



Consolidated Operations Group, Inc.

Transforming Professional Practice

Change is everywhere. It is a day to day concern and, in management terms, a relatively old concept. The new word on everybody's lips? Transformation. This expression is becoming yet another established part of the corporate vocabulary and is used with more and more regularity in a variety of contexts. Organizations publicize themselves as transformed, consultants proclaim that they can "deliver transformation" and managers cite transformation as an achievement (*almost like a finished product*).

Is there really a fundamental difference between change and transformation? If we take the word of the consultants then the answer is yes. For them, transformation is the only alternative to corporate oblivion where mere change is no longer enough. Change is viewed as something of an incremental concept that has a tendency to focus upon processes rather than culture, tangible as opposed to intangible. In this sense, transformation is on a higher plane, a new and exciting way of re-engaging managers' attention.

Then again, when do we ever take just the consultant's word as gospel for anything? Perhaps part of the answer lies in the fact that "transformation" is described as a new way to re-engage a manager. Maybe change and transformation are not as far apart on the spectrum as you may be led to believe. Transformation could be seen as simply a means of marking out current thinking and practice as novel and different.



"..help those uncertain – to make vision supporting decisions."

WorldCom's false profit figures, "Enron gate" and now AOL's dubious accounting. Major corporate scandals such as these have served to reinforce the unpredictable nature of modern management. However, as organizations resign themselves to the inevitability of yet more re-structures, re-budgeting and re-alignment in these lean times, we look at the changing nature of change. In its current guise, is it enough to ensure survival? Moreover, where does transformation fit into all of this? Is there really a fundamental difference between change and transformation?

In fact, understanding what transformation actually "is" can often be of little practical value. On the other hand, exploring what it implies or how it is perceived can help you to utilize this management technique effectively within your organization.

How is transformation defined? These three sets of issues are pertinent to understanding the various definitions of transformation in the current corporate arena:

- Criteria for transformation: from behavior to paradigm:

While transformation is often stated to attain a qualitatively different state, there is little agreement on how to tell whether this has actually been achieved due to lack of credible measurement methods. Few, if any, senior managers, academics or consultants clarify this point, preferring to stick to generalizations such as "to qualify as a corporate transformation, a majority of individuals in an organization must change their behavior".

Most managers distinguish between transformation and other changes such as restructuring and process re-engineering. This reinforces the assumption that transformation is about generating success where previously there was failure as well as changing beliefs and values regarding the organization's future. To them, transformation is not about incremental alterations but definite qualitative difference.



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- Transformation is bigger, wider, deeper:

When contrasted with Organizational Development (OD), Organizational Transformation (OT) is perceived as bigger, wider, and deeper. OT is a distinct form of planned change and is often defined in relative rather than absolute terms or based on inherent characteristics, whereas OD is less ambiguous (*more of a response to change in order to adapt to new markets*). In this sense, OD is not proactive enough when it comes to managing change in the new millennium.

- The material and spiritual:

The final definition of transformation is associated with spiritual development, relating to

1. the degree of personal engagement in the transformation process;
2. the extent to which transformation is seen as a process rather than a product;
3. the extent to which transformation can be "engineered".

It is also suggested at times that transformation is not always a wholly positive process. Managers acknowledge that such upheaval could engender feelings of resistance and unease amongst employees.

Although it may seem so at times, transformation is not a replacement for change management, nor is it a hard and fast, transparent entity. Transformation is a chameleon-like term and as such, it is often more revealing to explore in terms of how it is perceived (*what it denotes or implies*) rather than trying to fully understand what it is.



"What is the risk? What do I stand to gain?"

Focus on Core Competencies. What is your core capability or service? Where is your time most highly leveraged? In addition, what is the opportunity cost of adding another area of responsibility or becoming distracted from your core capability? Like many business-outsourcing decisions, it comes down to this:

reducing and controlling operational costs remain key goals, and savvy managers increasingly look to outsourcing to improve business focus and strengthen core capabilities.

A successful outsourcing relationship can help achieve this by enabling companies to focus their people and resources – which also gives these companies access to the top talent in an outsourced discipline - talent that the client company doesn't have to recruit, train, pay benefits to or struggle to retain, thereby freeing up personnel dollars and time. Companies can expect service levels in their outsourced functions to rise because, as part of forming the outsourcing agreement, they can determine specific quality standards for the provider. Quality control systems that may not have existed otherwise had the company not decided to outsource.

Outsourcing. Depending which side of the fence you belong to, this word either drives fear through your heart (*the employee*) or sends happy messages of big business (*the vendor*). There is actually a 3rd party involved. This will be your employer who has to deliberate on that all-important decision.

How did Outsourcing become such a big buzzword? The biggest factor is of course the great desire to look trim in one's headcount.

What is outsourcing? Outsourcing is the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized, efficient service providers. Companies have always hired special



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contractors for particular types of work, or to level-off peaks and valleys in their workload. They have always partnered to create long-term relationships with firms whose capabilities complement their own; companies have always contracted for shared access to resources that were beyond their individual reach whether it be buildings, technology or people. However, the difference with simply subcontracting and outsourcing is that outsourcing involves the wholesale restructuring of the corporation around core competencies and outside relationships.

- ✓ Outsource firms can provide diversified specialists who may serve several opportunities.
- ✓ Outsource firms are better prepared to win an argument based on their ability to pick and choose the issues. In-house support service job descriptions are very broad and undefined.
- ✓ Outsource firms present themselves as a “leaner” organization than the traditional support service groups because the scope of work is far more defined. Other services can be provided at additional cost.
- ✓ Outsource firms are in a better position to hire, terminate, and reward their employees.
- ✓ Outsource firms can better manage “scope” because it is clearly defined. End users within the company may not like this limited scope of services but they recognize that the outsource firm has a specific contract.
- ✓ There is a dual standard for productivity with in-house support services running. The opinions that have been stated were based on in-house manager’s limitation on hiring, terminating, and rewarding their staff.
- ✓ Outsource firms are “for-profit” organizations and are better organized because of their functional philosophy. In-house support services are not recognized as “for-profit” but instead, a cost of doing business.
- ✓ Outsource firms have the ability to promote and/or transfer personnel. These individuals can focus on a career path that is not necessarily offered to in-house employees.
- ✓ Outsource firms are far better at documenting results/performance.

- ✓ Peak workloads can be met by drawing upon other company resources for short periods of time. When the question was asked, “Do outsource firms have a better database to run today’s complex Operational & Management support services?”



“Close the gap between where we are and where we want to be.”

Top 10 reasons companies outsource

1. Reduce operating costs. Companies that try to do everything themselves may incur vastly higher research, development, marketing and deployment expenses, all of which are passed on to the customer. An outside provider's lower cost structure, which may be the result of a greater economy of scale or other advantage based on specialization, reduces a company's operating costs and increases its competitive advantage.
2. Improve company focus. Outsourcing lets companies focus on its core business by having operational functions assumed by an outside expert. Freed from devoting energy to areas that are not in its expertise, the company can focus its resources on meeting its customers' needs.
3. Access to world-class capabilities. World-class providers make extensive investments in technology, methodologies, and people. They gain expertise by



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working with many clients facing similar challenges. This combination of specialization and expertise gives customers a competitive advantage and helps them avoid the cost of chasing technology and training. In addition, there are better career opportunities for personnel who transition to the outsourcing provider.

4. Free resources for other purposes. Every organization has limits on the resources available to it. Outsourcing permits an organization to redirect its resources, most often people resources, from non-core activities toward activities that serve the customer. The organization can redirect these people or at least the staff slots they represent onto greater value adding activities. People whose energies are currently focused internally can now be focused externally -- on the customer.

5. Resources not available internally. Companies outsource because they do not have access to the required resources within the company. Outsourcing is a viable alternative to building the needed capability from the ground. New organizations, spin-offs, or companies expanding into new geography or new technology should consider the benefits of outsourcing from the very start.

6. Accelerate reengineering benefits. Reengineering aims for dramatic improvements in critical measures of performance such as cost, quality, service and speed. However, the need to increase efficiency can come into direct conflict with the need to invest in core business. As non-core internal functions are continually put on the back burner, systems become less efficient and less productive. By outsourcing a non-core function to a world-class provider, the organization can begin to see the benefits of reengineering.

7. Function difficult to manage or out of control. Outsourcing is certainly one option for addressing this problem. It is critical to remember that outsourcing does not mean abdication of management responsibility nor does it work well as a knee jerk reaction by a company in

trouble. When a function is viewed as difficult to manage or out of control, the organization needs to examine the underlying causes. If the requirements, expectations or needed resources are not clearly understood, then outsourcing will not improve the situation; it may in fact exacerbate it. If the organization does not understand its own requirements, it will not be able to communicate them to an outside provider.

8. Make capital funds available. There is tremendous competition within most organizations for capital funds. Deciding where to invest these funds is one of the most important decisions that senior management makes. It is often hard to justify non-core capital investments when areas more directly related to producing a product or providing a service compete for the same money. Outsourcing can reduce the need to invest capital funds in non-core business functions. Instead of acquiring the resources through capital expenditures, they are contracted for on an "as used" operational expense basis. Outsourcing can also improve certain financial measurements of the firm by eliminating the need to show return on equity from capital investments in non-core areas.

9. Reduce risk. Tremendous risks are associated with the investments an organization makes. Markets, competition, government regulations, financial conditions and technologies all change extremely quickly. Keeping up with these changes, especially those in which the next generation requires a significant investment, is very risky. Outsourcing providers make investments on behalf of many clients, not just one. Shared investment spreads risk, and significantly reduces the risk born by a single company.

10. Cash infusion. Outsourcing often involves the transfer of assets from the customer to the provider. Equipment, facilities, vehicles and licenses used in the current operations have value and are sold to the vendor. The vendor then uses these assets to provide services back to



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the client. Depending on the value of the assets involved, this sale may result in a significant cash payment to the client. When these assets are sold to the vendor, they are typically sold at book value. The book value can be higher than the market value. In these cases, the difference between the two actually represents a loan from the vendor to the client that is repaid in the price of the services over the life of the contract.

Making the Right Decision While the benefits of outsourcing may seem clear, sometimes the biggest challenge for managers is how much operational control of the outsourced function they are willing to relinquish. However, if their expectations are clear from the outset, outsourcing typically offers a higher level of control than in-house solutions. Here are several questions to ask when considering an outsourcing arrangement:

- ✓ What are the primary objectives of the department or organization?
- ✓ How do they relate to, support and/or add value to the organization's core services?
- ✓ What are the primary processes involved to support the objectives?
- ✓ Are you considering an outsourcer for short-term projects or long-term processes?
- ✓ What kind of talent do you need for the job? If the situation requires a very specific skill set with tight deadlines, outsourcing is likely to be the answer, as it enables a company to avoid the timely and costly process of recruiting, interviewing and training.
- ✓ How can the outsourcer improve performance?
- ✓ What is this function currently costing the organization?

HOW DO I GET STARTED? Learn what outsourcing is, discover the benefits of outsourcing, and find out the three phases that will help your organization get started. Organizations that have successfully outsourced go through three major phases in the process.

Phase I. Internal Analysis and Evaluation In phase one, senior management examines the need for outsourcing and develops a strategy to implement it. This phase is

mostly internal and conducted in the highest level of the organization. For an organization to benefit from outsourcing, the initiative should come from the top. Only the top-level executives have the power to define the vision and implement the changes that are necessary for outsourcing to succeed.

- ✓ Clarify organizational goals in relation to outsourcing.
- ✓ Identify areas to outsource. Define the core competencies of the organization and the functions of the business that are not core. An organization should outsource its non-core functions so that it can focus on its core competencies.
- ✓ Analyze current return compared to what an outside vendor may offer.
- ✓ Develop a long-term strategy. If you are outsourcing a function that already exists, remember that employee support and morale will be critical. In some relationships, the new vendor hires workers.

Phase II. Needs Assessment and Vendor Selection In phase two, people inside and outside of the organization provide more information that is detailed and advise accordingly.



"align an effective team to drive & implement strategy."

1. Research your needs. Research the needs within your organization, and learn from other companies who have outsourced the same kind of function. Plan to visit these companies to find out what people you will need to help you ask the right questions. You may need team members with experience in
 - A. Human Resources
 - B. Information Technology
 - C. Office Services / Facilities Management
 - D. Finance / Accounting functions
 - E. Business Development



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2. Write a Request for Proposal. By now you have learned quite a lot about specific services, costs and other issues pertaining to the function you wish to outsource.
 - A. Define your requirements in complete and measurable terms
 - B. Present the current costs to the outsourcing vendor
 - C. Specify a service level

Just as you will use the proposals to assess vendors, vendors use your RFP to assess you. A well-written, clearly defined RFP tells vendors you are serious about the relationship. They will work hard to solve your problems and get your business.

3. Assess vendors and make a selection. Form a team to review the proposals. The team should identify which vendor comes closest to meeting your needs. To make the right choice, be sure the vendor demonstrates:
 - A. financial stability
 - B. cultural fit
 - C. a proven track record
4. Negotiate a contract. Write a contract that defines the service level and the consequences if the level is not met

Phase III: Implementation and Management. Decide in advance, how you are going to manage the relationship.

Create a system that allows you ways to

- A. Monitor and evaluate performance
- B. Identify and communicate issues early

- C. Resolve issues quickly and fairly
- D. Help people in your organization to adapt to a new way of doing things.

Summary. As competitive pressures and client and shareholder expectations continue to increase, the value of outsourcing is likely to steadily rise, as well. Many companies presently outsourcing various business functions are actively searching for additional outsourcing opportunities in other areas.

Just as successful change should involve top management, there are typically strong resistances to change. People are afraid of the unknown. Many employees may think that things are already fine and do not understand the need for change. Often there are conflicting goals in the organization, e.g., to increase resources to accomplish the change yet concurrently cut costs to remain viable. To sustain change, the structures of the organization itself should be modified, including strategic plans, policies and procedures.

Involving people from the beginning, having a clear strategy, direction, and vision, and representing the viewpoints of other people are all part of the process of solving organizational problems as opposed to proposing a specific solution and trying to rationalize it.

Do not look for secrets or the "magic wand". Change is everywhere and it is a day-to-day concern.



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About Us

Consolidated Operation Group, Inc. was formed because of a void that existed in the professional services environment. For the past thirty years, this environment has become competitive, heavily regulated and prone to the risk of malpractice claims. In short, the ownership of professional service firms has been forced to concentrate on their core business and less on the day-to-day operations and administrative duties.

COG performs the day-to-day functions associated with running a business, such as financial / accounting, human resources, administration, information technology, business development / marketing research & production. COG can eliminate all of the operational and administrative burdens placed on ownership that are associated with the performance, quality and cost of maintaining personnel and systems. COG can ensure cost savings, higher quality and reduced risk for clients of mid-sized firms over their existing administrative configuration. The COG staff is on-call to service your administrative needs so that you can concentrate on servicing your client's needs.



Are you ready to transform your business? Consolidated Operations Group (COG) is a comprehensive administrative and operational outsourcing partner. COG provides the necessary support services to your firm so you can focus on your professional expertise. Contact COG today to find out more about our extensive array of custom tailored services that will help *transform your business*.

Who is COG? COG is a group of Finance/Accounting, IT and HR professionals that are dedicated to serving you. Based in Chicago, we bring 30+ years of experience to the table specializing in the professional services industry with a focus on architectural design and the legal communities. Founded by Stephen Rittenhouse, COG is a solution that allows you to transform your business and focus on the reason you started your company.

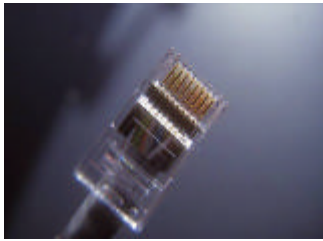
What does COG do? COG offers a variety of services in the areas of Human Resources, Information Technology, Financial Management, Facilities Management and Business Development. Please see our Services page for in-depth detail. Based upon the needs of your organization, we can help with one or all functions. If what you are looking for is not mentioned, feel free to ask us. We are more than happy to accommodate you or help point you in the right direction.



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- Services -



Technology



Financial



Human Resources

COG offers an extensive array of administrative and operational services. You can choose which services best fit the needs of your business, or you can let COG's professional staff perform an efficiency analysis to help identify areas within your organization that need attention.



Facilities



Business Development

Administration and Operations are our area of expertise, let COG help your business get back to the basics and transform your professional practice.

The COG array of services is intended to satisfy the delicate balance of our clients' available resources, their market strategy and their desired organizational structure & operational needs. We know that having any one of these elements out of balance creates discord in any organization and COG will

1. listen to your needs,
2. recommend a strategy, and
3. implement an efficient, cost effective solution.

The relationship of the elements critical to the success of any professional service organization is illustrated in the value creation chart.

If there was such a thing as a crystal ball, it would likely state that you must look for breakthroughs in employee productivity, quality of work, simplified administration, and high performance marketing. This can be achieved by utilizing technology, subcontracting and employee empowerment.





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How will COG help my business?

COG allows you to return your focus to your business. COG relieves you of often-unruly overhead administrative functions. As a result, you will see increased efficiencies, reduced costs and a more satisfied client due to greater customer satisfaction from your administrative employees. Our combined effort allows you access to additional resources and best practice solutions.

Mission Statement Our mantra is to receive client's praise through the statement that, "hiring COG was the single greatest contributing factor leading to our success." All COG employees thoroughly understand that quality and value are not just words; they are a way of life.

Visit our website at www.consolidatedoperationsgroup.com for additional ideas. You can contact us directly at SRittenhouse@consolidatedoperationsgroup.com, or call 312-560-7023 to arrange for an appointment.

The views and opinions expressed in this article are meant to stimulate thought and discussion. As each business has unique requirements and objectives, these ideas should not be viewed as professional advice with respect to your business.

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