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Better out than in?

Issues and implications of outsourced research and information services for business information professionals

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'Managers of research and information services who have fought long battles to ensure that business researchers are placed in client teams within their organizations, rather than in a centralized function, may find it difficult to accept a new system which undermines the arguments for close collaboration between information professionals and the end-users that they serve.'

Abstract

Summarizes the commonly cited benefits and risks of outsourcing research and information services. Presents some findings of a small-scale research project into perceptions of outsourcing in the business information sector, surveying members of the UK business information community who have experience of establishing relationships with external partners, as well as representatives from three outsourced information service providers. Sets out to establish whether research and information service delivery can be improved through the use of a third party, and to identify strategies which heighten the likelihood of this being achieved. Also considers how the adoption of outsourcing strategies impacts the career roles of business information professionals.

Keywords: business information, information professional, information service, offshoring, outsourcing, research

Introduction

The term 'outsourcing' represents a number of activities related to the delegation of work from one unit to a third party. There are different 'flavours' of outsourcing: the understanding of the term depends upon whether the work

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is delegated to a third party within the same organization or externally, and whether the physical location of the staff who carry out the delegated work is within the same country as those who delegate the work to them or abroad. Although the label of 'outsourcing' is relatively new to information professionals, the concept of contracting out has been commonplace in library and information work for many years, albeit primarily concerned with two main functions of servicing library 'space' (for example security, cleaning and catering) and facilitating document delivery (for example, cataloguing, inter-library loans and journal subscription services). The recent growth area in contracting out services has been in the delivery of information *per se* in the form of enquiries services or dedicated research, and it is this that is most readily understood as outsourcing in the corporate research and information services environment.

Observations of the market for research and information services would indicate that outsourcing is widespread practice. Large, well-known companies in the financial sector rely on partners to cover the research requirements of their in-house analysts. A review of the portfolio of services offered by companies indicates the growth in this industry sector. However, even though outsourcing is growing in business research work, there is little evidence available to provide an assessment of the extent to which research and information services in UK firms are outsourced. Equally its impact – with regard to both the firm that has adopted this approach to business information services provision and the careers of business information professionals – has not been explored in detail. This article therefore summarizes the commonly cited benefits and risks of outsourcing research and information services. It then presents some findings of a small-scale research project into perceptions of outsourcing in the business information sector. The individuals surveyed were members of the UK business information community who have experience of establishing relationships with external partners, as well as representatives from three outsourced information service providers. The work set out to establish whether research and information services delivery can be improved through the use of a third party, and to identify strategies which heighten the likelihood of this being achieved. It has also been possible to consider how the adoption of outsourcing strategies impacts career roles of business information professionals.

Commonly cited benefits and risks of outsourcing research and information services

The opportunity to reduce operating costs is a strong business driver of a decision to outsource operations. The anticipated savings are primarily in lowered costs for labour, with the best savings derived from bigger pieces of work, and work which relies on the replication of activity from previous, similar projects. A further measure of the financial value of outsourcing is its contribution to share price movement. Although it is not possible to assign an increase in share value of a company simply to its decision to outsource, the Centre for Economics and Business Research's study *Outsourcing for Corporate Value* claims that 'share prices of companies that have outsourced parts of their business typically outperform their sector average. Moreover the improvement in share price comes through rapidly. (Harrington, 2005: 2). The potential to increase organizational efficiency is also cited as a benefit that outsourcing operations can bring. A commonly identified benefit of subcontracting work elsewhere is an enhanced ability to manage workflow more readily, especially: in periods of peak demand when there is a local shortage of staffing resource; when additional work comes into the organization in an ad hoc manner; to extend service provision to a 24/7 model; or to take advantage of a broader skills set than that held in-house. The outsourcing of some work to external agencies is also believed to enhance the remaining in-house services provision. When other work is delegated outside the organization, the focus of the in-house service falls on core activities, and especially on those associated with higher value operations. Outsourcing services may thus appear to offer a number of advantages over keeping provision in-house.

However, there are several issues that need to be taken into consideration, including the impact that a decision to outsource has on existing staff, service productivity and quality. Whilst reduction of costs features as a primary goal of initiating an outsourcing agreement, this is not always easily achieved. The costs of outsourcing may be greater than the savings, where the effort required to manage the savings actually destroys them. For example, where there is a tradition in an organization of cross-charging for services there is also great potential for difficulties. A further drain on

resources can be the amount of necessary quality filtering. Organizations need to be aware of the investment required to recruit and train staff in agencies that offer outsourced services provision. Equally it should be appreciated that in the period during which the outsourcing industry has established itself in India, costs have risen due to wage inflation and associated poaching of staff from one firm to another. An outsourcing agency may pass these labour costs back at the same time that the client is also contending with the financial commitment necessary to ensure that existing staff are adequately trained to deliver maximum benefit from the outsourcing agreement. Moreover, it is easy to ignore the hidden costs of setting up an outsourcing agreement, such as the time commitment.

Workload issues that arise when dealing with suppliers include: managing disputes over the contract; dealing with a provider that fails to deliver service to the agreed level; and devising strategies for compensating for the inadequacies of the outsourcing agency in the face of customer expectations, which may have been raised in advance of the implementation of the new service. Other relationships that require careful servicing are those further up the chain of the delivery of information to end-users. Not only should the service be available when it is needed, but there has to be a set of mechanisms that allow for the originator of the request to provide feedback on the suitability of what has been delivered, and to ask for follow-up information if required. Too great a separation between the outsourced supplier and end-users can be problematic. For example, supplier employees are at a disadvantage in achieving a deep understanding of end-user information requests due to physical distances, and opportunities for knowledge transfer from internal researchers to contract researchers are few. Managers of research and information services who have fought long battles to ensure that business researchers are placed in client teams within their organizations, rather than in a centralized function, may find it difficult to accept a new system which undermines the arguments for close collaboration between information professionals and the end-users that they serve.

Research and information staff

A further set of relationships that require careful management are those between the staff who have investigated the outsourcing agreement and the research and information services staff most directly affected by the new arrangements. There are several dangers

of inadequate buy-in: criticism of the new system and supplier; failure to cooperate; creation of an 'us and them' environment; and resentment over having to take the blame for any inadequacies of the new service and/or extra duties required which distract them from other work, such as monitoring service delivery. All of these can lead to low morale. Dealing with procurement staff, who often do not understand the subtleties of information services delivery, can also create extra work, and is stressful for information services staff who are not conversant with the requirements of specifying service levels. They may also need to improve their negotiation skills to take into account the extent of legal liability of the supplier, copyright, intellectual property rights and client confidentiality. The information services function may also experience a sense of a loss of power as the new arrangement transforms its role into that of an intermediary (and possibly a weak one) that simply manages the relationship between the end-users and the new supplier.

Diminished service quality is a particular issue in research and information services in the business sector. Quality can be compromised by a supplier that is poor or inexperienced, and cannot provide a timely service, perhaps due to time zone restrictions. Research and information services provision for the business sector is perhaps more vulnerable to difficulties of successful outsourcing implementation because it relies so much on knowledge of local business contexts. This applies in environments where in-house staff have worked hard to establish relationships with colleagues, for example in building trust, and work proactively to combine information from external sources with their own knowledge to create new intellectual capital for their organization (Ward, 2004: 236). Even what might be regarded as common sense to a UK worker may not be the case for an Indian employee of an outsourcing agency. Fears of jeopardizing the standing of the service and the relationships that have been nurtured over the years can be a real disincentive for private sector companies to enter into an outsourcing agreement.

Further concern with regard to outsourcing research and information services centres on its impact on the careers of information workers. Whilst an immediate effect may be alterations in the way that they execute their everyday work activities, information workers may experience job insecurity which, in some cases, will not be without good reason. Their managers are also placed in a difficult position as they may be forced to take decisions that put their colleagues' jobs at risk.

Outsourcing research and information services has therefore been blamed for its potential to damage careers, especially those of junior staff, as well as for its negative impact on salary levels.

Whatever the risks and benefits associated with decisions to outsource operations, it is evident that this is a serious option for information and research services delivery. Ward (2004: 232–3) cites information managers who have expressed ‘If I don’t do it, I’ll be asked to’ and are therefore adopting outsourcing as a form of self-preservation. This may not be a bad strategy: some research has shown that the benefits of outsourcing are most obvious to those who have taken this route (Pantry & Griffiths, 2004: 40). For example, it has been noted that fears over job security and career progression ‘are less of an issue in organizations with real experience’ (Ward, 2004: 234) and that ‘those who are already outsourcing/off-shoring see it both as a useful additional resource and something that they will be using more’ (p. 237). It might appear that there has been a thawing of negative attitudes resulting in greater interest in outsourcing as a valuable business strategy worth pursuing, even though some recent reports have doubted its value.

Outsourcing experience: do the potential benefits outweigh the risks?

As part of the research that contributed to the preparation of this article the opinions of eleven people with interests and experience in outsourcing were gathered and analysed. Conversations were held with eight individuals who represented companies with experience in, and first-hand knowledge of, outsourcing research and information services. All worked in large companies with global operations: four in financial services, three in professional services, and one in pharmaceuticals. Three additional discussions were held with representatives of companies that supply outsourced services. Two of these are UK-based, and the third operates out of India. The findings from the interactions with these informants have been summarized, consolidated and anonymized in order to maintain the confidentiality of those who provided input to the study.

It will be seen from the evidence presented below that the experience of outsourcing as perceived by those consulted has been rather negative. Indeed one

participant reported at the time that her company was seriously considering abandoning its captive outsourcing arrangement after over six years of operation. Another explained how his company had recently set up a second outsourced operation to complement its existing captive set-up for the purposes of increasing flexibility of information service provision. The reasons for the general disappointment with the outsourcing experience are outlined below.

Cost

As might be expected, it was acknowledged that cost efficiency had been the main driver behind the decision to outsource. One participant explained that the salary costs of the captive arrangement for her company were 50 per cent below what it would cost to staff an in-house service in the UK. However, there were indications that staffing costs are beginning to increase, especially in light of the battles of outsourcing companies to retain staff in centres such as India. One interviewee commented that the reputation of outsourcing as a means of saving on wage costs would be undeserved in the long term. In general, the feeling was that the cost savings are overstated, and waiting for the cost benefits demands much patience because they take longer to be realized than might be anticipated. Due to the huge time investment required to set up an outsourcing agreement – in one case it had taken eighteen months from initiation of the outsourcing project to it going live – it has to be seen as a long-term commitment. The participants cited expenses associated with travel, training, providing opportunities for outsourced staff to meet their clients face-to-face, and renegotiating contracts with online information vendors, amongst the costs of moving to outsourced information services provision.

Efficiency

In discussions of the impact of outsourcing on organizational efficiency, positive comments were made on how the system could cope with an increased volume of work. One participant gave an example of how his organization is able to handle 15,000 document delivery requests a month thanks to its outsourced research and information service. However, a lot of management time is allocated in order to achieve acceptable levels of service delivery, for example in efforts to train staff up to an acceptable standard. Much was also said about

the requirement to check the output of work from the outsourcing agency: it cannot be delivered straight to the end-user. The participants raised issues additional to those commonly cited (as discussed above). These included: problems with licensing US software for company use in India; online information vendors' efforts to increase their charges in the knowledge that the customer will be deploying the online services beyond the 'normal' corporate boundaries; contract lock-in that prevents the possibility of bringing an outsourced service in-house if desired; and special arrangements to satisfy business compliance colleagues that all the arrangements for outsiders to participate in the company's activities are in order.

Quality

In discussions of the quality of outsourced research and information services provision participants were happy that predefined, simple tasks are executed to the required standard. In cases where there is good local management, the quality of more complex work can also be guaranteed. However, overall, it was evident that quality control is a concern. As well as the requirement to check completed work and resolve issues before passing it on to the end-user (noted above), participants spoke about workflow management problems, apparent failure of outsourced staff to prioritize their work, and missed deadlines.

Two main issues appear to be behind these problems. The first is attracting and retaining staff in an environment where there are competing opportunities that encourage job mobility, and where the client goal to get high volume work completed quickly at a distance is at odds with the employees' expectation of engaging in interesting and challenging work directly for a high-status blue chip company. One of the participants illustrated the extent of the problem when he explained that in a six month period there had been 100 per cent staff turnover in the unit that services his company, and the average length of stay for employees is just twelve months. Here there appears to be a 'chicken and egg' dilemma: because of staff retention problems and training costs companies pass only the most straightforward information requests on to the outsourced service provider: the costs and time to develop value added research capability in individuals are considered to have insufficient return. At the same time, staff move from one company to the next looking for opportunities to contribute to more interesting research and

information services activities, only to find that the work on offer is low level and tedious. It is easy to appreciate that training is a real resourcing issue when staff retention is poor.

The second set of issues that lies behind the problem of service quality appears to be connected to educational and cultural differences between the east and west. One participant referred specifically to difficulties in assessing the quality of staff to employ for a captive outsourced operation. He has been disappointed to discover that – in his opinion – Indian graduates qualified to MBA are less skilled than British graduates who offer only a first degree. Employees can also suffer from a form of professional awkwardness because they are unused to interacting directly with clients, and when they do they appear to be overly polite. Similarly, they are risk adverse and more used to taking instructions than acting on their own initiative in the workplace. As a consequence of this they may appear to be uncommitted to their work, even if this is not the case. Another participant mentioned poor understanding of 'client culture'. For example, instead of the workers showing loyalty to their client, they prioritize their own needs with a 'what's in it for me?' approach to their work engagement. A further issue is the transfer of attitudes that underlie 'correct' business behaviour in western companies: what might be considered 'wrong' in the UK, may be acceptable elsewhere.

An indication of the level of supplier awareness of the issues which threaten quality of service was evident in the discussions with the three representatives of outsourced services agencies. The representative from a company based in India focused much of his time explaining how his company worked to maintain quality control mechanisms, whilst the UK-based firms were able to promote the advantages of local outsourcing.

Impact on in-house staff

When discussing the impact of moving to outsourced services provision on in-house research and information services staff, the participants referred to some of the issues also highlighted above. In one participant's company the permanent research and information services staff have taken advantage of the corporate outsourcing initiative to develop value-added research services locally, and further their own careers. In another, however, the move to outsourcing has lowered morale in a unit which was previously run in a rather inefficient and expensive manner. In this case, it was felt that the

in-house unit was a 'target' for outsourcing. Another participant explained how his company had managed to avoid making local job cuts by offering a new 'blended' service to end-users, where some research and information services work is completed in the UK by the local team, and some is completed in India in a captive outsourced operation. Even so, the loss of some contact between researchers and end-users in this arrangement has had negative consequences.

Further warnings and advice

The eleven study participants, in particular the eight from the client side, were keen to share advice to others considering outsourcing as an option for research and information services provision. First, they warned that outsourcing research and information services may not suit every organization, in spite of all the hype. One participant mentioned that it is only worth outsourcing on a global scale if the company's processes are genuinely global. As far as contracts are concerned they recommended that these need to be very specific and take into account a range of eventualities. For example, one participant said that his company ensured that its contract was devised so that it included a reversal clause by which it would be possible for the client to buy in the contracted-out service, if it were successful. To minimize risks, all potential vendors should be visited on site: it is not enough to rely on the suppliers' written description of operations. Taken as a set, these people with experience in outsourcing favoured captive arrangements for the level of control that it offers, not least in terms of offering greater client confidentiality than sending requests to a supplier which is servicing other companies, often in the same sector. The last piece of advice shared was to ensure that local staff are kept up to date with decisions on outsourcing as part of a structured communications plan. An open approach is critical in maintaining staff morale.

Conclusion

This article has provided an appreciation of key issues associated with outsourcing for the meeting of end-user information needs in research and information services. In previous work on outsourcing the term 'traumatic event' has been deployed to describe organizations' decisions to enter into outsourcing agreements (Pantry & Griffiths, 2004: 151). The study presented here would indicate that Pantry and Griffiths are not exaggerating.

Elements of 'trauma' were observed in the discussions with the eight company representatives who had experience of outsourcing, and these go beyond what has previously been reported in the professional press. For example, the chicken and egg dilemma of staff training and staff retention is a real issue for organizations, along with its further impact on other concerns such as cost and client confidentiality. Despite what has been said elsewhere, the findings of this work would indicate that attitudes towards outsourcing are not softening. It could be the case that the difference of opinion as to the sense of entering into an outsourcing agreement may be due to the nature of material presented and published on the topic, much of which has been authored by representatives of supplier firms.

It is also interesting to note that the disappointment with outsourcing research and information services exhibited here reflects recent consumer rejection of outsourced services, which, in some cases, has prompted some companies to bring services such as call centres back to the UK. Further work in this area could assess the validity of these explanations. The study has also provided an indication of how outsourcing decisions impact staff based in the established in-house research and information service.

One issue that did not emerge from this study, and which is believed to be of importance, is the potential effect of basic business research being conducted abroad, rather than in-house. One question is where the next generation of senior business information professionals will be found. It has been the tradition in the UK for new information graduates to grow their careers from first jobs which give them exposure to basic business reference and enquiry work. What happens to career development when positions such as this are in short supply? Equally, what becomes of the experienced business information professional who is not yet ready for retirement, yet is no longer required to manage a large information research and information unit? Aligned to this question is another: how many independent business information consultants can the profession support? The research conducted for the study presented here could be extended further to examine these specific questions.

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