

Selective Outsourcing: A Tool for Leveraging the Value of Information Professionals



By **Cynthia Lesky**

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••• Outsourcing as a Long-Term Strategy

EIGHT YEARS AGO, IN ONE OF THOSE CRUEL RITUALS OF “RIGHTSIZING” THAT were performed in many of America’s corporations in the 1990s, the information center staff of a prominent consumer products company was reduced from nine people to one at a single stroke. Today, the sole survivor of that purge leads an exciting, revitalized information management function. This unit has replaced some of the people lost earlier, provides more services, and has a larger effective budget than before the downsizing. It is recognized throughout the firm and its Fortune 100 parent company for its contributions. The phoenix-like regrowth of special library functions in this company was driven by assertive marketing and supported by an external team of research partners.

At a leading high-tech company, the services and staff of the research group have expanded to keep pace with the company’s needs. This group relies on a network of independent information professionals and small companies, which enables internal staff to focus on the highest-value services and to manage the ebb and flow of demand.

A former special librarian developed and directs the competitive intelligence and market research functions in a mid-size energy company. As she has been recruited into positions of greater responsibility in different companies over the past decade, she has successfully used the model of a lean internal staff to manage extended teams of external professionals. She depends on a carefully selected group of primary and secondary research suppliers. The model remains the same, but the players change to reflect the industry in which she is employed.

The information centers in these examples all use multiple external partners. They have outsourced selected core services and tasks related to technical services. In each case, they have exercised close oversight of the outsourcing agencies, have developed trust-based working relationships with these external partners, and have insisted on maintaining their own position as sole contact with end-users. These managers lead their companies’ information and intelligence functions, supported by outsourcing arrangements that help them maintain quality services, flexibility, and budget control.

These smart, bold librarians illustrate that in tough circumstances—when staffing is woefully inadequate or in special situations—there is a way to deliver on the promise of excellent information service. Used with other management tools—such as marketing, return on investment (ROI) analysis, cost analysis, and appropriate cost allocation systems—outsourcing can even lead to advance-

ment and increased job security for the library staff.

A long-term business strategy

Outsourcing has become a standard business practice in the United States. Organizations of all types and sizes use it to supply information technology services, manufacturing capabilities, human resource functions, and administrative services, to name just a few applications. The value of outsourced services in the United States was \$140 billion in 1996 and was expected to have grown to nearly \$400 billion by 2002. (“Outsourcing Index 2000: Strategic Insights Into U.S. Outsourcing,” The Outsourcing Institute and Dun & Bradstreet. www.outsourcing.com.) Initially perceived as a cost-saving tactic, outsourcing is now viewed by many companies as a long-term business strategy.

In 1997 and 1998, Mary Ellen Bates and Doris Helfer wrote in the pages of this magazine about the threats and opportunities presented by outsourcing of certain library functions, and SLA published a study titled *Exploring Outsourcing: Case Studies of Corporate Libraries*. In the five years that have elapsed, some special librarians have developed best practices for making the decision to outsource, selecting outsourcing agents, and managing these agents for the benefit of the corporate information center and its clients.

Given the adoption of outsourcing as a standard business practice outside the library and the experience that information professionals have gained with outsourcing, either willingly or not, it is time for more research and discussion in the library community. What have we learned about managing outsourcing relationships? How are outsourced services benefiting managers of information services and their clients? How widespread is the outsourcing of various tasks and services? Although some

of these questions are answered in an *Information about Information Briefing* from information industry advisory firm Outsell, Inc. (“To Outsource or Not to Outsource: Decision Points in Contracting Out Corporate Information Center Activities,” February 15, 2001), wider discussion is in order. Greater understanding of outsourcing will benefit information professionals who contract for services as well as those who are building careers on the other side, in independent practice or as employees of outsourcing agencies.

Stories of information professionals who have not only survived outsourcing but have embraced it and thrived—and their clients along with them—are missing from our conversations at conferences and in our publications. I would like to see more case studies and articles about best practices and success stories, but as someone writing from the supplier side of the equation, I can only review in general terms some of the benefits of selective outsourcing. Not all librarians have a positive view of outsourcing, and this article will touch on the aspects of it that have discouraged some librarian-managers. I believe that acknowledging selective outsourcing (or co-sourcing or out-tasking, as it is sometimes called) as another tool to bring the power of information to special library clients can lead to increased security for some positions and increased employment of librarians in rewarding positions on the supplier side.

The strategic argument for selective outsourcing

In her article on the trend toward information professionals being engaged in higher-value research activities (“Teaming for Research Excellence,” *Online*, November/December 2002), Sinead Williams said, “If information is the capital of the future, librarians/information professionals must ensure they are the bank managers, not the tellers.” There will always be a need for tellers—people who structure and manipulate information capital—but where there are tellers, there must also be one or more bank managers.

And what do tellers and bank managers have to do with outsourcing? The answer is based in the fact that only in the very smallest organizations can one person be an effective manager and a productive teller at the same time. The role of the librarian-manager, whether a solo librarian or leader of a large staff, is to provide the vision and develop the systems by which the customers are served. Although it does not usually show up on job descriptions, this responsibility is the most critical role of at least one position in every organization that employs information professionals.

But the exercise of leadership, or even management, is too often sacrificed to handling a steady stream of seemingly urgent tasks, whether of high importance or not.

The better the service one provides, the more impossible it becomes to focus on important activities that are not urgent. The manager is trapped in producing and delivering services on demand instead of engaging with clients and potential clients and senior executives, assessing needs, setting policy, and marketing. As in the classic time management problem, urgent activities crowd out those that are more important but not as urgent.

When selective outsourcing mechanisms are in place, some of these urgent activities can be shifted outside. With careful selection of external partners and well-designed procedures, most activities other than direct interaction with clients are candidates for outsourcing. Although it is probably anti-intuitive for many, selective outsourcing can be used to deliver some of the urgent, important core client services.

Outsourcing can also play a role in enabling new services. As needs are identified by the business development efforts of the manager, selective outsourcing can be a bridge that eventually leads to internal staff increases or a long-term solution in those situations where “running lean and mean” and “sticking to core competencies” are executive mantras. Or, more likely, outsourcing becomes a permanent part of the manager’s tool kit, used as necessary and kept sharp (by maintaining relationships with suppliers) when not in use.

What are some benefits of selective outsourcing?

In 10 years as an external partner to corporate information centers—working with them on an almost daily basis in some cases, witnessing their successes, and worrying with them through challenges—I have become convinced that this tool that is so widely used in other parts of the business world can, when managed properly, benefit libraries in several ways.

Better service. We cannot individually, or collectively as a professional community, afford to compromise the perception of our value by delivering less than excellent service. Unfortunately, sometimes information professionals are too busy to do the job right. An information service may have the best researchers and catalogers in the world, but if it is overburdened with work, the services it renders to clients will be not be the best. One option for higher quality services may be to outsource noncore services and keep core services in-house, to free up staff time for tasks to be done at a higher level of quality.

Acquiring expertise. By “renting” the expertise of someone who has skills that are not available internally, an information center can offer services that may not be used enough to justify hiring permanent staff. Occasional help might be needed in a specialized search area such as

chemical structure or patent searching, or perhaps no one on the staff has the ability to succinctly summarize volumes of material into a PowerPoint presentation. Maybe some type of technology support is required on a short-term or even a permanent part-time basis. Using someone with proven expertise will reduce the risk of producing erroneous data and disappointing results.

Strategic activities become possible. When a manager or solo is trapped at a computer doing routine tasks, or even core services such as research, leadership is more difficult. And without leadership in every organization that employs librarians, the future for all of us is threatened.

How often does it happen that, because of lack of time or hiring freezes or corporate culture, a manager has to choose between strategic activities that may ensure the continuing vitality of the information center for years to come, on the one hand, and providing clients with a high level of satisfaction, on the other? If this were a card game, strategic activities that lead to strong relationships with clients and upper management would always trump other activities. Librarians who do not engage in strategic thinking and strategic behaviors will sooner or later lose the game.

With outsourcing, one can gain the freedom to think strategically, to market with more sophistication, and to seize the opportunities that better marketing will bring. You think it would be beneficial to the company to have library staff serve on new product development teams? You are determined to develop a more content-rich intranet site? You have an idea for a competitor monitoring service for top decisionmakers? These kinds of activities—involving content licensing, technology initiatives, knowledge management, user training, and marketing—will cast you as a valued player.

Your external partners can make you look good. You should expect your suppliers to provide services that are of the highest caliber. If you and your clients are not delighted with what you get from your suppliers or contractors, look for new ones. The number and sophistication of service agencies and self-employed information professionals has grown substantially in recent years. The CONSULT Online service of SLA (www.sla.org/consultonline/) and the Association of Independent Information Professionals (www.aiip.org) can help you identify partners. There is no reason to settle for inferior service or an uncomfortable relationship.

You and your internal team will, of course, take credit for the high-quality research or the newsletters or websites that your external partners produce. Everything your client sees should have your information service's name and logo on it. Politicians don't credit their speechwriters, nor should you credit your co-sourcers.

Flexibility. Outsourcing can be justified on this point alone. Even the busiest information centers experience fluctuations in demand. Most external partners understand that demand for the service they supply will vary throughout the year. Depending on the service and the way contracts are written, you need not pay for unneeded or unused services. You have the flexibility to shift allocations of resources throughout the budget year.

Management respect. When information center managers initiate and effectively use outsourcing, they demonstrate fiscal responsibility and show that they are proactive problem solvers.

Addressing the myths about outsourcing

Although there are plenty of challenges to making an outsourcing relationship work, some fears are unfounded. Here are some common myths:

External partners cannot handle sensitive projects. Assigning confidential research or other sensitive projects to nonemployees should not be done casually. For years, however, companies in every industry have used external partners on the most sensitive projects imaginable. Are librarians any less trustworthy than external product development specialists, packaging designers, ingredients suppliers, focus group moderators, advertising personnel, or management consultants? All these specialists work on extremely sensitive projects for their clients. Information professionals can be trusted to do so as well.

The library's external partners need to be carefully chosen on the basis of their reputation for discretion and quality, the testimony of previous clients, and the manager's gut instincts. They should also be bound by confidentiality agreements, as are external partners in other functions.

Notice how your corporate culture operates. Do you see nonemployees working in other functions, not just as temp workers doing specific tasks but as consultants and team members? If so, it is not inappropriate for the information center to similarly deploy external partners.

Contractors will not be loyal or committed to the company. This objection comes from another era. The idea that employees are loyal to their employers and those employers reciprocate sounds quaint after years of downsizing. We are all urged to manage our careers as if we "work for ourselves." In the current climate, outsourcing agents are as loyal as any employees. They understand that the commitment of the employer company is governed by the terms of a contract but lived in the nurturing of a relationship. This is more information than most in-house employees have for managing their careers.

Core services should not be outsourced. The experiences of numerous information professionals show that research, a core service for most information centers, can be successfully co-sourced on a long-term basis. A well-managed relationship with a qualified external partner can be the linchpin for providing high-quality, high-profile corporate research services, whether of a business or technical nature.

With the widespread use of the Internet, the questions that information professionals are called on to answer are getting harder. In addition to asking tougher questions, clients are more likely to expect value-added components, such as analysis and executive summaries. High-value, high-touch research service requires uninterrupted, focused think time, and lots of it. In a busy corporate library it is likely to be difficult to carve out that kind of time, especially on a regular basis.

Hiring an external partner enables information centers to meet their clients' expectations while protecting the valuable time of internal information staff. Internal staff can focus on high-value strategic activities that can help corporate libraries, and the organizations they serve, flourish, while clients receive the service they expect.

Who pays for outsourcing?

The elephant in the room is, of course, the question of who pays for outsourcing. As with most financial issues in libraries, there is no easy answer.

Internal chargeback systems can be a great enabler of selective outsourcing. Charging back allows the information center to manage an external partner who does the work, with the client paying the direct costs of projects. The client benefits from the convenience and confidence of having the information center manage the process; the client, as beneficiary of the information service, pays for it; and the accountants are happy to have these costs properly allocated. How close you can get to the ideal of variable costs being entirely allocated to the profit centers that use the services will depend on the firm's culture and its practices in funding other support services.

Tasks that support the library infrastructure or services that benefit many users in different departments must usually be paid for from the information center budget. Here are some tips for financing information center operations, whether outsourcing is part of the operation or not.

Know where the money flows in your organization. The

parts of the firm that are growing—where the money is flowing—are most likely to need information support and most likely to be able to afford it. Thus, the profit centers should be your key targets. Here is where you nurture relationships, develop services, participate on work teams, and engage in whatever other activities will help to integrate the information management function into those departments. In some companies, the library service has spun off personnel, whether company employees or contract staff, into the profit centers, which then pay for their work.

Know your costs. Effective outsourcing—indeed, effective management—is based on understanding the microeconomy of the information service function. What is the full cost of every service you provide? Guesstimates and approximations are acceptable; “I have no idea” is not. When you understand how much each service costs to provide, you will be in a better position to decide whether keeping the associated tasks internal or outsourcing them makes more economic sense. Account for all costs: space, staff, training and supervising, equipment and systems, and opportunity costs. What high-value activity could you or your staff engage in if a particular task were handled by an external partner?

One tool among many

Outsourcing can help information professionals create value. It is a tool that can be most profitably leveraged if it is used as part of a suite of other tools. Marketing—in the broadest sense of communicating a service promise and delivering on that promise—is one such tool. Good fiscal management, including knowing the true costs of delivering every service, is essential for good decisionmaking, whether one outsources or not. ROI valuation is the other side of cost analysis. The tool kit also includes learning to think strategically and act proactively. Decisions about how services are sourced, whether from employees or from external partners, depend on a complex interplay of all of these management practices.

Appropriate and actively managed outsourcing can enable internal staff to provide more and better services. It is not simply a matter of saving money, although that certainly can be expected in many situations. In the business universe, outsourcing is moving from a cost-saving tactic to a long-term strategy for growth and quality service delivery. As in the examples given at the beginning of this article, the same approach can work in information centers, with positive results for the community of users, the internal staff, and the ongoing employment of librarians. 🌐

Definitions and Assumptions

Other terms for outsourcing, such as out-tasking or co-sourcing, are assumed to mean more or less the same thing as selective outsourcing. “Out-task” and “co-source” can be useful language to employ to convey the reality that librarian-employees are still in charge.

Some examples of library tasks that are outsourced:

- Shelving and filing.
- Cataloging (cataloging has been outsourced for nearly as long as special librarianship itself).
- Research, both business and technical, with and without value additions such as analysis.
- Specialized primary research, such as name generation in executive recruiting firms.
- Primary research when anonymity is required.
- Newsletter writing and production.
- The management of vendor contracts.
- Database design and development.
- Data entry.
- Taxonomy development.

There are no doubt other common library or technology-related tasks that are outsourced. And, like the example of name generation, other very specialized tasks, peculiar to certain types of operations, are outsourced.

Rarely, outsourcing can mean that total management of information services has been transferred to a firm whose core competency is the development and delivery of business, technical, or legal library services. In this case, information professionals from the library might be hired by the outsourcing agent to essentially continue their role as librarians to their former employers.

Except for tasks dealing with physical materials, most outsourcing is probably done in virtual mode. In fact, technology enables the transfer offsite of numerous functions that could not be considered for outsourcing just a few years ago. Whether work is done onsite or on the other side of the country depends on the task and the circumstances.

“Co-sourcing” of research services is a more common practice than might be generally assumed, but is discussed even less often than other kinds of outsourcing. This may be for competitive reasons: a successful supplier relationship is a competitive advantage and subject to confidentiality.

There is no reason to assume that salaries, benefits, and job satisfaction are less for librarians working in outsourcing agencies. In fact, it might be argued that these jobs can be more satisfying. A lot of validation issues disappear when your competencies coincide with the core competencies of your employer.