

Structured Offshoring

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Introduction:

With dynamics of the world economy pushing industries towards globalisation of operations, offshoring is emerging as a preferred strategy with IT offshoring occupying the largest share of such initiatives. The last five years has witnessed the sharp rise in IT offshoring by the developed countries, not only to India but also in other countries in Asia, Latin America and Eastern Europe.

In spite of the progress of events, offshoring is yet to mature into a formal practice with structured methodologies. Even the concept of offshoring is only just emerging and has not yet reached the stage of common understanding and acceptance; often it is used interchangeably with outsourcing. The attempts or practice of outsourcing varies even more widely across organisations, each trying to invent its own practice from a mixture of logic and intuition.

The authors have spent sizeable portions of their professional career in the outsourcing space and believe the time to be opportune for professional bodies to analyse the global experience that has already reached a critical size, synthesize the right practices, learn from the mistakes of the past and formulate a structured approach towards offshoring that would be further detailed and refined with progress of time and experience.

As a first step, in this article, the authors attempt to share their experience of and view on offshoring as a formal practice.

IT Outsourcing and Offshoring:

Outsourcing is a mechanism whereby an organisation who is a consumer of a certain set of services, procures some or all of those services from service agents not within direct ownership or employment of that organisation. These agents will be engaged within a contractual framework that ensures the commitment to delivery of those services. Offshoring is a business based on the, theoretically agnostic, geographical location of service agents, regardless of whether they are 'in-house' or 'outsourced'.

While in the recent past these two terms are almost tending to be synonymous, outsourcing has a considerably longer history. Onshore outsourcing has thrived for the whole of the last decade without significant offshoring, in North America and Europe. Therefore, by the principle, the following need to be considered as three separate combinatorial models:

- A. Outsourcing with offshoring
- B. Outsourcing without offshoring
- C. Direct offshoring as a principle without involving outsourcing.

An analysis of the numbers and, more importantly, the trend of cases under all these categories would clearly explain why outsourcing and offshoring are likely to be confused; A largely outnumbers B while B vastly outnumbers C. Clearly, the combination of outsourcing with offshoring is coming out as a winning partnership and for reasons which are not difficult to identify:-

If the business drivers are evaluated separately for outsourcing and offshoring, most of the elements are found to be common. Therefore, offshoring clearly augments the value proposition of outsourcing enhancing the scales of benefit.

In past two years, a good number of organisations, mostly in US and some in Europe, have tried to set up their own IT offshoring centers in countries like India, Mexico, Philippines, China; either through extension of the organisation in that location or through JV's with a local partner. The experience is mixed and the trend curve is dipping. Offshoring is far beyond the mere opening up of another office in another location; it calls for a deep study of the offshore location:- the cultural perspective, the socio-economic perspective, people perspective, IP perspective, the industrial dynamics and an equally large set of other equally important issues that need to be fully comprehended and resolved to make offshoring successful. This calls for specialised skill and experience, in the science and arts of offshoring as well as in the IT landscape across locations. Business organisations overseas, in spite of all the zeal of offshoring, are not likely to have built such skill and experience already and can hardly build the same merely by hiring employees. It makes sense to engage the services of specialist outsourcing agencies to ensure success in offshoring.

Hereafter, during the course of this article, the authors will discuss the aspects of offshoring assuming it to be a model of offshoring through outsourcing.

Offshoring – The Key Business Drivers:

The consumers of the offshoring service can be divided in the following categories:

- A. **Business Enterprises:** – The non-IT houses in Industry, Govt. etc. who are the end consumers of the IT services,
- B. **IT product vendors:** - This group contains the IT houses that produce the packaged IT products, mostly for consumption by the Business Enterprises, and
- C. **IT service vendors:** - This group includes all IT service providers for A and B, including the outsourcing service.

While the exact outsourcing driver will be unique for every organisation within every group, criticality of some key elements can be identified at a high level as below:

Elements	Business Enterprises:	IT product vendors:	IT service vendors:	Common:
Cost Reduction	High	High	High	Against the advice of many offshoring experts not to look at the cost aspect alone, this is the major and sometimes the only driving force for outsourcing decision across industries.
Technical Skill	Medium: This is not a direct driver for the business enterprise as they operate through outsourcing agencies. At the same time, the technical skill availability to the outsourcing agency through offshoring, ensuring business continuity, is a major safety factor for their outsourcing decision.	Low: Product vendors are a reluctant group in taking the core technology to an offshore center. Other than a very few speciality areas, like plug in of value added modules, it is not the depth of the technical skill but the low cost of such skill that allures them.	High: Technology advancement is resulting in specialisation and different offshore locations are emerging as centers of technology practices. Naturally, IT service vendors are being tempted to make use of such localised expertise.	

Elements	Business Enterprises:	IT product vendors:	IT service vendors:	Common:
Best Practices	High	Medium	High	The very nature of business of these offshore units offers them opportunity to work across multiple projects across industry verticals, tools, techniques and technologies. This exposure results in a high degree of people and process maturity. That translates into increasing productivity with better risk management.
Scalable and Flexible Staffing	High: While the outsourcing helps in reducing employee liability, the same should be geared with adequate ramp up or ramp down capacity to take care of fluctuations in manpower as well as skill requirement, a factor taken care of by offshoring.	Medium: Product Companies, for the implementation and support phase, always need additional headcount and skill on a temporary basis, which can be planned from their offshore units.	High: The challenge of the service companies is to manage the fluctuating manpower as well as skill requirement for their customers in Group A or B, across the group. The consolidated resource pool of the offshore location gives them the flexibility of managing that in least cost and risk. Again, the job market in the established offshore locations being strong, the hiring and firing can be handled with least socio-political impact.	
Stability through Redundancy	Medium	Low	High	The low cost with high availability for human resources as well as technical infrastructure makes it easier to introduce resource redundancy, thereby making the entire system more robust and stable.

Elements	Business Enterprises:	IT product vendors:	IT service vendors:	Common:
Managing Obsolesce	High: Many business enterprises need to maintain their systems, which are on somewhat outdated technology for which technical support are not locally available. The offshore skill centers come very useful in such situation.	Medium: Many product vendors, while moving to newer releases, find it difficult the right skills in-house or even locally, motivated to take ownership of providing support to the earlier releases, which would be phased out.	Medium: Because of the very high skill supply market, the service companies find it possible to maintain small teams of resources offshore on outdated yet existing technologies and products, which they share across their customers.	
Specialized Practices	High	Low	Medium	From the nature of their business, certain practices have already matured in offshore locations like India e.g. Enterprise Application Integration, Application and Data Migration, Strategic consulting etc, which are also adding to the list of USPs for offshoring. It may be observed that most of the experts for consulting on offshoring are available offshore.

Offshoring – Basic engagement models:

Generally, multiple business strategies are evaluated before choosing a strategic offshore partner for their specific needs. Features of some high level strategies are discussed below:

I. Tactical Offshoring through Outsourcing

- Typically done on a project-by-project basis.
- The client can avoid the cost and challenge of updating the organisation's technical skills every time a project requires a special capability.
- For unpredictable and asymmetrical development cycles, the client is able to staff the projects with appropriate numbers of low-cost resources.
- Outsourcing relationship can be terminated on the basis of performance issue.
- Pricing is based on project scope — either time & materials or a fixed bid.

II. Captive Offshore Development Centre (ODC)

- Effectively an extended development arm of the client.
- Already has dedicated physical space and an established system infrastructure.
- 100 percent dedicated resources for development work for the length of contract — typically three to five years.
- Ensures more stable and reliable production environment and gives client the workforce they need to support ongoing development programs.
- It also gives cost benefits since dedicated resources are made available for a flat rate, based on the number of developers you need.
- Client can mitigate the risk in hiring and building a team to its partner.
- Very little of client's management bandwidth is required to get the teams up and running.
- Client has access to a wide range of skills and technology expertise.
- Clients can retain continuity of business and process knowledge around applications and users.
- When built within or in tandem with an established infrastructure, typically a Captive ODC can save 40% on infrastructure costs and 30% on facility costs compared to Do-It-Yourself ODC.

III. Build-Operate-Transfer (B-O-T)

- Long-term solution with many of the same benefits of Captive ODC, an important difference is the anticipated transfer of ownership.
- Client is able to establish a subsidiary with minimal upfront investment.
- The transferred team hits the ground running from day one.
- There is minimum disruption to the development cycles.

IV. Do-It-Yourself ODC

- Most of the cases require huge investments in time and money, with scaled results typically not realized for many years.
- Requires building and managing an offshore infrastructure, including property, facilities, and telecommunications. Issues as fundamental as electricity, water, and physical security must be addressed.
- Hire highly skilled developers to work in the offshore country, as well as experts who have successfully established and managed international IT operations.
- Provide language and cultural training for newly hired offshore workers.
- Ensure cohesion of corporate culture in transnational work environment.

V. Mergers / Acquisitions / Joint Ventures

- Acquiring an established offshore development company gets the projects up and running more quickly; however, investments are significant and permanent and cost of an injudicious selection would be very high.
- Finding the right offshore organisation with desired technical proficiency, productivity and work quality is not an easy task.
- Seasoned, multi-lingual project managers are needed to work through language and cultural barriers.
- Investment for selecting and acquiring the right company is generally, huge.
- Like Do-It-Yourself ODC, M&A should be considered only when a strategic imperative exists.

Time horizon for development planning	Preferred approach
Zero to 36 months	Tactical Outsourcing
Three to five years	Captive ODC
Five to 15 years	Build-Operate-Transfer
Strategic imperative	M&A or Do-It-Yourself ODC

Clearly, model I through III are the ones which call for explicit involvement of the outsourcing agency and, as discussed in the previous section, those are perceived by the authors as the preferred model, while special circumstances can always justify choice of model IV or V. However, this article now further discusses the scenario where all offshoring is facilitated by an outsourcing agency, the organisation itself playing the dual role of an outsourcing agency in case of model IV and the new organisation in case of model V.

Offshoring Homework – The Exploratory phase:

Offshoring success not only depends on the science of business process change but on a far more delicate art of organisational culture change. First offshoring attempts in any organisation, almost invariably, create effects varying from ripples to storms across the organisation with opposition to such attempts. To take the offshoring strategy through this path of resistance, the management plan needs to be sound in logic, complete in details and aligned with the organisational and business realities.

In many business enterprises or product development organisations, the initial decision taken in the management/governance level to explore opportunity for offshoring has been followed by aggressive action plan evaluating implementation aspect of offshoring, often overlooking the issues of organisational preparedness. A common mistake was the assumptions that the relevant issues will be discovered iteratively in this process. Unplanned and untimely discoveries often resulted in confusion and misleading conclusions, with impacts varying from abandonment of offshoring plan to a troubled offshore relationship. This wastes money, time and opportunity and generates frustration and bitterness within an 'offshoring backlash'.

Offshoring intention does not surface overnight and remains in an incubation phase through the investigations by, and debates among, the decision makers for quite some time. Such interactions and investigations often remain unstructured and fragmented.

The organisations attempting offshoring would benefit having a clearly defined exploratory phase, may be in a project mode, to objectively determine feasibility of the offshoring plan. The detailed criteria of evaluation would vary from organisation to organisation and case to case while a set of common questions need to be answered.

How clear are the management expectations: It is not only possible but also essential to supplement any initial intention of offshoring with an exhaustive list of business drivers with associated numbers and measurement criteria.

How much clarity exists on the possible candidates for outsourcing/offshoring: While the application items suitable for offshoring need to be chosen through a more detailed exercise discussed later in this article, the business drivers should be able to set down the objective criteria to determine the merit or demerit of an item to qualify as an outsourcing/ offshoring candidate. The drivers should also identify the application and activity areas at a high level from where such candidates are likely to be chosen.

What would be preferred engagement models: Choice of the engagement model for an item not only depends on the business argument but also on the cultural landscape. The organisation needs to make a shortlisting of what works and what doesn't.

What would be the outsourcing agent/ location profile: The idea is neither to finalize the right outsourcing partner for offshoring nor the location but to determine the first level of selection criteria.

What can be the possible impact on stakeholders: An extremely delicate while matchingly important issue to deal with. No offshoring decision can be announced without some degree of threat perception among the stakeholders, mostly employees, while, paradoxically, no offshoring can be successful without their support. It is not wise to plan offshoring with buy in of all employees; it would be even unwise to plan it without possible impact analysis for the employees as well as other stakeholders in operation. Transparent management communication and feedback gathering usually helps in getting the right answers.

What is the startup up budget and financing plan: While all offshoring proposal contain convincing promises of long term financial benefits, there is some amount of start up expense spread across

- Exploratory phase
- Preparatory phase
- Startup Phase and
- Some part of the execution phase,

until the payback from the offshoring exercise start to be realised. An estimated amount, for such expenses and avenues to finance, need to be accounted for the scorecard ab-initio so that the exercise begins with a financial commitment. Abandoning or compromising the activities later will result in either loss of the already invested amount or risk for the future steps.

What is the value at risk: A prima-facie risk analysis containing all risks to the beginning of the execution phase and financial impact of the same needs to be recorded, to be compared with the risk taking ability of the organisation.

While the organisational wisdom is the key instrument for the successful conclusion of this exploratory phase, engagement of specialist consultants on offshoring brings a high value from their experience. These consultants, by way of their association with multiple numbers of such offshoring exercises, have witnessed how other have proceeded, what worked and what didn't and bring substantial value through asking the right questions and helping to provide the right answers.

The Offshoring Milestones:

The actual implementation of offshoring starts only after the intention successfully passes through the exploratory phase and matures into a firm decision. The next logical steps are spread across the following phases:

Preparatory Phase

- Identification of items for outsourcing: For the business enterprise or the product development company, the outsourcing decision precedes the offshoring decision. The primary step being outsourcing, the items for outsourcing need to be identified first based on the criteria set down in the exploratory phase.
- Identification of items for off-shoring: Interestingly enough, all the items chosen for outsourcing hardly qualify to merit as offshoring candidates, it often produces business benefits retaining some on site or near shore. Therefore, through another process of filtration, actual offshoring items are selected.
- Analysis of Cost vs. ROI, factoring in potential risks and mitigation cost: This deals with the business plan for the entire outsourcing-offshoring exercise, with projection of numbers.
- Describing the engagement models for each item: The shortlisted engagement models from the exploratory stage are now detailed, tailored and tagged with the various items of outsourcing-offshoring.
- Identification of right outsourcing partners/offshoring location: While the yardsticks are laid down during the exploratory phase, the various options are re-evaluated on the same basis.
- Defining organisation and processes for multi-site and multi-organisation operation: This is the most critical task for this phase. This involves defining the organisation and roles across the locations and organisations with clear areas for responsibility, the software engineering lifecycle and its distribution, the artifacts, the process flow, quality goals etc. This would call for an extension of the QMS of the principal organisation to include the additional requirement which would require some flexibility in the quality management policy of the offshore organisation.
- Resource Planning: This exercise is for planning the size of the work, timelines, the roles, resource requirements and headcount for each of the profiles to define the outsourcing and offshore resource capacity with ramp up and ramp down projections.
- Agreement on entry and exit criteria across locations and organisation and conditions for fulfillment. Tasks, activities and artifacts being in constant move

across locations and organisation, it is extremely important to understand and articulate the criteria of fulfillment of the services by the outsourcing-offshoring organisation together with clear entry and exit criteria.

- Identification of additional metrics and data collection strategy: Measuring the offshoring success would call for an extension of the standard metrics, for productivity and quality, in the organisation.
- Contractual framework and/or Implementation Plan: The task of creating a contractual framework, articulating all the service level agreements for implementation of decisions mentioned above is quite challenging. It should be acknowledged that the health of the relationship largely depends completely on the quality of this task.

The success of this phase depends on the success of collaboration and co-sharing of the offshoring mission between Corporate and IT. At the same time, engaging specialist consultants as facilitators greatly enhance the speed and quality for this phase. Although there is a trend to employ management consulting agencies for this job, inviting leading practitioners from outsourcing-offshoring organisations for such consulting produces better results.

Startup Phase

- Agreement with the vendor (in case of outsourcing): The identified service vendor of offshoring through outsourcing, together with the organisation, walkthrough all the products of the preparatory phase, together with the draft contract to ensure common understanding of expectations.
- Infrastructure and site preparation: While the outsourcing partner and offshoring location are selected in the preparatory phase, the premise plan becomes a part of that exercise. Thereafter, that plan is taken to the level of detailed level of infrastructure plan and installation.
- Creation / verification of the offshore environment for physical infrastructure. This exercise is to make sure that the on-site representatives, on physical inspection, find the offshore infrastructure to match the expectation and requirements.
- Identification of resources and ramp up activities (recruitment / transfer, initial knowledge transfer etc.). This step involves bringing in resources of agreed profiles in different roles, process of necessary knowledge transfer to bring up to speed for the execution work and deploying them for the production environment.
- Commissioning of required systems: This is the step from which the production wheel starts rolling, as per plan.

- Setting of the goals and targets with improvement plans: The two keywords for offshoring-outsourcing are 'Productivity' and 'Quality'. The operation should begin with an improvement agenda and plan for all the goals associated with the above two.

This phase establishes the foundations of the offshoring practice and is very significant for the success of its execution. This calls for as much collaboration between the principal and the outsourcing agents as is required between the two IT departments.. After all, a major factor contributing to success of offshoring-outsourcing is a trust based relationship which, if built during this phase, removes many bottlenecks for subsequent execution.

Execution Phase:

- Routine project and delivery management activities
- Escalation and issue management activities
- Risk management activities
- People management activities
- Technology and infrastructure management activities
- Facilities management activities
- Metrication, Data Collection, Analysis leading to improvement measures.

These are known practices and would demand the same composition of efficient routine work and innovation as would be needed on an on-site / in-house scenario.

Offshoring Programme Management:

Most of the organisations, which have met with success in this offshoring-outsourcing space, have launched or taken offshoring as a separate programme with a distinguished set of goals and objectives, additional to the objectives and goals of the individual development projects/programmes within.

The programme framework begins with common elements

- The stakeholder body which defines the sponsors and decision makers representing the principal and the offshoring-outsourcing agent,
- The management team for the programme with constituents representing multiple organisations, locations, independent areas, etc,
- The configurable composition of the individual development/maintenance/support projects within,
- Configurable resource organisation and distribution across the projects,
- Two tier configurable Programme/Project Plans, Quality plans, CM Plans, Testing Plan etc., one tier at Programme level and the other tier at the level of individual projects; while the former cover common elements across all projects the later takes care of project specific implementation,
- Programme level metrics and data collection strategy that establishes performance and efficacy of the offshore center. There is a current trend of setting up target driven ODCs where targets are set for all programme level metrics as per the management expectation from outsourcing as recorded in the preparatory phase, with tracking of the same with corrective actions where required.
- Productivity and quality improvement plan and targets,

and includes more items in the agenda depending on the situational requirement and progress of time.

The programme management body, remaining accountable to the stakeholder body, takes the ownership of fulfilling not only the contractual obligations but also additional expectations set by the stakeholder body for betterment of service and relationship. The programme management body holds the accountability to the stakeholders for producing the committed deliverables within budget, reporting progress and exceptions, escalating issues, reporting risks and suggesting improvement measures that would require contractual approval.

The Critical Success Factors

- **Organisational buy-in:** The success of offshoring demands that the principal organisation accepts the offshore organisation as an extension. It not only includes commitment of the senior management to make it happen but the whole of the IT and business organisation of the principal whose interaction, support and collaboration would be essential for the offshore operation. Any offshoring, that comes into being as a surprise or threat without the organisational buy-in meet with extreme difficulties.
- **Choice of right partner for offshoring:** The outsourcing partner is the primary guarantor for fulfilling the expectations from the offshoring venture. It is not just a question of capability of providing technical resources and infrastructure at the least cost, there are several other critical factors which get linked with the choice of the right partner.
 - **What is the geographical expanse of operation:** It is always a comfort factor to work with an organisation which is truly multi-location with managers and people exposed to multiple working culture, practices, values etc. Furthermore, it becomes a major advantage if the offshoring agent has presence in the location of the principal.
 - **What is the financial strength of the organisation:** the outsourcing agency should have enough financial strength for mitigation of its operational risks and exigencies as well for investing into improvement programmes.
 - **What is the people strategy of that organisation:** A very important factor for offshoring is employment, motivation and retention of the right resources and the outsourcing partner needs a proven track record in that.
 - **What is the ramp up – ramp down capacity:** The outsourcing partner must have a much larger resource base compared to the offshoring team so that ramp up and ramp downs are easy.
 - **What is productivity and quality credentials:** To have the meaningful cost advantage, the productivity and quality are the key factors and records of outsourcing partner must show attractive results.
 - **What are the infrastructure maintenance / disaster recovery policy:** This is essential for assurance of business continuity.
- **Choice of the right candidates for offshoring:** While it is quite easy to understand that not all items have merit for offshoring, it is equally tricky to find the right items. While the exact qualifiers are unique for every case, there a few common rules of thumb as
 - **Items which has less on-site dependency,**
 - **Items where the scope and deliverables can be clearly defined,**
 - **Items which calls for less domain knowledge,**
 - **Items which are less business critical,**
 - **Items which has less on-site resources deployed on,** etc.

- **Articulation for SLA's:** While all the expectations can never be articulated within the contractual framework, it is extremely important to maximize the coverage. The SLA's are important not only from the legal perspective but also as the formal guiding principle for the programme monitoring by the management body as well as stakeholders..
- **Knowledge Transfer Mechanism:** The productivity, performance as well as motivation depend on the success of this exercise. This includes not only knowledge for that particular piece of work but all other contextual items including the domain, organisation and industry.
- **Synchronization of Process and Artifacts:** Large principal and its offshore organisation must already have strong practices around processes and artifacts. It would be disastrous if the on-site and offshore elements start moving in their own traditional ways. At the same time, desired benefit of offshoring is not harnessed by merely pushing the on-site process and artifacts to offshore. Best results demand that the processes on both sides be tuned and synchronized to make onsite – offshore integration of operation, seamless.
- **Entry and Exit Criteria :** Defining Entry and Exit Criteria is vital for the health of the whole relationship. It is essential for objective management of expectation, accountability and escalation.
- **Organisation and communication model:** Efficiency of these models are crucial for bridging the locational gap.
- **Cultural acceptance:** It is a vital aspect very difficult to measure and, therefore, extremely delicate to manage. Both onsite and offshore teams need to understand, respect and adjust within the professional culture as well as the social practices of each other to make sure that non professional issues do not come in the way of professional success.
- **The trust relationship :** Interestingly, This is considered to be the most important factor for the whole offshoring business. It is needed at all levels between the two organisations, the stakeholders, management body to the most junior resources across locations.

General Risks and Prevention Measures

Risk Element	Risk Description	Prevention Measures
<p>Internal resistance from within the organisation.</p>	<p>Any outsourcing decision, almost invariably, instills a threat perception to the employees, and often triggers off socio political sentiments when it involves offshore. Paradoxically, the offshoring project cannot be successful without full cooperation and commitment of the principal organisation at various levels. This often results in direct and indirect non-cooperation and sometimes hostilities.</p> <p>Furthermore, an unwelcome offshore organisation also finds it difficult to maintain its morale start loosing the commitment to quality and productivity.</p>	<p>To identify the drivers of offshore outsourcing with winning proposition for all.</p>
		<p>To identify scope and model of outsourcing so that the on-site and offshore areas have lesser dependencies</p>
		<p>To identify the areas of outsourcing having least impact on the performing employees.</p>
		<p>To have transparent and aggressive management communication on the logic, scope and plan of the offshoring to win the buy-in of the key managers and employees, managing and supporting offshoring.</p>
<p>Productivity and Quality</p>	<p>The very purpose of outsourcing is defeated if the workproducts to not come with the desired productivity and quality.</p> <p>For all practical purpose, that can hardly be determined before commissioning of the operation.</p>	<p>A detailed programme framework with metrics associated with all service lines, together with measurement criteria, plan and corrective action should be put as collateral to the principal contract.</p>
		<p>The main outsourcing phase should be preceded by a pilot phase where a small piece of the job is given to the offshore partner and monitored from all angles. Although it costs a little more, a good idea is to bring that pilot team of the offshore partner to on site so that they can be observed in action.</p>
		<p>There should be clauses in the contract reasonably de-risking both parties from financial and opportunity losses arising out of performance problem of the other</p>
<p>People and</p>	<p>Every offshoring calls for</p>	<p>Such offshore organisation needs</p>

Risk Element	Risk Description	Prevention Measures
<p>Knowledge Retention</p>	<p>substantial investment of the principal in knowledge transfer to bring the offshore resources up to speed. Any attrition in the offshore organisation not only makes wastage of the time and effort building the employee but delays the offshore production.</p>	<p>to be chosen which will have evidence and reason for being a preferred employer for its employees</p>
		<p>There must be some incentive / reward/ recognition scheme for the performers in the offshore organisation to be directly handled by the principal; this should be taken as the formal cost of offshoring.</p>
		<p>The key offshore resources, through some formal mechanism, should be made a visible part of the principal’s organisation. In short, the commitment and ownership of the key offshore resource should also extend to the on site principal and vice versa.</p>
<p>IP retention</p>	<p>For every type of outsourcing, the offshore partner and its employees get access to the internals of the principal’s system; it is extremely important to protect the IP and prevent it from moving to the competition.</p>	<p>To put in all efforts for offshore resource retention as in the earlier rows; IP normally moves with the employee.</p>
		<p>To stipulate data security standards for the offshore organisation for this offshoring project and ensuring compliance.</p>
		<p>To choose location in countries and region where the laws and code of ethics strongly discourage such malpractices.</p>
		<p>To run referral check for the organisation, and more importantly, for its key managers.</p>

Appendix A: A Representative Case Study

The authors, in course of their professional career have been involved in a good number of offshoring activities in different capacities including strategic and startup consulting, incubation of offshore centers, managing BOT operation, owning and managing offshore centers, etc. One of their recent success stories is around participative offshore management of a large Product Suite for which they are running one captive ODC center that, although not very large in size (about 120 member team), has attained significant stability and maturity in a short timeframe through a focused management. The authors are sharing highlights of the experience in the section.

Principal – Product Organization:

The Principal is a US based product organization that contains software application modules covering different administrative workflows for healthcare providers, like Patient Administration, Revenue Management, Insurance Billing, etc. It has a respectable customer base in US has also started generating interest in non-US markets.

Offshoring Partner:

IT is focused offshore IT organization of very large multinational in India. It has offshore development centers in six major locations in India, Kolkata being the newest. With state of the art technology infrastructure, this center has recorded steady growth in ODC services for healthcare administration, analytics and reporting services, mobility solutions, etc.

Evolution of Partnership:

The Principal was looking for support to take their existing claims validation engine to a rule engine in J2EE environment when they contacted Offshoring Partner in Kolkata in July 2003, because of the reputation of the later in rule based computation. After due diligence, the Principal decided to partner with this offshore group at Kolkata for automated migration / redevelopment of the claims management module and employed the offshore center for tactical project outsourcing. The relationship began with an offshore team of 12 resources and grew upto 38 till the end of financial year on 30th Sept, 2004.

The relationship was one of mutual respect from both sides since inception that encouraged free flow of ideas, experiment with improvement suggestions, formal forum for knowledge exchange, frequent travel and constant interest of growing the relationship for mutual benefit. The success of the claims group generated significant interest in other groups in the Principal's organization to leverage Kolkata relationship and the later started negotiating small isolated project opportunities for offshoring, even in 2003 – 2004 period. Therefore, management of both organizations jointly decided to take this offshoring relationship to the next mature model, a Captive ODC.

A Captive ODC, with a well-defined governance model implemented through an accepted programme plan began with 55 resources since October 2004. The working relationship grew to cover multiple application modules as well as multiple services during the financial year and the resource base grew to more than 110 within October 2005.

In the current financial year beginning in October '2005, management of both organizations are trying to take the relationship beyond the captive ODC and thinking of more innovative way of growth like joint product ownership, joint participation in market expansion for the principal, etc.

Current Engagement Staus:

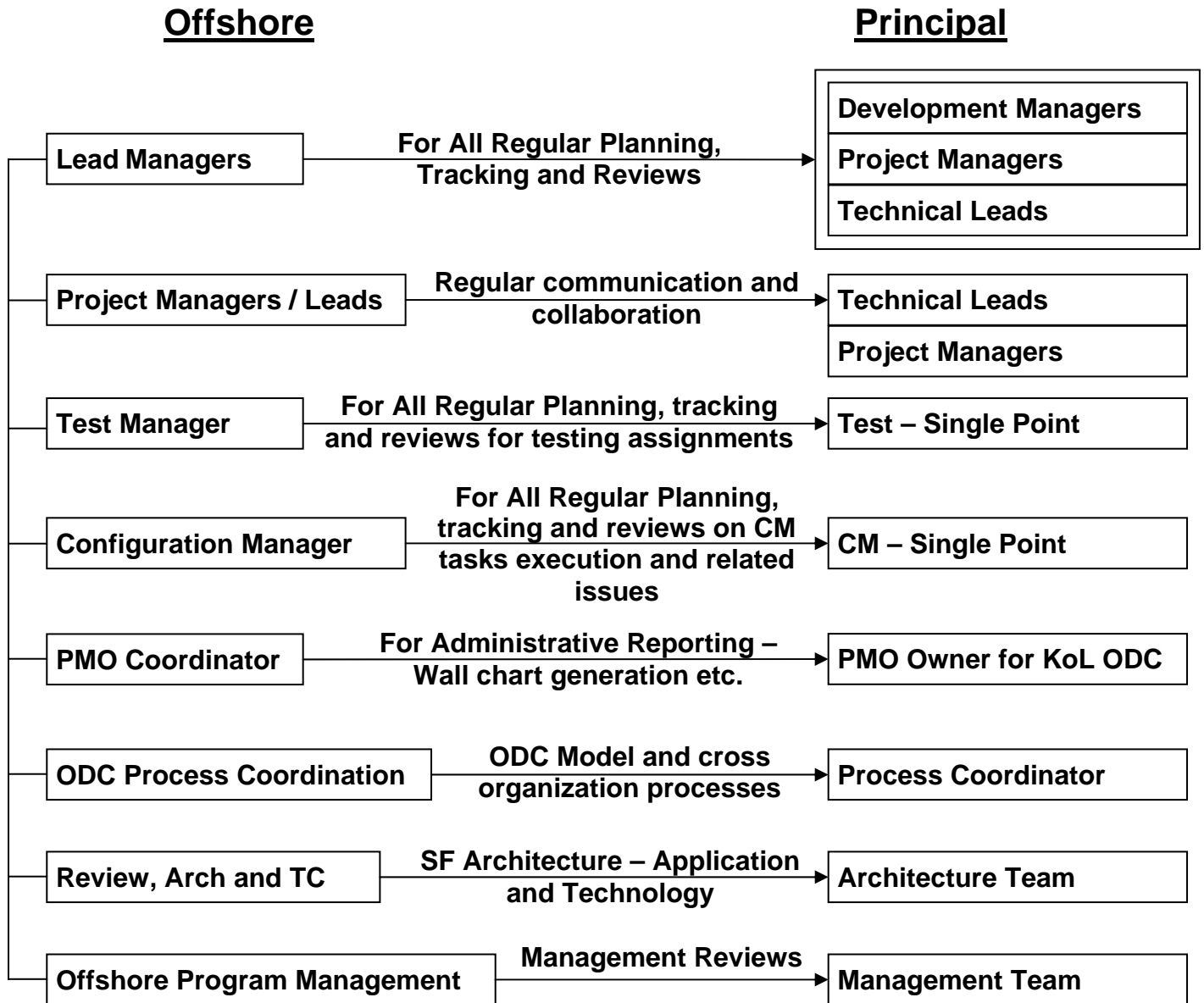
- Captive ODC with quasi-static minimum number of resources
- Domain covers Claims Management, Patient Management, Revenue Administration and Embedded Analytics
- Responsibility spread over Development, Maintenance and Support.
- Local delivery management layer instead of mere resource support
- Programme Management framework with management leaders from both organizations to ensure operation integration across locations and organization
- Collaborative lifecycle management over onsite offshore split model.
- Offshore partner committed to provide additional resource support (beyond captive ODC) in elaboration and transition for time critical projects.
- Offshore partner committed to provide additional delivery support (beyond captive ODC) through fixed cost projects and joint product development

Some things done right

- Consulting Driven Approach: Offshore partner's consulting experts have been accepted and trusted by the principals as consultants capable of working out win-win model of operation.
- Right Division of Work: The division of offshore and onsite team has been rightly balanced on objective evaluation of strength areas
- Operational Integration: Through the programme management framework, the offshore organization has been made an integral part of the overall Principal organization and stakeholder of success.
- Powerful communication model: A detailed communication protocol supported by powerful communication infrastructure helped bridging location gap and improving productivity.
- Ambassador programme: Temporary deputation of key managers from one location to other brought the teams close to each other.
- Common motivational programme: There is a common program for incentive and motivation of the performers irrespective of organization and location.
- Flexible resource deployment capacity: The offshore resources and skillset have been planned in planed in such way that the allocation structure for project may be easily readjusted to cope with new priorities and exigencies.

- Trust relationship: All attempts have been made to build the relationship on a partner model rather than vendor model.

Joint organization



About Authors:

[Sreekumar](#) has spent more than 18 years in the solutions, delivery as well as consulting space for Software Applications handling major assignments in outsourcing and offshoring in several organizations across the globe. His focus area of interest is technology and process innovation for productivity and quality enhancement. For several years, he is heading an offshore practice unit for a large multinational organization.

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