Outsourcing: The Enduring Mistakes

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The purpose of this study is to identify the organizational opportunities, the cultural challenges and lessons learned from outsourcing practices the past two decades by examining the typical blunders made when companies outsource for the first time or embark on a new and different outsourcing arrangement. The author extracts information about management practices that contribute to successful leadership of outsourcing and concludes that effective outsourcing organizations start with an understanding of the cultural context and an appreciation for the people involved. From the cultural and people perspective, outsourcing management becomes a major organizational change process of blending the different cultural values and norms, people, processes and technologies into a cohesive whole. The author further asserts what outsourcing practitioners learned years ago--successful outsourcing requires management to proactively manage the process, identify specific outsourcing objectives, use a disciplined, structured approach to analyze and decide if outsourcing is the best alternative, and establish a proactive relationship co-management process with clearly defined performance measures.

INTRODUCTION

Outsourcing connects people from organizations with different languages and cultural backgrounds. The assumption is that the people can work together effectively, but they soon begin to encounter communications problems and difficulties. Even in enlightened organizations, open lines of communications are hard to sustain. The challenges are even greater trying to keep information flowing openly up and down the organization and across to and back from the outsourcing suppliers.

An outsourcing metaphor is shooting the cue ball into a tight stack of billiard balls. Balls bounce off each other in so many different directions that it is impossible to predict how they will look when everything settles. An analogy in an offshore outsourcing situation is the customer and provider managers both shooting cue balls simultaneously, making it virtually impossible to predict where the balls will settle or determine who actually pocketed what ball. In an outsourcing relationship, what happens in one can have ripple effects in both organizations. Linkages can also develop that are hard to detect or later disconnect. When managers have correct information, it may still be hard to interpret what the "facts" mean and decide the appropriate action to take or not take. Management of outsourcing is unlike most other

management responsibilities, and it is not easy. Complexity and ambiguity abound in an environment of different languages, values and customs. Accurate, clear and timely information often seems elusive. Each year organizations exploring new types of outsourcing or outsourcing for the first time invariably make false starts and mistakes. (Lacity, et.al.2008)

Information for this paper is based on research papers, business articles and other sources from an extended network of outsourcing researchers, advisors and practitioners. This paper is also based on information collected during two trips to China to study the software outsourcing industry, one trip to the Middle East to learn about the outsourcing industries in Jordan, Israel and Egypt, and speaking, chairing and attending scores of outsourcing conferences in Australia, New Zealand, South Africa, Europe, Canada, Singapore and the United States. During the three foreign trips, we engaged in formal and informal discussions with executives, government officials, and American executives doing business abroad. We visited numerous offshore software organizations and three national software centers in China, and received formal presentations from scores of Chinese software executives and Middle Eastern IT entrepreneurs. Finally, this paper draws on twenty years of lessons learned from mistakes and successes as an outsourcing buyer, supplier, writer, advisor, speaker and teacher.

Ignoring the people side of outsourcing

This first blunder is probably the most egregious in that it directly connotes a lack of concern for people. Everyone in the organization is affected by outsourcing, including the managers and leaders responsible, the people transferred, the people retained, and the people terminated.

The employees affected by outsourcing deserve frequent and candid communications using various means and media--town hall meetings, small group question and answer sessions, videoconferences, e-mail notes, printed materials, and one-on-one sessions with individuals. As an example, when outsourcing the information technology (IT) function in a large urban hospital, we prepared and distributed briefing packages for managers in every business and clinical unit to use for presentations to employees. We kept business unit managers, employees and other stakeholders involved on steering committees and teams. We used a hotline and an e-mail facility to respond to employee questions and an Intranet web site that was frequently updated with the latest information. We conducted town hall meetings, led small group question and answer sessions, used videoconferences, sent email blasts, and scheduled one-on-one meetings with employees.

Needless to say, human factors are the most important and among the most difficult issues during an outsourcing process. Everyone is beset with conflicting emotions and differing concerns. Employees with a strong attachment to the current organization and industry may find it hard to think of working for an outsourcer. The best and most experienced may take their knowledge and skills to another employer. Still others may welcome the transfer to a supplier and shift loyalties before transferring. Another group may feel inadequate or afraid of change and oppose outsourcing at every opportunity. Accordingly, it is important to specify the criteria for the various groups of people, fairly apply the criteria to decide who should stay, transfer, or terminate, and inform people as soon as possible. Consider incentives for retaining people in the organization either permanently or during the transition. The impact on employees, who are not directly affected by outsourcing, needs to be considered as well. Remaining staff in other departments worry that the outsourcing of their functions is next.

Forgetting to profile stakeholders

Profiling is the development of detailed descriptions of the services, costs, assets, liabilities, people, suppliers, stakeholders and management processes under consideration for outsourcing. The purpose is to gain an understanding of the current strengths and weaknesses and agree on the desired future state, including how management oversight is performed now and after outsourcing. The desired future state includes the objectives to be achieved with outsourcing. The profile frequently short changed or ignored is the *stakeholder profile*, which identifies the stakeholder groups and documents their expectations. A *stakeholder group* consists of persons who have the same or similar expectations, perceptions and goals, and are the people the supplier is likely to interact with during the life of the outsourcing relationship. (Cullen, 2007)

The following example illustrates stakeholder profiling for a major urban hospital that was evaluating domestic outsourcing of the IT function. The outsourcing team's stakeholder analysis found that *senior management* desired assurance that the hospital's reputation with its patients, doctors and other constituencies would be protected. *The CFO* wanted significant cost savings and accurate and timely financial data delivered in formats compatible with the various financial systems. The *business and clinical unit heads* wanted cost reductions with uninterrupted services and responsive problem resolution. *The CIO* wanted the same as the CEO, CFO and IT managers and, in addition, assurance that cost savings can be sustained over time. *The IT department managers* wanted data compatibility, accurate and timely information, a secure environment and a future job. *The IT staff* desired that the outsourcer be a potentially good employer with major operations in the same city to avoid relocating. The *Users* wanted uninterrupted service with timely response and problem resolution.

Based on this stakeholder information, we prepared stakeholder profiles describing the expectations and requirements of each stakeholder group as the team understood them, but stakeholder profiling did not stop there. The bidders were encouraged to meet with the stakeholders in focus groups. Based on the responses and stakeholder feedback in the focus groups, the suppliers gained a greater understanding of stakeholder expectations and were able to propose better solutions. The final agreement with the winning supplier included key performance indicators that reflected stakeholder needs and expectations as well as standard service levels and metrics.

The stakeholders in the supplier organization have some different needs and expectations. For example, supplier senior managers are usually interested in satisfying customer management, but after meeting or exceeding revenue and profit goals. Account managers try to balance customer satisfaction needs of the client organization and the profitability concerns of supplier senior management. As technical enthusiasts, supplier staffs focus primarily on service excellence for the client users, but within budget and time constraints established by the account manager.

Relationships among stakeholders in the two organizations usually start as tentative relationships and evolve to collaborative or cooperative relationships. *Tentative relationships* are normal when stakeholders have no shared history, and are unsure whether goals are shared, complementary, or conflicting. Behavior is usually polite caution with a predisposition to enthusiasm. For example, senior managers of both organizations are often enthusiastic when exploring the possibility of a "partnership", but neither is seriously committed. This has been described as a 'peacock dance"- each party anxious to impress the other with its organization's assets and capabilities (Lacity and Willcocks, 2001). *Cooperative relationships* exist when goals are complementary. Each party needs something from the other to succeed. If the supplier suffers, the customer suffers, and so on, and *adversarial relationships* occur when stakeholder

goals are in conflict. It is important to recognize that three activities are inherently adversarial and require special attention to avoid serious conflict. The three are negotiating the original contact, establishing precedents for contract interpretation during transition; and re-negotiating or realigning the contract during the term of the contract. *Collaborative relationships* occur when stakeholder goals are shared and fostered by feeling like a part of the same organization. Possible collaborations include customer senior executives and customer functional managers seeking quality service at the lowest cost; customer staff and functional managers seeking the best possible packages for employees targeted for severance, and customer senior executives and business unit users both wanting the best possible service levels with the supplier.

Failing to treat outsourcing as a major organizational change

Organizations seem to underestimate the magnitude of the internal changes and ripple effects that outsourcing introduces into an organization. With the possible exception of outsourcing projects with a very narrow scope, outsourcing inevitably introduces organizational changes. Lessons learned about managing organizational change efforts provide a number of guidelines, which we call "rules of thumb," "bits of advice," or "things to do." They are useful guides for executive management and the managers charged with managing the outsourcing process and the changes outsourcing stimulates.

The first rule is to begin by understanding the problems. This seems so obvious that it is plain common sense. But as Will Rogers once observed, "Common sense is not very common." In practice, this rule is often violated. It implies that outsourcing evaluations should begin by diagnosing the real problems and not just the symptoms. But most organizations do not like to be diagnosed. They see the symptoms but miss the connection with the real problems. Offshore outsourcing has high visibility and is an easy target to shoot. As soon as the change effort seems to be losing momentum, forces will appear to push things back toward the status quo. These forces against change are usually more powerful when the organization misunderstands its real problems and lacks direction.

The second rule of thumb is to do what it takes to stay alive. This rule counsels the executive sponsor, program manager, and outsourcing manager to avoid self-sacrifice on behalf of the outsourcing project. Outsourcing can bring opponents out of the closet. Offshore outsourcing is particularly unpopular and often surfaces contentious and emotional issues that are soon followed by allegations and recriminations. This advice to stay alive is not suggesting that managers should avoid taking a stand or assuming risks, but it does caution that such risks should be taken as part of a purposeful corporate strategies and a set of business goals that are appropriately timed, targeted and supported by key stakeholders. Risks taken in informed circumstances usually keep everyone alive.

Staying alive is more than survival, however. It also means staying in touch with the reasons for outsourcing and the justification for why the changes are necessary. This means that leaders use their skills, emotions, and intellect rather than their emotions only. It means that managers avoid being trapped in the hidden agendas of other people. It means going with the flow and when necessary swimming against the tide. It means seeing the future through the lenses of the various stakeholder groups and understanding why senior managers have concluded that offshore outsourcing is in the organization's best interests.

A third rule of thumb is to not fight an uphill battle. This rule calls for building upon strengths and using approaches that are participative rather than autocratic, open rather than closed. Some corollaries are build resources, bridges, allies; do not do anything that could be accomplished

faster and better by a team representing different stakeholder groups; make the critical decisions and take the necessary actions before opponents divert the resources, destroy the bridges, or scare the allies; and do not argue what can't be won.

The fourth rule is to not try salvaging a bad operation with outsourcing. A poorly operating back office process may not improve by taking it outside to an outsourcer in a country on a distant shore with a different culture. It takes at least one of two conditions for a back office to operate ineffectively: incompetent functional managers and/or organizational ignorance of the potential business value of the back office function. After outsourcing, the supplier may eventually compensate for incompetent functional management, but so long as senior managers do not understand how to leverage the capabilities, the outsourced function may remain unappreciated. The best candidates for outsourcing are functions that are well run and well understood. Outsourcing then offers the opportunity to make it better and cheaper.

The fifth rule of thumb is to build an umbrella over the outsourcing process with committed allies. Even poorly conceived experiments can succeed when the participants feel ownership and are committed to the program. When stakeholder groups are brought together to support one another's efforts, everyone can be motivated to move in the desired direction.

Insensitivity to the cultural dimensions

Language, values and other differences in national culture come powerfully in to play when outsourcing offshore. Cultural differences can make communications more difficult and cause misunderstandings between the supplier and the customer organization. Effective outsourcing managers spend a lot of time educating the people in both organizations about each other's cultures and traditions. Geert Hofstede(1980) was the first researcher to identify the dimensions of national cultures. He found that there are significant differences in cultural environments between the US and other national cultures. He surveyed 116,000 IBM employees in forty countries and found that national culture has a major impact on an employee's work-related values and attitudes. Managers and employees alike vary on five dimensions of national culture - power distance, individualism vs. collectivism, quantity vs. quality of life, uncertainty avoidance, and long-term vs. short-term orientation.

Hofstede defined *power distance* as the degree to which people in a country accept that power is distributed unequally. It ranges from relatively equal (low power distance) to extremely unequal (high power distance). *Individualism* is the degree to which people in a country prefer to act as individuals rather than as members of groups, while collectivism is low individualism. *Quantity of life* is the extent to which assertiveness, acquisition of money and material goods and competition prevail. *Quality of life* is the degree to which people value relationships and show sensitivity for the welfare of others. *Uncertainty avoidance* is the extent to which the people prefer structured rather than unstructured situations. People in countries with a long-term orientation look to the future and value thrift and persistence. Short-term orientations value the past and present and emphasize respect for tradition and fulfilling social obligations.

There are important differences between US and Asian, Middle Eastern and South American cultures. The US places high value on individualism, emphasizes quantity of life, is low on uncertainty avoidance, see small power distance, and have a short-term orientation. Most Asian countries, on the other hand, are exactly the opposite. Asians value collectivism and quality of life have high need to avoid uncertainty, maintain a long-term orientation, and power distance is very unequal.

Neglecting the relationship foundation

Paying too little attention to building a relationship foundation is a common mistake in part because American organizations have a short history effectively managing supplier relationships. In years past, organizations tended to keep an arms-length relationship with suppliers by awarding short-term contracts to supply items or services, usually according to precise specifications. No thought was given to suppliers as a source for ideas for improving the business. Supplier relationships in the 1970s and 1980s were tense, if not outright adversarial. The buyer organization might engage the same suppliers repeatedly, but there was no assurance of repeat business. Price was usually the determining factor for getting the work, and organizations maneuvered over suppliers to squeeze out the lowest possible price. The threat of switching to a different supplier was the organization's primary weapon, and short-term contracts with multiple suppliers were used to promote lively competition among suppliers.

When outsourcing arrived in a major way about two decades ago, these old "arm's length," "give-them-hell" ways of dealing with suppliers carried forward into how some organizations dealt with outsourcers. Incomplete outsourcing contracts were written in haste, and the outsourcer usually assumed responsibility for a distressed function for which meaningful past performance levels often did not exist. As a consequence, useful metrics were not specified in the contract and relationship management practices were inadequate. Keep your eye on them and check the invoice carefully was the prevailing way to manage the suppliers. Without metrics or a process in place, the supplier did not feel compelled to report on much, and the customer managers avoided taking joint responsibility. This way of dealing with suppliers usually resulted in less than satisfactory performance, fueled complaints about over pricing and underperforming, and led to complaining, blaming, and inflaming. The interval between the honeymoon and the pending divorce can seem short when two organizations have lost confidence and trust. Offshore outsourcing appears to have followed a similar "arms-length" pattern at the beginning, but has also matured over time.

Successful outsourcing managers treat the outsourcer as a valuable source of sustained value. Time and resources are devoted to managing the relationship in a manner that builds mutual trust. Managers from both organizations are held accountable for achieving the best possible value from the relationship, with the intent of keeping the relationship for as long as it brings value. Effective outsourcing managers strive for long-term relationships and concentrate on alignment of the outsourcer's motivations with the customer organization's goals and priorities. Successful outsourcing managers attempt to objectively and fairly measure performance of both organizations and their joint and individual contribution to the relationships. Effective outsourcing managers foster open and honest communications and emphasize the importance of a sound working relationship with the supplier. Interdependency between the two organizations eventually emerges in which change in one affects the other, and both the supplier and customer organization begin to act as an integrated whole.

Once the decision is made to consider outsourcing, senior management needs to identify who will be given responsibility for management of the relationship. There is no better way to understand the issues and the people than to be involved in all aspects from the initial planning and analysis to the decision and implementation. A relationship with the supplier starts at the moment discussions begin. Continuity with the key people in the other organization can make a significant difference in building the relationship. The benefits of outsourcing are difficult to achieve without building a solid foundation for a well-managed relationship.

Inadequate flow of open information

Global outsourcing connects people in the outsourcing organization with people in the supplier organization. The people usually come from diverse backgrounds and national cultures with different norms, values, languages and practices. Needless to say, working effectively together in a new outsourcing relationship is not easy. At the outset, people may encounter more mine fields than rose gardens and discover that the new relationship introduces additional challenges of its own.

One challenge is maintaining the necessary flow of information. Enlightened and progressive organizations in the best of circumstances usually find it difficult to maintain open communications channels. Outsourcing introduces the added difficulty of getting information to flow up and down the organization and laterally back and forth with the outsourcing suppliers. A related challenge is predicting the effect of actions or inaction on another organization. What the outsourcing managers anticipate may not be what they get and what solved yesterday's problem may create new problems tomorrow?

In the individualistic US culture, communications tend to be oriented to the individual and clearly spelled out. US managers rely heavily on memoranda, announcements, position papers and other formal communications to state their position on issues. Supervisors at the next level may hoard information in an attempt to make themselves look good (filtering) and as a way of persuading their US employees to accept (or reject) decisions. For their own protection, lower-level employees also engage in these practices. In collectivist countries, there is more interaction for its own sake and the manner of interpersonal contact is more informal. In contrast to the US manager, the offshore Asian manager first engages in extensive verbal consultation with employees over an issue and then later draws up a formal document to outline the agreement made. In Asia, decisions by consensus and face-to-face open communications are a natural part of the work setting. These cultural differences can affect the way people in the outsourcing client organization communicate with the people in the supplier organization. These differences can hamper communications quality and understanding.

Inattention to human communications barriers

Human-to-human communications can surface significant barriers. The barriers include filtering, selective perception, information overload, emotions, language and gender. *Filtering* refers to the ways a sender manipulates information so that it will be seen more favorably by the receiver. Telling the boss what one thinks the boss wants to hear is an example of filtering? Factors which tend to increase filtering include number of levels in the organization and the extent to which organizational rewards emphasize style and appearance and thereby encouraging managers to filter communications in their favor.

Selective perception is selective hearing of communications based on one's own needs, motivation, and other personal characteristics. People from different cultures and backgrounds perceive the same events and messages differently. *Information overload* is the result of information available exceeding ones processing capability. Information overload causes people to ignore, select out, pass over, forget information, and/or just stop processing it all together. In any case, the result is lost information and ineffective communication. Emotions also play a part, for how a person feels when a message is received or sent influences how it is interpreted. Feeling happy or depressed impacts how a message is received and interpreted.

Finally, *gender and language* are two more potential barriers to effective communications. Men and women communicate differently. Women often communicate to develop a relationship

with the other person, while men tend to communicate to solve a problem or demonstrate power. *Language* refers to the different meanings for words. Age, education and background are three obvious variables that influence the language a person uses and the definitions he or she applies to words. The meanings of words are not in the words, they are in us. Jargon and technical language are two other examples. Senders of messages should not assume that the receiver interprets words and phrases with the same meaning. It is important to avoid slang and jargon when communicating with offshore counterparts. Indians learn British English, not American English; Chinese software workers learn the formal written language, but usually not the jargon, acronyms and slang.

Given that these communications barriers are possible wherever two or more humans gather together, outsourcing managers need to know how to overcome the barriers. *Feedback* is one way, which means checking the accuracy of what has been communicated or what was heard by restating the words. *Simplifying the language* is a second way. It is essential to use words that the intended audience understands. *Active listening* is a third way. We should listen actively and attentively for the full meaning of the message without making premature judgment, quick interpretation, or thinking about what to say in response while the other person is still talking. A fourth way is to communicate only when *neither person is emotionally charged*. If emotions are running high, it is best to calm down before attempting to communicate.

The proximate location of supplier personnel in relation to the customer organization's outsourcing team can affect the spontaneity and richness of communications. The richest is face-to-face communication because sound, sight and body language all convey meaning. The second richest is video conferencing, third is telephone, and the least rich form of communication is written messages (memos, letters, emails) Several dimensions of location affect the ability to communicate with, work with, and manage an supplier. One is the nature of the work. When coordination with users or internal people is critical to the project, rich communications is important. This is the main reason why some organizations locate 15-30% of the offshore supplier's staff onsite and use video conferencing to communicate between the onsite and offshore teams.

Spontaneous and rich communication is easiest for people located in the same suite of offices. It is still not difficult for people in the same building, or people who work in different buildings on the same campus. The communications difficulties increase from working in different locations in the same city or region, in different regions of a country, or in different countries. If the customer and supplier people, who must communicate regularly, are located on different continents with widely differing time zones, effective communications is more difficult. Video conferencing capabilities and other technologies can improve the richness of communications across time zones and continents.

Ignoring the risks

Most organizations seem to avoid exposing the risks before or after a decision to consider outsourcing. All business decisions or actions involve technical, functional, political, environmental and systemic risks. *Technical risks* arise if what is to be accomplished requires a change to new, unproven technology or systems. Project risks increase when the project is large or complex relative to the resources in time, money, people, and skills available. *Functionality* risk is the risk that, although the project does what is specified, it still fails because the specifications were in error, what is actually needed exceeds what was specified for the project, or the environment and business requirements changed. *Political risks* are when persons or

groups inside the organization resist or even act to undermine a new project or change effort. *Environmental* risk results from macro-economic factors, governmental regulations, and legislation that may impact the success of the project. *Systemic* risk is a large shift in the environment that changes major conditions and assumptions and obviates the analysis on which a project's scope was originally based.

In addition to the above generic risks, outsourcing involves additional risks, such as inadequate transition planning and execution, incomplete contracts, lack of clear objectives, and so on. If the relationship sours, conflict with the supplier increases the costs of managing the relationship, and the relationship may begin to collapse. Finding another supplier to replace the outsourcer is an expensive and time-consuming process, as is bringing the function back in-house. Needless to say, this path of destruction should be avoided. Assessing the risks, planning for how to avoid or mitigate them, and mitigating when necessary can transform a threat into an opportunity. The Chinese symbol for a "crisis" defines it as both a "threat" and an "opportunity."

Management of outsourcing risk starts with an understanding of risk exposure. Risk is multiplied in any situation that involves a substantial departure from the past. Risk exposure is highest when the technology is new, the organizational and national cultures are different; the organization is critically dependent on the services to be outsourced, and/or the outsourced function is large or complex. The service required from a large or complex function is likely to be more difficult to specify and include in a contract, as there are more possibilities for misunderstanding, miscommunication, and conflict. Similarly, successful outsourcing managers normally do not rely on the outsourcer for services integral to the organization's mission critical functions or its competitive differentiators.

For each risk identified, analyze the sources or the underlying causes of the risk. Breaking down causes into further detail is extremely useful for more fully understanding the risks, estimating their probability and possible effect, and for ultimately managing risks when the outsourcing project goes forward. Try to quantify risk exposure for each risk identified, even if this can only be done in terms of categories like "high", "medium" and "low." Risk exposure is a combination of the effect of the risk and its probability of occurrence:

Effects can include costs incurred because of the risk, losses that might result from the risk, and delays. Also, recognize that each risk exposure can have a time profile with little or no exposure at some times during the term of the contract and high exposure at another time. Exposure can increase or decrease with changes in both the probability of occurrence and the size of the possible effect. If exposure will vary with time, make estimates of the time profile as well. Simple diagrams that chart exposure by time can aid in understanding the risk.

It is important to realize that some risks may be interrelated. For example, a new technology presents its own risks of making it work correctly, but new technology may also unleash a set of political risks when people are uncomfortable with it or favor an alternative.

Scenario analysis is a technique that can lead to better estimates of exposure to risk – both estimates of the probabilities of the occurrence of unfavorable events and estimates of the magnitude of their effect.

Finally, prioritize the risks. Discard those judged to be insignificant. Of those remaining, and starting with the most significant, make a reasoned guess at how successfully each risk can be managed and at what cost. If management can include preventive efforts, adjust the probabilities accordingly and include the management costs in the cost analysis. If monitoring to detect the occurrence of a risk and action to minimize the effect of the risk are feasible, rework the risk analysis and size of exposure to reflect this.

After identifying the risks, the team should consider ways in which each might be mitigated or minimized. Risk management consists of planning, resolution by elimination or reduction, and follow-up or monitoring.

For each risk, think of approaches for managing it. Can the risk be avoided, or can it be reduced? If the risk can't be avoided, is it possible to transfer the risk to the supplier? Is it a good idea to make such a transfer? How much time and expense would be involved? Are the efforts one-time or continuing? How successful are management efforts likely to be?

The persons to involve in risk analysis depend on the issues. For an outsourcing decision that is non-controversial and involves a very limited and stable function in a slowly changing environment, little risk analysis is needed. The analysis could be reasonably completed in a meeting or two. Complexity is lessened somewhat if the project is seemingly non-controversial and most key stakeholders appear to favor it. Unfortunately, this is seldom the case when outsourcing. It is important that the team analyze the risks of off shoring versus the risks of outsourcing domestically or not at all. (Klepper and Jones, 1998)

SUMMARY

Successful outsourcing requires that management proactively manage the process with a core team of strong leaders and an involved steering group of senior executives. It is unwise to rush into outsourcing without understanding the needs of key stakeholder groups and identifying specific outsourcing objectives. A disciplined, structured approach to analyze and decide if outsourcing offshore is the best alternative and proactively managing the process and the relationship are essential. If management does not know what the organization is trying to achieve by outsourcing, unrealistic expectations rule the day, and the real needs of the customer organization may remain unmet.

Successful outsourcing managers take the time to learn about the successes and failures of other organizations, to identify where the organization is headed with outsourcing, to plan how to do it and then do it according to plan. These successful managers bring allies and supporters onboard, establish a sound foundation for the relationship, assess the risks and plan for actions to mitigate them, keep stakeholders involved and informed, and ensure that the expectations of stakeholders are understood and the requirements of the organization are satisfied.

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