



The ins and outs of outsourcing

By Tara Burns

Friday, October 21, 2011

Outsourcing of professional services, including real estate services, has been growing in popularity as businesses continue to look for ways to cut employment expenses. At a recent presentation by real estate professionals sponsored by Commercial Real Estate Women's San Diego chapter, there were several lessons learned regarding outsourcing.

Despite some false starts, outsourcing is catching on

Several years ago, when panelist Mike Gion, senior vice president for Brookwood Group's Southwestern Operations, tried outsourcing, his bank employer was embarking on a cost savings initiative. With outsourcing a new concept and not really understood, he did a two-year study to find one service provider for all the skills needed. At the end of the study, his employer decided not to outsource. Debra Gutzmer, occupancy planner for CB Richard Ellis and also a panelist, had almost the exact same experience when working for SAIC many years ago.

Despite early missteps, more companies now embrace outsourcing. Gutzmer cited an International Facility Management Association study (available at ifma.org) that found that the outsourcing trend is growing and that companies are seeing savings. Panelist Brian Galligan, vice president of asset management for Kilroy Realty, said companies are increasingly attracted to outsourcing because it offers scalability, which keeps overhead down. He noted that his company outsources lease administration, which doesn't require the brokers' time.

Gion observed that traditionally only big companies outsourced, but now so are many small and mid-sized companies that previously wouldn't consider it. One reason for the shift is that companies have discovered outsourcing as a successful way to rapidly gain experience. Gion also sees it as a bigger trend in the United States than it is locally.

But one size doesn't fit all; some things are better not outsourced.

The panelists agreed that outsourcing isn't the solution for all tasks. Galligan noted that liability and labor pool issues make the janitorial and security functions good outsourced areas. Gutzmer agreed, noting that when a company is looking to outsource, services are often the first area they target.

Moderator Debra Aitken, assistant vice president of corporate real estate facilities for California Bank & Trust, countered that in some industries, such as banking, many functions, such as security and IT, cannot be outsourced. But Gion believes that functions that "everyone does pretty much the same" are best outsourced. He cautioned that assignments that rely on blending into a company's culture to be successful don't lend themselves as well to being outsourced.

Measuring the success of outsourcing

Quantifying the savings of outsourcing isn't always possible, according to Galligan. For example, if an outsource service provider is hit with a lawsuit, the company for whom the provider is working isn't a liable party and doesn't have to devote time and resources. Gutzmer added that soft cost savings aren't measurable. If someone from the outsource team doesn't show up for work, there is a work force ready to fill in, allowing the outsourcer to continue to be productive.

On paper, outsourcing can work very well. For Gion, the true success comes down to the chemistry of the in-house/outsource team and the leadership. Oftentimes, companies must find a way to merge agendas. In Gion's opinion, outsourcing has failed more than succeeded because of the wrong team being utilized.

"Everyone has to drink the same Kool-Aid," Gion said.

According to Galligan, the best outsource consultants are the ones who get to know the business of their client, the client's culture and what the client truly needs. Gutzmer noted that in the outsource situation, friction is inherent, and Aitken said, "Everyone needs to be flexible."

Have your toolbox ready — outsourcing can affect you

The downside of outsourcing is that some employees may find themselves without a job if their function is one that is outsourced. Aitken asked the panel what professionals in the commercial real estate field should do to prepare for being outsourced. Gion encouraged the audience to be a part of — or even start — the outsourcing conversation. If you position yourself to be invested in outsourcing and have a seat at the table, you are in the ideal place to be a part of the process versus a victim of it.

For those who can't land a seat at the outsourcing table, Gutzmer recommends going to education programs and keeping current on trends as a good way to be better positioned. Galligan said to always think, "Is there something we could be doing better?" He advised, "Make sure your superiors know you are picking up knowledge and ideas about what other companies are doing in terms of outsourcing so you can better analyze internal outsourcing opportunities."

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