Commentary

Offshore Infrastructure: Where Does It Work?

Sourcing infrastructure functions offshore can bring mixed results. Carefully examine the risks, success factors and alternatives specific to infrastructure offshore outsourcing before taking action.

Given today's economy, many enterprises are tempted to leap into offshore sourcing deals that promise highly skilled labor at a reduced rate. However, we caution you to take your time and develop a formal sourcing strategy in which you determine whether efficiency, effectiveness or competitive advantage can be obtained by using an offshore sourcing provider.

You also need to evaluate the options, risks and impact to your enterprise before entering into a sourcing agreement — particularly when the agreement involves outsourcing your infrastructure offshore. Although offshore outsourcing of application maintenance and development is somewhat proven, offshore outsourcing of infrastructure services is in the early stages of development and adoption. Generally, within outsourcing, the definition of IT infrastructure services encompasses data centers, distributed server support, networks, PC support and IT help desks. This includes many subsets of those services, such as remote monitoring, Web services and e-mail support.

Reduce Risk in Offshore Data Centers

Data center operations and support services such as help desk offerings are among the most complex infrastructure components to source offshore. Of these, data centers have been the most resistant to offshore outsourcing. Regional infrastructure maturity, security, network latency, network reliability, complexity of infrastructure requiring internal integrators and architects, and geopolitical influences render the offshore outsourcing of data centers problematic. In addition, data center leaders seem to be highly skeptical of turning over their operational centers to remote parties outside of their immediate influence or control.

To minimize these risks, consider establishing data centers in a familiar territory. Network latency is another aspect that drives most enterprises to prefer to outsource infrastructure to same-continent providers to get over the latency hump. If latency is not a problem, some aspects of data centers could conceivably be outsourced to semi-distant providers (for example, Australia to the Philippines), but there is not a strong pattern for global or offshore data center outsourcing. If you already have offshore facilities, you can move data center functions to your overseas site, which will enable you to leverage the
cultural and economic knowledge gained through prior experience in the region. When planned and executed in consideration of overall company needs, a more-comprehensive move offshore can reduce costs by consolidating multiple data centers in the offshore location.

Even without established facilities, however, some subsets of infrastructure data center services are likely to succeed when outsourced offshore. The most viable offerings include remote system monitoring, system engineering support and database administration. When determining which — if any — of these functions are ripe for offshore outsourcing, you should examine whether a function can be performed remotely, as well as whether each area is efficient and effective. If these criteria are met, the function may be a candidate for offshore outsourcing. Conversely, if your enterprise is efficient and effective as is, outsourcing may not be an option, regardless of its stand-alone capabilities.

Clear Communications in Support Services

IT help desks, which are often associated with customer call centers, are also billed as leading candidates for offshore outsourcing. However, planners should be aware that differences in dialect could lead to strained communications between agents and internal/external callers. Most often, these call centers provide services to external customers needing support for non-IT products. In addition, several hardware and software vendors also use these centers to handle technical calls from external customers.

Frustration with verbal communications between agents and callers is lessened in these instances, because external customers tend to be very tolerant and patient when dealing with help desk agents. By contrast, internal IT customers can be more impatient and quickly annoyed if there is a language issue that slows problem-solving. With this in mind, some enterprises have been reluctant to outsource internal help desk services offshore. Most recently, we saw two companies embark on offshore outsourcing projects only to cancel their plans. The reasons stated were:

- Higher costs in telecommunications and capital categories
- Lack of improvement in knowledge of problems unique to the company's environment
- Language barrier
- Integration with the rest of the IS organization

Another option would be to outsource the e-mail and Web services support problems offshore. Help desk agents are more likely to respond in writing to these issues, negating any verbal communication issues. A third scenario could include outsourcing the Tier 2, or more technical, help desk support. Once an end user realizes that he or she has a more difficult problem to resolve than can be handled through the Tier 1 help desk, he or she is more apt to effectively work with the remote agents to resolve the problem.

Although fairly pervasive, dialect issues shouldn't be considered "deal breakers" when determining whether to set up an offshore help desk. Enterprises that have major business segments in an offshore country can "insource" using their offshore employees to handle the internal IT help desk services. End users tend to be more tolerant of employees than of agents who are not employed by the parent company. In addition, dialect issues are not endemic to all countries. Where a problem exists, service providers often work with their agents to improve language skills. Although the current trend is limited to early adopters that are outsourcing to offshore service providers, this trend may change in two or three years.

Deliver Sound Business Decisions
As the business environment evolves, thoroughly examine each situation to determine whether offshore insourcing or outsourcing is appropriate. Determine which segments of infrastructure services to consider, such as e-mail problem support or Tier 2 support for the help desk. Next, planners should conduct an outsourcing feasibility study that is specifically designed to weigh factors such as financial ramifications, resource needs (onshore and offshore), knowledge requirements, changes to the enterprise, risk of offshore outsourcing, quality requirements and outsourcing alternatives. Evaluating all of these items will lay the foundation for informed decisions. The real question is not whether you can offshore, but rather whether you should.

**Bottom Line:** Offshore IT infrastructure services are not as fully developed offerings as application services. Before shifting infrastructure functions or departments overseas, carefully analyze your services and determine which subsets are candidates for insourcing and which might be appropriate to outsource. Before launching pilot projects, conduct rigorous feasibility studies to further define and measure all of the qualitative and quantitative factors that are essential to making sound business decisions. By following this process, you can seize a great opportunity and ensure that sourcing agreements support your overall goals.