



Guide to Strategic Technology Outsourcing

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Guide to Strategic Technology Outsourcing

Strategic outsourcing is where the outsourcing company is a long-term partner that is responsible for the success in certain aspects of the client company.

Who Should Use This Guide

This guide is for CIOs, CTOs, VPs of Engineering and senior managers who are considering or planning to add strategic outsourcing to their operations or who are tasked with making an outsourcing arrangement work for the company.

Tactical Outsourcing

Before looking at strategic outsourcing, let us quickly understand what tactical outsourcing entails.

Tactical outsourcing is mostly about solving immediate problems. If you are just looking to meet a deadline, access a specialist skill or resource for a short period of time, or get a project back on track, then you are looking for a tactical partnership.

Here is how a tactical outsourcing project looks.

- **Clear immediate need.** You have a problem that needs to be solved and you need help solving it either because you lack the skills internally or your employees are busy with other priorities.
- **Emphasize skills when looking for your partner.** You don't need to like the partner, they just need to have the right skills at the right price for a successful engagement.
- **Deliverables as goals.** Your goal and the goal of your outsourcing partner is a completed project within your specifications.

Strategic Outsourcing

For a strategic outsourcing engagement, you want to build relationships with your partners and grow together as a team.

Here is how a strategic outsourcing project looks.

- **Find your focus.** Invest in anything that helps improve your team and processes around your organizations' focus. Anything that doesn't fall within your focus is a candidate for outsourcing.
- **Find the right types of partners.** Partners in strategic outsourcing relationships need to be a good fit with the organization. They need to have similar values. Geography becomes more important so that you can call up your partner and spend time face-to-face fixing problems when things go wrong.

- **Cultivate balanced relationships.** You need to build a balanced relationship with your outsourcing partners. Be clear and tough with goals, but also understanding and receptive. You need them to be partners who will fight for you when you need and push back against you when appropriate. Balance is the only way you will achieve this goal.
- **Set realistic performance goals.** Improve the quality of your outsourced work over time by setting achievable goals. Reward partners for hitting their goals and ensuring that both sides benefit when hitting goals adds value.

Recommended Resources

- [Video: challenges of strategic outsourcing](#)
- [Strategic outsourcing for success](#)

Strategic Outsourcing Candidates

Once you are clear on what your own focus is, it is time to start thinking about which tasks to outsource.

Here are some strong initial candidates.

- **Highly-skilled or highly-specialized tasks.** It is difficult and expensive to keep highly-skilled and highly-specialized personnel on staff while fully utilizing their skills. Outsourcing those tasks is usually cheaper than keeping them in-house.
- **Highly repetitive tasks.** It is easy to find lower-cost skilled workers who can complete repetitive tasks offshore making highly-repetitive tasks good candidates for outsourcing.
- **Your infrastructure.** Moving data center functions to the cloud beginning with easy wins like archival, backup and storage removes the guesswork from provisioning while ensuring that you only pay for the infrastructure that you use.
- **ERP support and maintenance.** The expert skills required to maintain an ERP or similar enterprise system aren't typically needed full time.
- **Testing.** Even the most agile teams find that their testing needs vary over time which means they can either have under-utilized testing staff or a testing team that is overworked at critical times. Outsourcing testing lets you scale the team as needed while maintaining a stable of testers knowledgeable about your applications.

Benefits and Advantages

The most common reasons for outsourcing are to reduce costs and increase flexibility. But you can get more out of your outsourcing engagement than just that one benefit.

- **Scale your team to meet short-term needs without long-term commitments.** You can use outsourcing partners to keep your internal staff at full utilization without overworking them and risking missed deadlines or shoddy products that are the result of hurried work. You can meet seasonal and other cyclical demands without needing to find the necessary staff.
- **Lower operating costs.** Outsourcing partners may be more efficient with a mix of specialized skills and equipment that are easier to justify and fully utilize in an outsourcing context.
- **Flexible operating costs.** With an outsourcing agreement in place, fixed costs in running a team get shifted to outsourcing provider who is then responsible for absorbing them. You get to manage your operating costs and all of the benefits of budgeting certainty.
- **Focus on core competencies.** You can keep your team doing what they are best at while the outsourcing partner handles tasks that you wouldn't be able to do efficiently on your own.
- **Access specialized capabilities.** Outsourcing companies have a mix of specialists with skills that most other companies can't fully utilize in house. Outsourcing to the right partner means that you can get access to hyper-specialized skills for those few hours in a project where you really need them.
- **Free internal staff for other priorities.** If you see projects in the pipeline that will overwhelm your already busy staff, then it may be time to look at outsourcing some of their tasks so that you can have your team working on what's most important to your business.
- **Getting started with outsourcing is faster than hiring and training.** You will start getting productive work done faster by outsourcing than by hiring and training. If you are on a deadline, this can make a big difference between meeting and missing your deadline.

Risks and Disadvantages

Risks can be mitigated. Disadvantages can be managed.

But not if you aren't aware of them.

- **Losing control of the process.** A successful outsourcing arrangement needs to be properly managed. You need visibility and strong communication to maintain the proper level of control over the process and keep the arrangement on track.
- **Not having a disengagement plan.** The outsourcing company should document their work and share knowledge in such a way that you can disengage if things do not work out.

Delivery Models: Onshore-Offshore-Hybrid

Technology outsourcing has evolved now to the point where the biggest and most mature providers offer services onshore, offshore and in a hybrid mix between the two.

This is because some tasks are simply not suitable for offshoring while others really rely on accessing the much deeper global technology talent pool than what is locally available. Many of the biggest and most challenging projects require a mix tasks best suited to onshore and offshore delivery.

Onshore

- **Communication-heavy tasks.** Anything that requires a lot of communication between you and your stakeholders and the outsourcing team is best done onshore. Tasks like design and requirements gathering are two good examples. Anything that requires interviewing your staff or customers like BI report development also qualify. Being in the same, or nearby timezones and being able to pick up the phone and get answers to important question or quick feedback ensures that the project moves as quickly as possible.
- **Strategic projects.** Whether the strategic task is an internal one focused on your team or company or an external, customer facing one, strategic tasks are best done onshore. Internal strategy is best formulated onsite and often requires onsite presence to get proper buy-in from those who are most affected. Customer-facing strategy typically requires a level of cultural insight that you won't get offshore.

Offshore

- **Projects that require large numbers of technically skilled workers.** Quite simply, there aren't enough technically skilled workers in North American cities to support a sudden increase in demand. If you need a large number of Java programmers on short notice, then you need to look overseas to places that are graduating large numbers of Java programmers.
- **Projects with daily turnover or rapid cycles.** Projects with rapid or even daily turnover work well with offshoring. Outsourcing testing in an agile environment lets your agile development team deploy nightly builds for offshore testing and see results in the morning.

Hybrid

- **Project that combine aspects suited to onshore and offshore.** Web application and mobile development require a large number of skilled developers that are most efficiently found offshore, but they also require lots of communication to get the user interface and functionality right.

Recommended Resources

- [5 Ways to Evaluate Your IT Outsourcing Maturity](#)

Evaluating Potential Outsourcing Partners

Strategic outsourcing works best as a partnership and good partners aren't usually easy to find. Here is what to look for in an outsourcing partner.

- **What types of clients do they work with?** Do they work with businesses that are roughly the same size as your organization? Do they work with organizations that have similar types of needs and pain points as yours?
- **What kinds of past experience do they have?** Have they done projects that use many of the same technologies that your project requires? Be sure to ask for and, most importantly, check references.

- **Do they seem like a cultural fit with your organization?** This may not be something that you can get an objective answer on, but it is important that they seem like they will work well with your team.
- **Do they have solid project governance plans in place?** Your outsourcing partner should know more than you do about how to successfully outsource a project. They should be flexible to your needs, but also push back when necessary.
- **What kinds of project documentation do they provide?** Documenting progress throughout the project will help you manage the engagement while properly commenting and documenting code and other processes will allow you to transition responsibility in-house or to another outsourcing company more easily.

Recommended Resources

- [Startups: How to Evaluate an Outsourcing Partner](#)
- [Questions to ask when outsourcing technology services](#)
- [Ten Tips for Superior Outsourced Relationships](#)

What You Can Do to Get Better Results from Outsourcing

If you think you can just hire someone and forget about them, you will waste money, get a horrible end-product and have a bad outsourcing experience.

There is management overhead to outsourcing projects. Here's what you can do to ensure your ongoing relationship is as productive and valuable as possible.

- **Be open to communication.** You and key stakeholders from project managers, to key technical staff and management need to be responsive when working with the outsourcing partner. Not providing key technical information can stop work in its tracks. The quality of work suffers when project managers leave important questions unanswered.
- **Involve key players on your side in decision making.** Involving your team will help leverage your internal knowledge and spot and manage obstacles in advance. And it will expose any internal resistance and help overcome it.

How to Work With an Offshore Team

If you choose an offshore team, you should expect to do the following to keep work running smoothly

- **Set standard meeting times.** Communication is key to a successful outsourcing arrangement. Set standard meeting times from daily, to weekly to bi-weekly for project management, key technical personnel and management.
- **Think of them as a partner.** Yes, you are the customer, but by thinking of and treating the offshore team as a partner you remove barriers that can be a hindrance to success.
- **Share as much information as possible.** Don't be shy about sharing. If you think some document might have some useful information, share it. If you think one detail is more important than the other, then be clear about it.
- **Be responsive.** Answer questions quickly. Remember that if the offshore team realizes that they need something from you to continue working then work can potentially stop for the day.

Recommended Resources

- [10 Tips for Managing Projects with Offshore Teams](#)
- [How to successfully work with an offshore team](#)

Conclusion

Strategic outsourcing is a partnership. It takes more work to make the partnership effective and profitable than most people expect which is often why outsourcing fails to generate the expected return. A commitment to proper governance and management from all parties is necessary to have a truly successful strategic outsourcing partnership.