

Outsourcing Is a Matter of Mind-Set

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Outsourcing works OK for a small representative office, though I haven't heard of any projects in Russia for companies with several thousand employees," the finance director of a big international holding told me. His company recently acquired several plants in Russia with a total employee headcount of about 7,000 employees. Here is a perception that is widespread in Russia: Outsourcing is good only for small international startups where there is not always a sufficient workload for a full-time accountant and, besides, the head office would use the third-party accounting provider to minimize its risks. Regretfully, the actual positive big number of cases are not well-known on the market.

"Would you please quote your standard fees?" we are often asked by our clients. Another perception on outsourcing accounting is that "outsourcing is something standard, involving standard prices. You can buy it and consume it. You don't do much about it." "Is this true?" you would ask. "No," I would say. No, because you outsource a process and do not just buy a turn-key service.

In such an environment, it is not that easy to introduce the classical concept of outsourcing that is applied to rather big companies, where there are processes that are transferred to a provider that is responsible for the process analysis and optimization, and future economical gains reached due to optimization shall be shared between the provider and the client. The world considers outsourcing as one of the cost-saving tools, where processes are in many cases transferred to low-cost countries. The most popular ones are China and India, after which Eastern Europe would be considered. In Russia you have the benefits of both continents: low costs (if you go to a Russian province and not to Moscow or St. Petersburg) and a high level of expertise.

Here you can achieve success in outsourcing by choosing a provider that offers well-established processes along with new technologies, including electronic document management systems and processing (captive) centers in regions. But even in this case, to benefit from outsourcing you should ensure several conditions:

- The transparent calculation of the process-related costs, considering overhead costs and not just employees' salaries;
- Long-term relationships: The reorganization of the process takes time and won't give immediate results;
- Readiness, on the client's part to provide full information on a process and manage the changes.

However, not many companies in Russia at the moment sign long-term contracts. Often the primary criterion in selecting providers is their fees. Very rarely, a customer would calculate the internal cost of ownership and ask providers to suggest ways to optimize it. When the fee is the first priority, the provider will have very limited budget for technology development, business process improvement and employees' development. As a result, we have a vicious circle. Clients are not ready to pay for quality service and build a long-term relationship, while providers can't offer solutions based on long-term relationships to the

market, as they would probably lose contracts.

The question is how to overcome this.

The vice president of finance at a big Russian telecoms company shared her views on how her firm promotes outsourcing within the company. She said, "We encourage our managers to manage processes and not just people."

Regretfully, this attitude is more of an exception than the rule.

As soon as companies would see outsourcing as a management tool and not just the way to the short-term cost-cutting, they would get both mid- and long-term cost-cutting and quality improvement that they probably would not achieve on their own. Leading providers grow together with their clients and are ready for a different level of cooperation. In my opinion, the obstacles for growth of the outsourcing market in Russia do not include a lack of expertise or low level of technology. It's a matter of attitude from both sides; it's a question of mind-set.

Are you ready to change your mind?

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