

CO-SOURCING

The definition of **co-sourcing** is having internal and external staff working together to complete the activities necessary to run a business. Why? Companies choose co-sourcing as a middle ground to gain the cost benefits and expertise associated with an outsourced staff while maintaining control over data security, business process, and quality, while not losing the benefits of tribal knowledge. In the current cost and labor availability environment, many companies are considering alternatives. The reality for companies isn't whether to co-source or outsource, it is how to do it smartly, strategically, and in a way that aligns with the organizational goals, processes, and culture.



OUTSOURCING MODELS

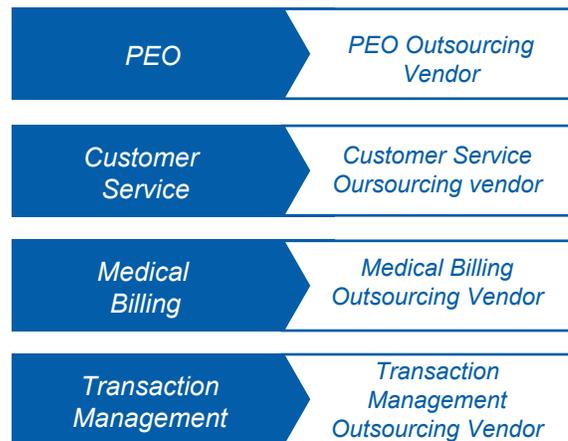
Using offshore resources is not a new concept for large companies. It is, however, for small and medium enterprises and startups.

There are two main outsourcing models:

REMOTE TEAMS



TRADITIONAL (OVER-THE-FENCE) OUTSOURCING



Different Outsourcing Models based on Need

OUTSOURCING AND CO-SOURCING MODELS

In the business process outsourcing (BPO) market, there are two models to consider. The first model is traditional outsourcing, also known as service delivery. In a service delivery outsourcing model, companies outsource the complete provision of a service directly to a third-party vendor. The vendor manages the service from end to end and provides a final product to the buyer. This commonly happens with accounting, payroll, janitorial services, and some portions of the revenue cycle. In this model, the purchasing party has minimal visibility into who performs the work and how. Rather, there is only visibility of the end-product. In many cases, this is desirable as the purchaser doesn't want to expend any time or energy managing those business activities. Tax preparation is great example where complete outsourcing frequently makes sense.

Outsourcing vendors make big claims, however, who really understands your system, your processes, your staff, and your patients or customers? To hire, train, and integrate staff in an external environment the process should be something with easy handoffs and defined outputs, much like tax preparation. Another challenge presented by outsourcing is managing quality. Without direct view to the people doing the work, it is hard to trouble shoot and resolve problems. Account managers are always friendly, but rarely direct manage the operations team. Finally, most outsourcing services are priced per transaction, time increment or widget to the buyer. This always results in a higher price because it shifts the risk of volume variability to the vendor. In some cases, that is desirable, but it is never free.

The other model is co-sourcing, also known as remote staffing or staff augmentation. In a co-sourcing model, the vendor becomes a long-term business partner that provides full time, dedicated employees to augment the buyer's organization in whatever capacities are required. This model works well for organizations that need great people, lower costs while simultaneously needing to maintain visibility and control over both the process and the final product.



There are three ways to build a remote team. The first is when the buyer is cost sensitive, has the management capacity to screen and hire, doesn't care about IT, and the long-term need is only 1 person or perhaps less than one person to augment their local staff. At this scale, many organizations choose to go through a company like Upwork or Fiverr. These companies are essentially global job boards for freelance employees, but do not provide HR, benefits, IT, or management services making it hard to build a long-term team and manage scale beyond a few employees.

The second approach is for organizations looking to build a remote team larger than 500 employees. At this level the organization is likely large enough to justify the costs associated with creating its own offshore subsidiary, leasing space, and building a management and administrative team. This is common for Fortune 1000 companies like JP Morgan and United Healthcare, who have more than 10% of their workforce overseas. The offshore subsidiaries providing business services are frequently called captives.

The third approach to building a remote team is appropriate for many companies in the United States, needing somewhere between 3 and 500 employees. At this scale, partner selection is incredibly important because the vendor essentially becomes part of your management team responsible for critical functions and decisions such as compliance, IT security, healthcare benefits, security, employee relations and so on. Like any good partnership, it starts with alignment of culture, values and goals. The partner must recruit great candidates as you would define them, facilitate or co-facilitate their training, accommodate your facility and system access requirements, and provide the ongoing management and HR support to be successful. These companies are the liaison to your virtual offshore captive and must be there every step of the way to make sure it is successful. Because of the breadth of services, the per person cost may seem higher than a global job board hire but would not be when full administrative costs are considered. In fact, these partners usually base their operations in high availability/low-cost labor markets for the primary purpose of lowering your relative expense of employment.

FUNCTIONS FOR ORGANIZATIONS TO CO-SOURCE

Many organizations think there is one way to outsource and that is in a service delivery model. However, there are many other ways for companies to get the most out of outsourcing, streamline businesses processes, and improve productivity. Connext, which operates primarily in a co-sourcing model helps organizations by supporting:



Customer Service



Accounting



Help Desk Support



Engineering and Modeling



Virtual Nursing



Medical Billing



Admin Assistance



Lead Generation



Graphic Design



Content Management



Back Office Support



Outsourcing opportunities are far more extensive than many realize and if someone can perform a task outside of your office, it can be performed virtually and globally.

A Co-sourcing approach also allows organizations to build cross functional teams, which is not an option in the traditional outsourcing model. If you want to outsource billing, you go to a medical billing outsourcing vendor and if you want to outsource customer service you, in many cases, must go through a completely different vendor. In a co-sourcing model, you could build a team of billers, coders, customer service representatives, and accountants to serve different functions of your business. This is ideal for organizations looking for a team of experts to improve productivity and streamline processes across different business functions.

Co-sourcing is a fantastic way for organizations to solve critical staffing challenges, scale operational capacity, improve productivity, and create a positive spiral. If outsourcing seems like a good fit for your organization, the next step is choosing a vendor that aligns with your organizational goals and culture.

Connex helps SMBs and high growth companies build custom offshore teams that will solve staffing challenges, improve productivity, and align with their organizational goals.

Learn more about the Connex Co-sourcing model by building a sample team or set up a discovery call with one of our experts.