

The Appeal of Offshore Outsourcing Keeps Growing, and Growing, and ...

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For longtime U.S.-based systems integrators, the benefits of outsourcing work to affiliates outside of the United States are becoming so attractive that doing otherwise simply doesn't make good business sense.

Lower costs, an eager and educated work force, faster time to market, and foreign governments more welcoming to the Western style of business are just a few of the reasons U.S.-based systems integrators are taking the plunge.

For [Information Management Consultants](#), a Reston, Va.-based systems integrator with deep ties to India, outsourcing to India made a lot of business sense—especially once the Indian government started relaxing its foreign investment policies in the mid-1990s, says Executive Vice President Suresh Shenoy. That catalyst, along with other drivers such as lower costs, made the move very attractive—so attractive, in fact, that IMC now outsources more than 7 percent of its operations (in dollars) to India.

For all the press that outsourcing has received recently, there's really nothing new about it.

For example, [EDS](#), the behemoth systems integrator based in Plano, Texas, started outsourcing offshore in 1990 in Ireland, for customer General Motors. From there, the concept mushroomed, and today about 9,500 of the company's 130,000 employees are tagged as offshore employees. That number is expected to grow to 14,500 by the end of this year and to 20,000 by the end of 2005, says Travis Jacobsen, EDS' director of global industry communications. And

ay, instead of operating offshore services in one country, EDS operates offshore services in 25 countries.

Cost, of course, is one of the primary reasons for choosing the offshore outsourcing model—both for the systems integrator and the customer. The [McKinsey Global Institute](#), an independent think tank within McKinsey & Co., notes that lower wages in foreign countries translate into significant savings. A recent study notes, for example, that a software developer in the United States costs \$60 an hour, compared with \$6 an hour in India.

Shenoy agrees. “It costs about one-tenth to hire a person in India rather than in the United States,” he says.

Other reasons U.S.-based systems integrators are moving to offshore outsourcing include time to market, better service and delivery capabilities, and a desire by customers to diversify their delivery of services from multiple locations for risk purposes.

To ensure that the system works well, experts advise keeping tight control on travel expenses, making sure communication and network costs are on par with costs paid inside the United States, and working with countries where English is spoken.

Cultural issues also can become problems if not recognized and dealt with effectively.

“Know the local culture and its idiosyncrasies,” Jacobsen says. “In the United States, for example, both parties may understand the timeliness of a request or task, where that may not be considered polite in another country with a more relaxed business atmosphere.”

Shenoy provides another example. “Culturally, Indians are known to be very obliging, so when it comes to design, for example, you don’t want to have a hands-off approach with India. They will say they can do it, but before you know it, there is so much scope creep that it can get completely out of hand.”

To address cultural issues like these, many systems integrators provide cultural training for workers in various countries.

By focusing on the benefits and mitigating the risks, many systems integrators believe offshore outsourcing has tremendous potential—both for them and their clients.

“If you do it right, you’ll have the best of both worlds—and so will your clients,” Shenoy says.

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