The use of outside expertise by corporations for noncore functions, generally known as “outsourcing,” is becoming more and more prevalent. This is not a new trend. In fact, Inside the Industry first addressed outsourcing when its popularity began to gain traction back in the mid-1990s. The results of a new survey, however, give us reason to revisit this trend. In today’s tough economic climate, CEOs are focused more than ever on profitability and business growth, and there are indications that outsourcing’s role as a tool for meeting these goals is growing. And this trend is not simply limited to the largest, most progressive corporations. According to a recent survey conducted by The Outsourcing Institute, a growing percentage of small- and mid-sized companies are evaluating outsourcing as a tool for managing their noncore functions, such as environmental management.

The Fifth Annual Outsourcing Index (www.outsourcinginstitute.com/oi_index/default.html) is based on data collected between January and June 2002 from 1110 buyers of outsourcing services, representing more than 40 different U.S. industries. The results of the survey reveal some interesting insight into the evolution of outsourcing over the past five years. These trends have significant implications for the way environmental consultants market their services to potential corporate clients.

Most notably, the survey results indicate that cost saving is playing a diminishing role in corporate decisions to outsource services. When asked to identify the three primary reasons for outsourcing, more respondents (55%) singled out “allowing the company to better focus on what its core competencies are” than any other factor. The second most popular reason was “reducing and controlling operating costs” (54%), followed by “free up resources for other purposes” (38%). This is a divergence from the previous four annual surveys conducted by The Outsourcing Institute, which found cost reduction to be the leading reason for outsourcing. Just one year ago, “reducing and controlling operating costs” ranked highest among respondents (48%), followed by “improving their company’s focus” (40%). The declining role of cost saving is especially significant, given that respondents made their choices amid a recession.

**STRIVING TO SURVIVE**

The pressure on corporations to do more with less in today’s competitive economy is intense. With this pressure, outsourcing has emerged as a way to help companies survive. It is now much more common for corporations to focus their internal resources on what they do best, while delegating noncore functions to outside experts. Many large corporations, such as Dow and DuPont, have already embraced environmental outsourcing, relying on outside expertise for a variety of services, such as permitting, compliance auditing, remediation, due diligence, wastewater treatment, record keeping and reporting, strategic environmental planning, sampling and testing, and environmental management system (EMS) design and implementation.

Ahlstrom FiberComposites, a 7000-employee global manufacturer with 16 manufacturing sites worldwide and headquarters in Windsor Locks, CT, is one example of a company that routinely outsources its environmental services. Ahlstrom uses what it refers to as “selective outsourcing,” that is, seeking outside expertise whenever environmental specialists are required. According to J. Michael Joyce, director of health, safety, and environment, “It’s just not efficient to operate any other way.” For example, outsourcing eliminates the need to hire specialized environment, health, and safety staff to implement a new corporate strategy of managing environmental data from a central location. In fact, using an outside specialist often helps corporations reach their goals faster and more effectively than if in-house expertise were hired to do the job.
Companies of all sizes are beginning to recognize that outsourcing noncore business functions, including environmental services, can give them a competitive edge. Adding to the overall optimism of the survey results is the fact that many respondents have not yet fully embraced outsourcing, but appear poised to do so soon. Three in five respondents reported that their companies are still in the early phases of assessing the benefits of outsourcing, and 37% are currently defining an outsourcing strategy. According to The Outsourcing Institute, “This pattern is very similar across all company sizes, especially among medium-sized companies.” If the results of this survey are to be believed, significant momentum for outsourcing is building in our industry. Environmental consultants should keep one key finding of the survey in mind. To corporate clients, outsourcing is now about more than just saving money. It’s gaining popularity as a way to gain efficiency and beat the competition. Consultants must therefore focus on the benefits that go beyond cost reduction, such as:

- **Access to expertise and experience**—Environmental consultants can offer expertise gained from other corporate clients who faced similar challenges. This offers corporations the benefit of the consultant’s expertise, as well as avoiding the time and money associated with hiring and training in-house staff.
- **Keeping abreast of the latest regulations and technologies**—Environmental regulations and technologies change quickly. Hiring an outside environmental expert is one way for a corporation to keep up to date.
- **Freeing up internal resources for other tasks**—Internal staff, freed from day-to-day environmental management, can be redirected toward more useful strategic functions.

Corporations increasingly view outsourcing as a way to improve performance in critical areas such as environmental management. At a time when regulatory drivers in many environmental markets are relaxing and the end of the recession is still uncertain, a market with promise for growth is one well worth watching.

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