes the situation arises when a service or product is making the company money but it's clear that by bring it back in house the company could make more money."

9. What do you believe are the critical success factors in making outsourcing work effectively?

Communication and working well together. If you communicate well and can work with people that you haven't had much experience with then the team should be able to complete every goal it sets out for. We found that in most outsourcing situations communication and chemistry are repetitive problems that we keep seeing. Also, tasks getting accomplished in a timely manner is a key factor because if something doesn't get done all time it holds up all your other operations.

     10. Are there any long-term implications of outsourcing to the U.S. economy?

As of right now we don't really see many impacts on the US economy. In the long run, economies usually seem to balance themselves out when there is a change.   For example, if a specific industry such as textiles sends most of its work to India you'll usually see another industry pop up in their wake. Like the economy never stays stagnant—it's usually always changing and evolving.

     11. What functions, services, or products benefit the most from outsourcing?

There isn't much that outsourcing doesn't touch in the industry these days. From computers to clothing to research and development…it's everywhere. I don't believe there is a standard template that a company can look at to know what to outsource and what not to outsource.

1.

Home-Based Employment Questionnaire

Background Info

Name (optional): Bill Franzen

Company or Industry involved in: <u>Zurich</u> (Commercial insurance)

Type of work you do:

Insurance underwriting – workers compensation line of business – primarily research and special projects.

Report to corporate underwriting in the Head Office (for North America operations).

Please feel free to elaborate on the questions to best answer them. Thanks!

1. How did you get involved with working out of your home? Did a specific event or personal reason trigger you to choose home-based work? (disability, children, transportation issues, etc.)

    Sort of a long story: In a prior company, I was the Workers Compensation manager for the Northeast Region, reporting to the local general manager in the NYC office, but with a "dotted-line" secondary reporting relationship to the head of workers compensation in the home office. I had completed numerous successful projects and programs, and was offered a position in the home office in California. For personal reasons, I had to decline – my wife is the guardian for her handicapped sister, which ties us to the New England area. Home office

was still interested, and wanted to explore a telecommuting arrangement. I had to prepare a business proposal (for my prospective manager to "sell" the concept within the organization, plus I had to agree to make frequent trips to the home office (about a week each month).

With a "bigger sandbox to play in" I continued to successfully complete several high visibility projects. Years later, the company was deemphasizing several line of business, and my manager's position was eliminated. A year later my position was eliminated as well.

My manager found a comparable position at Zurich, and hired me in essentially the same capacity as with our prior company.

2. How have you benefitted by working out of your home?
At my stage in my career (I'm 53 years old), I'm less interested in climbing the corporate ladder, and taking the necessary transfers that come with most promotions. Rather, my interests are more toward working on new and challenging problems and issues.
My colleagues in the head office are in a better position to handle the routine issues and be available for interaction with field personnel (usual authority referrals with short timeframes). My manager appreciates having a remote resource to handle the frequent non-standard assignments, to avoid disrupting the normal workflow within the office.
Because of our long-term relationship with my manager and successful track record, I enjoy nearly full autonomy and authority.

a. Where do you see cost savings as compared to working in an office?

From my own perspective, I eliminate the daily commuting expenses. For my business trips to the head office each month, these travel expenses are reimbursable under my expense account.
From the company's perspective, it's difficult to quantify. Even without telecommuters, the commercial insurance industry has numerous branch offices around the country, and in Zurich's case around the world.
Compared with technology early in my career – email, teleconferences and webcasts have mostly eliminated the need (and related expense) for frequent trips to home office for meetings and conferences. I'm not sure permitting telecommuters makes a significant difference either way.

Separate from cost savings, there's another advantage for the company: availability of employees with certain critical skill sets. My company was having difficulty attracting key disciplines (legal, financial, actuarial, etc.) to the head office in Schaumburg, Illinois. By allowing telecommuting for these positions, Zurich can attract and retain the key employees it needs.

b. Any extra expenses incurred?

As mentioned, there are the periodic trips to the head office. Despite the advantages and savings from the electronic business world, sometimes there's no substitution for the face-to-face meeting. While an extra expense (airfare and hotels are relatively cheap however), and the advantages of personal meetings hard to quantify, they are important and necessary.

3. Are there disadvantages? Have you run into any complications?

Disadvantages:

As I experienced with the first telecommuting position, in times of corporate down-sizing, telecommuters may be the first positions to be eliminated. While not a personal concern, telecommuters do lose some visibility within their organization and may lose opportunities for advancement and promotions.

Perhaps 10 years ago there would be disadvantages by being remote and "not connected" to normal office activities, corporate announcements, etc. Today, with many remote and branch office employees interconnected via email, teleconferences, webcasts, and corporate intranet communications, I see no significant disadvantages.

Complications:

A minor complication – dealing with customers, brokers, regulators, branch offices and other remote employees across the country, one needs to deal with other time zones. In the insurance industry, telecommuters don't have a 9-to-5 job and responsibilities and therefore must be flexible. Conference calls at 6 AM or 7 PM can be expected. It's part of the deal.

a. Has physical distance between you and other employees ever been an issue? Any specific situation?

No

b. Do you receive less of a benefits package? How is it different?

No.

4. Is productivity affected? (positively, negatively, no difference?) Why?

In my situation, working remotely has a positive effect on productivity. Many of my projects are complex and unique, often requiring extensive research. My colleagues in the head office are constantly interrupted by meetings and phone calls, each one more urgent than the last. On any research project, when one is interrupted, you never pick up where you left off, but rather have to backtrack to pick up where you left off. Being a remote employee with fewer of these interruptions allows me to complete and implement many complex projects in less time than if handled in the office.

5. What skills are necessary to be successful working at home?

Skills – must be extremely self-motivated and self-disciplined.
Some other recommendations –
*   My kids are grown, so I don't have the distractions and conflicts with minding little kids around the house. (Others tell me that they had to give up telecommuting, put the kids in daycare and work in the office since they got nothing done at home with kids, chores, other distractions, etc.)
*   I've a separate office in my house – with a separate business line, high-speed internet, file cabinets and bookshelves for my insurance manuals. If it weren't for the home address, it doesn't look that much different from an office in the home office.

2.
Home-Based Employment Questionnaire

Background Info
Name (optional):

Company or Industry involved in: Fluid Sealing
Type of work you do: Sales

Please feel free to elaborate on the questions to best answer them. Thanks!

1. <u>How did you get involved with working out of your home?</u> Did a specific event or personal reason trigger you to choose home-based work? (disability, children, transportation issues, etc.)

   My company had a branch office located in this region when I was hired. Soon after, the branch office was closed and I was the only employee retained. I have been working from my home office for approximately 21 years.

2. <u>How have you benefitted by working out of your home?</u>
I make my own schedule. I can also work on my computer at my convenience to accomplish my job responsibilities. There is a lot of crap associated with working out of an office that I do not have to be involved in.

   a. <u>Where do you see cost savings as compared to working in an office?</u> Saving on fuel and travel time. I live in my trade area and so do not have as far to travel as someone from where the company is based.

   b. <u>Any extra expenses incurred</u>? No. I believe I am saving my company money by operating from my home office.

3. <u>Are there disadvantages? Have you run into any complications</u>? No. But there are certain advantages such as not having to go to the office. I set my own agenda which is based on my job responsibilities. My agenda and my job responsibilities dovetail and it is a better fit in my opinion by working out of my home office.

a. <u>Has physical distance between you and other employees ever been an issue? Any specific situation?</u> No.

b. <u>Do you receive less of a benefits package? How is it different?</u> Benefits are the same.

4. <u>Is productivity affected? (positively, negatively, no difference?) Why?</u> I think I am more productive working from my home office. I have the attitude that I am never off the clock. If I need to get something done I can do it at midnight or at 5:00 am.

5. <u>What skills are necessary to be successful working at home</u>? You need to be disciplined in your work habits. You also have to be able to prioritize what needs to be done. Goal setting, planning and execution of the plan is all part of this. Self analysis is also important. Know what you do well and improve upon that. Understand the things that are not done well and improve upon them. Somehow, someway improve on your performance, results.

3.

Home-Based Employment Questionnaire

Background Info
Name (optional): Karen Nitsch
Company or Industry involved in: Medquist – the largest transcription company in the country as far as employees.
Type of work you do: medical transcriptionist – types from home in Ohio for a hospital in Houston, Texas.
Please feel free to elaborate on the questions to best answer them. Thanks!

1. How did you get involved with working out of your home? Did a specific event or personal reason trigger you to choose home-based work? (disability, children, transportation issues, etc.)

It was a referral from a relative. My sister-in-law gave me the idea of how it was a good thing to do. My kids were little so it would be easier to be there for them from home.

2. How have you benefitted by working out of your home?

Flexibility – leaving at certain times and be totally away. Snow days or if kids are sick, I can be at home for them and still work.

    a. Where do you see cost savings as compared to working in an office?

Commute, gas prices
Work Clothes
Eating out not happening

    b. Any extra expenses incurred?

No b/c my company provides everything. I just had to have the cable line for internet hookup.

3. Are there disadvantages? Have you run into any complications?

No social interactions.
Once a week I meet with girlfriends for lunch.
No office Christmas party to go to.

    a. Has physical distance between you and other employees ever been an issue? Any specific situation?

No, you really never meet them face to face. I don't even know my supervisor b/c she works for a national company. But that's not a problem. Everything is done by email, or phone or teleconferencing.

    b. Do you receive less of a benefits package? How is it different?

No, same types of benefits. Medical, dental, vacations, 401k

4. Is productivity affected? (positively, negatively, no difference?) Why?

Interrupted less at home (positively) In the office there are more distractions. None of that at home.

5. What skills are necessary to be successful working at home?
   Be trained and certified at typing. Not just anyone can do it.

   You don't have someone you can just ask a question to in the next cubicle.