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In this article, David Booth provides two compelling insights into offshore outsourcing trends. These trends should help companies better motivate and retain personnel involved in managing offshore outsourcing and ensure a high-quality service experience for all its clients.

Current Trends in Offshore Outsourcing—An Insider’s Perspective

by David Booth, CIBER, Inc.

Today there is much spirited debate concerning outsourcing and its impact on our economy and prospects for tomorrow’s graduates. One thing is clear—outsourcing of business processes has become typical, if not a mandate, for companies large and small. Setting aside the questions concerning impacts of offshore outsourcing, I would like to discuss key trends within the practice of offshore outsourcing that reflects its increasing maturity and sophistication.

To begin, I would like to clarify a few definitions. “Offshore” is a term which is obviously relative to the location of the speaker; however, it is commonly used to denote industrialized technology centers in such areas in China, Southeast Asia, South Africa and Eastern Europe. A related term is “Near-shore”; for a U.S. speaker, Near-shore represents technology centers in countries such as Canada, Mexico, and Central and Latin American nations. These nations are differentiated from offshore locations by their similar time zones, American cultural influences, and lower trade barriers (both quantitative and qualitative). Finally, “outsourcing” occurs when a segment of a businesses value-chain is performed by an outside company. Understanding this definition is critical, as it presupposes that the sole aim of outsourcing is to expand the value-chain by per-

forming the function at either a lower cost or at a higher quality.

As offshore outsourcing gains greater attention, it has gained greater sophistication as well. The following changes and trends reflect efforts to both selectively increase value to end clients as well as to minimize the appearance of outsourcing where it has produced negative customer reactions.

Trend One: Regional Program Management Desks

Information Technology (IT) outsourcing organizations will begin utilizing regional “program management desks” in order to minimize pressure on those who manage the outsourcing relationship domestically.

Let us begin by looking at the pressures placed on U.S.-based personnel tasked with managing production of IT services and products from an offshore location. Unlike offshore call centers, IT workers typically work during their home country’s business hours. This means that a U.S. manager and his Indian counterpart will have shifts that deviate by around 12 hours. The response to this scenario is that many U.S.-based personnel are forced to work either early in the morning or late at night. Travel to locations such as Bangalore and Hyderabad, India, can be grueling as well. While there are now



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many direct flights to key locations such as Delhi, India-travel times can be as long as 36 hours including all layovers. Lastly, where cost is a factor, many U.S. companies have continually moved their sites in order to take advantage of cost differentials. Companies today doing business in India may, in one year or more, make the decision to relocate some of their outsourcing to lower-cost locations such as Vietnam.

The result is that U.S. managers can be heavily pressured by cultural, time-zone, and travel challenges, as well as by the impacts of relocating their location and, hence, the onsite personnel with whom they work on a regular basis. Threats of Intellectual Property (IP) theft also create fears in the mind of many U.S. companies that their outsourcing may include unrecognized costs. The effect of these combined pressures is to create a non-monetary “qualitative buffer” to outsourcing. A solution that can serve to minimize these buffers is for the outsourcing vendor to create a “program management desk” in a higher cost yet highly stable, culturally compatible, and IP-protection compliant nation. Countries which fit this description include Singapore, Malaysia and Australia.

From the perspective of the U.S. companies outsourcing their work offshore, they have now have gained significant benefits over the traditional outsourcing relationship. Their vendor contacts, overseeing the creation of the IT product, now reside in a more culturally-compatible location, and they straddle their working hours so as to be available during a large portion (> 50 percent) of U.S. business hours. The distribution of IT work is now handled out of a location where IP protection can be better protected. In addition, by utilizing a central location, the outsourcing vendor can continually relocate their client’s outsourced work between locations without impacting the client themselves.

As we can see, the adoption of a regional program management desk can minimize many of the buffers that today impact the outsourcing of information technology work. The coming

changes within Business Process Outsourcing (BPO), including call centers, also involve the use of interim locations in order to reduce qualitative costs. However, these changes are primarily focused on impacts to the end customer, rather than the personnel tasked with managing the outsourcing effort.

Trend Two: Selective Use of Near-Shore Locations

The “failures” of BPO that have gained publicity, by and large, stem from work that has been located improperly. This can be caused when high-value client contacts are routed to centers that are designed to handle lower-value clients or interactions. Additionally, clients can be impacted when their contact, whether through phone or email, is transferred between locations. Troubleshooting, or account, histories can be lost in the transfer, and high-value client contact requests can sit in a pool of lower-value contacts.

The resolution to these problems can be delivered by outsourcing vendors capable of providing both service and via customer life-cycle management through a near-shore location. High value contacts can then be segmented and delivered to higher skilled and/or more culturally similar agents. With modern contact center software, customer contacts can be efficiently tracked and monitored in order to meet multiple service-level objectives. With the use of these software programs, a manager at a near-shore provider can track progress and escalate a customer and the transaction- or technical-support resolution history to a near-shore agent while meeting service-level obligations.

We see that the outsourcing function is now segmented in such a way that the lower cost, process-oriented organization can focus on delivering the service to the client, while the higher-cost but customer-service-savvy center can manage the customer experience. Additional benefits are also available through this practice, including the capability to provide low-volume non-English language support

through the near-shore location where the skill sets are more easily sourced than in a low cost labor market.

The net result of both of these key strategies is to further lower the barriers to offshore outsourcing by minimizing the friction within the outsourcing relationship, both to the end customer as well as to those who must manage the outsourcing relationship domestically. ■

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new learning system. He concludes that “[s]potting quality will be evident when people who have the power to change the system step forward and lead.”

Professor Varun Grover, Department of Management, Clemson University, provides a checklist for doctoral students at various stages of their program. He observes that doctoral students are very much like the seven dwarfs. They are Dopey and Bashful at the beginning. Along the way they could be sick (Sneezy), tired (Sleepy), and irritable (Grumpy). In the end they are called Doc, and they leave the program feeling Happy.

Professor Wei Zhang, University of Massachusetts-Boston, reviews two textbooks for an undergraduate Knowledge Management (KM) course. He defines knowledge management as “identifying and leveraging what an organization knows to gain sustainable competitive advantages.” He finds that the first book, *Knowledge Management*, by Elias M. Awad and Hassan M. Ghaziri (Prentice Hall), is well-written and better suited for courses geared more toward theoretical exploration. The second text, *The Knowledge Management Toolkit*, by Amrit Tiwana (Prentice Hall), is considerably cheaper than the first text and has a CD containing a knowledge management toolkit, which includes an interactive 10-step KM roadmap, and several software tools.

Have a great spring! ■