



GLOBAL WHITEPAPER

HOW TO CHOOSE AN OFFSHORE VENDOR

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INTRODUCTION

The offshore graphic and data services industry has grown tremendously over the years and today it is valued at more than 1 billion USD. The major market for offshore services is the United States, followed by Europe and Asia Pacific countries like Japan and South Korea. In terms of maturity and awareness of offshore outsourcing, United States is ahead compared to all other markets; however, other markets are catching up quickly.

KEY DECISION MAKING FACTORS

Companies of all sizes are considering outsourcing in a big way. The obvious advantage is the cost and the availability of highly qualified personnel. If you are considering engaging an offshore vendor then these tips can help you make an educated decision on which company to go with:

1) Knowledge Of The Industry Vertical

It is necessary that you choose a vendor who has working knowledge about the vertical to which your company belongs. A outsource vendor claiming to cater to all verticals and services will mostly likely have no specialization in any area. Choosing an outsource vendor which does not understand your industry can result in a very high learning curve, implementation delays and possible organization and customer stress and frustration. An outsource project meant to become a profit center may even become a cost centre for you.

2) Track Record

One of the best ways to check knowledge of a company is to pay attention to the track record of the company. Ideally, case studies of previous projects and/or client references of people and companies who you can contact are good indicators to check the working history of the company. This may take some time to do, but should definitely be done if you are considering engaging with a vendor for the long run.

3) Quality of Personnel

Another important factor in choosing an outsource vendor is its quality of personnel. Do its employees have degrees in the field that you specialize in? Other questions to ask are how large is the labor pool that the outsource vendor can draw from? Are there local educational institutions that specialize in the field of expertise?

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4) Employee Turnover

With regard to employee tenure, some outsource vendors in countries such as India are very successful in keeping employee turnover rates low. Others are struggling with high employee turnover and stiff competition for labor. Again, checking references of these companies will give you a very good indication of any turnover or quality issues related to the outsource vendor. Various factors such as the location of the vendor; treatment of its employees; compliance to local government regulations, all play a factor in employee moral and tenure.

5) Infrastructure

Offshoring requires good infrastructure and sufficient back ups to tide over various kinds of problems which might arise from either technical failure or geo-political issues. Apart from back up plans, regular telecom and hardware infrastructure along with physical infrastructure should also be considered when evaluating a vendor. Some key considerations:

- Does the vendor have adequate Internet redundancy? Successful outsource vendors have multiple Internet connections over the Pacific and Atlantic oceans.
- Does the vendor have adequate hydro redundancy? Does your vendor have sufficient UPS and a diesel generator to keep operations running in the event of a power grid power loss?
- Does the vendor have security personnel for its offshore facility? How does it protect your data and documents? Is there an emphasis on customer confidentiality and how do they enforce it within its organization?

6) Years of Business

Preferred offshore vendors are those companies that can show over 7-10 years of business (which means that they have been around since the time of the dot com crash and have managed to live through it) and a healthy percentage of growth. A fairly new company might have a good value proposition but there is a risk factor regarding business continuity that you might need to take into account.

7) An Onsite Visit

To validate all claims of an offshore vendor, one of the best ways to ensure that you choose the right vendor is to actually take a trip to the country where the vendor is based. A visit there can validate all the points above as well as give you an opportunity to meet the people who will be delivering business critical services.

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8) Ability to Scale

Can the vendor accommodate demand spikes? You should identify an offshore partner with an ability to accommodate growing requirements as well as temporary surge in outsourced work. The vendor should have a plan for ramping up the offshore team in a short notice. Ability to scale is not only restricted to bringing in more people, the vendor should also have the ability to offer additional infrastructure and connectivity to handle more work.

9) Commitment to a Relationship

Many major vendors work with multi-national corporations and a smaller client may not be considered as important as a fortune 500 client. In other words, a large vendor would most likely focus on serving large clients with large business volumes rather than serving smaller clients. All companies should choose a vendor who values the relationship and hence has a stake in the success of the engagement.

10) Lack of Well-Defined Processes

Small outsource vendors and start-ups do not always have defined processes for managing outsourced projects. The success of offshore projects heavily depends on the vendor's ability to have a well-documented plan of execution. Companies and vendors should spend time in defining the roles and responsibilities of their internal team and the vendors' team. Most successful outsource vendors have mature development processes in place and companies can adopt them.

11) Alignment of Focus

Outsource vendors come in different sizes and have different priorities! Some of them are large operators and some of them are small. You should choose a vendor most aligned to the company's needs. As of late, some of the outsource vendors are spread too thin by getting into non-traditional outsourcing services resulting in lack of focus.

12) Quality Certifications

Most well qualified outsourcing companies are now working hard towards quality certification to help them stand out in the crowd. Six Sigma or various software and technical certifications should be given preference when considering an offshore vendor. These quality certifications are usually awarded for the processes followed by the company and can go a long way in influencing the quality of work.

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OTHER FACTORS

Here is a scenario that brings out a contentious issue in outsourcing work to an offshore vendor. The sales manager of an offshore services company meets the operations manager of your company with an offer of delivering services at 40% lower cost than your domestic cost. The offer is too good to resist. Your management team hears about the impending deal. Now you will have to deal with prospect of “pruning” your operations and production department and also handle apprehensions about across the board pink slips. Some people argue that jobs are being exported to other countries at the expense of local work force.

The bottom line is that your company now has a large and cost effective resource pool. At the end of the day, the most efficient businesses have a better chance of survival and success in a highly competitive market.

CONCLUSION

Companies should spend time and effort initially to arrive at a process that will work for them and treat offshore outsourcing as a long-term strategic effort. With careful planning, evaluation and trials, you can enjoy the benefits of offshore outsourcing.

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