

Outsourcing and Virtual Corporations: Implications for Technical Communication Professionals and Their Employers

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New models of client-vendor relationships, competition, and cooperation are guiding corporate contracting strategies. Client companies seek service providers who can help them maintain agility, flexibility, and responsiveness in the face of constant change. Consequently, companies are “outsourcing” in-house functions to competent service providers. In addition, service providers themselves confront the same challenges of responding to change. They preforming “virtual corporations”, in which they pool skills and resources with complementary partners into made-for-the-task alliances to respond to business opportunities. Outsourcing and virtual corporations are related concepts that will shape the careers of many technical communicators.

Business-related literature over the past few years has increasingly included discussions of “new” concepts related to client-vendor contracting and inter-company cooperation. This literature reflects on-going corporate developments across a broad spectrum of industries in response to rapid technological changes with information processing and telecommunications playing a prominent role. Old paradigms of corporate organization, client-vendor relations, and competition are, in many instances, obsolete.

These concepts encompass the terms outsourcing, virtual corporations, strategic alliances, and agility. All are related, and all speak to the necessity for modern companies to increase budgetary, staffing, and strategic flexibility, while maintaining—or ensuring access to—state-of-the-art technology and expertise. Each concept involves placing work with the company that is most capable of performing that work, and linking clients and service providers with cohesive, workable units.

The general field of information technology, conspicuously including technical communications, has often been a proving ground for these concepts. While many companies rely, for example, on networked computer systems for data management and communications, technical writers for product descriptions, and graphics departments for illustrations and advertising materials, most do not have these functions as their core businesses; it is not what they do for a living. Consequently, they seek outside expertise, with the result that outsourcing occurs, and virtual corporations are formed.

As a corollary, both of these actions have far-reaching implications for technical communicators and their employers.

OUTSOURCING

“Outsourcing” has a wide range of meaning and usage in the business community. Many use the term to mean any type of contracting with vendors for services, no matter how temporary or non-exclusive the relationship. Others (including the authors) restrict the term to long-term, comprehensive relationships between clients and vendors for the provision of services. All uses refer to services which could be, and may previously have been, performed in-house (Figure 1). In the preferred definition, the term refers to the movement of services from in-house to outside vendor, with an implied long-term, close relationship between the two parties.

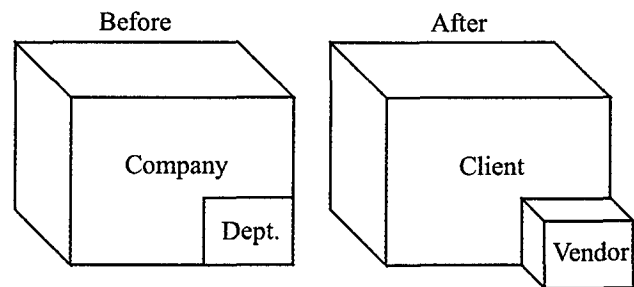


Figure 1: The outsourcing of an in-house function to an external vendor

Consider the following scenario involving a manager of an in-house reprographics department in a software development company. In Case A, the manager recognizes that the work load has outstripped the department’s capability and makes a decision to send the overflow out to a local copy shop. In Case B, the manager decides to contract exclusively with the copy shop for all current and future overflow. In Case C, the manager determines that the company will be best served if all reprographics, both normal demand and overflow, current and future, is handled by the copy shop. Further, the company employees (including, possibly, the manager) will become employees of the copy shop, and they will continue to use the client’s facilities to do the work.

These three cases form a spectrum of types of outsourcing (Figure 2). Case A, reflecting casual, temporary, and as-needed sourcing, is at one end of the spectrum. At the other end is Case C, with complete outsourcing of the function, the establishment of a long-term, contractual relationship, and implications for the careers of those involved. In the authors’ opinion, Cases A and B involve traditional contracting, whereas Case C represents the greatest opportunity for true process improvement, operational efficiency, and career enhancement.

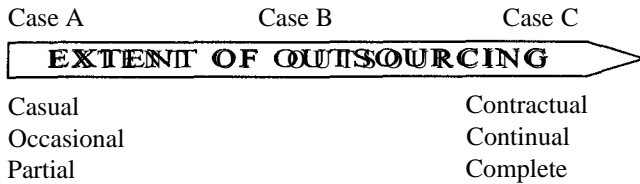


Figure 2: The “copy shop” example. Spectrum of meanings of the term “outsourcing”

Copying is an appropriate example. It is an important, but far-from-proprietary service for most companies. A company engaged in, for instance, software development need not have employees to look after reprographics; an outsource provider can do that.

A Company Perspective

Outsourcing of the Case C type runs counter to traditional corporate values, including centralized operations, direct control, vertical integration, and maximization of in-house expertise. Why then would corporations choose to outsource? Divestitures provide a strong analogy. In divestitures, companies shed peripheral businesses. In outsourcing, they shed peripheral skills and departments. In both cases, they choose to concentrate on the preferred businesses and activities which are commonly called “core competencies.”

Advantages to outsourcing from the corporate perspective include:

- Ž Focus: Companies endeavor to reduce the complexity of their businesses, removing distractions from those activities that are critical to their overall strategies.
- Ž Flexibility: Rapidly changing technological and business conditions require that companies have flexible budgets and manpower; in an outsourcing contract, the vendor inherits the responsibility for staff enlargements or contractions in response to a changing workload.
- Ž Accountability: Vendors assume the responsibility for results.
- Ž Expertise: Companies choose outsource contractors who are, and must remain, experts in their field.
- Ž Cost-savings: The expertise and services of the outsource vendor may come at overall reduced cost to the company, resulting from lower overhead, increased efficiency, access to improved technology, and management.
- Ž Employee Opportunity: Many employees who are affected by the outsourcing process find enhanced career opportunities with the vendor.

Outsourcing is not without risk, especially because these decisions are always made in the face of business and technological uncertainty. Specific risks include:

- Ž Loss of Control: This is the counterpoint to the advantages of focus and accountability; an outsource provider is an independent business and will act as such.
- Ž Loss of In-house Knowledge: Another counterpoint to the advantage of focus, the company relinquishes being expert and current in a specific function or operation.
- Ž Security: Outsource providers may have access to company secrets.
- Ž Overdependence: Outsourcing invariably leads to dependence on a vendor (especially when a virtual relationship develops, as will be discussed below). Managers fear that dependence on a single provider can expose a company to a price “push” or the failure of the provider’s business.
- Ž Adulteration of Corporate Culture: Outsourcing may violate the perception of a “happy family” or produce other upsetting effects on the corporate culture.
- Ž Impact on Employees: The counterpoint to employee opportunity is employee risk. Most outsourcing contracts involve a reduction of the company work force.

A Vendor Perspective

To vendors, outsourcing contracts provide opportunities for large, long-term contracts, staff growth, and acquisition of the skills of inherited workers. A vendor bidding on an outsource contract must step forward with the skills, policies and procedures, and financial wherewithal to successfully perform the function. However, if the contract entails a transfer of employees and/or facilities from the client to the vendor, the vendor need not necessarily have all the resources needed to successfully operate a contract prior to the contract coming into force. This is a major—and very attractive—factor from a vendor’s perspective; the award of the contract empowers the vendor to succeed within the contract by providing skilled employees, necessary equip-merit, and financial reward. Many vendors have leveraged this aspect of outsourcing into significant growth.

An Employee Perspective

While employee impact is only one of several considerations for a company that is contemplating

outsourcing, it is often the only issue in the minds of employees. Internal resistance from mid-level managers and their staffs, motivated by their fear of the unknown, is one of the major obstacles to the acceptance of outsourcing proposals.

However, if employees can embrace change, their careers can be enhanced. Consider, for example, the earlier example of the outsourcing of a reprographics department in a software development company. The manager of that department provides in-house services that are peripheral to the main business of the employer. Further, he is in career competition with programmers, a contest that he can't win. Even an extremely competent manager of reprographics will not win promotion to upper-level corporate management in a company that does not consider reprographics to be its main business.

On the other hand, are there career opportunities for this person with the outsource provider? This is very likely, because his skills are aligned with his new employer's core business. His career competition would then be with others with similar training, skills, and experience. Multiple career roles may be available, including customer service, sales, large-contract administration, etc. Upper-level management positions may be within his reach.

This same logic applies to technical writers in manufacturing companies, computer programmers in oil and gas exploration companies, food service employees in hospitals, and many other examples. The further the skills and interests of employees are from the actual business of the employer, the more restricted and restrictive the job. Conversely, the alignment of an employee's skills with the core business of the employer spells liberation for adaptable individuals.

VIRTUAL CORPORATIONS

The requirements of flexibility, agility, accountability, and expertise in the face of rapid technological change and business uncertainties create fluctuating demand for specific skills to accomplish individual tasks. This encourages service providers to form impermanent (although possibly long-lasting) alliances with others, so that the combined skills and capabilities of the group are available for a specific task. These relationships are called "strategic alliances" or "virtual corporations."

The authors' preferred definition of a virtual corporation is "a temporary, but tightly knit, family of independent businesses, each with differing skills and capabilities, bound together by trust, performance, and preference, formed for the accomplishment of a specific task."

For example, assume that a desktop publishing company has an opportunity to outsource the book publishing department of a financial consulting company. The

required work includes book editing, graphic design, layout, printing, and distribution and marketing. As a stand-alone company, the desktop publisher is not capable of handling all parts of the required work. Nor does it have the financial resources to hire all of the expertise necessary to win the contract. However, if it has strategic partners engaged in writing and editing, graphic design, printing, and book distribution and marketing, they can join together as a virtual corporation with the strength and capability necessary to win, and fulfill, the contract.

Several characteristics of a virtual corporation are worth discussing:

- **Made for the task:** Virtual corporations come together to accomplish a task; member companies are free to form other associations for other tasks.
- **Perceived as a single entity:** Members of a virtual corporation act as if they are departments of a single company. The client need not be aware of the separate ownership of the individual organizations.
- **Point of Contact:** Any member of a virtual corporation may step forward to present the group to a client. Likewise, contract control and accountability can be the responsibilities of any member of the group, depending on the requirements of the situation.
- **Breadth of services:** Members of a virtual corporation have complementary skills, ensuring that the combined skills of the group are broad and deep.
- **Trust, performance, and preference:** Long-lasting virtual corporations evolve from demonstrated, mutually beneficial operations. Each believes the others to be the best in their fields. Ethics and trust are paramount.
- **Enabled by technology and telecommunications:** Companies achieve a high degree of communication and coordination by taking advantage of information management technology and telecommunications.

For technical communicators, the implications of virtual corporations are profound. Instantly, a company or contractor can be larger and more capable as part of a virtual corporation. Its marketing reach expands, because each member of the group advertises the others. The opportunity to win large contracts is enhanced, and the association can be tailored to any opportunity that arises. And, because each member has no financial responsibility to the others when they are not working together, there is no fixed cost of maintaining the group.

OUTSOURCING AND VIRTUAL CORPORATIONS-THE CRITICAL LINK

The twin strategies of outsourcing and virtual corporations are critically linked, because outsourcing creates virtual relationships between clients and vendors.

First, consider the characteristics of a client-vendor relationship in an outsourcing contract. Mutual dependence exists. The vendor and client have differing core business interests. The client has chosen the vendor as the best available service provider. Each has an inherent interest in the success of the other. They may share procurement strength. The vendor may use the office space and equipment of the client and is likely to share information technology. It is evident that the characteristics inherent in outsourcing are also important in virtual relationships.

Operating within an outsourcing contract involves both management of the function (the technical task) and management of the client-vendor relationship (Figure 3). Outsourcing changes the focus of a client company from management of the task to management of the relationship. The vendor must do both; it must fulfill the promises it has made concerning technical expertise, efficient operations, and cost control, while at the same time attending to the relationship.

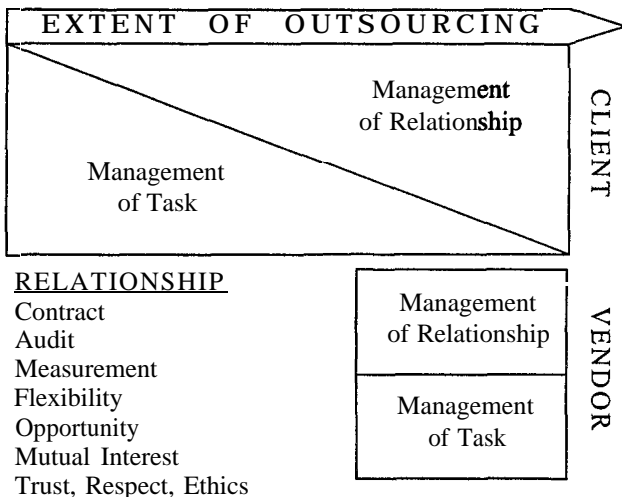


Figure 3: The importance of relationships in an outsourcing contract

Traditionally, client-vendor relationships have been governed by contracts and policed by audits. However, when a virtual relationship develops between a client and vendor, management of the relationship expands to involve continuous adjustment, fairness, promotion of mutual interests, and the creation of trust and confidence.

CONFRONTING CHANGE

Non-traditional sourcing of services is here to stay, and it will affect many professionals in the technical communications field. The option of outsourcing non-core functions is logical for companies needing to be “quick on their feet” in the modern, rapidly changing world of business and technology. Employees and contractors who possess the same agility can keep pace.

An understanding of outsourcing and virtual corporations can lead to greater career opportunities, enhanced marketing efforts for contractors, favorably written contracts, and lasting business relationships. Most importantly, it builds the kind of confidence that allows individual professionals and willing service companies to compete and thrive in a dynamic business world.

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