

Why IT Outsourcing fails?

Offshore outsourcing comes with its set of risks and it known to fail at times. If one analyzes reasons for failures one will clearly realize that most of these risks can be mitigated. All it takes is a management commitment, mature process and mitigation plan.

Reasons of Failure	Why failure happens?	How to mitigate such risks?
Outsourced the wrong work	<ul style="list-style-type: none"> • If the client is new to offshore outsourcing and immediately starts outsourcing the core and critical functions of the business. • The outsourcing provider does not meet client expectations and instead performs poorly. 	<ul style="list-style-type: none"> • It is always better to start small non critical function first thus giving time to the provider company and your teams to iron out gaps and achieve steady state. • Do not expect similar or higher productivity levels immediately. • Do not expect enhanced performance levels immediately. • Conduct regular project reviews and assess ability of provider and consistency of performance.
Little documented project knowledge	<ul style="list-style-type: none"> • Outsourced work with little documented knowledge and your in-house employees did not cooperate fully with offshore team as they resisted outsourcing. • Outsourced work requires a lot of interaction with your internal staff and they may not cooperate. • Such scenarios lead to failure as the provider company is left with little help. 	<ul style="list-style-type: none"> • Never start outsourcing with work which is not well documented. Else it is better to get the outsourcing company to start documenting the project knowledge before the outsourcing engagement starts. • You can always follow it up with more complex and less documented work once the interaction between teams is smoothed and resistance is minimized.
Management not fully committed	<ul style="list-style-type: none"> • In-house employees will resist to any change and give way to rumors. They may become disoriented due to lack of clarity on their own future. • Management may then crumble to social pressure and reverse the change. 	<ul style="list-style-type: none"> • Before outsourcing it is very important to take management sponsorship and align the team to company's long term goals. • Reallocate, reshuffle and re-train your existing staff to take up new roles within the organization, if possible. If not, then management should be accessible to address the team.

<p>Expecting savings over night</p>	<ul style="list-style-type: none"> • Client feels disappointed with the productivity and performance levels immediately after the project begins. • Client feels a lot of precious time and effort has gone into trainings, travels and knowledge transfer to offshore teams. • You feel too much interaction is required between the provider team and your team for managing and executing work offshore. 	<ul style="list-style-type: none"> • Setting realistic expectations about how long it takes to get to steady state helps reduce unrealistic expectations. • A proper knowledge transfer strategy prepares the service provider for challenges of your work. • Running a Pilot ensures that issues are worked out and the foundation is laid for the service provider. • In long-term relationships, conduct quarterly reviews. Assess ability of service provider and consistency of performance
<p>Client team feeling insecure</p>	<ul style="list-style-type: none"> • Client internal staff may become unsure of how outsourcing will impact their jobs. • In effect they resist and do not cooperate with offshore teams as a result the outsourced work and performance suffers. • Insecurity leads to rumors within your organization and management may reverse the change. 	<ul style="list-style-type: none"> • Before outsourcing, educate your people. Give them different role and responsibilities if possible and align them to company's long term goals. • Honest communication with your employees will reduce resistance. • Senior management needs to be ready to address employees concerns and rest the rumor mill. • Management may need to reiterate the drivers for outsourcing and how it benefits the company and them.
<p>Selected the wrong provider</p>	<ul style="list-style-type: none"> • Many companies end up selecting the provider with the lowest billing rates and thus run into a risk of being in the hands of an immature and inexperienced outsourcing services provider. • Offshore IT services provider is located in a geographically unstable country. • Service provider is financially unstable. • Service provider has high employee attrition rate. 	<ul style="list-style-type: none"> • Clients should not go with the service provider with the lowest estimate and billing rate. • Running a Pilot ensures you assess the capability of the service provider company. • Vigilantly monitor progress of the offshore provider. • Actively provide feedback to the provider and run quality audits periodically. • Study the stability of country and provider both financially and politically.
<p>Insufficient operational readiness</p>	<ul style="list-style-type: none"> • Without proper planning; your communication with offshore team may suffer and be cost ineffective • Communication with an offshore team requires improvement in network and security policies. A reliable and cost effective telecom back bone is also a must. 	<ul style="list-style-type: none"> • Prepare an infrastructure which enables your managers to smoothly monitor work offshore. When going in for offshore outsourcing, make sure your network and telecom backbone are ready, reliable and cost effective.

<p>Risk to IPR and confidentiality</p>	<ul style="list-style-type: none"> • Legally and socially not all offshore countries are best placed to provide you confidentiality and IPR protection. • If you do not consider this risk initially you may end up fighting legal battles to protect your IPR. 	<ul style="list-style-type: none"> • Always select proven destinations for offshore outsourcing like India, where over the year's providers have created the legal and security infrastructure in place to protect client IPR and confidentiality. • Additionally you may look for ISO: 27001 (Information Security Management System Standard) certified providers.
<p>Cultural difference effecting customer</p>	<ul style="list-style-type: none"> • Cultural incompatibility may arise due to difference in work culture and work ethics • You find it difficult to adapt to the style of governance and value system of the provider company. • You are disappointed with the attitude, aptitude and problem solving capabilities of provider company employees. 	<ul style="list-style-type: none"> • Treat the supplier as part of your extended organization and not merely as a sub-contractor. This will close cultural gaps and lead to better working relationships. • Make sure you analyze the IT services provider for their work ethics, employee attrition, employee attitude and aptitude and governance to select a compatible service provider. • Run a pilot first to be sure on your decision on provider.

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