

NEWS LETTER

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Outsourcing – complex risk issues to consider

Barbara Dove of Sickle Brook Services has authored our guest article on the pros and cons of outsourcing. Business rationale being key to your decisions regarding outsourcing does not preclude a close examination of your associated risks.

Outsourcing as separation of risk: For many Massachusetts small and mid-sized manufacturers, there exists a single business site for all operations. Fire or storm damage at your location means an inevitable interruption of operations with associated loss of revenue and possibly customers. Outsourcing parts of the manufacturing or support operations suggests the possibility of more rapid recovery in the event of a disaster. Analysis and planning along those lines is an important part of the outsourcing decision process.

Outsourcing as loss of control: Barbara Dove outlines a number of reasons why outsourcing may be unattractive. Included in your business decision checklist should be the physical viability of the outsourced operations. If your key component, tool, or mold is housed away from your site, what are the exposures to a loss resulting in a long rebuild time? Not only the integrity of your propriety design, as Ms. Dove suggests, but also the safety and security of your property need to be considered. Be sure that either your outsourcer or you have insured your capital equipment and inventory at the outsourced site.

Risk review: A narrow set of core competencies done with exceptional precision makes for a competitive product or service. Innovation of design is also key in generating and maintaining market share. Months of restoration can leave a fast-paced industry leader trailing as competition rages forward. Careful analysis and understanding of your and your outsourced partners' risks and recovery framework are key to maintaining viability and corporate health.

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Is Outsourcing Right for You?

by Barbara Dove, Sickle Brook Services, Inc.

Outsourcing a non-core function can save you time and lower your costs. It can give you access to added expertise, and can provide you with a valued partner in your business as the outsourcing relationship grows. In summary, here are reasons to outsource and reasons not, as well as how to get started:

Why?

- Broader expertise — outsourcer specializes in areas you don't want to
- Lower costs and personnel work-time
- No benefits, vacations, or sick days are covered
- Outsourcer has broader experience in other industries to bring to the table: outsourcers may see the bigger picture

Why not?

- Your IP assets may be at risk
- Your company's philosophy and outsourcer's don't mesh: you have different value sets
- What you think you can outsource may in truth be a core competency

How?

- Decide what you want to outsource and assemble the key players in your company who will have input to the decision.
- Brainstorm the 7 criteria you want the outsourcer to meet - for example:
 - How do they treat their own employees?
 - Their financial status (how likely are they to be in business as long as you need them?)

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Is Outsourcing Right for You? (Cont.)

- Do they have the expertise you require?
- Can they cover the hours you need?
- Pricing is very important, make sure their service fits your budget.
- Validate your value system against the top three candidate companies. Do they match? Are there any warning signs?

- Choose the best company and set regular meetings; more frequently at first to evaluate the progress. Set goals as you would with any department.

Barbara Dove is the President of Sickle Brook Services, Inc., an Outsourced Helpdesk Provider for small and medium sized businesses. With offices in Lexington center, she can be reached at 781-862-8855, www.sicklebrook.com.

A provocative issue regarding outsourcing beyond the U.S.: *It is not unrealistic to conclude that following the next major terrorism threat or attack on US soil or possibly a pandemic, the US government may restrict overseas outsourcing, especially where our infrastructure or public health is affected (security, utilities and communication).* Most consumers are already unsympathetic to overseas-outsourced service desks. Indeed, remote, unengaged service desks are high on the list of consumer complaints. While the economic, political, and diplomatic implications may be staggering to imagine, it is important that those on the cutting edge think soberly about the increasing ripple effects of continuing to outsource outside the US.

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