Offshoring Information Technology
Sourcing and Outsourcing to a Global Workforce

By Erran Carmel and Paul Tjia
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The interest for offshore IT sourcing is growing. Thousands of western firms are conducting IT-activities in countries such as India, Serbia, Egypt or China. Since the number of books on this topic is limited, "Offshoring Information Technology - Sourcing and Outsourcing to a Global Workforce" has been published by Cambridge University Press. The book is written by Professor Erran Carmel (American University, USA) and Paul Tjia (GPI Consultancy, The Netherlands). It contains more than 300 pages and is one of the most informative and detailed publications available on the subject; it has been reprinted five times.

The decision to source software development to firms in low-cost countries (offshoring) is looked at frequently in simple economic terms: it is cheaper, and skilled labour is easier to find. In practice, however, offshoring is fraught with difficulties. As well as the considerable challenge of controlling projects at a distance, there are differences is culture, language, business models, politics, and many other issues to contend with.

Nevertheless, as many firms have discovered, the benefits of getting it right are too great to ignore. This book explains everything needed to know to put offshoring into practice, avoid pitfalls and develop effective working relationships. It covers a comprehensive range of important offshoring issues: from cost advantages to strategy, from service levels to cultural differences, from country comparisons to the marketing of offshore services. Many real-life examples have been collected, as well as countless stories and anecdotes. An offshore manager commented after reading the book: "Had it been available, it would have positively influenced productivity and performance in offshore IT work - and saved sleepless nights for many people!"

The book is written for CTOs, CIOs, consultants and other IT executives. In addition, the book is informative for providers of offshore services and for policy makers and analysts in or around governments. It is resource for students and teachers in business and technology programs.

As Mitch Betts from American magazine Computerworld writes: “Superb content ... don’t fly to Bangalore without reading this book”. And according to Kevin C. Desouza: "a well articulated, well-organized, and timely book on offshore IT Outsourcing" (IEEE Software). Robert M. Davison: "Overall, this is a highly valuable contribution to our knowledge about offshoring that I warmly recommend" (Electronic Journal on IS in Developing Countries).

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Part I: The fundamentals

Chapter 1: The offshore landscape

Offshoring Information Technology is an important milestone in the history of global economics: the six principle forces of offshoring. The historical context, and lessons for the future (progression & diffusion). The offshore stage model. An overview of strategic advantages, and the challenges of offshoring. What can be done offshore? The demand for offshore work in the main markets, and the offshore supply (including nearshore destinations). Other activities: IT enabled services. Concluding comments.

Chapter 2: Offshore economics and offshore risks

Cost savings: finding the lowest wages through labor arbitrage. A discussion of the transactions costs and the total savings from an offshore strategy. Extra offshore costs, such as search and contract, restructuring, knowledge transfer, travel, and overhead. What is the bottom line? Does offshoring lead to cost savings? Case study: Calculating the extra offshore costs at a giant American corporation. An overview of offshore risks. Assessing and managing these risks. Concluding lessons.

Chapter 3: Beginning the offshore journey

This chapter is devoted to the importance of preparation for the offshore journey: the three phases. Laying the foundation and assessing the offshore readiness. Setting up a launch team, hiring external expertise and creating a strategy and a plan. Selecting the right project to start. Identifying and locating the providers. Several criteria for country and provider selection. The RFI and RFP. Assessing & selecting the provider. Making the offshore visit. Making the recommendation and contract negotiations. Concluding lessons.

Chapter 4: The offshore country menu

An explanation of the growing offshore landscape. Three tiers of software exporting countries: mature, emerging and infant stage nations. What country to choose? The many factors to consider in location decisions, and an overview of country risks. Incentives provided by governments. Case study: Sport Systems Inc. shops for an offshore provider. Country sketches: the Big Three destinations (India, China, and Russia). Plus a selection of eight other countries, from Latin America, Asia and Eastern Europe, such as Latvia, Romania, Malta, Vietnam, Bangladesh and Costa Rica.

Part II: Managerial competency

Chapter 5: Offshore strategy

The corporate strategies that are unique to offshoring. The cost-reduction strategy and the Offshore Stage Model. How much to offshore? Leveraging offshore strategically: beyond cost savings. Strategic goals, such as speed and agility, innovation, technological diversification and new revenues. Strategic perils and missteps in offshoring. Strategic collaboration: the various offshore business models. Multiple providers versus provider partnership. Case study: GE in India. Concluding lessons.

Chapter 6: Offshore legal issues

This chapter introduces the key legal areas where rules affect the business: IP protection, labor and employment rights, import and export issues, privacy and data transfer. Government approval of outsourcing. Taxes. Principal deal structures: a captive center/subsidiary, a joint venture, Build Operate Transfer, and outsourcing. Forms of agreement structures. Choosing the right partner: financial stability and location. Key service agreement terms; the SLA (Service Level Agreement). Dispute resolution.

Chapter 7: Managing the offshore transition

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Chapter 9: Dealing with cross-cultural issues

Many IT professionals are new to the topic of culture, and a deeper understanding is vital. What is culture: nine cultural orientations. Why culture matters in offshore projects. Examples of failure in cross-cultural communication, and examples of failure in language. Technology and cultural differences. Various steps to improve cross-cultural communication. Case study: Why the project was late: cultural miscommunication in an India-American collaboration. Case study: In a Russian sauna with the Dutch manager. Case study: Offshoring usability to India.

Part III: Other stakeholders

Chapter 10: Building software industries in developing nations

This chapter explains why software exports have become a cause for excitement in dozens of developing countries. The policy decisions when choosing a national IT strategy. Which focus to select: IT services, attracting foreign R&D, software products or IT enabled services? The categories within IT enabled services. Why developing nations should invest in building a software export industry. An overview of principal success factors, such as government vision, infrastructure, human capital, wages and international linkages. Concluding lessons.

Chapter 11: Marketing of offshore services: the provider perspective

This chapter is written from the viewpoint of the offshore services provider. What separates the successful offshore companies from those that fail? Lessons from marketing strategies of the large Indian providers. The major phases when exploring new foreign markets. The first steps, such as creating a business plan and conducting a SWOT analysis. Local marketing activities: how to find new clients? Dealing with prospective clients in business discussions. Country branding – marketing your country. External assistance with market entry. Concluding lessons.

Chapter 12: Offshore politics

Offshoring has become one of the most important social issues of the early 2000s. For the first time, jobs that were migrating offshore were not in factories, but those of white collar, highly-educated professionals. The immediate policy issue: the loss of jobs and a wage decline. The different reactions to the backlash. The longer-term policy issues, such as human capital, innovation and techno-nationalism. Concluding lessons.

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ORDERING THE BOOK

The American price of the book is around US$ 65; in the UK and Europe around £ 45. The publication is available at major bookshops and can also be ordered online:

amazon.com.

http://www.amazon.com/exec/obidos/tg/detail/-/0521843553/qid=1117135792/sr=1-3/ref=sr_1_3/103-0493790-6803865?v=glance&s=books

About the co-author of the book

Paul Tjia is a senior consultant and founder of GPI Consultancy in Rotterdam, The Netherlands. He has a background in Information Technology and Cultural Anthropology. He has assisted many clients embarking on the offshore journey with research, feasibility studies, country and partner selection, and due diligence. He also conducts intercultural training and promotes offshoring in The Netherlands by organizing seminars and study tours. For offshore providers, he arranges workshops on the international marketing of offshore services. He also writes articles and reports and speaks at offshore industry events. He can be requested to speak at your local event or seminar.

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GPI Consultancy

GPI Consultancy is specialized in the field of IT offshoring. It has the following main fields of activity:

- promotional activities (e.g. seminars, publications and study tours)
- consulting activities (e.g. feasibility study, country and partner selection, offshore transition, research)
- intercultural training (e.g. 'how to deal with the Dutch business culture', 'how to deal with the Indian business culture')

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