

Offshore Outsourcing - Needs Analysis (Part 2)

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It is extremely difficult to argue against cost reduction, especially in the face of shrinking budgets and increasing work. Managers have been told to go out and “learn” more about Offshore Outsourcing. But before you embark on this “journey” it is important to sit back and consider:

- How will Offshore Outsourcing fit with your business strategy?
- How will Offshore Outsourcing fit with your organizational strategy?

In essence a situational analysis is important to address these questions.

Step back and look at where you are today. What is working for you, and if it is working how well is it working? What is it that is not working? Most important, how do you work? Who defines work, who sanctions it, who “consumes” it? What are the internal and external interfaces? How do you respond to User requests? How do you prioritize work? Do you follow any standards? Do you have any formal processes in place?

Next, look at the business imperatives for change. Look at all your short term and long term goals that need to be achieved. What is it that you can meet with your budgets, what is it that cannot be met? What skills are lacking?

What are the business objectives?

- Cost reduction - if so what are the goals?
- Staff Reduction - If so which functions and how would this be staged?
- Growth - If so what skills would be needed?
- Customer Satisfaction - If so do you have any established measures for this?
- Time to market - What are the ramp-up requirements and what are the skills needed? What training is essentially required?

Full or partial outsourcing may be an answer to meet these business objectives. If so, identify what functions or development needs to be outsourced. How would this affect any ongoing development or new developments? How do you currently work these tasks that are proposed to be outsourced? How would your work change once you outsource? How would this adapt to any changes in business or user needs? How quickly would you like the change to take place in the service offering?

Do you have any processes that would get affected (very likely) with the decision to outsource? How would they look like when you outsource? How would the interfaces change? How valuable is the work that is being outsourced for the organization and the function? Does the work require extensive user interaction or is it self manageable? Can you support a remote team even if internal skills may be found wanting? Would it be appropriate to relinquish control? If so how much control can be relinquished?

Finally, what are the long term objectives of this decision? How long would you consider outsourcing? Would you, at some stage, like to own a low cost remote development center? How would this fit into your business or organizational strategy?

Such an analysis could change your approach to Outsourcing and you may create an entirely new “Outsourcing and Governance” organization that works to meet both short term and long

term objectives for the company. In our experience the “Outsourcing Office” and the “Chief Outsourcing Officer” are critical to success in any Offshore Outsourcing initiative.

A long term strategy will determine an appropriate business model. The next section explains some approaches to Offshore Outsourcing.