



Sath Associates LLC

6 Key strategies to achieve success in global outsourcing

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Research based on best practices of successful companies

What are the key ingredients of a successful global outsourcing experience? To answer this question, we approached senior executives of multinational companies engaged in this activity to find out what is important, what works, and what doesn't. We conducted competency interviews in which participants were asked to describe both the nature and effectiveness of their programs.

In addition to this research, we drew heavily on our own management experiences in global outsourcing — both with a large computer company and with our own clients. From these experiences, we identified the major factors that appear to distinguish effective from ineffective global outsourcing.

The factors

When we began organizing the findings of our research, it became clear that there is a distinct hierarchy of practices, which we designated as "Factors." Each factor describes a distinction in orientation, attitude, behavior, or business activity that discriminates between effective and ineffective global outsourcing. The following provides a diagrammatic view of the factors. Some factors overlap. They intertwine and are not always clearly separable.



1. Establish Global Outsourcing Strategy and Roadmap

Is global outsourcing the right strategy for your company? The current trend for leveraging global resources does not mean that global outsourcing is necessarily the right choice for every company. Any process for deciding whether to go global or not should include the following key considerations:

- Your company's business strategy and how global outsourcing can support it.
- Size of effort: The approach to global outsourcing will vary widely if you are considering a 10-person group overseas versus a 100-person group.
- Functions and potential candidate projects: Identify clear project selection criteria for projects going overseas specific to your company and apply these criteria to identifying candidate projects.
- Global outsourcing expertise, bandwidth, and contacts: If these are not available inside the company, management must be able to identify and leverage external resources.
- Investment and returns: Global outsourcing can generate savings, but during the initial stages you will have to invest time and money.
- Commitment from top level management: Without top level commitment, you decrease your chances of success in Global outsourcing.
- Organizational readiness: Determine if your organization has bought into the notion of global outsourcing and if they will be supportive; lack of cooperation from key individuals has derailed many global outsourcing initiatives.

Taking time to decide if global outsourcing is right is an essential first step for a successful global outsourcing program. However, it is not uncommon to find companies rushing to negotiate with a vendor to take on a project without giving thought to the long-term viability of the program. This kind of rush into activity rarely works and more often than not is a formula for certain failure.

2. Create a Single Distributed Organization

Rather than setting up organizations as silos, set up a single networked organization. People overseas need to feel that they are an integral part of your company. Reinforcing a sense of belonging and importance promotes unity and cultural understanding, and maximizes productivity.

If you decide to use partners, select the right partners to meet the company's goals. Some partners may have the ability to take your business up a notch due to their unique value add. Regardless of form of ownership, global outsourcing must join two teams in a complimentary relationship that will operate as a single seamless organization. It is crucial for both management personnel and development personnel to have easy access to one another and communicate effectively.

3. Establish management disciplines unique to global outsourcing

It is essential to put in place several management disciplines that are unique to global outsourcing. Key areas you need to address:

- Be prepared for global team structure to be different: In locations like India, it is common to find teams with majority of the team members with 1 to 3 years experience and a few with 5 plus years experience. This may mean that you may have to organize projects differently
- Thoroughly manage technology transfer: You need to invest to train overseas personnel – not just in helping them to understand your products, but also your processes and culture; initially at least this can take significant time and other resources.
- Provide supplementary project management: Project management skills overseas are not always similar to the ones you may be used to; determine if you need to help them understand your project management processes.
- Install measurement and control systems: While this is true of any situation, it is needed even more in the global outsourcing context because of distance.
- Install effective change control: Because of cultural differences, there is a higher tendency for scope creep; effective change control mechanisms will provide a way for you to address this.
- Protect intellectual property: Many global vendors offer processes to assure IP protection; you need to check that the vendors you are dealing with have adequate processes.
- Establish protocol for managing relationships: You need to treat your vendor as your key partner; relationship management should be an ongoing process across all levels of your organization, though you may appoint one person as the relationship manager.

4. Pay Attention to Culture

Every part of the world has culture unique to that area. These “social cultures” impact their “work cultures.” For one thing, culture affects communications, which is much more than spoken words. Nonverbal communications such as greeting styles, gestures, facial expressions, and posture have definite culturally defined meanings. If managers do not understand the culture, it is easy to misinterpret behavior and intentions.

Culture provides the basis for self-identity, which includes the type of work one seeks. A certain type of work, such as testing, perhaps, might not be socially accepted and an organization will, therefore, have difficulty in attracting and retaining people for such work.

On the other hand, the same work culture might regard new product development as desirable and prestigious. An organization could use this as a carrot — parceling out development tasks with testing to create an environment of encouragement while still getting everything done that needs doing.

Most companies recognize that cultures around the world differ from one another. However, they often exert very little effort, if any, to identify specific cultural difference in a global outsourcing organization and to develop plans to deal with those differences. The best companies take time to clearly define their own corporate and functional culture in terms of values, rituals, and behavior. The companies then identify how these cultural variations support, or fail to support, the corporate mission. They are prepared at that point to contrast and compare the local culture with any overseas cultural environment and to search for ways to leverage that particular culture to improve results.

5. Manage and Communicate Success

In any organization, there will be those who see the advantages of a new approach — in this case global outsourcing — and become supporters and early adopters. On the other hand, there are likely to be many who simply oppose change or specifically the global outsourcing approach. In order to demonstrate the viability of global outsourcing and build confidence, the global outsourcing team must focus on ensuring that the initial projects are outstandingly successful. In addition to initial confidence building, you need to establish a mechanism for ongoing communication of successes. Such communication takes on increased importance when the U.S. organization undergoes change, which is common to growing companies.

6. Pursue Continuous Improvement

Practice continuous improvement. As managers become comfortable with global outsourcing, they can continue to derive advantages above and beyond cost savings; for example improved time to market, taking advantage of better processes and sales in the regional market. Adding a strong continuous improvement component to a global outsourcing effort will ensure that rewards will not only last, but will increase over time.

How do you apply this information in your own environment?

When applied in combination, these factors have been demonstrated to create a synergistic environment to assure global outsourcing excellence. Although there are dependencies, implementation will not be sequential. Applying them depends on your situation; you should exercise good management judgment to apply them as appropriate to your circumstances.

About Sath Associates LLC

Beginning with pioneering work at a \$2 Billion a year Fortune 500 technology company, 25 years ago, we have been advising clients to launch, manage and optimize outsourcing and offshoring. Typical issues addressed – outsourcing strategy, finding the right vendors, negotiating contracts, onboarding vendor staff, establishing operating processes, metrics, setting up the right management structure, optimizing for maximum benefits. Robotic Process Automation (RPA) creates opportunities to optimize outsourcing and in some cases eliminate outsourcing altogether. We advise clients on outsourcing and RPA.

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