

# Avoiding Global Outsourcing's Dangers

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## *Will You Make The Same Mistakes Others Have?*

The process of outsourcing internally performed services went mainstream in the 90's. This decade, the trend has evolved to outsourcing from "low-cost countries." Decision-makers are lured by the prospect of paying 10% or less of what they previously paid for a function.

For many organizations, global outsourcing has not gone well. In one widely publicized example, a large computer manufacturer recently pulled its poorly performing call center out of a low-cost country and returned the function to the high labor cost U.S.

Why have organizations ended up being disappointed with global outsourcing? Because they have failed to apply to outsourcing a service the same solid purchasing principles that they apply to buying goods domestically.

Failing to prudently outsource can be especially disastrous when your customers have direct contact with the providers of the outsourced service. In today's environment of a worldwide surplus of goods and services, it doesn't take many bad experiences to drive a customer right into the arms of a competitor.

If your organization is thinking about global outsourcing, consider these guidelines:

1. Don't assume that because a supplier provides a service for 1/10th the price that they can provide it satisfactorily. Get proof. Qualify the supplier. Just like every country in the industrialized world, there are both excellent suppliers and incompetent suppliers in low-cost countries. It is up to you to differentiate between them. Yes, a site visit on the other side of the globe may be expensive. But the costs of making and correcting a huge mistake are usually much larger than the costs of qualification.
2. If your next global outsourcing project is your first, outsource a function that does not involve customer contact. You don't want to experiment with your organization's future revenues at stake. When you do outsource a customer contact function, you should be able to apply experience and "lessons learned" for a successful transition that is transparent to customers.

## *Spotlight On Professional Development Opportunities*

**Are these 7 little-known negotiating mistakes letting your suppliers laugh all the way to the bank?** Look, even if you've successfully negotiated price reductions, you may not be getting the best deals possible. Knowing a few techniques is not enough. You especially need to know what NOT to do in a negotiation. In just 15 minutes, **Next Level Purchasing's** 15-Minute Tutorial "Negotiation No-No's" will teach you how to avoid the common negotiation mistakes that can cost your organization dearly. A "virtual negotiation" exercise allows you to assess your negotiation prowess.

**When you register, you will get immediate access to the tutorial.** You can take the tutorial whenever you want to over a 60-day period.

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For more information on this 15-Minute Tutorial and other online classes for purchasing professionals, visit:

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**Is poor supplier performance driving you crazy?** You won't have to work so hard if you apply certain proven techniques for evaluating and improving supplier performance. If you have wanted to implement a supplier ratings program but had difficulty getting started, **Next Level Purchasing's** online mini-course "Managing Supplier Performance" (MSP) is the perfect class for you. And, oh yeah, it's FREE!!!

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