

CHAPTER 24

Catch the Outsourcing Wave

By Dane Christensen

The key to success is to not fight against natural forces, but rather to get out ahead of the waves of societal and economic change and let their power propel you forward. I want to discuss a couple of these inexorable forces of nature that we see happening before our eyes and how you can get out in front of these waves to accomplish your goals.

Massively successful people like Andrew Carnegie, Henry Ford, Bill Gates and Mark Zuckerberg illustrate this concept. Carnegie didn't create the need for steel in a burgeoning industrial era. He just got in front of that wave. Ford didn't invent the car or spur the demand for this marvelous invention—he just found a way to stay out ahead of the demand. Gates didn't drive the computer revolution—he simply put himself at the center of it. And social networks were already primed to explode when Zuckerberg developed Facebook—he was simply in the right place at the right time with the right service.

But you don't have to catch a wave of that magnitude to be successful. Massive societal and economic changes are happening now. We all know this. We see it every day. These changes mean difficulty for some and opportunities for others. Whether you benefit from these changes or not depends on your ability to understand the forces at play objectively and to position yourself strategically in front of them.

So enough of vague generalities, I want to help you understand some of the inexorable shifts we see today and how they provide you with a fantastic opportunity: Outsourcing.

To many ‘outsourcing’ is a dirty word, evoking images of vacant factories, unemployed Americans and offshore sweatshops—and for good reason, as that is clearly a sign of the times. The flow of manufacturing jobs from affluent populations to emerging economies is inevitable. Any expectation that we can somehow drag high-paying manufacturing jobs back to the U.S. through political pressure is folly. Given the large discrepancy in the cost of production between various locations, it just makes sense that production will move to the lower-cost locations.

This process is as natural as rivers flowing to the ocean. There is little point in bemoaning the situation. It is happening, and it is not going to stop any time soon. Given this reality, you might as well capitalize on the situation. In other words, “if you can’t beat ‘em, join em.”

Another fundamental change we see every day is increasing complexity in terms of technology, the economy, society, and in every aspect of our lives. Dealing with complexity is possibly the single greatest challenge to people who are trying to succeed. The myriad steps involved in developing a product or service and finding the market for it are far more numerous today than they were just a few years ago. And we also know that this trend isn’t going away. In fact, it’s accelerating.

I was confronted with this challenge when my web development company began taking off and I was getting more projects than I could handle. I have a fairly extensive skill set when it comes to web development and marketing and I’m always tempted to do everything by myself. It always felt more efficient when I went solo and didn’t need to coordinate with others to get a job done.

But over time, I found that web technology was advancing faster than my ability to keep up with it. My clients were asking for functionality that I didn’t have the skills to deliver. They wanted integrations between ecommerce systems and marketing automation tools. They wanted impressive multimedia presentations. They wanted integration with social media sites. And on and on it went. At a certain point it became clear that I simply wasn’t going to be able to keep up.

I never even considered hiring employees. The long-term commitment to significant monthly overhead, including taxes and benefits just didn’t make sense for a business that was only doing six figures annually at the time. Besides, with one employee, I would be getting their skill sets

and no more. And I was finding I needed a much wider range of skills.

That's when I really got involved in outsourcing and realized what an amazing process it is. Before long, I had a 'virtual team' that ranged from just a few people to as many as 20 people at various points. I had a wide set of skill sets at my disposal, always someone available to do the jobs I needed done, and didn't have to deal with all the overhead that comes with an employee. If I didn't have work for someone to do, it wasn't a problem. I didn't have to come up with tasks for them to justify their pay. I just put them on the bench for a while.

It has never been easier to outsource the work you need done. There are a number of websites dedicated to this concept that provide a vast marketplace for virtually every kind of service your business needs. Among the top outsourcing websites are:

E lance (www.elance.com)

Freelancer (www.freelancer.com)

Guru (www.guru.com)

oDesk (www.odesk.com)

ScriptLance (www.scriptlance.com)

Vworker (www.vworker.com)

The web-based outsourcing industry started out, not surprisingly, with a focus on programmers developing software and web applications. But over the years, the field has expanded to incorporate all the key functions of any business including administrative and business services, sales and marketing, customer service, multimedia, writing and more.

And here is the essential dynamic that you must understand: On all of these sites, the number of people looking for work far exceeds the number of jobs available. For example, at the time of this writing the Vworker website lists 1,929 jobs available and 358,864 workers ready to do the work. That's nearly 200 workers for every project! The proportions are similar on the other sites. Given this lopsided situation, is there any question about which side of the equation you want to be on?

When you post a job on any of these 'freelancer' websites, you will start getting extremely competitive bids on your project almost immediately. You'll be amazed how inexpensive it is to get your work done. I have

had projects that my corporate clients paid over \$10,000 for (and felt like they got a bargain) that I outsourced entirely at a cost to me of less than \$500.

Many people have set up lucrative operations based simply on the concept of arbitraging the difference between labor costs of employment versus outsourcing. What it really boils down to is putting yourself between the people who have more money than time and those people who have more time than money.

If that last sentence didn't make sense to you instantly, re-read it. That is the key. When working with corporate clients, I've found that the people I work with are really short on time. They have an endless mountain of work and they have plenty of corporate funding available to get that work done. They just don't have the time to take the steps that you could easily take to find just the right person who can get that work done for a fraction of what the corporation is willing to pay.

Is it really that simple? Just step into the gap between the people with money and those with the skills and watch the money roll in?

Ah, if only it were. Then everybody would do it. You definitely need to have certain skills and knowledge to play the outsourcing game profitably. That brings me to my Top Ten pointers for outsourcing.

1. UNDERSTAND WHAT YOU ARE OUTSOURCING.

Outsourcing a job because you have no idea how to do it yourself is a recipe for disaster. The reason to outsource a job is not because you aren't capable of doing it yourself, but rather that someone else is willing to do it for much less than your time is worth. I once sourced an integration project to someone else because I didn't know the technologies involved. Though his credentials looked good, this particular vendor turned out to be a flake. Had I really understood what he was working on, I would have realized much sooner that he didn't understand this technology any better than I did and saved myself a lot of headaches.

2. DEVELOP COMPLETE SPECIFICATIONS.

One side benefit of working with contractors is it really forces you to do something you should be doing anyway—creating crystal clear and complete specs for your project. It's one thing to wing it when you are working with your vision, your ideas and your tools. But contractors

don't have the benefit of all your knowledge and experience, so without detailed specs to guide them, they are likely to flounder for some time before they acquire all the information they need.

3. DO YOUR DUE DILIGENCE ON SERVICE PROVIDERS.

All of the outsourcing websites mentioned above provide the ability for service providers to complete profiles including their experience, specific skills, and portfolio. There is generally a feedback mechanism so you can see how other employers have rated providers. Many of them even have testing so you can see how providers scored on specific skill sets. And of course, they all provide the ability to communicate with potential vendors before hiring them. So there is no excuse for not doing a thorough job of screening contractors. You will inevitably have numerous prospects to choose from, so for the sake of time, choose the top three based on their experience, portfolio, reviews and test scores. Then send each one of those your completed specs and ask them for comments and questions. More often than not, the responses you get to this will be all you need. But take as much time as the project warrants to communicate with your top prospects through email, chat or via phone (or Skype).

4. CONSIDER FACTORS OTHER THAN PRICE.

Ultimately, the objective of outsourcing is to get work done for less money. But that doesn't mean that price is the only factor to consider. The adage "you get what you pay for" is as applicable in outsourcing as anywhere. Some vendors will actually send ridiculously low bids to every project that comes up. They'll engage with you on that basis knowing that you will inevitably reveal some details that you missed in the original bid (see point 2 above) and that provides the opening for them to jack up their bids. What other factors should you consider? Beyond the others covered above, (portfolio, reviews, test scores, etc.) consider their location (i.e. their time zone) if you have a project that requires real-time interaction. Another factor I consider heavily is their command of the English language and ability to communicate clearly.

5. START WITH SMALL JOBS.

In order to further evaluate workers, I often try to come up with smaller jobs to test them out with. It's a bit like a baseball farm team. If they do a good job on my smaller jobs then I'll consider them for the more

substantial jobs. And I must admit that I do dangle the larger jobs in front of developers to motivate them to do their best work on my smaller projects.

6. CLEAR COMMUNICATIONS.

Clear communication on your part is arguably the most important factor in maximizing the efficiency of your outsourcing arrangements. One well-organized email complete with to-do lists and references to additional information may take you a couple hours to develop. But that is fraction of the time you'll spend responding to a seemingly endless string of questions you'll deal with over time if you just dash off a half-baked explanation of what you want. Not to mention the extra money you'll pay to your provider since they will be wasting their time trying to understand what you want. A fringe benefit of clear communication is that service providers really appreciate it and will be more eager to work on your projects.

7. USE PROJECT MANAGEMENT TOOLS.

While the outsourcing sites provide some basic communication and organizing features, you'll need to get set up with tools to help you keep track of your team's efforts. There are many web-based project management tools. These tools allow you to assign tasks, track progress, exchange information and files and communicate in a structured way. I particularly like the Jira tracking program and Confluence collaboration tool provided by Atlassian. (www.atlassian.com) and have developed a project collaboration system named WaveCenter (www.wavecenter.com) on the Confluence platform. There are many more such programs that you can find on Google with a quick search on "project management tools."

8. AVOID OTHER BROKERS.

When you post a job on the freelance websites you will often get responses from people representing other people with the skills you need. While there is nothing inherently wrong with this, I tend to avoid these people. Since in a sense I am filling the role of the broker, it seems a bit redundant to go through another broker (who is obviously marking up the cost), especially when there are so many competent people who you can work directly with.

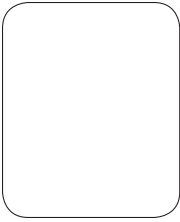
9. HAVE BACK UPS.

My experience with contractors through these sites is that they are generally conscientious and eager to impress. However, occasionally contractors will simply disappear in the middle of a project. Don't get caught flat footed when this occurs. Keep track of the people who applied to your job originally and perhaps ping them from time to time, particularly if you are feeling any uncertainty about the reliability of your current developer.

10. FORM RELATIONSHIPS.

Although there is a seemingly endless supply of skilled contractors available to you through these outsourcing sites, avoid the temptation to continuously play them against each other in order to drive prices down. If you can find a contractor who understands your business, communicates clearly, and is consistently responsive, stick with them--even if they do charge more than some other contractors. It will be more efficient in the long run. Besides, it's more enjoyable to work with someone you have a positive, ongoing working relationship with than some stranger.

Having written these ten tips for outsourcing, I realize how much more there is to say about it. You can learn much more by simply Googling "How to outsource." But ultimately, there's no better way to learn than to break down some of your jobs into manageable tasks and give it a try for yourself. Once you get into it, you'll understand how powerful outsourcing can be.



About Dane

Dane Christensen is a serial entrepreneur and Internet veteran who has developed countless web properties and served in key roles for Silicon Valley companies for over 20 years. He has mastered the art and science of leveraging web-based outsourcing and crowdsourcing networks to accomplish great things on a limited budget. Dane reveals the same techniques he used to develop cool web properties like wavecenter.com and enormal.org.

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