

NotesOn: Home-Basing Out-Sourcing and Off-Shoring IT Functions

There appears to be a great deal of on-going confusion in the Corporate world as to when to (a) Home-Base, (b) Out-Source or (c) Off-Shore some or all of its IT Functions. I tried to point out the answer to “when” in my post *NotesOn: The Sinking Ship School Of Business* but it may have gotten lost in my slightly cynical prose. So let me be clear and concise.

The answer to when to do (a), or (b) or (c) is simple and is predicated upon Rule #1 Of Business:

A Company’s (and IT’s), long term success is solely and only dependent upon its own success at creating an honest and ethical work environment which can sustainably Deliver the Quality product(s) and/or service(s) that it Promised to deliver to its Customers at a competitive price point that helps to ensure their ROI too.

No external influences and excuses for a business’s failure need apply. Surviving in any economic climate is strictly an “internal adaptive issue”.

That is the diamond hard truth of the matter. I have observed it to be true and know it to be true. And, perhaps, so do you.

If you don’t, won’t or can’t achieve the above “minimum survivability standard” it won’t matter what else you do to prop up or bail out your company or group.

Assuming you are factually focused on Rule #1 as a primary directive, the following guidance applies in full:

1. **Out-sourcing:** out-source (but keep in country) services and functions if and only when it makes long term economic sense. There must be a true, measurable, verifiable ROI (Return On Investment) for all parties concerned. *The focus point of out-sourcing must be expansion of capability not contraction and reassignment of responsibility.*

The exception to this guidance is the out-sourcing of government functions: save for security level and above activities (and data), out-sourcing government functions to home-base private sector companies always makes good sense.

2. **Off-shoring (and near-shoring):** never off-shore to economize. There is no good reason, economic or otherwise, to off-shore *any* in-country service or function. If you have gotten or are getting the itch to off-shore, you have not been fixing what is broken.

The company (and stockholders) would be better served if focus was put instead on the fundamentals of the business that have gone missing (or are being ignored). Off-shoring will not repair or replace broken or missing fundamentals.

3. **Home-basing:** always the best answer. There is no long-term justification for sending in-country jobs overseas (this applies to every country) in order to “economize”. Expanding product and service delivery into a foreign country, yes. That makes perfect sense. But that is not the same as cutting local jobs and sending them to foreign countries as a “remedy” to “corporate ills”.



The regional economic impact alone logically forbids such “solutions” as the ne plus ultra, the extreme end result of off-shoring is that eventually no one locally will be able to afford to buy your product(s) and/or service(s). When that happens on a sufficiently large scale a macro-economic collapse will, not may but will, follow. (Sound familiar?)

The reading of the business sections of reliable newspapers and the monitoring of business oriented blogs over the last couple of years have brought to light one example after another of companies (and IT groups) that failed to achieve or never tried to achieve Rule #1. As they sank below the waves for the second and third times they attempted various weird “life preserving” solutions in last gasp efforts to “bail themselves out” ... while simultaneously cranking up mass media marketing campaigns to (hopefully) make everyone believe they were succeeding when, in fact, they were not. One of those “weird” solutions was off-shoring.

Which brings me to the very “oddest” part of their “answer”, the part that helped trigger the writing of “The Sinking Ship School Of Business”. From everything I have observed, heard and read (sometimes between the lines) near- and off-shoring for non-expansion purposes has demonstrably failed as a viable solution on all levels (though super human efforts can make it appear to succeed in the short term). And yet it is still being propagated as “the answer” when the “true answer” is and always has been (I certainly am not the only one who knows this): *fixing fundamentals on the way to achieving Rule #1.*

In counter-point to such “weird” solutions, I offer one of the oldest social (and engineering) fundamentals in existence, paraphrased for our purposes:

You cannot build anything worthwhile or lasting on cracked or missing fundamentals. You can build just about anything worthwhile you wish if you and your team have the passion to do so and the subject area’s Fundamentals are known, understood and applied.

Of course this fundamental Fundamental very much applies to IT organizations, too.

If your IT organization is producing viable products, providing valuable services and generating genuine ROI there is no legitimate reason for it to be near- or –off-shored. Doing so *will be* detrimental to the company and to the stockholders. If it is not producing viable products and valuable services that generate genuine ROI then fix your fundamentals and rebuild. Doing so is faster and more remunerative than dumping the problem and responsibility in someone else’s distant, beyond-the-borders backyard.

Hope this helps.

DP Harshman

