On Board WITH Off

Attractive pricing and ready access to large teams of skilled developers are just a few of the reasons why U.S. training departments increasingly are turning to offshore vendors—particularly in India—to meet an array of learning development needs.

Approximately four years ago, for example, Tamsen Sharpless, the leader of projects and finance within the global learning and talent development team at Deloitte, Touche Tohmatsu, began working under a hybrid e-learning development model that includes in-house designers, offshore employees, and Indian content development vendors. "There is plenty to keep us busy internally," says Sharpless. "But when a flood of work comes in, it helps to have a vendor on contract or on retainer. We simply cannot keep enough people on staff to meet client demand, which is cyclical and up and down throughout the year."

Similarly, at Peoria, IL-based manufacturing company Caterpillar Inc., which has grown from approximately $20 million in revenues in 2002 to more than $40 billion in revenues this year, offshoring has allowed the company's corporate university to serve an expanding global workforce

shore Training

Farming out your training and development to an offshore vendor can save money and lead to growth, but only if you have a solid strategic plan and complete understanding of what you're getting into. BY SARAH BOEHLE

without increasing employee headcount within Caterpillar University. "We are a global company that believes in free trade," says Sunit Sachdev, dean of Caterpillar University's College of Technology, "so we always look for the best suppliers, regardless of geography." With offshoring, he says, "the benefit is that we rapidly can increase capacity in our supply chain and deliver more learning in shorter time frames. We still maintain very good vendor relationships domestically, but offshoring gives us access to much more capacity, as well as access to highly competent staff."

In addition to scalability, one of the biggest drivers of the offshoring training and development phenomenon is cost. Just how much can a company save by shipping learning and development work overseas, particularly to India? Estimates vary and depend on several factors, but according to Bryan Chapman, chief learning strategist at Chapman Alliance LLC and a registered associate at Brandon Hall Research (BHR) in Sunnyvale, CA, a study conducted by BHR last summer compared pricing for custom content development on an international scale and found that costs associated with offshoring were 34 percent less, on average, than those associated with "onshoring" the same work within the U.S.

Autodesk Inc., a software company that currently offshores approximately 35 percent of its learning content development workload to India, by contrast, estimates that it achieves price savings ranging from 50 to 60 percent or more for "rote" development activities. And Susan Guest, director of learning technologies for Ingersoll Rand, who until recently led outsourced learning design services for a large U.S.-based HR services company, says that her former organization was regularly able to achieve cost savings ranging from 50 percent to as much as 75 percent or more compared to U.S. pricing. Guest says to achieve those savings, it was necessary to make a significant up-front investment in building scalable, repeatable processes between the onshore design and offshore production teams that included communication, project management, and quality control.

BUYER BEWARE

Yet, cost—the very benefit that makes offshoring so enticing—can be a double-edged sword. While Allstate Insurance Company Senior Manager of Learning and Organizational Effectiveness Karen Scott says her company achieves head-to-head savings, on average, of 45 percent compared to onshore pricing, these savings do not take into account the additional work her team must do to manage offshore relationships. "On paper, dollar-for-dollar cost advantages can be compelling. The challenge is that one doesn't realize those savings immediately because there is a significant ramp-up period associated with offshoring."

Indeed, Judith Hale, author of "Outsourcing Training and Development: Factors for Success" (Pfeiffer, 2005), and the owner of Hale Associates, a performance consulting firm in Downers Grove, IL, says U.S. companies tend to "grossly underestimate" the amount of time and effort it takes to establish and maintain a solid working relationship with an offshore vendor. "Those using offshoring do pay significantly less," says Hale, "but they do themselves a disservice when they underestimate the required oversight necessary to make an offshore partnership work. Once a company has a mature relationship established with an offshore firm, then certainly, significant savings can be realized. But doing so takes time, and it's not as easy or cheap to accomplish as one might think."

Also putting pressure on the supposed "cost savings" associated with offshoring work to India is the fact that average wages in the country are skyrocketing, according to a July 2007 *Wall Street Journal* article ("Some in Silicon Valley Begin to Sour on India"), which notes that the National Association of Software and Service Companies (NASSCOM), India's software and service association, puts wage inflation in its industry at 10 to 15 percent a year. "Some tech executives say it's closer to 50 percent," according to the *Journal*.

Not surprisingly, this trend has led to staggeringly high turnover in many sectors of the Indian economy—with no end in sight. According to NASSCOM, in fact, India will face a potential shortage of approximately 500,000 professional employees in the information technology sector alone by 2010.

These trends are having an impact on both pricing and on U.S. companies' ability to get work done through Indian vendors. "The Indian job market is so competitive right now that we are seeing people come on board, get trained, and within a month, they are taking what they learned and getting a job with another company and doubling their pay," says Mary Haskins, director of global marketing, skills, and development, at global software company SAP. High turnover also means U.S. companies that offshore to India continually must invest time and energy into retraining activities associated with bringing new project teams up to speed. Despite these challenges, says Haskins, SAP has maintained a high degree of success with offshoring, thanks to the successful implementation of several long-term retention strategies designed to reduce problems associated with such turnover. Likewise, she says, "Anyone considering offshoring should investigate attrition of the offshoring company's workforce

QUICK TIPS

Once you've determined that offshoring is right for you, how do you establish a solid working relationship with your overseas vendor? Here are some tips for success:

• *Work to overcome the offshoring stigma.* With the proliferation of free trade and the flattening of the global economy, losing jobs to lower-priced overseas talent is a very real fear for many U.S. workers. As a result, offshoring often carries a certain stigma.

To overcome the stigma, advises Susan Guest, director of learning technologies for Ingersoll Rand, allay employees' fears about job security. "You must be sincere and honest with people at all times about your reasons for offshoring, and you can't say anything that isn't true. When we were increasing our capacity with our existing onshore team, we positioned offshoring as a growth opportunity. We involved employees in the changes and helped them understand that they would play an important leadership role in making the offshoring project a success. As part of this change, we conducted cross-cultural training for the onshore team and brought people from the vendor's offshore team to the U.S. for knowledge transfer and to learn the cultural context of the content." By offshoring more routine design and development work, for example, says Guest, members of her team were able to take on more responsibility by focusing their efforts on value-added work such as needs assessments, project management, curriculum planning, and strategic consulting.

Also recognize that no matter what you do, you always will encounter opponents, says Mary Haskins, director of global marketing, skills, and development, at global software company SAP. What to do? First, determine how much influence those who are opposed to offshoring have on your ability to execute and succeed on a project, she advises. If they don't have much influence, simply move on, she says. "You can spend a lot of time trying to assuage naysayers who—no matter what you do—probably will not get on board." Instead, she advises, take the energy you might otherwise have expended attempting to convince them of offshoring's benefits and pour it into bringing on champions who do believe in offshoring.

One of the most effective ways to win people over, according to Haskins, is to develop a strong business case for your offshoring strategy. "Then, if you are dealing with people who are doubtful, get them to agree to do a short-term pilot with the vendor, with clearly defined success criteria, that will prove whether offshoring works or not. Get their agreement ahead of time that if you achieve all of the success measures, they will sign on the dotted line and give you their support."

• *Communicate clearly, often, and in writing.* In the U.S., says Ray Eisenberg, Autodesk Inc.'s senior manager of learning content development, organizations typically are flatter and people are empowered to make decisions up and down the chain of command. Indian companies, by contrast, he says, tend to be more hierarchical, with many layers of management and supervision—which can make accurate communication more difficult. "One talks to senior partners or managers who pass the message on to junior managers, who inform supervisors, who then have to communicate it to the implementers at the lowest level. Not surprisingly, the message often gets misinterpreted by the time it reaches its final destination. This fact makes it even more critical to communicate [with your vendor] clearly, often, and in writing. Everything should be documented."

• *Get personal.* Your overseas vendors will bend over backward to get the job done, says Guest, but only if they feel they are in a relationship in which they are treated as a partner and believe you are interested in their success—"instead of offshoring purely to

and determine whether the vendor is adequately employing workforce retention strategies."

WHEN & WHEN NOT TO OFFSHORE

In addition to cost considerations, those interested in offshoring should understand it is not the right solution for every company or every project. So, which questions should you ask to determine whether you are a good candidate?

Are you in it for the long haul? Managing an offshore project can be time intensive and fraught with difficulties, and without project discipline, you easily can squander any savings you hoped to gain. Typically, savings associated with offshoring only come into play after a relationship has been developed and work structures and processes are well established—which can take months, and often years, to accomplish. In other words, don't turn to offshoring to meet one-time project needs. Instead, ask yourself whether you are prepared to commit to a partnership and nurture a relationship over the long term.

Do you have sufficient volume? Offshoring usually works best when a company has enough volume in the pipeline to justify investing in an offshore resource. Caterpillar University's spend on offshore e-learning development work to Asia, for example, is approximately $1 million to $2 million each year. Likewise, Susan Guest's approach when she managed training and e-learning development for a large HR services company was to offshore only large-scale curriculum projects. "We were spending more than $1 million a year with a preferred vendor to develop hundreds of hours of content," she says. That kind of volume also bought her loyalty, notes Guest. "What you want to do is create a dedicated team model where you take the time to set up standards that everyone understands and agrees to, and then drive very large volumes of work through that group."

What kind of work do you want to offshore? Offshoring decisions also should be based on the type of work to be done. "There are 'right' conditions for offshoring," says Chapman. If, for example, you are working on large-scale, mass-production projects for which templates are well developed, or are creating standardized courseware that calls for a lot of repetitive work to be done, offshoring may make sense, he says. More complex development activities, such as creating courses based on new or ambiguous content, however, may not be a good fit for offshoring.

Are you process-oriented enough? When offshoring, you cannot send high-level conceptual documents overseas and expect to get quality courses back in return, says Hale, who warns that companies that fail to establish well-documented processes and quality assurance standards on the front end of an offshoring project risk losing big bucks. One corporate client of Hale's that failed to establish such processes, for example, spent well over $1 million on work that ultimately was rejected. Who was to blame? The U.S. client, says Hale. "You can't just send information to people in another country and expect them to understand the nuances of it. You have to be willing to work hard on developing well-documented processes and quality assurance standards up front."

achieve cost savings by wringing everything you can out of them." To build that kind of relationship, she advises, treat your vendors with the same respect you would any member of your own team and make your vendors feel like they are important to you. "People like the idea of being affiliated with something, so recognizing the offshore team with thank you notes and items with your company logo, such as pins, mugs, T-shirts, and caps, can help the offshore team see themselves as an extension of your company and make them feel like they are part of your team."

• *Take time to educate your staff about the nuances of your vendor's culture,* advises Tamsen Sharpless, the leader of projects and finance within the global learning and talent development team at Deloitte, Touche Tohmatsu. "Subtle, small things can make all the difference." Hugging, for instance, is not commonly acceptable in India, she says. "We have a few people on our team who are huggers, and the men, and many women, in India are extremely uncomfortable with that. It's a very private culture when it comes to overt displays of affection." Indian culture also is very relationship based and family oriented, notes Sharpless, so when jump-starting a professional discussion, "don't get right down to business. You need to chit-chat first. Tell them how you are; ask about the weather; touch base regarding what's going on in their family; and send pictures of you, your husband, your children, and the rest of your family to them." And always, always bring gifts when doing a site visit, she advises. "We're always trying to figure out what to bring when we go. Our vendors in India love American chocolate, so Hershey bars are always a big hit."

Last but not least, advises Guest, have a member of your team do a site visit to improve processes. "Without seeing it for themselves, it's often hard for those of us in the U.S. to understand what it is like to work in India. But when you send people offshore to 'live' with the offshore team for a few weeks, they inevitably come back with an entirely different view of the world. They see how we in the U.S. have a tendency to throw things over the fence and how hard the offshore team has to work to figure out what we're trying to communicate. They come back enlightened, and they almost always have less to say about what the vendor team needs to change and much more to say about what the U.S. team needs to do to help our overseas vendor work more effectively."