

A new wrinkle on outsourcing

Posted by: Steve Hamm on September 02

Earlier this year, when I was gathering info for what turned into a cover [story](#) about IBM, I asked CEO Sam Palmisano whether IBM would consider handling other companies' sales operations for them. It made sense to me. IBM's sales force is one of its most valuable assets. You would think that others would like to tap into that expertise. His answer was that he hadn't considered that possibility, though IBM later pointed me toward an example in Japan where they were running a client's e-commerce operations.

Outsourcing of sales may not be top of mind for IBM, but it is for authors Erin Anderson and Bob Trinkle, who just published a book on the topic, [Outsourcing the Sales Function](#). They argue that the long established practice in some industries of using manufacturer's representatives should be adopted much more broadly and aggressively by companies throughout the economy.

The authors believe that companies can get improved results from outsourcing sales because OSPs (outsourced sales professionals)--a term they coined--can bring a level of consistency and best practices to the job that's difficult to achieve with an in-house sales staff. They believe that many companies don't understand the true costs of their sales operations because many of the expenses are mingled in with other administrative expenses, making it seem--incorrectly--that it would be more expensive to outsource the function.

Their poster boy for sales outsourcing is chipmaker Intel. After it bought Digital Equipment Corp.'s semiconductor business in 1998, it used outside sales organizations to sell three lines of products in markets where its normal salesforce had no experience and few contacts. The result was a fast takeoff and strongly growing businesses.

About 11% of all business-to-business commerce in the United States is handled through manufacturer's reps, but Anderson and Trinkle believe it would be much higher if business leaders understood the plusses. "We believe we have found a major inefficiency that's purely psychological," says Anderson, a [professor](#) of marketing at INSEAD in Fontainebleau, France. "Companies are willing to outsource their back office operations. So, why not the salesforce?"

Turns out, it's partly a chicken and egg situation. Because there isn't that much demand for manufacturer's reps, there is not an abundant supply of them. In this era where no stone is being left unturned in the effort by companies to operate more efficiently, it seems likely this logjam will be removed in fairly short order.

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