

How Background Screening Companies Can Transform a Money-Pit Into a Gold Mine Using Strategic Outsourcing

As a kid, I always admired my Cousin Damon's ability to draw. To keep us busy, our Moms would pass each of us a piece of paper and some pencils to create some artwork. I usually drew stick figures, tanks or race cars, but my best efforts paled in comparison to Damon. He could draw animals that actually *looked* like animals. He drew horses, deer and mountain lions, all in proper proportion with musculature, shading, etc. They were remarkable.

Drawing just isn't my thing. From that experience, I've learned that when my business requires anything artistic, I quickly call for reinforcements. Business leaders would be well-served to keep this lesson in mind, particularly when it comes to something as expensive as managing, developing and maintaining an enterprise-grade web platform. Just how much value is there in managing a proprietary system? Can significant savings be realized by adopting a shared enterprise-grade system?

With experience, business owners have learned when it pays to bring in expertise. Anytime a project or initiative requires significant time or research, or when the required systems are clearly missing from an organization's core expertise, outsourcing may be the answer. Examples include payroll and benefits administration, legal, public relations, marketing, advertising, housekeeping, etc.

CFO's should have a thorough understanding of all the costs related to their business. For a background screening agency, certainly the costs related to its web services model are key to its overall financial health. Let's break down the costs related to managing an enterprise-grade web services platform.

First and foremost is the cost of IT talent. A typical IT group consists of a CTO, and at least one (but likely several) of the following: product owner, SCRUM master, product managers, web developers, database administrators, hardware & infrastructure manager, quality assurance testers, helpdesk staff, etc. The majority of these positions are skill sets that don't come cheap. A typical salary for an experienced [software developer](#) is likely to exceed \$100,000. Don't forget to include insurance benefits, retirement plan, taxes and other associated employment costs. Fully loaded, the labor cost is significant, if not staggering.

Next, let's examine infrastructure. Given the regulatory environment within which background screeners operate, the highly confidential nature of information being managed, and the business criticality of continuous uptime, any competent background screening company must use a secured data-center environment to house their infrastructure. State of the art data centers have 24/7 onsite staff and security, triple-redundant power and Internet Service Providers, N+1 environmental systems, and a host of safeguards to mitigate fire, disaster, and other unpredictable events. Further, to prevent a catastrophic loss of data, a redundant system in a geographically separated location is in order. Once you find a suitable data center, you have to fill it with top of the line equipment, which includes redundant databases, application servers, load balancers, switches, and firewalls. All of this can easily run north of \$350,000 per year.

After paying for infrastructure, a screening agency must make sure the data it houses remains secure. Today's evolving compliance and regulatory environment requires an increased emphasis on safeguarding personally identifiable information. Screening agencies bear significant moral and financial responsibility to protect their clients' (and their applicants') data.

As the custodian of sensitive data, a platform provider must be aware of threats and continually take proactive measures to ensure the security of this sensitive data. Exceptional platform providers train their staff, undergo rigorous third-party security assessments such as PCI and EI3PA compliance, penetration testing, partner with security-minded technology providers, and commit significant time, money, and resources to do it, and do it right.

Last, but certainly not least, are hidden costs that can be very difficult to quantify. These are the [opportunity costs](#) of a system that struggles to meet the needs of its users, both internal and external. Opportunity costs are manifest in many ways—loss of sales, wasted time, and inefficient processes & design.

When I first broke into the background screening market, I had just finished working for [Mirage Resorts](#), a premier gaming and hospitality company in Las Vegas. My assignment was to target the big gaming operators and secure contracts to screen all those dealers, housekeepers, and valet drivers. After a lot of networking and hard work, I landed my first contract.

However, with my first sale, there was a requirement to connect to their ATS system. (At the time, I was so new to the industry I had no idea what an ATS was.) Our system did not have the necessary functionality so we lost the deal. It was a painful loss considering the time and expense invested. Try calculating the loss of morale to a sales staff that has become disenchanted with their system capabilities! Eventually, my company found the resources to build integrations, but we always were chasing the deals rather than building things proactively. Had my employer been using a feature-rich enterprise platform, we may have salvaged the deal... and have been well-positioned to win many more.

Today's market requires systems that deliver automation. Every tedious process that *can* be automated *is* being automated. The best Software Platform Providers are finding ways to help their customers and partners eliminate unnecessary steps and accomplish tasks with ease. Additionally, consumers now expect accurate background screening results with faster turnaround times. The quicker, the better. A product owner cannot afford to rest on his or her most recent feature release. Demands for new features are likely to continue to out-pace capacity to deliver.

Lack of required features can put a product manager in a state of perpetual catch up. Pressure to deliver can also result in half-baked features, and quick-fixed that could cause significant system architecture issues down the road. Lastly, let's not forget the detrimental effect on business planning. Today's fire drill has a tendency to make yesterday's strategic plan a long forgotten memory.

So what is the answer? After an honest evaluation of the costs discussed above, CFOs recognize ROI ratios have tilted in favor of an outsourced strategic technology partner. A testament to the reality of this is that at TazWorks, our largest growth segment is a result of longstanding screening agencies abandoning their proprietary systems in favor of a more robust outsourced solution.

Just as your customers have elected to outsource background screening to you, you should explore outsourcing your IT web services platform to the experts. Screening agencies managing their own system must decide what they want to be—a second-rate technology company that happens to offer background checks or a first-rate background screening agency partnered with a superior technology provider. Screening agencies that are in it for the long haul owe it to themselves to find a platform and user community consistent with their long-term growth aspirations. By partnering together, we can face the coming challenges head-on and enjoy success for many years to come.

About the Author:

Roi Stone has always enjoyed "people" businesses. Prior to entering the screening industry, he held several positions with Mirage Resorts in Las Vegas. He is a graduate of UNLV in Hospitality Administration.

Roi Stone has 12 years of experience in the background screening industry. Before serving as TazWorks' Vice President of Business Development, Roi spent nine years as a Strategic Channel Manager for LexisNexis PeopleWise.

Author's Information

Roi Stone

Vice President of Business Development
TazWorks, LLC
(801) 436-5694
rois@tazworks.com