



## **Managing Offshore Operations: So, you have been offshoring for a while**

So, you have been offshoring for a while. If your experience is similar to many companies, even if you have been successful in the beginning, over time, issues begin to creep into your offshore operation; expectations do not continue to be met consistently. Why does this happen? How do you assure continued success?

### **Symptoms**

Recently I was called in by a Silicon Valley Company faced with a management challenge. They had been offshoring for the past few years. In the early stages things seemed to go well, but in the recent past they were encountering several issues; many in middle management felt that this whole idea of offshoring was not working. It was simply taking too much management time, was not saving the company any money and in fact it was a bad idea. Senior management could not understand why this was happening. After all, they had done a lot of due diligence and chosen one of the top tier vendors in India with an impeccable track record and reputation. They had devoted significant internal resources to establish and manage the offshoring initiative.

This Silicon Valley Company is not alone in experiencing such symptoms. While some companies are quite successful, many are finding that their goals are not being met in a consistent way. Over time schedules and quality begin to slip. Your staff starts complaining that low productivity in the offshore operation is eliminating cost benefits that you justified the movement to offshore in the first place. Politics develop between 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 requirements and communication problems with the US groups. Teamwork seems to break down on any subject dealing with the offshore operation.

### **Why does this happen?**

Offshoring is challenging because of distance, time zones and cultural differences. In addition, rapid growth in countries like India creates additional issues.

For example when I began working with Wipro in the early 90s the company had a head count of around 2500. Recently they crossed 70,000, and they are still continuing to grow!!! Other vendors also have had explosive growth during the past few years. Their management is challenged to handle such rapid growth. Some are more successful than others. In addition, internal movement upwards in the vendor's organization means that

personnel with whom you had established personal rapport may have moved on to other assignments.

Attrition rates are high because of the abundance of opportunities for staff due to industry growth. So, not only management personnel may change, but individual contributors who you have trained may also have moved on.

If you began with a subsidiary of your own a few years ago and were successful, it may not still be a viable business model. This is especially true if you had set up a "small" sized subsidiary; it may be hard for you to continue to attract and retain people in today's environment; in addition, cost of management and infrastructure overheads in the current environment may make the savings from offshoring disappear.

In addition, your own processes and personnel may have changed over time causing some of the issues.

### **How do you address the issues?**

**1. Conduct regular audits** of your offshore operation; once a year is a good frequency. In this audit, you should:

- Review and update goals of the offshoring initiative – offshoring dynamics has changed considerably over time. For example, many companies initially went to India to reduce cost but now find that India offers a rapidly growing market potential. If you have not factored this change in your business strategy, should you?
- Review the offshoring business model – if you had set up your own subsidiary, make sure that it still makes sense. We are finding that many companies who set up their own subsidiaries offshore are not meeting expectations in today's environment.
- If you are using a vendor/partner, make sure that continuing with the same organization makes sense; you may have been a very important client to them 5 years ago; if they have grown rapidly as many companies have, are you still as important or at least important enough to them?
- Determine offshore productivity. Identify approaches to enhance. This can range from tools, processes, infrastructure, management and how you are gaining visibility
- Assure consistent expectation between headquarters and the offshore organization at all levels. Besides engineering processes, you need to integrate management processes, culture and goals. You need to make sure that they are current.
- Establish regular program reviews, if they are not already in place. Agenda should include not just the tactical aspects but your needs for the longer term.

**2. Train your staff:** Often technical managers and executives with no prior experience in offshoring find themselves with the task of managing an offshore effort or initiative; they do not receive training in the nuances of managing offshoring. Though they can develop this skill over time, you should consider providing training to help them get up to speed rapidly to effectively manage offshoring. If you have done this initially when you launched into offshoring, you need to assure that you continue to train new managers.

In conclusion, to be successful, offshoring requires constant vigilance. Assuming you have been successful in getting past the initial hurdles, you cannot rest. Over time issues begin to creep into your offshore operation. To continue to be successful, you need to put in place annual audits/assessments of your offshore operation and continue to train managers in the nuances of offshoring.

### **Free Report**

I have recently published a free report: Global Outsourcing—6 Key Strategies to Achieve Success, which provides further information. To download your free copy, [Click here](#).

### **Author Bio**

M. M. "Sath" Sathyanarayan is President of Global Development Consulting, Inc., (<http://www.offshoringsuccess.com>) an advisory firm that provides training, coaching and consulting on offshoring; whether you are just getting started or have been at it for several years, you can leverage GDC's expertise.

Sath has over 25 years experience in the industry; he led the pioneering effort in offshoring at HP/Tandem beginning in early 90s, was Founder/CEO of a startup and is now consultant, author and trainer. His continued thought leadership in offshoring is reflected in the book "Offshore Development and Technical Support: Proven Strategies and Tactics for Success". Sath can be reached at [sath@OffshoringSuccess.com](mailto:sath@OffshoringSuccess.com)