



OFFSHORING

Addressing the Concerns



CONTROL



RETAINING STAFF



ACCESS



LOYALTY



QUALITY



LOSS OF BUSINESS



LOSS OF JOB



TRAVEL



UN-AMERICAN



EXPERTISE

Letter from the President - If you keep up with the news at all, you're no doubt aware that offshore outsourcing has become the hot-button issue of the twenty-first century. The media has discussed it at great length, although often the issues raised by the media are the result of misinformation and hastily-formed assumptions.

The truth is that outsourcing offers many positive benefits to the US and world economies, and the negative aspects are frequently overblown or incorrect. In April 2004, the United States Chamber of Commerce said that the fears about outsourcing were "misplaced" and it found little hard data to support claims of an impending exodus of US jobs overseas. Thomas Donohue, the Chamber president, stated, "The US must be able to source around the world to stay competitive in the global economy and the business community will fight any attempts by our government to restrict outsourcing."

In this publication, we will address ten of the most common fears about outsourcing. My hope is that this information will allow you to make a more informed decision on the issue of offshore outsourcing.

Sincerely,



Jeff Michel
President
Premier BPO



Jeff Michel



"In the headlines this afternoon, the U.S. Labor Department found the politically heated outsourcing argument may be overblown.

According to its study, a mere 9% of non-seasonal layoffs in the first quarter (2004) were due to outsourcing and less than one-third of those jobs moved outside the U.S."

- Tara Murphy, Forbes.com, June 10, 2004



L **LOSS OF CONTROL** - There is no loss of control. The offshore operations mirror current operations. With today's technology, offshore staff and operations control are seamless. Offshore staff members are managed in much the same way as current members who might be located in another state or are home-based. Telephone access does not require an international call and the offshore staff work when they are needed. □



"The service sector, which traditionally has been insulated from international competition, is now ripe for outsourcing on a global scale. According to McKinsey, about 90% of the value of services output is now produced within the providing firm, but they expect this share to drop to 60% in ten years. High-tech firms such as IBM are now outsourcing software programming to India, and medical centers are relying on Indian doctors to process data, to say nothing of the loss of America's call centers.

What will the service sector look like as a result of these developments? Some clues come from manufacturing, which already has been vastly reshaped. Outsourcing has transformed manufacturing from vertically integrated production structures to highly fragmented ones. Fifty years ago, Detroit's River Rouge plant sucked in iron and coal at one end and spat out an automobile at the other. Now, auto firms source component parts from a vast array of domestic and foreign suppliers.

Has US manufacturing been vaporized in the process? No -- manufacturing production has risen about 40% over the past decade. Despite lower wages abroad, foreign firms have chosen to produce cars made by high-wage workers here, including Honda in Ohio, Mercedes-Benz in Alabama, BMW in South Carolina and Toyota in California. Of course, the share of the American workforce in manufacturing has fallen steadily over the postwar period due to vast increases in productivity, but this is a world-wide phenomenon. Between 1995 and 2002, China, Japan, Brazil and other countries lost more manufacturing jobs than did the US, according to an Alliance Capital Management study."

-The Wall Street Journal, January 28, 2004,
p. A 16., 'Outsourcing' is Good for America by Douglas A. Irwin



L **LOSS OF SECURITY** - Premier BPO provides three layers of security: Physical, Data, and Transmission. Each level of security conforms to codes established by US businesses as a standard accepted practice for protecting confidentiality of products and customers plus all financial and proprietary data files. Premier BPO is connected to client systems via a communications line just as its current staff is connected. It is just a somewhat longer line. All data and application systems stay on the client's computers just as they are today. All the sign-on and password security that the client has in place will continue to be used by our remote staff. Each associate signs a Non-Disclosure Agreement, which prevents him or her from discussing job responsibilities outside of the work environment. No work or data leave the facility and each employee is screened when entering and leaving the building by their supervisor and a security guard. □



L **LOSS OF EXPERTISE** - Offshore staff are trained to our client's standards and are certified by them. They know exactly what the offshore staff knows. The offshore staff can be trained and fully certified before an announcement is made to a client's in-house staff, eliminating the risk of losing valuable staff (expertise) before redundancy can be created. If there is institutional knowledge that can only be acquired over years, then client's can use the savings that offshore BPO creates to reinvest into those high-value members of the staff. This allows our client's to keep those high-value members, and have them in roles that are of greater value to the organization. Clients can elect to utilize a blended solution so that all of the expertise does not reside in one place, but is shared between Premier BPO and their organization. □



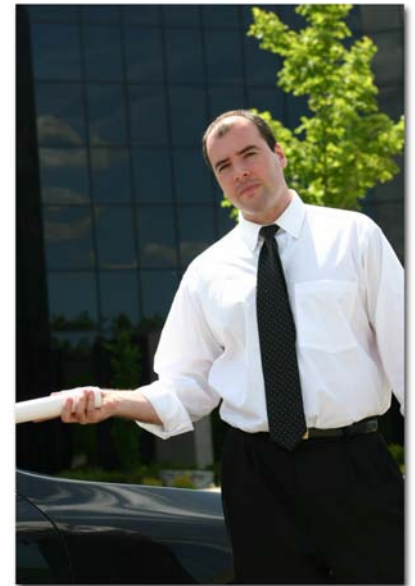
It fundamentally reduces the cost of goods and services for Americans. If I can get my tax return prepared for less money because the offshore labor is cheaper than the domestic labor, then as an American consumer, I'm better off.

At the same time, when American companies engage in offshoring, they increase their own competitiveness worldwide — delivering the same product or service at a lower cost. That increases their ability to win in the world market.”

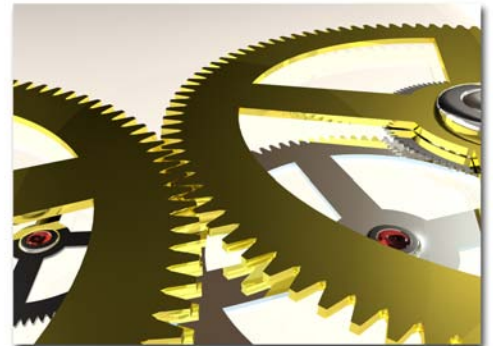
- **Marc Andreessen** founder of Mosaic and Netscape,
in the Atlanta Journal-Constitution, March 23, 2004.



L **LOSS OF JOB** – Does the position of the department head become redundant when the department's functions are outsourced? The answer is no. The department head is integral to overseeing and managing the process. The department head remains responsible to the company for the performance of the function, and is required to work with the outsourcing partner. The department head is also critical to the business as a company member who is an expert in the area and retains knowledge within the company. After outsourcing the functions of the department, the only real difference in the manager's responsibilities is that he does not have to manage the individual people on a day-to-day basis. He can concentrate more on the "what" without the distraction of the "who" and "how". □



L **LOSS OF QUALITY-** When offshore operations have been expertly established by a BPO partner, the client's offshore staff is often better educated and motivated than its domestic staff. Premier BPO will partner to mirror the client's operations and processes, which will be measured by the same metrics that the client currently uses. Premier BPO utilizes TQM processes, and the offshore staff does not go operational until the client has certified that they can perform at the same level as, or better than, its existing staff. In addition, because we are confident in our abilities, we welcome gain sharing and penalty components to our contracts. □



"(A survey of) 145 US companies found that 88% claimed to get better value for their money overseas, and 71% said overseas workers did better work."

- Financial Executive '03

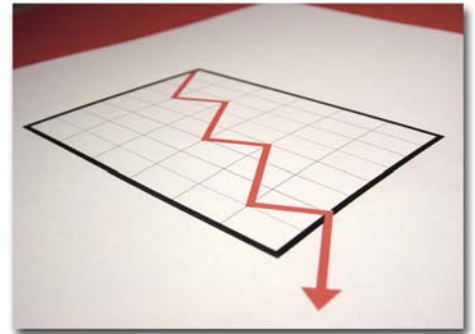


L **LOSS OF OFFSHORE WORKERS** - Premier BPO is a well-respected employer. We have our choice of the best-educated associates and provide a very attractive salary and compensation package to our employees. Employee turnover is almost non-existent, and word has spread throughout the community of the benefits of working for Premier BPO. □



LOSS OF BUSINESS - What happens if a BPO partner fails to perform? Here are some ways to ensure BPO success:

- It is imperative that an outsourcing vendor with a track record of success is selected.
- Write a contract wherein the degree of Service Level guarantees your business needs.
- Look before you leap. Do a 3-to-6 month proof of concept before you fully commit.
- Operate under a shared model for as long of a time as necessary. □



IT'S UN-AMERICAN - Contrary to what many might believe, outsourcing benefits America. For each dollar spent offshore, \$1.12 to \$1.14 winds up in the American economy. As the Arizona Republic pointed out in February 2004, outsourcing of services is merely another form of trade, and trade benefits all countries involved. The offshoring of services increases the competitiveness of American companies, the productivity of American workers and the number of high-paying jobs in the United States. Studies show the offshoring of manufactured goods had this effect, and there is every reason to expect that the offshoring of services will as well.



Everyone's a winner		1
Benefit per \$1 of US spending sent offshore, 2002 est		
United States		
Savings accruing to US investors/customers	0.58	
Imports of US goods and services by providers in India	0.05	
Transfer of profits by US-based providers in India back to US	0.04	
Net direct benefit retained in US	0.67	
Value from US labour re-employed	0.45-0.47	
Potential net benefit to US	1.12-1.14	
India		
Labour	0.10	
Profits retained in India	0.10	
Suppliers	0.09	
Central government taxes	0.03	
State government taxes	0.01	
Net benefit to India	0.33	
Source: McKinsey Global Institute		



"The shift of service jobs to low-cost countries has only just begun. It promises huge benefits to consumers everywhere. The (outsourcing) debate has been brewing since a study by Forrester, a research group, in 2002 claimed that 3.3 million white-collar American jobs (500,000 of them in IT) would shift offshore to countries such as India by 2015. There has been standing room only at recent presentations of a report by the McKinsey Global Institute suggesting that this process of "offshoring" benefits both of the countries involved in it. It is, says the consultants' research arm, a "win-win" formula."

- Economist.com



TRAVEL/SAFETY CONCERN - The Pakistani cities in which Premier BPO currently has operations, Islamabad and Lahore, are easier for someone from the US to visit than any of the major cities in India. The masses of people and the poverty that are so prevalent in India are not nearly as visible in Pakistan. The Pakistani people you meet, not only in the office but also in the restaurants, shops, and on the street, are very open and friendly. The majority of the people there want to see an improved quality of life and understand that joining the global economic community is a means to that end. Our visitors are met at planeside and escorted through the airport and to the hotel. The hotel is a wonderful, fully modern, 5-star hotel located right next to our facility. View our video to get a better feel for the area, and because nothing will replace seeing it for yourself, we would love to host a visit to our facility. □



"I think you are as safe here in Pakistan as you are in London in many ways. Obviously you have to take precautions if you go to certain areas, but as far as we are concerned, we have had nothing but help and cooperation."

-Michael Palin, British actor, star of Monty Python and A Fish Called Wanda, Dawn.com, July 2003.



RETENTION OF REMAINING STAFF - The remaining staff should be informed that they have been kept because they are the best and will be the group that helps to make significant changes within the organization. They will have the luxury of having more help, and in the long-term, will not be over-worked and burned-out. In fact, they will get to do more strategic activities with more visibility to the executives.

There are ways to engage the remaining staff with the offshore staff that builds a teaming environment and distributes the workload so everyone has more accountability. □



Immigration or Offshoring?

"In the near future, the baby boomers will start power walking to their mailbox to look for a Social Security check. At the same time, the ratio of workers to retirees in the United States will start to decline. We can choose to support both future retirees and our standard of living through greater worker productivity - producing more output per dollar in cost.

We can do this through innovation and taking advantage of the highly skilled, low-cost workforces of other countries through outsourcing. The alternative is to bring the foreign workers here through immigration ."

- Robert Franciosi, Outsourcing is Just Good Economics for America,
The Arizona Republic, Feb. 22, 2004



Top 10 Reasons Companies Outsource

1. Reduce and control operating costs
2. Improve company focus
3. Gain access to world-class capabilities
4. Free up internal resources for other purposes
5. Access resources not available internally
6. Accelerate reengineering benefits
7. Provide management to difficult-to-control functions
8. Make capital funds available
9. Share risks
10. Infusion of cash

Source: Survey of Current and Potential Outsourcing End-Users
The Outsourcing Institute Membership, 1998



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