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# trekking

a newsletter on practical strategic thinking and action  
issue #48: in a flat world, move to higher ground

## editor's message

We continue to see high-end service companies that are facing off-shore competition from outsourcing. Many of these companies take the attitude of, "this shouldn't be happening to us." But it is.

This month, we talk about what to do when you face outsourcing competition. Strategic Thinking looks at how this is happening, and Strategic Action makes some suggestions on what to do about it. The Industry Snapshot talks about Trek's participation in a new blog, and our Reading List reviews *Meatball Sundae* by Seth Godin.

## strategic thinking

*The World is Getting Flatter All the Time*

Even if you haven't read Thomas Friedman's *The World is Flat*, you know that we live in a global economy where work can be distributed across geography almost seamlessly. In the last few years, we have had a number of clients whose customers have said to them, "we can have this work done for 25% of the cost you charge by going off-shore" (the numbers usually vary from 10% to 40%, so I'll split the difference here). Sometimes, the outsourcing takes place just down the street, and the cost is only 75% or 90%. But the same logic applies. If someone can do it cheaper, your clients are going to consider it.

When this happens, companies typically go through a number of stages:

Stage I: Denial – They cannot believe that this is happening to them. They often ignore it for a while, convinced that their clients will wake up and realize that the quality at 25% of the cost will put their company at great risk. The clients, however, see it as a higher risk not to test this cheaper alternative.

Stage II: Disagreement – They spend long hours documenting for their clients and anyone else that will listen all the ways that off-shoring will fail, and why their approach (and cost) is justifiable. The clients still feel compelled to look elsewhere.

Stage III: Adaptation – They realize that they cannot change a global trend that is fueled by sound economic logic. They look at their position, and they decide to learn and adapt. Not everyone gets to this point—some businesses never learn from the lesson and their sales begin to erode.

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You may read this and think that, “it would never happen to me.” But it is happening on some level to every single business. Rather than letting it happen to you, get proactive. Adapt. Read on for some tips on how to do this from Michael.

-Mary Adams ([adams@trekconsulting.com](mailto:adams@trekconsulting.com))

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## strategic action

### *Move to Higher Ground*

If yours is a company threatened by the off-shoring of your services or products, the first step is to acknowledge the reality of the situation. Then, there is some self-examination to do:

- What are you doing of high value for the client? Is it high value because of creativity, relationship, or knowledge of the client’s business from years of collaboration? What services of high value and quality can you develop further?
- Does your client appreciate your unique knowledge? Will this knowledge be easily transferable to foreign collaboration?
- Are you geographically close to your client? Do you take advantage of this nearness to hold strategy sessions and exchange observations about the market? Can this proximity partially offset the allure of lower costs from a cheaper supplier?
- Are there processes in your company that are routine and boring? If they do not represent high value to you and your customer, you should spend some time rethinking. Can you do the process better or should you get rid of it and outsource it yourself?
- Are there niches up-market and/or down-market where you can penetrate to add another skill or service offering to your clients where off-shoring is not as advantageous?

Don’t get caught on the losing end of outsourcing, move to higher ground.

- Michael Oleksak ([oleksak@trekconsulting.com](mailto:oleksak@trekconsulting.com))

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## industry snapshot

### *The Newest Blogger on the Block*

Trek has been invited to join a group blog that is being convened by Denise Caruso of the Hybrid Vigor Institute (<http://www.hybridvigor.org/>). We first met Denise after she had written about one of our favorite topics (intangibles and intellectual capital) for the New York Times, “When Balance Sheets Collide with the



New Economy” ([http://www.nytimes.com/2007/09/09/business/09frame.html?\\_r=1&oref=slogin](http://www.nytimes.com/2007/09/09/business/09frame.html?_r=1&oref=slogin)) which highlighted the inadequacy of financial reporting to deal with the knowledge economy.

We are off to a good start. Posts to date have touched on topics such as:

- The writer’s strike and the value of intangible rights
- Innovation and intangibles
- Intangibles and the stock market

You can visit the blog at [www.hybridvigor.net](http://www.hybridvigor.net), or you can subscribe to the blog via RSS and receive a copy every time there is a new posting. If you want to know how to do this, let us know ([adams@trekconsulting.com](mailto:adams@trekconsulting.com)).

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## reading list

### *Meatball Sundae*

By Seth Godin

Godin is the current darling of the blogosphere. His books read a lot like his blogs, short and snappy but sometimes leaving you wanting a little more substance.

But the basic idea in *Meatball Sundae* is very compelling. He opens with the story of Henry Ford, who won in the last era because he optimized his business to mass production. Likewise, Godin feels that the real winners in the new, internet-enabled world will be those businesses that optimize around the new media.

The idea he is communicating with *Meatball Sundae* is that if you are selling a typical product (say, a meatball) and try to leverage the Web 2.0 world without changing your approach and attitude toward marketing (the virtual equivalent of adding whipped cream and a cherry on top), you’ll end up with an ineffective and unappealing image.

He identifies fourteen trends that are part of the shift to Web 2.0. You don’t need to follow all of them, but you do need to open your business to at least some in order to truly leverage the potential of the new paradigm. Some of the trends include (I am paraphrasing): the power of the consumer, the power of direct communication, the creation of micro-markets, the power of ideas, and the importance of authenticity.

This is worth reading to get you thinking about whether you are just adding a little internet to your marketing or whether you have an opportunity for fundamental and profitable change.

To learn more about this book, visit Seth Godin’s Web Site (<http://www.sethgodin.com/sg/books.asp>).



## announcements

We are very pleased to announce that Trek Principal, Michael Oleksak, has received the designation of Certified Management Consultant (CMC) from the Institute of Management Consultants. The CMC is earned through a process that includes client evaluations, written and oral business examinations, and ethics tests. This is the only globally-administered certification process available in our industry.

For more information on the CMC, visit the Institute of Management Consulting USA (<http://www.imcusa.org/certification/>).

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Mary Adams will participate in a panel discussion hosted by Financial Executives International (FEI) on "Strategic Planning - Setting the Course for the Future". The program is open to the public and will be held on April 16th from 2:00-5:00 pm at the Sheraton Needham Hotel.

For more info, visit the Financial Executives International Web Site ([http://www.feiboston.org/events/details.php?event\\_id=204](http://www.feiboston.org/events/details.php?event_id=204)).

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## about trek consulting

Trek Consulting LLC helps companies to face the challenges of growth, building value and dealing with change. Since 1999, we have been a valued partner to business owners and leaders on their arduous journey to business success. We know that we cannot make this journey for our clients, but we can make it easier and more successful. We focus on getting you the best information available, facilitating sound planning and decision-making, making sure you have the right skills and resources to face your challenge, and coaching you through the roadblocks that invariably arise along the way.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at [www.trekconsulting.com](http://www.trekconsulting.com) or call us at 781-729-1008.