

A Consultant's View

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Outsourcing and Responsibility

During the 1930's and 1940's, hitchhiking was a common way for people to travel. Later on, it became associated with the poor and with danger. Today in our difficult economic times, we see people sharing cars, homes, and much more and the companies coordinating that sharing getting outsized valuations "because this time is different." The trouble is you can outsource nearly any action but you can not outsource responsibility.

Under economic stress, we all try to find cheaper sources of goods and services. The places offering maid service or other household services may help you find really good and inexpensive help.

Online auctions are a great source of products and so are the online discount places. However, auctions have learned that not everyone is an ethical seller or buyer.

There are reasons why the traditional business model existed and why we pay extra for that "middleman". Someone needs to stand behind their products and services.

The traditional Craft Guild not only enforced a level of competency among the members, but often stood as an insurance policy behind their work. Similarly, a General Contractor may often bring in many different subcontractors to do the actual work. But the General Contractor is standing behind their work and will replace shoddy work and replace subcontractors that do not do their job.

In computers, IBM was well known for both standing behind their products as well as raising "fear, uncertainty, and doubt" about their competitors. For that reason, businesses kept buying IBM products even when they were considerably more expensive. Today, Microsoft and Apple are in similar positions.

Looking at these startup companies that are offering shared time or service

people, many have been operating as if they did not need to stand behind their people. Most of them were using subcontractors (both in house and in the field) and thought that they could simply be a "conduit" of information and money. They operate as if they are simply a

publisher of information. However, the results are that some Silicon Valley firms were sending homeless people to clean homes or do other services.

When using the cheapest source, we get the cheapest guarantee.

The results have been impressive. Some people have gotten good bargains on travel, lodging, services, and cars and other products. Others have had disastrous experiences. Reading through the complaints about some lodging services is eye opening.

The risks to those companies are a lot larger than they assume starting up. We are all familiar with a web site being hacked. These companies are vulnerable to "hacking" in the old fashioned way: by an unethical contractor steering work to confederates who rip off the customer.

We can outsource nearly anything, but we cannot outsource responsibility.

**Cannot
Outsource
Responsibility**

Technical Success – Business Failure

Back in the early days of the personal computer, Texas Instruments sold an advanced computer as a personal computer. It was one of the most advanced systems on the market and garnered quite an interesting set of partners. Yet, it was a huge business failure. It is possible to have a fantastic technical success and fail in business.

The computer industry is full of examples of this. System after system has brought in great technical advancements, but failed as a business advance. Start up after start up has tried to push the market with a technical advancement and failed.

Technical advances work only when the business climate is ready for them. Part of being a successful entrepreneur is knowing that the market is ready for the next advance. Unfortunately, many times the only way to know whether or not a market is ready for the next advance is to bring that advance to market and make the attempt to sell it.

There are many different reasons why a technical success can be a business failure. In the above Texas Instruments case, there was a disconnect between top management and those who developed the system and a disconnect between that management and what the market would accept. They were selling to a fad when the engineers developed a technically advanced system. Other vendors who recognized the fad at that time made money. At the end, TI was selling below the cost of their raw parts.

Business needs saleable solutions more than it needs technical advances.

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Risky World

Many of us have cable or other high speed delivery to our smart TV's. Now, we have smart TV's that can be updated via the Internet. Unfortunately, those TV's are still vulnerable to hacking attempts carried out via radio waves. All the hacker needs to do is to present a strong analog signal and that can override the signal from the station.

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