WHITE PAPER

ENHANCING Your Operational Efficiencies via Work Redistribution

Author: Travis Smith
Contributors: Bill Colone, Achilles Young

Be Realistic With New Supplier Relationships and Build in Those Expectations to Your Timeframes

Author - Travis Smith is the Founder and Managing Director of Square-1 Engineering with an expertise in life science engineering services, project management, cross functional team synergies, client engagement and leadership development.

Enhancing Your Operational Efficiencies Via Work Redistribution

Executive Summary:

Businesses of all sizes must make strategic decisions to ensure its operations and outputs are optimized, functioning at an effective level to help them grow, increase speed to market, improve ROI, etc. One tool which helps to achieve those metrics, and more, is outsourcing. For the purposes of this paper we're define 'outsourcing' as the act of packaging internal work to be sent outside to an external supplier to facilitate on behalf of the company, now client. There are many positive attributes of outsourcing, yet there are a bevy of deltas which accompany outsourcing if the client doesn't carefully vet and manage their suppliers. Outsourcing, a valuable strategic business tool, is best experienced where expectations are managed while relationships are allowed to develop overtime. This produces fruitful outcomes for both client and supplier.

Evaluating Business Needs:

It's common place for many of us – too much work, not enough time in the day to complete it. Day after day our work increases while our timeframes decrease. Knowing when to lean on others for support is an essential leadership skill to develop as it ensures business continuity, increases employee moral all while reducing our stress levels.

Regardless of your position we all go through the process of evaluating work versus time to complete it. The higher up an organization we climb our responsibility and respective influence increases. As we evaluate the needs of the business we're inevitably faced with a decision – which projects do we do first. More often than not the decision to go with one project versus another is based on financial goals, market share attainment, or developing a competitive advantage.

As we make decisions to go with one project versus another we're left with a wake of opportunity on hold. No one company can do every project all at once so the 'critical few' is developed to strategically align the company with the biggest value added projects. This also means some projects get put on the back burner to collect dust.

Analyzing Work and Resources

Once we've picked our critical few, the projects we're going to focus on, our next course of action is to analyze workload which accompanies said projects in comparison to our internal capacity and capabilities. This is further compared to the timeframes we're working against. This is when we're confronted with an important decision:

"Is this work part of our core competency, our secret sauce, or can we benefit from having someone else do it on our behalf?" This is the question Achilles Young, medical device director of supply chain, asks of himself when analyzing work and his internal resources. It's a helpful question to ensure we're being objective in our decision making process to ensure we pick the most effective and efficient route to get work done.

After addressing this question, capabilities versus resources, most companies will go to their internal teams first to get work done. Once that has been exhausted they lean on cross functional support from other internal business units. This approach, while common, leaves our internal resources stretched thin.

At the point in which we're now out of internal options, where do we go next in order to keep our projects on track?

When to Consider Outsourcing

The time to consider outsourcing, or external support, shouldn't be solely based on when our internal resources are swamped and overloaded. The time to consider external support to outsource work to is actually at the very beginning of the project planning phase before our internal resources are spent. We need to think of our supply chain as strategic partners to help us get ahead, helping us towards building a competitive advantage, not just getting us out of a hole we've dug for ourselves by exhausting all of our internal resources.

Bill Colone, an experienced medical device executive in Southern California shares, *"I've outsourced work to suppliers many times in my career, often when we want to increase our speed to market or take advantage of their expertise in a particular area like design or prototyping. It's about getting ahead of the game and leaning on all resources, internal and external to get work done."*

Our relationships, both internally and externally then become our strategic advantage. It's for this reason outsourcing is an important strategic consideration for all businesses.

Pros & Cons of Outsourcing

As with all business decisions there are the good and the less than desirable outcomes which accompany our decisions. How we know we're making the right decisions at times can be a toss up, however when we're well informed on our options and the value they bring it helps to increase our chances of success

while reducing pain points along the way. When evaluating whether or not outsourcing is appropriate for you consider the following:

Pros of Outsourcing:
- Increases company profits by reducing internal labor costs
- SME suppliers specialize in key areas
- Offloading tedious tasks to free our teams up for legacy or mission critical activities
- Projects get done quicker which increases speed of delivery and therefore potential speed to market
- Clears up physical floor space allowing companies to focus on other value add projects
- Expands company resource bandwidth, providing leverage to take on additional projects
- Management spends more time on critical internal work
- Employee performance management is reduced as suppliers are responsible for their teams performance

Cons of Outsourcing:
- Loss of work may result in lack of growth opportunities for internal employees
- Valid potential for miscommunication if the outsourced work isn't managed correctly
- Labor, regulations and environmental standards can be put to the test if not managed correctly
- Supplier vetting process is poor resulting in a supplier who overstates their capabilities causing delays and or funds to be inappropriately used
- Loss of control over process and documentation
- Concerns on privacy and or IP, especially in situations where outsourcing is international
- If expectations aren't appropriately managed by the client product/ service quality and turnaround time issues can develop

How to Select The Right Supplier

Selecting an appropriate supplier to handle your work needs is a crucial decision to ensure a successful outcome. It's advisable to go about the supplier selection process utilizing a systematic approach ensuring the right data is collected while removing bias. To learn more about the supplier selection process visit our white paper 'How to Pick the Right Supplier' at

http://www.sqr1services.com/white-papers-and-articles/white-paper-how-to-pick-the-right-supplier

Considerations for Outsourcing

Outsourcing is one of many tools to be considered by a company when analyzing work versus internal capabilities. Should the idea of outsourcing become more of a reality it is vital companies develop a core requirements document which outlines clearly the scope of work to be outsourced as well as clearly states the intent of the project and expectations along the way. While this does require an initial time commitment from the company, soon to be client of the supplier, it is a high value practice to implement as it will inevitably save you time, money and potentially agony along the way.

When companies lean on outsourcing as a strategic option to get ahead yet they 'throw their work over the wall' without being involved they are simultaneously hurting themselves in the process. When working with a supplier, regardless of the reason, we must utilize a collaborative approach between client and supplier. This improves our chances of a positive outcome. It's also important to consider timing. With any new relationship it is important to be realistic with expectations and

outcomes. It is normal for a new relationship to experience some adjustments and iterations as work moves forward. Clients should account for relationship adjustments at the beginning of each endeavor. Working with a client for the first time few suppliers will get everything perfect the first time out.

Communication protocols, processes and documentation can commonly miss the mark initially and need to be retooled to meet client expectations. This doesn't mean the supplier is inadequate or a poor performer, it just means they need to be trained, to a degree, to learn the clients' style, approach, and expectations. All clients are different, no two are the same.

Conclusion

Outsourcing can be a great strategy for any business to implement so long as a competent internal employee, such as a strong PM, is positioned to appropriately vet and manage the supplier. This ensures the client is integrating the outsourced resources effectively. Outsourcing is not meant to be a hands-off practice, it's best accomplished as a collaborative effort between client and supplier.

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