How to Make Offshore Outsourcing Deals Withstand Crisis Situations

The Satyam fiasco. Economic recession and budget cuts. These 5 tips will help IT departments create effective contingency plans to transfer services back in house or to another service provider when the unexpected happens.

By Dean Davison

January 16, 2009 — CIO — Globalization is suffering from economic, financial and political challenges. IT organizations can improve results and mitigate risks by revamping offshore strategies. Implementing globalization no longer creates automatic competitive cost advantage. While nearly all companies have globalization programs, most were created randomly and reactively without strategic consideration. To gain competitive advantage, companies must strategically engineer the integration and synergy from service providers.

Every company with globalization contracts should evaluate its diversity and develop contingency plans to ensure continuity. In today's uncertain world, IT organizations must have contingency plans to transfer services back in house or to another service provider. Without transition plans, IT organizations are left to devise solutions during crisis circumstances or face the unwelcome scrutiny of corporate boards that question the judgment and decisions of IT programs.

Without taking decisive action, IT executives expose their organizations to increased risk. Government policies, currency exchange rates, vendor performance, or any force that disrupts the status quo—can seriously impact the delivery of contracted services. IT organizations can best prepare now to create competitive advantage and to avoid unnecessary risks.

Critical strategic changes include the following five actions:

1. Diversifying the types of vendors, emphasizing smaller, specialized providers that offer more customized solutions and better executive access.

2. Consolidating service providers to a handful of manageable relationships while continuously measuring the effectiveness and efficacy of each contract.

3. Rationalizing service providers rapidly during merger or acquisition rather than letting stale agreements linger, increasing risk and undermining cost reduction goals.
4. Developing transition plans in case a vendor fails to perform according to the contract or otherwise becomes an unattractive partner.

5. Ensuring the integrity of people, both internally and with the service provider, through effective and personalized human capital management.

Dean Davison is a leading authority on the subjects of outsourcing and globalization. He has published hundreds of articles and facilitated coaching sessions with CIOs on six continents in regards to outsourcing and globalization. He began his outsourcing work at META Group and had also worked at firms such as EDS, neoIT, and now Collabera, a $300M, privately-held globalization provider headquartered in Morristown, NJ.

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