

Outsourcing Information Services

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Abstract:

Purpose:

The systematic redevelopment of a Corporate Information Center's strategy is presented in this case study, with particular focus on the aspect of outsourcing services. This aspect is emphasised, because it is the only way to realise a new business model without an increase in resources.

Design/methodology/approach:

There is a description of which services have been outsourced, while it is also made clear which activities related to the creation of processes and their supervision have remained in the company's internal Information Center, and how they are changing as time goes on. The licensing of information sources from external aggregators is viewed in the context of outsourcing, as is the latest development in Vendor Portfolio Management.

Findings:

After the transformation of the classic spectrum of library services into the strategically created portfolio of an Online Information Center, the core tasks at the forefront are those which anchor the Information Center in the corporation of which it is a part, and which perfectly combine the interests of the corporation with the use of information industry competencies through cooperation and partnership with service providers.

Originality / value:

This case study demonstrates how, and for what purpose, information industry competencies can be used in an Online Information Center. Even with limited resources, the skilful use of outsourcing solutions makes possible the redevelopment of strategy and therefore change.

Paper type:

Case Study

Keywords:

Outsourcing Information Services, Knowledge Process Outsourcing, Information Center Core Functions

Outsourcing Information Services

1. Definition of Terms and Introduction

The field of business economics lacks a unified understanding of outsourcing. The term is used for all varieties of external procurement, and also means the decision to use external procurement. It means the use of the market or the use of cooperative work and networking – always with the goal of concentrating on core business activities. Business-management approaches to explaining outsourcing will not be examined here (cf. Bresser, 2007).

In this paper, based on practical experience of working in a Corporate Information Centre, the term outsourcing will be used to mean the external procurement of services, which were either previously undertaken in house, or were bought in as new services from the beginning (Wikipedia: Outsourcing, 12.01.2009). The literature demonstrates again and again that although outsourcing is generally instigated by similar factors, in each individual case there is a different context and a variety of requirements. This will also be seen in what follows. Very different aspects can come into play, even in the various externally procured services and outsourced processes of the same Corporate Information Centre (cf. Price Waterhouse Coopers, 2007).

The Corporate Information & Research Management department at Daimler (abbreviated to IR for Information & Research in what follows) is a central department of the company, with functional responsibility for Information Services and Solutions. This means that all of the following are concentrated and budgeted for within IR: the strategy, planning and supervision of all activities connected with the licensing of online resources; content syndication when publishing to the company-wide intranet; the acquisition of printed information, as well as the development of specialist information solutions, which includes undertaking research. It also means that company-wide solutions and processes are developed, implemented, managed and supervised in IR.

Daimler is a global corporation with 270,000 employees. The majority are based in Germany, where there are about 170,000 employees, among them approximately 11,000 working on the research and development of cars, vans, lorries and buses.

IR has about 46,000 registered users and is accessible via a portlet in the intranet. This is a fixed component in all of the various different implementations of the intranet in different countries and is available globally. IR has users in 41 countries.

2. Starting Point: New Strategic Goals for 2003

The systematic redevelopment of online resources was first considered in 2002. From the very beginning it was decided not to store content in house, but instead to license it. It was of the highest priority to be able to guarantee secure access management and that access rights were granted in accordance with the contractual agreement. The existing integration platform for online resources was developed further in partnership with a specialist software company. Together with the corresponding customer database, which is synchronised with the company staff database each week, the integration platform formed the technical foundation for an entirely new business model: the Online Information Centre. This would be

an institution interwoven with the core company business, an institution which would keep step with developments in the field, and would manage its services and business systems according to the same rules as all the other departments within the corporation (Corney, 2002; Anonymous, 2006; Lekanne Deprez, 2002). The days of the library as IR's "top product" were numbered.

The question of how to realise this strategy, without any prospect of an increase in human or financial resources, led to the question of whether to "make or buy" and to the examination of information services to discover which had reached the end of their life cycle and could therefore be discontinued. The transformation of fixed costs into variable costs was also an important goal, in order to increase flexibility, to react more quickly to changes in demand, and to be able to exchange components of the content portfolio, as well as suppliers, within the course of a year if necessary.

As a result, IR, together with external and some internal partners, has developed very different outsourcing solutions for some sections of its service portfolio. These will be introduced in the following sections.

3. Library Services

As an Online Information Centre, continuing to keep a core collection of the most important print literature in a library was ruled out, because for this to happen, library processes would have had to remain unchanged. Since the economic viability of the library was in doubt due to the limited effectiveness of printed material, IR decided to close it down entirely, and obtain all library services from external sources. The library was closed at the end of 2006, and the switch to external procurement began at the start of 2007. A solution for this, a "library portal", was developed in partnership with an external service provider, which continues to run it for IR to this day. This "library portal" offers all necessary administrative functions, encompasses all the stock catalogues of external libraries that are relevant for the corporation, and is connected to the Daimler intranet via the integration platform.

Strictly speaking, this is not outsourcing the library in its narrowest sense, since the library has been closed, rather than transferred to an external supplier. Instead, it could be termed partial Business Process Outsourcing (BPO), since external services are being used which were configured to meet the needs of IR as part of a joint project. IR is responsible for shaping and directing the processes in which different service providers work together in an organised network. In the course of the past two years these processes were optimised further. All in all, however, the switch went well from the beginning and the project was a complete success.

The main aim of this change in process was to free up resources for the increasing range of online materials. It was therefore not about saving costs while maintaining the same service portfolio. It was rather a strategically-led undertaking to make possible and precipitate IR's transformation to a new business model and future development. The intention was to obtain human and financial resources for new activities (cf. Brown-Woodson, 1998).

4. Subscription Service and Acquisitions

The subscription service is a classic among the favourite means of outsourcing in information centres. As in other information centres and libraries, IR outsourced this service to journal subscription agencies as early as the 1990s (Bates, 1997). Since then, the focus has been – and still is – on meeting new requirements. How should subsidiary companies be billed? How are special requirements to be dealt with? How can communication between supplier and internal user be arranged (Agada, 1996)? IR develops the necessary concepts, works out specifications for the annual contract negotiations, engages with customisations specific to the corporation and supervises the external service provider.

With the expansion in the online resources on offer through IR, the demand for printed literature within the corporation markedly decreased. This led to the idea of establishing a lead supplier for all printed materials. This new step in the outsourcing process had the goal of increasing the efficiency of the acquisition of specialist literature, currently distributed among several suppliers, through “single sourcing”. The external agency – while also a book and journal supplier – now also takes care of all book acquisitions. The document delivery process was also transferred to the “lead supplier” as a form of literature acquisition.

As well as gains in efficiency because of the reduction in the number of suppliers, the bundling of these three processes in a single, external service provider has attained another goal: there is now a unified and consistent set of data in the delivery system, which firstly makes it possible to standardise internal accounting procedures, and secondly allows all the data relevant to IR to be imported to the internal CRM system through a single interface. This is of crucial significance, since the CRM system is the basis of IR'S business intelligence.

This solution was decided upon because of the strategy of continually checking that the processes and procedures of IR remain future proof, of reacting early to foreseeable changes, and of implementing outsourcing in a targeted and planned manner in order actively to free resources for new developments and innovations. The continuing reduction in demand for printed information will not affect the significance of IR. The supplier will have to deal with the decrease in business, while IR will only profit from the reduction in costs. The demand for printed information has long ceased to be a critical success factor for IR.

5. Online Content Resources

Something that is critical for success, however, is the portfolio of licensed online resources. It has been continually expanded and internally promoted. Internal alliances were – and continue to be – formed in order jointly to acquire electronic information such as reports of International Automobile exhibitions; pictures, prices and information about the interior fittings of automobiles from the world-wide markets; automotive information covering a wide spectrum of technical data including supplier analyses; the number of new vehicle registrations and market potential, forecasts, reports, industry analyses and a teardown database. Other areas emphasised are technical Science and Engineering literature, as well as business, with information on companies, reports from different fields and much more. Within these content partnerships, IR employees are appreciated and made use of for their expertise in the information market and their competence in everything to do with acquisitions. The bringing together of

the same information interests from different departments, cooperation with the internal purchasing department, and professional discussions with suppliers have resulted in a strong negotiating position and the efficient arrangement of contracts.

As aggregators, information providers bring together content owned by many different entities. They also engage experts to create daily analyses and other valuable information products. The competence which can be achieved through the licensing of online resources far outstrips what would be possible in house. Know-how and expert knowledge, which is not available in IR and cannot be built up because it would be far too expensive for a single institution, is bought in. In this way, external services are acquired through purchasing online content which would never be provided internally, or at least not to the same extent. Nevertheless, the acquisition of online resource should be viewed as outsourcing, since the development of databases and information services, operating the appropriate systems and developing them further, are among the classic tasks of information centres.

This could perhaps even be considered Knowledge Process Outsourcing. The term is rather loosely defined, as with other types of outsourcing. A significant difference from classic Business Process Outsourcing lies in its complexity and requirements. Knowledge Process Outsourcing is about using market and specialist competencies to access a network of cooperating suppliers and to employ them with a single contract.

It is exactly the outsourcing of these high-level services which is, however, often viewed critically in the literature, since it seems to affect the core business of information centres and bring into doubt the justification for their existence (cf. Ebbinghouse, 2002). However, this critical viewpoint overlooks the fact that licensing of online content provides access to comprehensive and high-quality external information services while at the same time ensuring their continued development, since the market continually demands state of the art technologies from its competing participants. Cooperating with innovative suppliers increases IR's professional standing – “[...] your external partners can make you look good” (Lesky, 2003).

The success of IR's enterprise is determined by its cooperation with many (now about 40) suppliers. Information professionals are responsible for bringing together their own interests and those of other parties in a single solution which all value and are happy with. This includes the interests of the corporation, participating internal departments and experts, the external IT service partners, as well as the external content providers with their IT departments, management and legal advisers. As a rule it is only IR that makes contact with users in its own organisation. In dealing with suppliers, trust and transparency are the key factors for success in conducting negotiations that are considered to be fair by both sides, and in achieving well-balanced cooperation. They are also important later during the many changes, some of them technical, which are made once the operation is underway. It is essential to master complex multi-sourcing which requires completely new competencies.

6. Research

Much has been published on the outsourcing of research, as one of the core activities of every Corporate Information Centre. Goody and Hall's paper (2007) brings together the more recent literature

(published since 2003) and gives a good and comprehensive overview, particularly of the outsourcing of research. Business research as a core service is *thoroughly* examined. The reasons for considering outsourcing range from providing cover for peaks in demand, gaining resources for new or additional activities, through to co-sourcing, which foregrounds mutual development of competencies and learning from others through close cooperation (Szedlak and Wallin, 2007). Knowledge Process Outsourcing (KPO) comes into play when it comes to supplementing expert knowledge which is not available in the in-house system. It is always emphasised that only certain types of research are appropriate for outsourcing – generally research that can be standardised, or that does not require extensive internal knowledge or intensive contact with the person commissioning the research. Research concerning the core business of the company and operations which add value, such as analyses, evaluations or reports of developments, is described as unsuitable for outsourcing.

IR's experiences are consistent with these approaches and are to be understood as selective outsourcing. Although these experiences date back several years, it would nevertheless be conceivable to repeat the selective approach to outsourcing, if it became necessary to target internal resources to support the success-critical tasks of experts, decision-makers and executives.

7. IT Activities

The reorganisation of Daimler's central divisions between 2006 and 2008 meant that many other functional areas as well as IR took on company-wide responsibilities. As part of these changes, IT activities that had previously been carried out by Corporate Information & Research were moved to the internal central IT division – outsourcing which included the transfer of staff. This created a new situation for IR, which was no longer responsible for implementing its own IT strategy through IT projects. The IT outsourcing process was finalised in the first quarter of 2009. Using an ASP solution, the previously self-operated platform for managing and controlling access to licensed content was assigned to an external service provider, which had already been cooperating with IR for some years.

8. Mission and Activities

As the Information Management strategy was previously inseparably joined to the IT strategy, and both were operated by the same department, this development caused by the changes in the company as a whole, has, in contrast to all the other self-initiated outsourcing activities, particularly called the core activities of IR into question.

Put another way: if library services, subscription and acquisitions, IT activities and some research are outsourced externally, and content is acquired from external service providers, what is IR's role? What are the core activities of this Information Centre?

Corporate Information & Research Management at Daimler is responsible for creating company-wide information solutions in order to contribute to the ability to innovate, the speed of development and the quality of decisions in the company's core business.

Key points in this work are (cf. also e.g. Lesky, 2003):

- Continuing development of outsourcing solutions;

- Monitoring the information market and developments in the field;
- Conducting information aggregation: selecting and evaluating online resources, and making them suitable for company use;
- Arranging purchasing partnerships between departments;
- Developing customised information solutions for departments and communities of knowledge;
- Expanding business research and analysis to become valuable individual services;
- Making examples of success stories;
- Implementing Web 2.0 technologies;
- Helping to create working environments such as the Information Workplace and Individual Knowledge Space;
- Monitoring the development of search technologies, evaluating their usefulness and realising their implementation;
- Expanding internal marketing;
- Analysing target groups and persuading them through communication and consultation;
- Establishing Business Intelligence;
- Using a performance measurement system to manage home-grown and bought-in processes and procedures;
- Undertaking strategic work and ensuring that IR is firmly anchored in the core business of the organisation.

All of these activities occur at the interface between Daimler and the external market. They require specialist knowledge, which is only available within the organisation and which is used by IR to couple the economic interests of the organisation with market and sector knowledge. The core business of Corporate Information & Research is characterised by this combination and it adds value to the organisation which must be made visible. However, this poses a challenge which may be greater than the implementation of all the outsourcing decisions.

Just as challenging is the change in the skill sets of colleagues. There are indeed many indications of this in the literature in connection with outsourcing – some indications from the mid-1990s are very similar to those from more recent years. These say, for example, good information professionals “can integrate people, process and systems through information and knowledge” (Mendelsohn, 2002). However, the descriptions often remain abstract and give little basis for their practical application.

9. Another step: VPM

To conclude with another current issue: the magic word VPM, which stands for Vendor Portfolio Management. Outsell Inc. published a study on this topic in January 2009 entitled "Outsourcing Information Vendor Portfolio management" (Outsell Inc., 2009).

This is a very recent development which, after all the previous outsourcing threats, is now causing anxiety for information professionals. There are service providers who manage and run the network of content providers for organisations. However, is this form of outsourcing actually no greater a threat than many of the others (Owen, 2009)? Why not allow an external service provider to administer the cheap, non-negotiated, standardised and straightforward online products? This gains time for the difficult and complicated contracts for very complex information systems, for time-intensive communication with suppliers, whose products are critical for the success of the Corporate Information & Research department, and for the organisation as a whole. In these cases, information professionals will always have to control the process and provide the best solution, with regard to internal financial requirements, as well as the need to achieve the greatest value for the organisation.

IR began its first, at that stage not entirely promising, attempt with low value contracts as early as 2008. After joint analysis and documentation of the process, an external supplier will take over the Vendor Portfolio Management. This is an exciting experiment which – as with all outsourcing projects – offers many learning opportunities. These can be profitable as long as one requirement is fulfilled: great openness to innovation and change in business model (Price Waterhouse Coopers, 2007).

Outsourcing is an important tool in the implementation of strategy – it is lived-out change.

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