



Risks in Outsourcing Offshore

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There is no human activity that does not involve risk. Offshore Outsourcing is no stranger to risks. There will be risks at every stage of the program. Risks are those events or conditions that may occur. Risks have an impact on:

- Cost
- Morale
- Business survival

It would be appropriate to consider risks in outsourcing before you embark on this journey. Once the risks have been identified they should be assessed and programs should be put in place to mitigate those risks.

Risks can be categorized into:

- Project Risks
- Infrastructural and Operational Risks
- Geographic Risks

Each country offers its own competitive and comparative advantage to offshore outsourcing. Beyond the obvious there are certain risks to be considered. As the world changes newer risks emerge. Should you look for a vendor that has a disaster recovery plan? Ask your vendor hard questions and assess the risk associated with the operations. Some questions to ask?

Geographic Risks

- How stable is the country politically?
- Is there civil strife in the area of operations?
- How easy is it to travel, obtain visas?
- Are there any political "strains" that could undermine the program between the two countries?
- What is the legal framework that supports the activity?
- How well are Intellectual Property rights enforced?
- What are tax implications for the country?
- Will the country permit a 100% owned subsidiary?
- How easy is it to setup an operation?
- What are the labor laws?
- How easy is it to exit?
- What are the customs and duties and other licensing requirements? What overheads are needed to manage these?
- Are we allowed to export the technology we have in mind for operations in that country?
- Ease and speed of getting domestic import licenses?
- What is the quality of the education system?
- What is the capacity generation capability of the country?

Infrastructure and Operational Risks

- Does the Company have a Disaster Recovery plan?
- What is the Disaster recovery plan?
- Can it sustain a development operation?
- What about power?
- How efficient is the Voice and Data communications to the country?
- Is high bandwidth available?
- How easy is it to establish voice and data communications?
- Is the environment secluded?
- Are the facilities shared with other companies? In that event how are the networks and people physically isolated?
- How is access limited or controlled?

- What kinds of physical security exist to prevent movement of digital resources?
- What are the network security policies?
- What are the password policies?
- What SCM expertise is in use?
- What is the personnel management process? How are the people hired, trained, rewarded?
- What is the attrition management process?
- What is the chain of command and control?
- What could be cultural issues?
- Are we internally prepared for outsourcing?
- Are systems in place to support outsourcing?
- Are people in the Company enlisted to support the Outsourcing process?
- Have we defined all the processes needed to make the engagement successful?
- Is there internal buy-in?
- Do we have corporate sponsorship?
- Have we defined the standards to be used for outsourcing?
- Have we defined success criteria?
- How will we measure Quality?
- How will we measure service levels?
- How will we maintain visibility into the development?
- How will we manage change of personnel within our Company who are part of the Outsourcing process?
- Are the facilities insured? Fireproof?

Project Risks:

- Are requirements clear?
- Is there a well defined performance and acceptance plan?
- Do we have a Project and outsourcing management process in place?
- Is there a Software development lifecycle methodology?
- Has this been certified?
- Have the processes been defined and if so has the capability been assessed?
- Is data collected to measure performance? What data is collected and at what stages? Is causal analysis performed?
- What is the hiring, training, rewarding and staffing process?
- What is the attrition in the last three years?
- What is the experience of people who leave?
- What is the average experience of a team?
- What is the attrition management process?

- How are activities baselined? What activities are baselined?
- Is there a Project management process?
- Is there a separate QA team that looks at QA processes?
- Is there a QC process and what is the process? When is QA/QC planned?
- How will we validate deliverables?
- How will we approve intermediate deliverables?
- How will we manage technology risks?
- How will we measure service levels?
- How will we assess Quality?
- How effective is the handover process? Are the interfaces well defined?

Once the risks have been identified assess the probability of occurrence and the impact to your program. The risks with higher probability of occurrence or with maximum impact should be weighed and prioritized for risk mitigation.



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