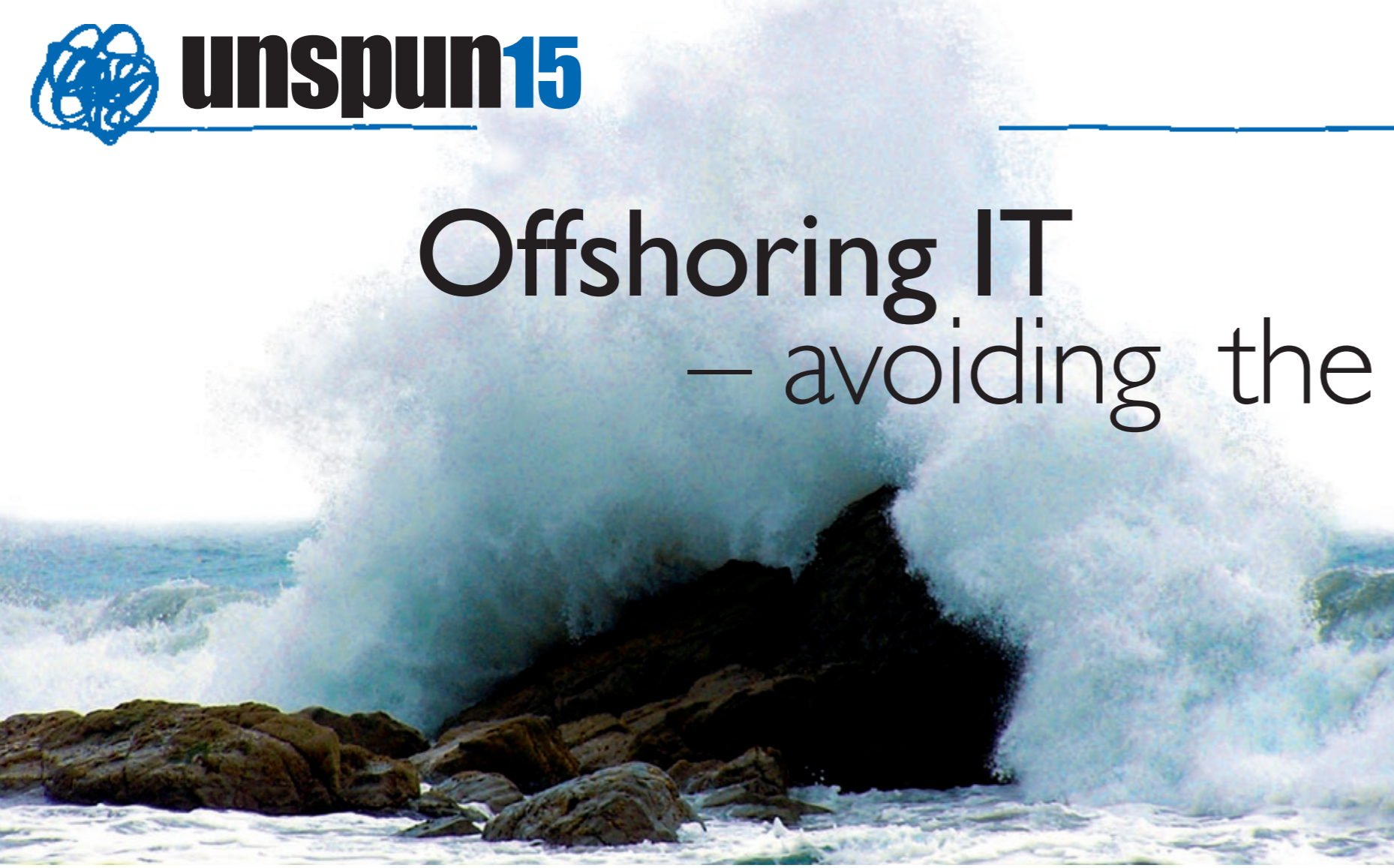


# Offshoring IT – avoiding the hidden obstacles



**H**andled effectively, offshoring can deliver significant benefits to an IT organisation's capabilities – access to a flexible pool of skilled resources, strong management processes, cost advantages and economies of scale. However, these prizes are often overshadowed by the challenges en route.

#### Why offshore in the first place?

Even for an already effective IT organisation, carefully managed investment in offshoring can provide a number of complementary benefits:

- it can help tap into a large and flexible pool of skilled technical staff from geographies as diverse as India, China and Eastern Europe
- the offshore vendors' focus on strong management processes can inject rigour into your own development and operations activities
- with people costs being such a significant element of most IT projects, cheaper 'man day' rates can significantly improve the business case for IT investment.

#### What should I offshore?

Likely activities for successful offshoring are where 'commodity' IT skills are required, such as development, testing and parts of operations, including software maintenance and support. These parts of the IT lifecycle are less likely to require significant business knowledge, and management processes can be more easily 'wrapped around' the offshore workload.

Generally, project management and architecture skills are best kept in-house – helping maintain core long-term business expertise within the internal IT function. Unsurprisingly, offshore vendors are looking increasingly to deliver these higher value services to increase their influence (and their margins). Beware though, as not all suppliers have a proven track record in these areas. It is often better to initially exploit an offshore company's core strengths and venture beyond these only once the relationship has matured.

#### What challenges am I likely to face when offshoring?

##### Picking the right partner

There are many types of offshore organisation offering a different blend of services. Finding the right organisational match for your requirements takes time and effort. There is no short cut to selecting the right partner and then working at building an effective relationship. Offshoring partnerships are no exception.

**“There is no short cut to selecting the right partner and then working at building an effective relationship.”**

##### Cultural

As with any collaborative venture spanning geographies, cultural differences can be a significant challenge to building and operating a successful partnership. The language barrier is an obvious obstacle, but there are also more subtle behavioural differences. For example, the way different cultures respond to hierarchy, or react when there is uncertainty or conflict, can differ enormously.

If these differences are underestimated, they may lead to operational problems that undermine relationships and even lead to a breakdown of trust. A programme of 'cultural awareness' training early on can be very worthwhile.

##### Internal communications

Most people assume that offshoring naturally leads to staff redundancies. Not necessarily – offshoring can be used to supplement existing team capabilities, or to transfer repetitive daily tasks, allowing the in-house team to focus on more valuable activities. Either way, it is vital that there are clear and honest internal communications at all levels, as staff uncertainty can be very damaging.

##### Avoiding 'hidden' costs

Offshore 'man day' rates can seem compelling when compared with the costs of your in-house team. However, don't ignore possible 'hidden' costs which can undermine overall commercial attractiveness:

- supplier management may require a dedicated internal team to establish and maintain the relationship
- there are often separate, higher 'onshore' rates for people working directly with your teams. While some level of onshore presence is necessary, minimising this over time is key to delivering targeted cost reductions
- hardware and software licensing costs can quickly add up – be sure you are clear about who is paying for what
- face-to-face time is a key part of effective relationship building – plan for initial and then regular travel costs so that your managers can meet the offshore team in their home environment.

##### Managing staff quality

Offshore vendors specialise in providing teams with strong technical skills. Be aware though that not all have the softer skills which may be required for certain roles. Also, with increasing demand for skills in established offshore countries, staff retention has become a real challenge for some suppliers. Consider having a contractual agreement ensuring

that specific staff are maintained on the account. This will help prevent vendors providing less experienced teams once a contract has been won.

##### Avoiding ambiguity

A team split across multiple locations will always face communications challenges, but in an offshore relationship, these can be compounded by cultural differences. To minimise ambiguity:

- ensure that all requirements, functional specifications and designs are clear and not open to interpretation
- invest time in clarifying roles, responsibilities and accountabilities between all parties
- in an operations environment, ensure service level agreements are clear and cannot be misinterpreted
- if requirements need to be developed very iteratively, the onshore mix of the team may need to be increased, or it may be best to avoid offshoring altogether.

##### Time zones

Time zone differences can lead to significant delays in communication flow:

- note where bottlenecks may arise at different parts of a project lifecycle and adjust resourcing accordingly. For example, having development and test resources in separate locations can lose precious hours in testing cycles as bugs are fixed and re-released for testing
- understand how offshore vendors can provide alternative approaches. Most are now establishing premises globally to mitigate this, though be aware of how they then manage their virtual team.

#### So, should I offshore?

Every IT organisation is different. The best way to think of offshoring is that it is simply another management tool to consider when deciding how best to respond to the challenges that your business has set in terms of delivery and efficient operations. Used for the right things, and managed well, offshoring can deliver significant advantages. Implemented badly, it can be a blunt instrument that does more harm than good. ■



**Your view:** What are the biggest obstacles in offshoring? Vote now on: [www.berkeleypartnership.com/unspun](http://www.berkeleypartnership.com/unspun)