Communicate Your Outsourcing Plans Effectively

Take Control of Outsourcing Communications to Avoid Political Backlash

White Paper by Ron Kreutzer, Director, Global Sourcing Insights LLC
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Effective communications in the early stages of your company’s outsourcing initiative is critical; however few companies do it successfully. The political backlash from poor communications can cause negative press, low employee morale, and reduced shareholder value. But how do you communicate with your employees on a sensitive issue that may affect their jobs? Let’s look at the factors that contribute to effective communication on outsourcing.

Timeliness

Your first communication to your employees should be made before you take any action that could start rumors to circulate. In my previous role as a senior manager of an outsourcing service provider, I have personally witnessed the following actions taken by companies wishing to remain secretive about their outsourcing initiative:

- Vendors could not sign their company name on the visitor log.
- Vendors could not have any company logos visible on their briefcases or notebooks.
- Vendors could only talk to a few specific individuals, sometimes at an offsite location.
- In interviews with company personnel, vendors could not state the reasons for their questions, only that management wanted some information.

In these circumstances, when your staff sees unknown persons asking questions about their job functions, the rumors are bound to spread. Management must then do damage control to contain the situation. Do not underestimate the power and speed of informal communication networks. Make sure your first communication occurs before any tangible activity. Even if you don’t know all the answers, the initial communication should convey honesty and show respect for employee concerns.

State Outsourcing Goals

Your employees should understand the company’s goals and objectives for a planned outsourcing initiative. In many cases, cost and staff reduction may not be the primary goals, and that should be communicated before your best people begin looking for jobs elsewhere.

Consider the effect that the following two statements would have on your staff:

“Support of the existing legacy applications will be outsourced over the next six months.”
"In order to meet our company’s expansion goals, we need to rewrite our purchasing application and require all our staff on this effort. Support of the existing legacy applications will be outsourced over the next six months."

The first statement would surely generate a lot of uncertainty and fear among your employees, likely sending your best and brightest quickly off in search of other employment. In the second statement, the more clearly communicated goals of the organization will tend put employees at ease, secure in the knowledge that outsourcing is not the end of their careers, rather a new opportunity for them to use their skills and experience in an important endeavor.

Of course, if your outsourcing goals include dramatic staff reductions to achieve cost savings, inform your staff of the new positions that will be created to support the outsourcing service provider. Positions such as project managers, business liaisons, business analysts, and contract administrators are typically required to support an outsourcing engagement.

Address Employee Concerns
When outsourcing is planned, an employee’s first concern will be to the future of their job. You should address these concerns openly and honestly. Personal interaction either individually or in small groups can instill confidence while allowing your staff to ask questions.

Your communication with your employees should include the following items:
- Inform them of the skills that will be required for new jobs created from the outsourcing initiative, as well as other positions available in other business units.
- Specify the timing of outsourcing activities and be sure that they understand that most, if not all, staff are typically required throughout the transition.
- Outline the assistance that the company intends to provide to displaced workers. Such assistance could include training for new positions, relocation assistance, and job search counseling.

Remember, your employees greatest concern is “what happens to me” and you must be prepared to deal with communicating at this very personal level regardless the size of your organization. Plan in advance, to the extent possible, what will happen to each affected individual (Will they have a new/different job? Will they need to cultivate new skills?) and be prepared to discuss these plans openly and honestly.

Conclusion
Structuring your communications around these points and starting your communication early can offset many of the negative effects that can arise in an outsourcing initiative. Take the time to communicate effectively and you will be more likely to achieve your outsourcing goals.
About the Author

Ron Kreutzer has over 20 years information technology experience, over 15 years IT project management experience, over 10 years with offshore consulting and over four years of offshore outsourcing feasibility experience. Ron is a Director with Global Sourcing Insights LLC, a consulting firm specializing in offshore outsourcing advice. He has worked over eight years with Syntel, a large offshore vendor, and previously was a Senior Manager with Deloitte & Touche Management Consulting (Deloitte Consulting) having spent over eight years on a variety of IT projects across many industries and technologies. Ron is a PMI-certified Project Management Professional (PMP) and a Certified Public Accountant (CPA).

About Global Sourcing Insights LLC

Global Sourcing Insights (GSI) advises companies in using offshore outsourcing as a part of their business strategy. GSI has in-depth expertise in offshore outsourcing and has assisted many Fortune 500 companies in analyzing the feasibility of outsourcing their IT application portfolio.

GSI becomes involved with companies that are contemplating an outsourcing initiative for maintenance and development of their information technology systems. Their Application Portfolio Feasibility Assessment is a quantitative process to identify those applications that would benefit from offshore outsourcing. They also provide advice on outsourcing best practices to mitigate business and political risks.

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