



Understand your outsourcing options

Prateek Lal



With so many outsourcing options available, understanding them clearly is critical to leveraging them to further your organizational objectives.

A contract packaging engineer is one option. These packaging professionals are hired on a contract basis to support a short-term or long-term resource gap and can add great value to an organization without adding headcount. Contract packaging engineers can range from entry level to subject-matter experts with 20+ years of experience, with billing rates currently ranging from \$40-\$120/hr. Since this is truly a staffing service, your supplier should not only comply with applicable legal, tax, insurance, immigration, and co-employment regulations, but also be willing to work within your corporate staffing program (if applicable). Historically, billing rates have been known to get inflated and misaligned with contractor pay due to a lack of competition, so it's prudent to call a few suppliers that specialize in packaging engineers, especially if you have a substantial spend.

Consultants are another option. These subject-matter experts are retained to address a specific knowledge gap. There are a number of differences between consultants and contractors, the most critical of which is that consultants are experts responsible for the quality of the work they deliver against a specific project scope, whereas contractors are resources that support various projects as directed and supervised by a full-time employee. Typically billing rates for consultants range from \$65 - \$250+/hr depending on their area of specialization.

Whatever option is selected, it's always important to keep the main strategic goal clearly in mind: better management of work loads and lower costs. Services available range from single-project assignments to supporting a portion of the workload, like brand maintenance or cost improvements, to sometimes outsourcing the entire function. These services can be deployed in different arrangements like insourcing, outsourcing, managed services, or engineering retainers. But regardless of the format, a few criteria should be considered when evaluating your options.

- **Alignment with long-term organizational strategy.** Packaging development is emerging as an area to maximize competitive advantage. Developing an organizational strategy is an important first step to utilizing any external services. It's also important to align with long-term objectives the extent to which these services should be utilized within your organization. Consider if outsourcing the entire function would really meet your cost savings goals, or if it would also lead to a long-term, systemic lack of expertise.

- **Location of services.** Service providers offer services deployed on-site, off-site, and sometimes even remotely from a different country.

Consider the frequency of cross-functional interactions required to successfully complete most routine packaging projects. If these interactions with marketing, quality, regulatory, R&D, sales, supply chain, procurement, and others can be challenging even at face-to-face meetings, how successful will they be from a remote location? When exploring the cost of services deployed from different locations, evaluate the potential impact on your organization. You may discover that it's better to have services located on-site so they can mesh better with your organization.

- **Deliverables and quality.** What differentiates engineering services from staffing is supplier accountability for quality of work delivered. Staffing a number of contractors at a client without being directly responsible for the work product does not constitute providing engineering services and should not be billed as such. Systemic quality control for engineering services is utilized extensively by traditional engineering companies and should be an area of significant investment and development for your supplier. Integral to being a service provider is managing quality, starting with process flow mapping and optimization, identifying KPIs, deploying appropriate systemic tools like statistical sampling to monitor output quality, and continually improving deliverables. You should demand that the work produced under an engineering services agreement meets measurable quality standards.

- **Criteria for supplier evaluation.** When evaluating suppliers, consider their core capability. Are they a packaging consultancy, a packaging supplier, or is their primary focus providing services for packaging development? Do they invest in continually developing the functional competencies required to providing industry-leading services (like quality systems, recruiting systems, emerging technologies)?

Careful consideration should also be given to the level of packaging experience within the supplier's entire organization. Packaging expertise within project teams is extremely important and should be recruited for diligently. However, your supplier's top corporate management should also have the in-depth packaging experience required to develop insight and technical understanding. When critical issues are escalated to the top, would you prefer decisions be made by someone who has years of hands-on experience as a packaging engineer dealing with similar issues, or someone with high-level exposure to management summaries?

Today, external services and resources play a large role in accomplishing packaging objectives with fewer internal resources and reduced budgets. Understanding the options and leveraging the best options to create a flexible, high performing department will maximize your department's impact. **PW**

ABOUT THE AUTHOR: Prateek Lal is managing director of Adept Packaging, a packaging engineering company. Contact him at Prateek.lal@adeptpkg.com. For information about IoPP, visit www.iopp.org.

