

## **Working Through the Pain: Lessons in How to Succeed at Offshoring**

After rocky starts, some U.S. clients are learning how to get better results offshore

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DECEMBER 05, 2005 ([COMPUTERWORLD](#)) - First-time offshoring customers often encounter a rash of unexpected difficulties, such as lower-than- anticipated cost savings and the need to send IT managers overseas for extended periods to resolve project problems. So serious are these issues that more than half of customers end outsourcing contracts prematurely, according to a recent survey.

Nevertheless, some offshoring customers that have encountered problems with overseas engagements have stuck with their providers, learned from their mistakes and applied the lessons to strengthen those relationships.

### **Offshore Surprises**

Organizations that send some of their IT work overseas have to contend with all sorts of challenges, including time zone, cultural and language differences.

As a result, dissatisfaction with offshore outsourcing is on the rise, according to two independent surveys of IT managers and businesses conducted earlier this year.

Last spring, Chicago-based DiamondCluster International Inc. surveyed 210 senior IT executives at Global 1,000 companies and 242 executives at outsourcing service providers and found that over the previous year, the percentage of users satisfied with offshoring providers fell from 79% to 62%. Even more telling was the number of customers who prematurely ended domestic or offshore outsourcing contracts within a year: That figure jumped from 21% in 2004 to 51% this year.

Several factors have contributed to dissatisfaction with offshore outsourcing agreements, says Tom Weakland, a managing partner at DiamondCluster. Fierce competition for top talent among offshore providers has led to increased employee turnover, and the type of work that customers are sending overseas is becoming more complex. Both of these elements are leading to a rise in troubled projects and missed deadlines.

Moreover, because the number of offshore providers has risen dramatically, buyers are facing increased risks, such as the possibility of vendor financial instability or the inability of new entrants to attract and retain top talent at low costs.

And customers often underestimate the changes wide-scale outsourcing deals can entail. "You're talking about complex business change and transformation," Weakland says.

It's not surprising that PricewaterhouseCoopers reported similar results in a study released in September. The firm surveyed IT and business executives at 156 financial services firms, and only half of the respondents said they were satisfied with offshore providers, citing problems with cost overruns, staff retention and cultural differences.

But dissatisfaction doesn't seem to be slowing the offshoring trend. In the PricewaterhouseCoopers survey, 74% of the respondents said they plan to increase their use of offshore contractors.