



Managing Offshore Outsourcing - Does Your Offshore Operation Need a Health Check?

Let's reduce costs by going offshore with some development or service functions! The board and management agree to set up offshore activities in a place like India, China, Russia, Slovenia, or Bulgaria. Time passes. Everyone is happy. Right? Well, maybe.

Many companies are finding that their goals are not being met in a consistent way. Issues creep into the picture. These issues are really symptoms of deeper problems. Issues that frequently arise are:

- Product schedules begin to slip. Your staff starts complaining that low productivity in the offshore operation is eliminating the cost benefits that you justified the movement to offshore in the first place. The offshore operation requests substantial added resources in the budget cycle.
- Customer satisfaction relative to functions provided by the offshore group starts to decline. Customers feel the product is moving away from their needs or the call center doesn't seem to "understand our needs".
- Politics develop between the marketing, product management and/or development functions in the US and the offshore operation. There is finger pointing and the US based groups complain about the offshore group doing their own thing and the offshore operation complains about lack of solid product requirements and communication problems with the US groups. Teamwork, a strong point of the company, seems to break down on any subject dealing with the offshore operation.
- Frequent changes occur in vendor personnel at the offshore location. Members of your US team, who provided training and support to the initial offshore activities, have been reassigned to other duties and now the changes in the vendor personnel need support from your staff once again.

Almost every company with offshore operations encounters these and other issues along the way. To determine if you need to take steps to assure your offshore operations are achieving the goals that you have set, please take a moment to complete the following score card on your offshore operation. Assign a score of 1 to 10, with 10 being the highest for each factor and total them up to see where you stand. For example take factor no 1; do you have a clear written statement specifying the company goals for going offshore? Do you have at least a 3 year plan for offshoring with expected financials? Does everyone associated with offshoring clearly understand the long term goals of offshoring? You assign a 10 if you answer yes to each of these questions. When

you add up the scores for each of the following questions, if you score less than 80% (80), you need to consider undertaking assessment of your offshore initiative.

- Do you have clearly established goals for your offshore initiative?
- Is your offshore organization meeting original expectations?
- Is there consistent expectation between head quarters and offshore organization at all levels?
- Do you have a clear understanding of productivity of your offshore organization compared with its U.S. counterpart?
- Do you have a clear understanding of total cost of offshoring - not just salaries?
- Do you have a clear understanding of the real contribution of your offshore organization?
- Besides engineering processes, have you integrated management processes, culture and goals?
- Is it meeting current and future needs of the company?
- Do you have regular program reviews? How useful are they to manage your initiative?
- Have you established clear guidelines for project selection?