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Let's hear it for 'homeshoring'

Remember the vintage 1960s slogan, "If you're not part of the solution, you're part of the problem?" Like all things retro suddenly hip, it's an apt phrase for our times, particularly in regard to the obsession with global outsourcing and its negative implications for U.S. workers.

For most companies, international outsourcing is not part of the solution. In fact, it's frequently a symptom of problems inside companies, and it creates even bigger problems for U.S. workers.

I'm referring to companies that are among the legions jumping on the international outsourcing bandwagon -- beginning in the 1990s and continuing today -- for all the wrong reasons: management fads, personal careers, desperate efforts to turn around dramatically dropping stock valuations. Whatever the reason, their outsourcing initiatives fail or are doomed to failure because they lack a sound underlying business rationale.

At its core, outsourcing is a good idea. It's been going on since the Industrial Revolution and has helped many companies achieve profitability through increased efficiency. The controversy began, however, when U.S. companies started looking abroad (offshore) to reduce their labor costs.

The advent of the Internet and "e"-everything made globalization a reality. CEOs and "chief information officers" were eager to be part of the new world economy. It seemed reasonable that their companies, flush with boom-time profits, should compete for emerging markets. In this environment, many businesses became like lemmings, one following the other offshore.

Not surprisingly, the lack of rigorous upfront analysis resulted in a loud and painful "thud" when these metaphorical lemmings hit bottom. This was particularly evident when the stock market began its slide shortly after we celebrated the millennium.

This downward trend intensified competitive pressures. CEOs eagerly turned to international solutions - and less-expensive offshore labor -- in their pursuit of better, faster and cheaper ways of doing business.



Clean-suited workers manufactured tiny filters in the Wuxi, China, plant of Donaldson, Co., which is based in Bloomington. Twenty-eight percent of the 252 Minnesota companies responding to a new survey said they were making

Glen Stubbe/Star Tribune

Flawed logic

Fast-forward to today. Many of the companies that were struggling to survive have faded from sight. Others are coming back, stronger for the struggle but still trying to regain their footing. Yet sadly, many still fail to make the connection between international outsourcing, management failures and their persistent remaining IT problems.

In a nutshell, international outsourcing is a flawed solution in three common business scenarios: when problems are not well defined or expectations are not articulated; when the "cheaper" solution has a negative impact on the "better" or "faster" components of a company's value proposition; or when executives forget past business lessons. I'd like to explore the third scenario in depth, but let's review scenarios one and two first.

Undefined problems lead to a frantic problem-solving approach that can, at best, be considered grasping at straws. CEOs who wish to look decisive without digging deep for root problems and tackling core management problems often look to offshoring as a silver bullet: A solution for all their problems, even the ones they don't understand. Not surprisingly, what looks too good to be true usually turns out to be just that.

The second scenario -- "going on the cheap" -- also has led to problems. The best example is the often-offshored call-center function. Offshoring customer support might be cheaper, but it can be tremendously frustrating for customers. Challenges around language and culture frequently are compounded by a lack of understanding of the American buying experience. Since an expectation about good customer service was never established, no one measures the frequently negative impact this "cost-saving" measure is having on the relationship with the customer and eventually the bottom line.

Look homeward, CEO

Which brings us to scenario No. 3: lessons from the past. CEOs have successfully outsourced business functions for years. Unlike today's CEOs, however, they began by looking for their solutions closer to their customers once they had defined the problem and articulated expectations about results. They learned that the best way to solve a problem was to go straight to the source of the problem. More often than not, those individuals will rise to the occasion and devise and implement an efficient and cost-effective solution.

People on the operational front lines are in the best position to evaluate a problem and come up with practical solutions, assuming that management is willing to step back and give them some leeway. A great example of this occurred at 3M Co. in the mid-1990s. Confronted with high manufacturing costs for a product nearing the end of its life cycle -- movie film -- the company offered local entrepreneurs in rural Minnesota the chance to buy that part of the business, with 3M throwing in the machines and process training for free.

Before long, those entrepreneurs were acting like owners interested in turning a profit, and 3M was able to serve their longtime customers with the needed materials. There was no need to travel half-way across the world, spend excessive sums and teach people about their company and its culture. This is what I like to call "homeshoring." In other words, a classic win-win scenario.

I can imagine other homeshoring scenarios in rural America and in those industrial cities hit hard by downturns in manufacturing. Mayors and community leaders could cooperate with cost-cutting businesses to hook up out-of-work Americans hungry for just the sort of jobs being shipped overseas. Innovative solutions could be found to solve related issues around benefits, such as forming cooperative

ventures that allow homesourced workers to buy their own benefits at a discount. The possibilities are endless once the ingenuity of the U.S. entrepreneur is unleashed.

Practical reasoning

Before business executives start dismissing this idea as impractical, they should consider a few very practical realities: People living in rural or economically depressed locations don't require the same high wages and benefits of people living in urban areas. Another upside to domestic outsourcing is that Americans speak English the same way your customers do; they "get" American culture and are more likely to connect with customers or better understand American-style procedures than people in other countries.

I believe this is an idea whose time has come. One local software development and technology consulting company, InSite Group, has rejected international offshoring in favor of homeshoring. President Brian Strojny recently noted that his company is recruiting programmers from rural South Dakota, where technical talent is more competitively priced than in the Twin Cities.

"We want quality people who speak our language and can deliver on the high expectations of our customers," he said.

Makes sense to me.

About the author

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