

Offshoring Frequently Asked Questions

How is offshoring different from outsourcing?

Offshoring means sending certain job functions to another country to reduce costs or perform a task that is not a core service. Most often, these tasks are performed in a company-owned offshore location. While outsourcing is often also considered for cost reduction and non-core functions, it involves hiring an outside company to perform tasks that would typically be performed internally. Outsourced tasks are performed by employees of the outsourcing vendor.

What are the benefits of offshoring?

Two of the most common reasons companies explore offshoring are to reduce costs or to use uniquely skilled people or a unique labor pool. Companies also consider offshoring to extend their global reach, leverage international talent pools that have a lower cost of expansion, or free up resources for more strategic tasks.

Are there any risks involved with offshoring?

Offshoring does carry some risk. Because specified tasks are moved to a remote — or offshore — location, companies lose the ability to directly supervise work (quality, timeliness, and efficiency). Without adequate supervision and attention, it's possible to see a decline in quality, timeliness, and efficiency. Also, because work is being performed in multiple locations, breakdowns in communication are more likely to occur in an offshoring arrangement than if all tasks are performed within the same office. You'll also want to be aware of technology/infrastructure risks that can arise because of different technological capabilities in the different locations, such as network capacity and connection speed.

How can the risks be managed?

You'll want to be sure you've clearly established standards and metrics relating to the quality, timeliness, and efficiency of the work that will be performed in the offshore location. You'll also want to allow for an appropriate amount of due diligence in choosing a location and considering environmental issues, including currency exchange rates and labor availability, and existing competition already in the area.

The most effective way to manage your offshore risk is to make sure you have an effective project management function in place from the onset of the initiative with experience in training, communications, metrics, and change management.

What needs to be done to prepare for an offshoring arrangement?

A great deal of planning goes into a successful offshoring arrangement, including determining the functions most appropriate for offshoring and the number of employees/jobs that will be affected. You'll want to be sure you've clearly defined the purpose of the initiative, the roles that will be affected, and the expectations of the teams involved from the home location and the offshore location. And, if applicable, there is also the practical matter of making reductions in staff.

You'll also want to be sure you've developed an internal communication plan for sharing news, updates, and information surrounding your offshoring initiative. The more organized and targeted your communications are, the more receptive your organization is likely to be.

How can you prepare your offshore employees?

Your new offshore initiative provides a great opportunity for your organization in terms of reduced costs and increased productivity, efficiency, and global reach. But, there must be a system in place to provide support to your new offshore employees to ensure maximum return on your investment. Typically, this can be found through upfront and ongoing training, regular communication, and developing clear standards to which employees will be held.

Are the benefits achieved through offshoring sustainable?

Because offshoring is typically considered as a way to reduce costs, a number of factors must be considered when looking at long-term savings, including currency exchange rates, labor availability, and current and anticipated offshore utilization rates of your chosen location. Of course, to increase your likelihood for long-term success, these factors should be considered up front when conducting the search for your offshore location.

How can Buck help?

While every offshoring initiative is unique, Buck can help with two key areas: ramping down, or transitioning your current organization, and ramping up, or preparing the future organization. It is important to note that generally these two “phases” occur simultaneously and in concert. During the ramp-down, Buck can help determine the functions to be offshored, decide appropriate staff adjustments, build new processes and tools, clarify expectations, develop transition and change management plans, and help to execute the overall plan. In the ramp-up phase, Buck can help manage expectations, implement governance and service delivery standards, train employees, help in knowledge transfer, and mobilize the operation.

Throughout the development and implementation of your offshoring initiative, Buck can help with project management, risk mitigation, communications, training, and establishing measurements and metrics to gauge the success of the initiative.

For More Information

To learn more about Buck’s offshoring solutions, contact Nancy Emerson at 617.275.8029 or nancy.emerson@buckconsultants.com