



# Change Readiness while Outsourcing Offshore

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Organizations are rapidly dis-aggregating their operations, retaining what is core and outsourcing what is not. Software Outsourcing to service providers offshore or near shore has emerged as one of the fastest growing market with a double digit growth that was almost 50% year on year. As organizations rapidly adopt the Offshore outsourcing model the adaptation has not been so easy.

Outsourcing brings with it changes in the way people work, react or respond. It affects the Organization and the people within the organization. Any experienced practitioner of Outsourcing will tell you that to make Outsourcing successful requires:

- Executive Sponsorship or Leadership
- A Champion

However there are four major elements that are impacted and play a critical role in ensuring successful outsourcing:

- **Executive Leaders**

- **Project Teams** – These are the individuals who will interface with a service provider and are tasked with managing, monitoring, control and execution of the project
- **People** – Who are affected but have a stake in the success of the project
- **Organization Infrastructure**

Outsourcing brings with it an Organizational re-design. In some Companies this may come with a significant reduction in force as certain parts of the activities are outsourced, in others this may involve a re-deployment. Changes of this nature may be disconcerting and can affect morale or culture. This can get compounded by cross cultural issues when remote organizations try to work together. Individuals may consciously and deliberately undermine the outsourcing. In one organization people assigned to review work product and deliverables from a service provider neglected to provide any approval or feedback, resulting in substantial delays cost over-runs and subsequent abandoning of the outsourcing.

Before Outsourcing is rolled out the Organization should have a well defined Change Management program in place.

Change Management requires the accomplishment of several goals.

- The Climate for change needs to be set in motion. This requires alignment of leaders, people, individuals and infrastructure towards the common goals. People have to be assigned responsibilities and empowered to be successful.
- Engaging the stakeholders – This stage requires in redesigning the organization to accept the changes that will occur when outsourcing starts. Small teams are created to fulfill objectives of outsourcing.
- Design and implement necessary changes

The first step in the process is to assess Organizations readiness for Outsourcing:

## **PHASE 1 SETTING UP AN OUTSOURCING PROJECT OFFICE**

An outsourcing project office is a critical element that needs to be created before any change is initiated. The Office should be run with an Outsourcing Champion, an individual who ideally reports to the CEO and has executive sponsorship. This individual sets the stage for

preparing the Organization and navigating it through the changes that will unfold once outsourcing starts. The Office will assume all responsibility for Infrastructure readiness, Communication, Change Leadership planning, change management, logistic, outsourcing relationship management leaving project teams and other individuals focused on the work project that is being outsourced.

## **PHASE 2 COMMUNICATION**

It is important to communicate clearly the desire to outsource, the reasons, objectives and goals early on even before any vendor identification process is initiated to the individuals in the Organization.

## **PHASE 3 CHANGE READINESS ASSESSMENT**

In this phase the Organization sits back to see whether it is ready for Offshore. What are its strengths, what are its weaknesses? What systems, processes, people or parts of organization will be affected by the change? How will it impact people, project teams, infrastructure or the organization? What are the goals of Outsourcing? Why is it being attempted? What are the long term goals of Outsourcing?

## **PHASE 4 IMPLEMENTING CHANGE MANAGEMENT**

This requires implementation at 4 levels:

- **LEADERSHIP** – Leaders can bring about change. Leadership has to come from the top and from within. The Organization should identify leadership to the project level – individuals within the Organization who commit to the change and inspire those around them. The leadership team (top down to the project level) will create a cohesive plan of action based on common goals. These are translated to action points and commitments. They define consistent communications, goals, incentives and purposes. A resistance strategy and conflict management plan is created.
- **Project Teams** – The success of change leadership will rest on how effectively project teams work. Project teams are frontline to be affected by cross organizational cultures and politics. The leaders have to work with the project teams to keep them focused on the goals. Project teams also provide valuable feedback to leaders on the impact of the change.
- **Individuals** – Outsourcing affects more at an individual level. Loss of control, fear of loss of job or position, external scrutiny of work product, changes to job function or responsibilities,

retraining needs and feeling of inadequacy come natural to many who see close colleagues leave as positions become redundant. A proper communications sets the stage for outsourcing. This has to be done early on not after the event of outsourcing. If individuals need to be retrained or reassigned that process has to be identified and put into place.

- Infrastructure – Here the Infrastructure is assessed to see if it is prepared to support Outsourcing. In one Organization the Network administrator and the Procurements functions were unaware of the needs of Offshore Outsourcing. It took them almost 3 months to get aligned; in the meantime the Offshore team idled for 3 months. The infrastructure assessment will identify gaps in the Organization and some re-designing may be necessary.

The next step should be to identify suitable projects to be outsourced. This has to be progressive. The outsourcing involves an altogether different organization that has to work with your Organization. The service provider is not skilled in your work product or environment. Start small:

- First match a work product that matches the skills of the service provider
- Then, raise the skills of the service provider to match the work product you would like them to implement

This approach will go a long way to ensure a successful outsourcing relationship.