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For Workplace News

In rough times, all managers — from the senior team to the middle ranks — feel pressure to improve the bottom line. Unfortunately, the fastest way to alleviate that pressure is by improving efficiency to achieve short-term profitability. All too often, this comes at the expense of the organization's long-term strategy.

Many of the famous trends of the 1990s — considered powerful strategic tools at the time — were no more than ploys to increase efficiency. Outsourcing, re-engineering, benchmarking, total quality management, sixth sigma, and ISO 9000 activities all did their bit to make executives "look good" by improving the bottom line. Although each of these efforts had an impact on efficiency, they had much less to do with strategic change than we were led to believe.

What research do I base this claim on? How about a recent experience at a telephone call centre: I visited the centre while doing work with an insurance company. This firm was behind a number of different credit cards. Each offered a similar coverage to

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their customers through the same insurer.

While observing the call centre area, I saw an amusing coincidence. A man called in to see about his out of country coverage. He was not happy with the answers he was getting. The next representative then took a similar call on a different card from a woman.

We learned, through the course of the conversation, that the man had made his wife call their other card company at the same time to see if she could get a better answer. Soon the two representatives and the husband and wife were having a bizarre four-way conversation — except the couple was not aware of it. The representatives of two different credit cards (backed by the same insurance company and working side-by-side at the same out-sourced call centre) struggled in stereo to explain the minute differences between coverage plans.

Both calls ended with a dissatisfied customer.

I wish I could have transported myself to that couple's house to hear what they had to say next.

Imagine the conversation:
Husband: "What did they tell you?"

Wife: "They offered me X. What about you?"

Husband: "X + 1."

Wife/Husband: "Ugh! All credit card companies are the same!"
The husband and wife would be right. Both credit card companies were the same because of their outsourcing and efficiency approaches. Neither had any distinctive advantage, even though their brochures described in glowing terms how their service and coverage differentiated them from the competition.

I have no doubt that somewhere along the line, the senior team of each company decided on a new efficiency strategy. That operational efficiency shift, however, made those companies indistinguishable.

Call me naive, but I doubt the short-term profit gains will hold up under the loss of long-term customer goodwill. Stare into my crystal ball and you will see yet another merger of financial service providers in the future. Stare a little deeper and you will see some other, as yet unidentified company, with a more distinct approach to customer service, sneaking up from behind with a bunch of happy employees in tow.

If you consider the service your company offers to be an aspect of its strategy, then outsourcing it reduces your competitive advantage. Why?

Because your competitors can and will do the same thing when they benchmark the industry and see what you're up to. While operational efficiency looks good in the short term, it is easily replicated.

A real strategy capitalizes on what makes your company unique. By drawing on your culture, values, and vision for the future, your strategy sustains your company's direction and your people's values while providing a road map for the way forward. This means you are marching to the beat of your own drummer — music that others will not be able to copy even if they can benchmark it.

Managers at all levels make decisions every day which compromise long-term strategy at the expense of short-term efficiency.

Although the pressure to do so is intense, a true leader will resist the temptation because he or she knows it is not right for the business, the customer, or the team.

When assessing any efficiency strategy, keep in mind that if your intuition feels that it's wrong, then it probably is. Stick to what makes you unique. Your employees and customers will thank you for it - in the long term.

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