



ARDEM Guide

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# A Guide to Outsourcing: Knowing What to Outsource and When

## Introduction

Outsourcing as a business concept isn't anything new. For years, businesses have assigned key operational tasks to vendor partners. The reasons for this arrangement vary, but at the core of the move is the pursuit of lower costs or alleviating stress on business stakeholders.

Any business process, regardless of complexity or industry, could be outsourced at a lesser cost. A valued partner can successfully conduct even the most high-value and intensive tasks, like those involving proprietary data or a specific workflow. In recent years, this opportunity has led to a radical acceleration of the rate by which companies outsource processes. Data from Michael F. Corbett's "The Outsourcing Revolution" showed 90 percent of firms said outsourcing was crucial to growth, allowing them to increase productivity anywhere from 10- to 100-fold.

## What Can Be Outsourced?

Some examples of often-outsourced jobs include:

### DATA ENTRY

For many companies, data entry is the biggest job that can create operational drag if done in-house. Businesses can outsource this task for paper forms and image entry, as well as information directly keyed into a database. Public opinion research data serves as a novel case. A vendor partner can field all of the paper responses, scan images and surveys, and enter all of the data, freeing up time for analysts to focus on revenue-enabling responsibilities.

### FINANCIAL STATEMENT REVIEW

In the small-business lending sector, deciding whether to approve a loan involves reviewing years' worth of bank statements, paystubs, contracts and other income and expense documentation. Outsourcing can streamline this process, parsing through documents in search of the relevant data and flagging transactions that seem suspicious.



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### DOCUMENT SETUP

In the insurance industry, having all requisite signatures is key to closing a sale. With outsourcing, a vendor partner can review as many as 100 insurance policies per day, each with 20-30 pages of documents to mark each section where a signature is necessary and add an agent signature. This process allows agents to focus on policyholder experience without sacrificing quality on an essential task.

### LOGISTICS MANAGEMENT

For shipping and logistics companies, a shipment often arrives with a load confirmation ticket detailing what the load contains, its origin, its designation and more. Outsourcing the task of cataloging this information in a proprietary system can help drivers and logistics managers access this information in real-time.

## Why Do Companies Turn to Outsourcing?

The question then is not whether you can outsource, but instead *when* should you outsource.

When considering when to outsource, start by looking at what tasks you hope to send off-site. In particular, be mindful of what business procedures either do not require – or actively take away from – core competencies.

There isn't a hard-and-fast rule about when outsourcing is required, but the tipping point can come into play early in a company's life. For instance, startups, which can be cost- and resource-constrained, might make outsourcing

a key part of a business plan when they try to woo venture capital. Relying on outsourcing can make increased speed to market quickly a viable reality.

So what are the benefits of outsourcing? The following are the main reasons companies turn to vendor partners:

### INCREASED QUALITY

Outsourcing tasks like data entry, transcription, document processing and scanning often results in an immediate boost in quality and accuracy – not just related to the data being processed, but also broadly across the business. The reason for this benefit is simple: Even the most qualified, intelligent employee is likely to become fatigued or overwhelmed by essential but tedious tasks. This burnout can lead to unintentional errors – mistakes that could damage the brand or prove costly. Outsourcing takes these responsibilities off an employee's plate and allows the task to be split up across several distinct workers. The arrangement reduces the strain on in-house staff, as well as helps improve accuracy by giving the company access to quality assurance measures like **double-key data entry** and programmatic **data validation routines**.

### LOWER COSTS

According to a 2016 Deloitte survey, nearly 60 percent of respondents said outsourcing reduced costs, compared to 45 percent who turned to outsourcing to solve capacity issues and nearly 30 percent who sought to create global scalability and provide access to intellectual capital.



In today's economy, market fluctuations come hard and fast. The opportunity to minimize operational costs and remain agile afforded by outsourcing is crucial to the

success of a business, according to All Business. Specifically, All Business also mentioned the reduction of labor costs that outsourcing can provide. This decrease is key for any business: According to the 2014 Training Industry Report from Training magazine, training costs companies an average of \$976 per trainee per year.

Outsourcing can help fight these costs: A task may be high-value operationally yet also tedious. Such tasks, while integral, don't necessitate bulking up staff and may even prove cost-prohibitive to do in-house. By hiring an outside company to do the work that doesn't need to be done in-house, companies typically experience a significant drop



**25-30% typical cost reduction, or greater.**

in total costs. In the case of ARDEM clients, typical cost reduction can be anywhere from **25-30 percent**, or even greater.

### REDUCED CYCLE TIME

In today's market - driven by ever-churning technological innovation and the expectation of instant gratification - speed is paramount for businesses. Getting things done quickly matters deeply to both customers and shareholders, and there has never been more pressure to deliver results in record time.

With in-house resources and staffing, there is a terminal velocity that a company can reach before quality begins to suffer. Yet many hail outsourcing as the solution to this threshold. While in-house resources work an eight-hour shift, a vendor partner can offer processing 24 hours a day, shortening processing cycle time. ARDEM has a dedicated team that specializes in information processing and other operationally vital processes. This benefit has been shown

to help organizations start new projects quickly and hit deadlines with ease.

## What Are the Fears About Outsourcing?

In spite of the many benefits, outsourced solutions are still viewed critically by some. While some fears about outsourcing have roots in real challenges, others are simply born out of outdated assumptions about the process. Some of these fears include:

- **Quality control.** Many see outsourcing as a way to cut costs at the expense of quality.
- **Security concerns.** For those working in regulated industries - like government or health care - the prospect of sending out what would be sensitive customer data to a relatively unknown company could be daunting. Without the right security measures in place, this setup could potentially expose data to unauthorized access.

Solutions like ARDEM can mitigate these fears: ARDEM has industry-leading quality assurance measures rooted in ISO-27001. In terms of data security, our on-site private servers mean there is a closed loop for everything coming in and out. Furthermore, ARDEM has been awarded a GSA contract for Document



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Conversion Services by the federal government adding the US Army, Veterans Administration, Department of Interior and National Institute of Health to our list of clients.

### Scaling Up Outsourcing

Considering the obvious benefits, companies that already have dabbled in outsourcing could profit from scaling up efforts. Many smaller firms looking to remain competitive with larger, more well-established companies might turn to outsourcing as a way to level the playing field, accessing resources beyond what they would be able to build in-house by the economy of scale.

By outsourcing all clerical tasks, high-level stakeholders can be free to focus on growing the business and innovation. Meanwhile, financial risk to the business is actually reduced: The enterprise can better labor plan for essential but simple tasks in a cost-efficient manner.



## ARDEM: Industry-Leading Outsourcing Solutions

Working with an outsourcing solution provider like ARDEM means bolstering your in-house resources to meet key objectives. The result is **increased quality, reduced cycle time** and **lower costs** associated with business processes like data entry, document processing, conversion and scanning. Even better, we provide quick and responsive customer service along with custom solutions designed to meet your operations' core requirements.

**To learn more, contact ARDEM today for a free consultation.**



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