

Guest comment

## How service companies can prevent being offshored

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Editor's Note: Recently, there's been extensive coverage of a Brookings Institution study looking at the implications of offshoring for American companies and workers. Todd Hudson, with the Colorado-based Maverick Institute, weighs in on the topic with advice for service companies under pressure to offshore operations.

The Brookings Institution's study "The Implications of Service Offshoring for Metropolitan Economies" is flat out wrong when it says that "little is currently known about systematic ways of improving service sector productivity."

Worse, it leaves service company leaders with the impression that there is little they can do except to support the report's government policy recommendations.

The truth is, we know plenty about how to systematically improve service center productivity. There are hundreds of books, articles and case studies. Professional organizations such as the Institute of Electrical and Electronics Engineers offer specialized courses in software productivity improvement and project management.

Industrial engineering principles and techniques, such as Just-in-Time, Kaizen, Six Sigma and, yes, even the "Toyota Way," can help service companies dramatically improve.

If you're a service company, here are five things you can do to improve your productivity.

- Review workflow -- Create a diagram of how you produce your products or deliver your services. Work with a team of employees and put in every single activity. Now step back and look at it. You'll be amazed at what you find: Redundant and obsolete activities. Lack of standards and training. Chronic technology glitches that require time-consuming workarounds.

This will help you quickly identify the low-hanging fruit for improvements.

- Do the right activities in the right order -- Doing things in the wrong order creates confusion and causes you to redo work. Sometimes getting the right information -- for example, customer specs -- at the right time can be difficult, but relieving a key information bottleneck can generate enormous benefits in terms of cost and schedule.
- Measure "entitlement" performance -- This is simply how much time it takes to do a task without interruptions or problems. Comparing the difference between this and your current performance tells you how much waste and inefficiency exist in your organization. You can compare these metrics to international competitors and see how vulnerable you are to offshoring.
- Improve knowledge transfer -- Transferring knowledge is at the heart of what service

companies do, whether it's between employees or with customers. Yet this critical skill is poorly understood and executed. Miscommunications lead to mistakes, errors and frustration that use up precious time, energy and money to fix.

- Make problems visible -- And I mean very visible, to the entire company. Problems that people struggle with alone in their cubicle often are easily solved by an employee in another department or a more experienced co-worker. If the problem isn't easily solvable, then your entire organization can mobilize its resources to find the answer before it becomes a crisis.

Post project and individual activity schedules and status for everyone to see and respond to. This can be a big cultural change for some organizations and should be implemented with care, but the potential benefits are huge.

Don't wait for long-term government policy changes to help you avoid being offshored. Take charge of your company's future by accessing the vast array of resources available to improve service sector productivity.

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