



OFFshoring Infrastructure: Global Challenges, Global Opportunities

By Michael Hanson

Offshoring—moving jobs to other countries—is a topic that elicits strong reactions from people. Management is frequently in favor of it, for a variety of reasons; workers, on the other hand, can feel threatened, fearing that their jobs are in danger. There are political, economic, and ethical arguments for and against offshoring, but the one sure thing is that it's here to stay: it's been predicted that 3.4 million white-collar jobs and \$151 billion in annual wages will have been offshored by 2015.

About a year ago, my work responsibilities expanded to include some new functions, including managing a new team based not in the United States, but across the Pacific Ocean in the Philippines (specifically in Taguig City, in southern Manila). My company has always been global, with a presence in many countries across Europe, Asia, and Australia, but this was my first exposure to the idea of offshoring.

As part of the process, I worked with our global sourcing department to locate and interview prospective staff; the interviews were coordinated by a local manager in Manila, and I held the interview by telephone. Once the staff had been hired, I spent

two weeks in the Philippines meeting, training, and working with my new team—a fine group of people who made me feel very welcome and even took the time to show me some of the local sites one weekend. It was informative and fun, and I look forward to going back.

This experience sparked my interest in the concept of offshoring, and I've spent quite a bit of time since then speaking with business associates and acquaintances both inside and outside my company about the challenges and rewards.

Why Send Jobs Overseas?

What are the driving forces causing businesses to hire staff outside of the United States? It's impossible to avoid the issue of cost. In many countries, it's possible to hire equivalent talent for as much as 60 percent less than an employee in the same position in the United States. Those kinds of savings can have a significant, measurable impact on the company's bottom line, and it's why everything from call centers to development is being offshored.

It should be noted that this trend isn't restricted to the United States. On a recent trip to Manila, I had the opportunity to speak with representatives from corporations that were establishing offshore teams. While many were from US-based companies, there were more than a few from China, Japan, Brazil, Canada, Australia, the United Kingdom, and other countries. Businesses are interested in saving money, no matter where they're located, and offshoring is a proven and effective means of doing that.

Moreover, cost savings lead to efficiencies. Where a software developer in the United States might cost upwards of \$70,000 plus benefits annually, a developer at the same level but hired offshore could cost at least half as much. By translating domestic savings into additional offshore staff, the development team could be larger at no extra cost.

Offshoring also effectively extends the length of the business day. By placing staff in locations around the world, in various time zones, support can be provided at any time, from anywhere, and project work can continue well past sundown in the United States.

And certainly we can't ignore the fact that the world is shrinking. To maintain a presence in the global business economy, it is important to have staff outside of the United States. For many companies, having multinational teams is a selling point for their product in the global marketplace. It demonstrates an acceptance of the fact

that the world is not just one nation over another, but a global business community of people working together to advance their careers and businesses.

The Challenge of Offshoring

As a company starts to offshore business functions, it will face a variety of challenges. First, and most obvious, are the cultural differences between the United States and the offshore country.

Both staffs will likely struggle with cultural concepts, languages, and ideologies that are unfamiliar. (It gives a whole new meaning to having a diverse team.) For example, in some cultures it's socially and professionally unacceptable to disagree with a colleague or express a dissenting opinion. Spirited debate and disagreements aren't uncommon in the United States, and this can lead to confusion and bruised feelings on the part of the offshore party. But there may also be cultural issues to work out at home, simply to help everyone accept the fact that some jobs are being sent offshore. Employees remaining in the United States need to understand the company's reasoning behind offshoring, so share whatever you can. Cost may

be the driving factor, but make sure your employees understand that there's more at stake than simply saving money, things like operational efficiencies and globalization.

Second, careful thought needs to be given to how offshore teams will be managed. Cultural issues are minor compared to potential HR issues. Laws governing holidays, time off, overtime, and a host of other things need to be taken into consideration. To ease this burden, some companies have divided the management responsibilities between two roles: the functional manager and the people manager. The functional manager can be based anywhere and is responsible for assigning and monitoring work; the people manager is based in the offshore location and handles country-specific HR issues. Different cultures often have very different expectations surrounding career development, from the hiring process on up. For example, salary and benefit negotiations can be very different from what you'd find in the United States. In some countries, it's acceptable to negotiate not only for salary but also for bonuses, transportation allowances, and even food allowances. (In the Philippines, for example, it can be very difficult to do any hiring in the December–January time frame because that's when year-end bonus payments are made, and people don't want to leave their current positions and miss out on that extra paycheck.)

The primary difference between offshoring and outsourcing, a related practice, is that offshored sites are generally considered to be “captive”—that is, extensions of a corporate presence into the global space, where the workers are not hired and managed via a third party but are actually employees of the company. This gives the hiring company much more control over the quantity and quality of staff needed for the functions being sent offshore.

Career progression is another good example. Here in the United States, it's not unusual to see some people stay in the same position for years; I know IT managers and technicians who haven't changed roles in twenty years or more. Offshore staffs often have a very different outlook—they expect their careers to have a clear and regular progression. This may not necessarily mean a formal promotion into a new position, but some process should be in place to formally recognize when an employee has new responsibilities or additional duties.

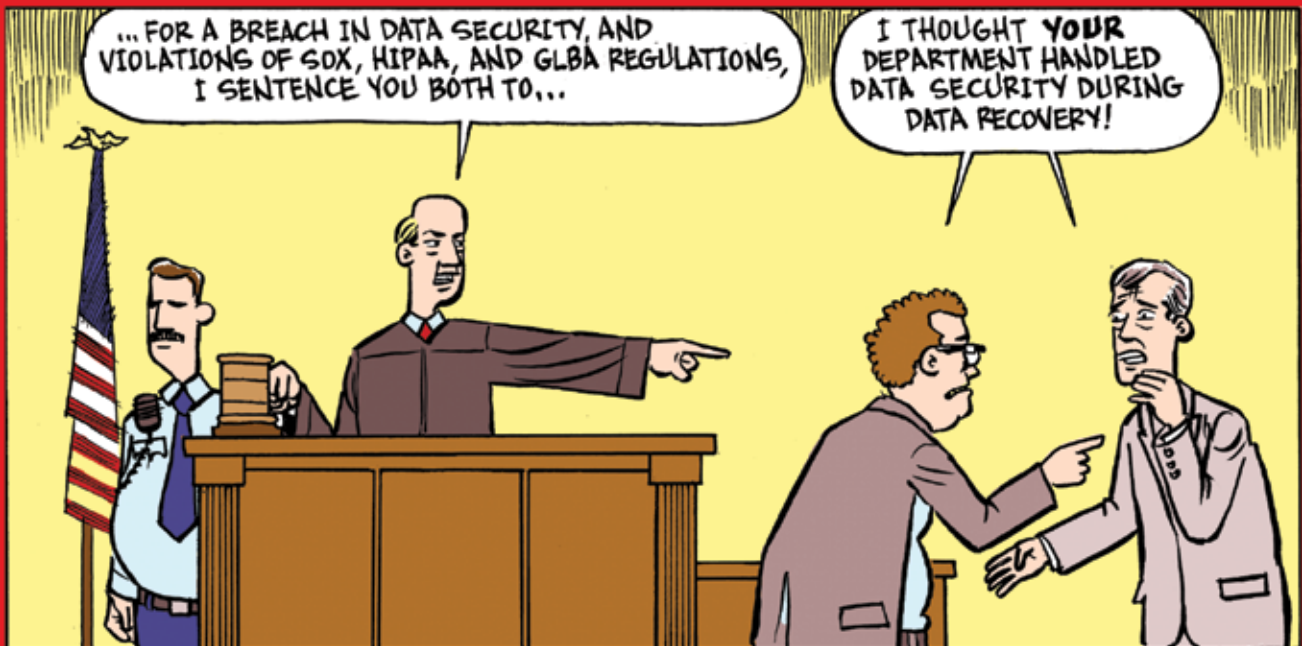
Third, countries that are selected for offshoring are often picked because their citizens (a large percentage, at least) are proficient in the English language. Tread lightly here, though, because the ability to *speak* a language does not always equate with the ability to quickly *comprehend* the meaning of what's being said. Be patient and keep a sharp eye out for potential comprehension issues. Remember, cultural taboos can sometimes prevent people from speaking up and saying they don't really understand the meaning behind the words. Pause frequently and ask questions to make sure everyone understands the current topic.

Fourth, time zones can be a blessing and a curse. If the work offshore staff will be doing needs to be done on US time, then you'll need to hire team members who don't mind working odd hours. For example, if a business is based in the Eastern US time

zone builds an offshore team in the Philippines, then the time differential is exactly twelve hours. So while domestic business hours might be 8:00 a.m. to 5:00 p.m., the offshore team would need to work from 8:00 p.m. to 5:00 a.m. (This can cause problems with turnover, as people leave to seek opportunities to work during the day.)

Fifth, if your company contracts with other businesses, especially if those contracts are with local, state, or federal governments, make sure you find out whether or not offshoring is an acceptable practice (some contracts are very specific on this point). If it's not, you may have to build separate infrastructures to fulfill these contracts.

Finally, keep in mind that all of these issues are equally challenging from the perspective of the offshore staff. Our culture may be just as baffling to them as theirs may be to us. Out of curiosity, I asked for feedback from contacts I've made at offshore sites, to see what specific issues they encounter when dealing with people from the US and other countries. Overall, the feedback was positive, but they voiced concerns about being treated poorly simply because they were foreigners. Just because the rate of pay is lower, that doesn't mean the people doing the work are any less skilled than their domestic equivalents.



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Overcoming the Challenges

So how do we get past these challenges and build effective teams? It's generally accepted that team diversity is beneficial; that shouldn't change simply because the diversity is being supplied by people from other countries. So, one of the first things we can do to overcome the challenges of a multinational team is celebrate diversity. Don't separate your team into the local team and the offshore team; this can foster an unhealthy "us vs. them" mentality. Instead, focus on getting your team to work together toward your common goal.

Also, address any cultural issues immediately. Even if it's just a simple misunderstanding, it's important to clear the air before the situation becomes difficult (or impossible) to resolve. Have team meetings and encourage everyone to talk about their backgrounds and things that are unique about their cultures. Arrange for team discussions, where a diverse group gets together without any management present to talk about anything they feel is relevant. Mixing teams up and keeping communication channels open is the most important thing!

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My experience building the Manila team was a very positive one, and I'm confident in their skills and abilities. I look forward not only to expanding my team in the Philippines but also to gaining some experience in Europe, India, and China.

The world is shrinking, getting smaller every day, and we must learn how to deal with that in a business context. Building a diverse and effective team is not only possible, it's necessary, because a strong global team makes for a stronger business. So take the time to learn about your offshore staff and integrate them into your existing team. Everyone—you, your team, and the business—will benefit from it.

ABOUT THE AUTHOR

Michael Hanson has been involved with many aspects of IT over the past twenty-five years, from application development to desktop support. Today he is a senior IT manager at UnitedHealth Group, Inc., where he proactively seeks ways to improve the delivery of service to more than 86,000 clients, through process improvement, knowledge and problem management, metrics and reporting, tool development, training, and business liaisons. He is a certified HDI Support Center Manager and he holds both his ITIL Foundation and Practitioner certificates. He is also a member of the HDI Desktop Support Advisory Board.

