

An Outsourcing Model On Steroids

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It is 11:30 AM Monday and you have been at your telemessaging call center “filling in” since your day shift supervisor advised that she would not be coming in for the morning shift due to day care problems at home. You have had a perpetual headache as you ponder an investment in a system upgrade just to keep the accounts you have. Your landlord just got off the phone reminding you its time to sit down and discuss renewal.

You accept a call from a representative of a national call center who tells you:

- He wants to take on your clients and pay you a percentage of the revenue;
- He makes a case – you keep your business and its name while he:
 - eliminates all day to day management and administration issues for you;
 - allows you to jettison all fixed assets and pocket the cash
 - allows you to focus on marketing to grow your revenues and service your clients while only working when you wish.
- He will offer each of your employees a remote agent position, working from their homes, which will allow them to experience an immediate net increase in disposable income. He reinforces that this will assuredly maintain your customer service standards and allow for continuance of the customer relationships of your people.

He asks if you want to learn more. Do you?

An Option To Selling

Outsourcing is a “not so new” business transition model for owners of telemessaging call centers. The conversations in the halls of ATSI Conventions abound with some success stories, but some are horror stories of lost clients, eroded service, and eventual loss of business equity.

Telemessaging owners who are searching for ways to “slow down and phase back” have often looked at outsourcing after going through the process and the experience of trying to sell their business. Sticker shock sets in. Often entrepreneurs find out too late that business sales transactions of telemesaging companies can be based on multiples of revenues and those transactions often end up being loans with “earn out sales models.” In such cases you may find yourself making an investment in a business that is controlled

by someone else with only a small amount of cash in your pocket after the tax man visits you at closing.

Historic Failures & Horrors

In some cases owners who have outsourced their telemessaging call center did not treat the transaction as a merger. The reality of outsourcing is that you have transferred the management of your business and you may leave yourself open to:

- Limited options for return/recovery to status quo since your infrastructure dissipates;
- Limited control of service – in reality you must rely on the efficiency gain of others to fund your monthly payment;
- Natural declines of revenue with normal business turnover unless you market and backfill with new business;
- Competition from your ex employees as they filter into the competitive landscape with knowledge of and relationships with your customers.

The Natural Emotions Of Business Separation

Despite the tendency of business consultants to discuss and present the logical and cost effective criteria for business decisions, the reality of life is that businesses are owned by people who built their business with other people. Customers are people who build relationships with your employees as people. Although spreadsheets and ROI models help, they remain useless if the people issues are not addressed and resolved.

Over time we have experienced entrepreneurs who have not entered into transactions to sell or outsource their business because:

- They did not want to hurt their employees;
- They would miss the social interaction with customers and employees;
- They would not know what to do without the business even though they spend 50% of their time complaining about the business.

Overcoming The Obstacles

Let's consider an outsourcing model that allows an entrepreneur's employment base to remain in place servicing their customers with an economic benefit. Your employees may experience fulfillment of the dream of working from home. All this has evolved with the advances in technology. Telecommuting is a dependable delivery option and not cutting edge technology. Owners who outsource with firms offering remote agent employment to their existing personnel can:

- Improve the potential of making the outsourcing experience transparent to their customers;
- Improve the potential of retaining customers and defending their revenue;

- Improve the potential that they will take pride in representing “their company” to current customers and marketing to new prospects;
- Improve the potential of hurtling the traditional problems of separation.

Suggestions On Shopping For Outsourcing Partners

Outsourcing your business is the most intimate of alliance agreements. We have always contended that you must approach the formation of alliance as if it was a merger. Follow the same process and the same due diligence. Every alliance agreement requires some fundamental components:

- Definition and measurement criteria for success and failure
- Specification of resource allocation commitments, with time parameters of both parties (people, cash, facilities, technology, market access).
- Defined profit (and loss) share agreement
- Definition of roles and responsibilities (actual people assigned)
- Definition of dissolution terms, to include time parameters and criteria (rights of each partner requesting dissolution)
- Definition of ongoing rights to technology, customer lists, and rules of customer contact (through and after relationship)
- Definition and mutual signoff on implementation plan, as well as monitoring progress
- Pre-established and agreed upon internal and external communication plan
- Pre-assigned single manager from each partner with pre-established joint reward incentive for selected management.
- Formally documented operational responsibilities
- Mandated face-to-face management schedules
- Pre-defined owner/CEO involvement

Now let’s get back to that 11:30 AM phone call. Do you want to learn more?



Ron Beilin & Paul DeFino are the principals of the consulting firm Opportunity Inc. For nearly 15 years, they have assisted entrepreneurs in growing their businesses, hurtling economic downturns, and merger and acquisition activity.

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