



Barriers to Success in Outsourcing Offshore

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Why do outsourcing relationships fail is akin to asking why marriages fail – so often. And yet in either case the ritual goes on. Outsourcing is in many ways like a marriage. The two companies come together putting its best feet forward. The Service Provider comes with impeccable, unassailable references, certifications and credentials and promises of delivery. The promises usually come from sales sugar coated and at best exaggerated – Outsourcing is a piece of cake we are Level 5 we live and breath outsourcing , give us your woes and rest assured you can go back and focus on your core competence. Companies have a desire and compelling need to outsource but that need or pain is felt by stakeholders or senior management, not at lower levels.

So the two go for a brief courtship and then there is the marriage and everything seems fine until the first deliverable is either missed or breaks. And then the rumblings begin, the fingers point everywhere and it becomes difficult to separate the symptoms to the root causes of failure.

An engineering software company outsourced certain aspects of its product sustenance to a CMM SEI Level 5 certified organizations. At the end of nine months they were ready to break apart the relationship. Another high technology company went through the same process, there was militancy in the Company, and managers swore they would never work with the Company Offshore.

Yet, these two companies are shining examples of “turning around” and not only working but thriving with the same vendors.

So what are the barriers to success?

- Indifference
- Improper project Selection
- Lack of executive sponsorship
- Lack of Process for Outsourcing
- Unrealistic expectations
- Change Management
- Cultural mis-match
- Communication
- Frequent changes in specifications
- Improper training
- Team attrition
- Improper requirements
- Poor Project Management
- Weak infrastructure
- Technology risks

Successful companies have analyzed these causes and have worked to build processes that overcome these barriers to success. They understand that outsourcing is an essential corporate commitment and have worked to overcome challenges faced to outsourcing.

To be successful:

- 1) **Both Companies need to have a stake in the success** – That should be obvious, but in practice that may not be the case. The Outsourcing Company ***is as much a part of the production process as the Service provider.*** Some Companies adopt an out-of-sight-out-of-mind approach that will never work. The Outsourcing Company should be involved and committed. This requires:
 - a) An understanding of the Outsourcing process
 - b) Define and agree upon Service Levels, monitor these,

measure these and participate in seeing these SLA's improve
c) Proactively respond to problems, it is not an us vs. them but an "our" problem that needs to be solved. Go to the root cause and do not get trapped into emotional symptoms or outbursts.

d) Build an escalation process that takes over when a problem appears to go out of hand.

- 2) **Initially match the projects to the skills available – Start conservative-** Most failures occur out of wrong selection of a project. When an outsourcing relationship starts there is a lot the two companies have to learn from each other. In this discovery phase do not load the service provider with jobs they are not yet skilled to handle as they do NOT start out with people experienced with your work product. **As the relationship grows and people get familiar with your work product raise their levels to match the projects you have in mind.** Create a foundation for success and not failure.
- 3) **Executive sponsorship** - Inadequate sponsorship is a sure reason for failure. People in the trenches have no motivation or stake in the success of an outsourcing relationship that can either threaten their jobs or overview their work product – albeit indirectly. This needs corporate sponsorship. A project failure was successfully turned around when the CEO of the company declared that it was his initiative, that he had a stake in seeing it succeed, that he would evaluate Managers day to day to see how well they make this program successful. That company has grown its Offshore Outsourcing to over 2000 consultants.
- 4) **Build a "Process Manual" for Outsourcing** – An outsourcing relationship is a complex piece of workflow which is triggered by events. Usually the service provider has a built in process; in most cases the Outsourcing Company lacks one. This lack of process can be a cause of failure. The first step is to create an Outsourcing Office with an Outsourcing manager who reports to the senior most level in the Organization. Then map the way the Company works as is, define how it would have to work when it gets into an outsourcing relationship, identify Inputs, outputs, workflows, tools, standards, skills, participants and measures needed to make this work. In most situations the "Process Manual" has been a savior of many an Outsourcing relationship.

- 5) **Align expectations** – Learn to separate the hype from the reality. Do not get lulled into complacency, outsourcing like marriage is not a piece of cake. You need to work on it as much as the service provider. Ask your service provider about its failures, there is a lot you can learn from that and avoid some of the obvious ones. Understand right at the beginning that outsourcing is not a bed of roses.
- 6) **Implement a Change Management Program** – Change is difficult and outsourcing brings with it changes to the way people work or the control they exercise over their work. This loss of control or fear may be disconcerting. With executive sponsorship the Outsourcing Office should also localize leaders who have the ability to carry out the “relationship”.
- 7) **Cultural mismatch** – This is a soft factor that often gets in the way of Offshore Outsourcing. Yes there are two different cultures, oriental cultures can be hierarchical, it is not unusual for a team of 5 from the service provider crowd you in a meeting, and yet only one usually the senior most being the most vocal. Project Managers, by virtue of their “seniority” keep team members from expressing their opinions during meetings. Some service providers are savvy to this and are changing. However, to get over the cultural mismatch work with a Service Provider that can provide a local team or project manager to act as a bridge.
- 8) **Communication** – Lack of communication between the two companies is a sure project killer, lack of communication within a company is equally disruptive. Ensure the lines are open, if you do not hear from anyone pick up the phone; it will be worth its while to make that call. Visit the facilities a face to face meeting builds rapport. Communicate successes internally and frequently, nix the nay-Sayers.
- 9) **Avoid projects requiring frequent changes-** There can be nothing as disruptive to a remote development team as frequent changes in the specifications of the work product. Frequent changes change schedules but more importantly such changes disrupt work. This disruption can be serious for work that is remotely done. If concurrent engineering and changes are a required necessity very carefully construct the team that will do this and build a proper process to manage the development.
- 10) **Ensure a certain training level of consultants-** Define acceptable skills and do not compromise on them. Be extremely wary of companies that promise to be “delivery centric” and shield their employees from your scrutiny. They

are hiding something. Insist on interviewing the first batch of consultants on your project and approving them. Define training these consultants need before they can work on your product (Process training, Product training, technical training and your standards). Define this threshold for any consultant that comes onto your project.

- 11) Agree on an attrition Management program-** Attrition can be high with consulting companies. Factor that into your program. Understand how the company manages attrition. This can affect you. If a team loses its most experienced people (as it usually will) the average team experience drops and unless the replacement is as experienced as the incumbent (which is rarely the case) the newly composed team now needs a higher scrutiny with its work products (which is rarely the case as the review processes can be "static")
- 12) Requirements setting** – Requirements should be as explicit as possible and should not be subject to "this is what I assumed you have to do". A requirement is also not complete until the acceptance criterion is articulated. This includes acceptance, performance and functional requirements. If these have not been defined prior to the project results can be different to expectations. Therefore if you do not explicitly state that the page load time over a modem should be less than 8 seconds the implementation team can and in most likelihood build something different.
- 13) Project Management** – Both the organizations need not only to manage the project but also to control the project. A good process is one that has well defined workflows and interfaces defined at the boundary. Metrics should be used at each of these boundaries to assess the capability of the process element. Metrics should not be used to measure the individual's performance for then there will be no metrics. The Project Managers should be adequately trained in the project processes so that they have an ability to control the process. The service provider should make the process and the metrics "visible" to the outsourcing company as both have a stake in the success of the program.
- 14) Understand infrastructural needs** – If the job requires large data transfers periodically ensure that there is a high speed link that gets the data to your source management system in near real time.
- 15) Ensure that risks due to new technologies can be mitigated** – If you have to work with technologies that are

not yet proven, understand how you can mitigate the risks associated with those technologies and build programs to overcome those risks.

An outsourcing relationship like marriage will not work on its own. Merely relying on a SEI Level 5 company will not guarantee success. Realize that you are part of the production process and have an equal stake in making the relationship work.



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