

## Out-sourcing & Off-shoring - Profiting From the Hollywood Film Model & the Production Line.

**“To off-shore or not off-shore - that is the question”** may seem to be a trivialisation of a critical business decision, but as we all know, business is about asking the right questions. The questions are about how will your business operate going forward. The questions are about standardising the roles of knowledge workers to lower costs, guarantee service delivery and gain market dominance. The questions are about transitioning to the Hollywood film model and the design and operation of the knowledge worker assembly line. Resolve these questions and the answer to out-sourcing and/or off-shoring becomes self-evident<sup>1</sup>.

The Hollywood film model! What does that have to do with financial services, IT (information technology), telecommunications and airlines? Believe it or not, this simple, but tried and tested, model has a lot to offer us in the out-sourcing and off-shoring decision making process.

In the Hollywood film model, core competencies such as research, strategy, design, problem resolution, ownership and accountability are kept in-house. Then using proven business principles, the best teams (lighting, sound, casting) are assembled as required to make a movie. After completion, the crews disband and may never work together again or for a given studio again.

As more and more routine business operations are automated by technology, the role of the knowledge worker changes. Routine processing is replaced with high value problem solving when things go wrong. Knowledge workers are free to focus on value added servicing and business

“Four years on from the out-sourcing heights, the reality has struck home. Yet we seem poised for de ja vous with off-shoring”

“Loose ownership, loose control.”

optimisation activities.

More and more, business is heading towards the Hollywood film model. Project based work is increasingly becoming the norm. Specialist teams are drawn together to deliver a business outcome, to disband and then move on to the next project, e.g. compliance projects. Members of the project are experts in a given area, complimented by industry specific expertise, all under the direction of a visionary.

The Hollywood film model is how out-sourcing is meant to work. An out-sourcer is brought in to provide specialist expertise and because they are the best at what they do. The Hollywood film model allows business to focus on its core competencies and bring in resources as required.

As well as using the Hollywood film model as an aid to business operations, one more model is of use in defining off-shoring and out-sourcing, that of the assembly line. In this case the knowledge worker assembly line.

Whether we sell real estate, operate facilities, manage superannuation or insure vehicles, much of business operates using standard recipes and operates using standardised assembly line principles, i.e. IT is the assembly line for knowledge workers.

As a business, the ability to own, define and operate the knowledge worker assembly line is a core competency that is pivotal to successful operation. Toyota, Nokia or L.G. would never consider doing anything else with their core assembly lines.

Toyota buys in parts and uses out-sourcers to help, but essentially, Toyota does not interrupt the overall operation of its assembly line by out-sourcing. Toyota ensures the integrity of its assembly line. Toyota does not neglect the quality of hand-off along its assembly line. Toyota goes out of its way to assure the quality of hand-off because Toyota knows that this is pivotal to product quality. Toyota does not abdicate its responsibility when the assembly line does not deliver. Toyota takes ownership and responsibility for it.

We know that if we loose ownership we loose control. We know that just passing a problem to someone who has not been commissioned to

<sup>1</sup> This article does not discuss the out-sourcing and/or off-shoring of manufacturing, a totally different issue to the knowledge worker services discussed in this article.

fix it is not going to result in the problem being fixed. We know that if we abdicate our responsibility, we will get into trouble.

"Is out-sourcer dependency being duplicated with and/or replaced with off-shorer dependency?"

We need to keep our core competencies in-house and we need to ensure that the operation of the knowledge worker assembly line does not get interrupted. The quality of hand-off needs to be ensured.

We need to clearly know the impacts of what we are out-sourcing or off-shoring before a decision is made.

Just as we pay sales staff by performance, pay out-sourcers and off-shorers by performance. If the arrangement is done on the basis of cost savings, then pay them by cost saving realised.

The risks of out-sourcing or off-shoring needs to be properly managed and included within the justification. What is the cost of not having back office settlement occur? Determine the true cost, including loss of intellectual property.

Is the loyalty of workers to your company or to a third party intermediary? Are you at risk of losing control and having increasing costs passed on to you on an ongoing basis?

Does the work require extensive collaboration and interaction, e.g. requirements gathering, selling or contract negotiation? Such work needs to occur at source by your people and is not suitable for out-sourcing or off-shoring.

Whilst there are many benefits to be had from out-sourcing and off-shoring, care needs to be taken that out-sourcer dependency is not replaced by or duplicated by off-shoring dependency. Brake the cycle as follows:

- Take responsibility for actions.
- Take strategy back in-house.
- Initiate new work using in-house resources only.
- Progressively skill-up in-house, creating more in-house work and take ownership.
- Trap intellectual property in-house.

"The question is not whether we out-source and off-shore but it is how we do it"

- Reach the point that you no longer need the out-sourcer.
- Brake the contract without fear because you have the skills and financial control.

If you are an out-sourcer or off-shorer, remember one thing. Control creates alienation but the more you empower someone, the more reliant they become on you!

Out-sourcing and off-shoring are an integral part of business. It is not a question of whether they are used, it is a question of how they are used.

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