

# EPO Newsletter

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## Offshoring

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Dianne O'Neill, Sr. Manager EPO Governance, has brought to share with us an offshoring perspective based on her experience and what she, earlier this year, learned from an industry leader, Anna Frazzetto, Vice President of Technology Solutions at Harvey Nash.

***“The relocation of some of a Company's production, services or jobs overseas in order to reduce costs.”***

What are your thoughts when you hear the term “Offshoring”? Some of you may have experienced this in previous jobs or in your personal life with, for example, Banking call centers or your home PC / laptop support located on another continent. As you know, after much research, analysis and planning, T-Mobile has also joined the list of companies who are Offshoring select services to our global neighbors! The benefits of engaging in such a model are truly immense. They are quite often forgotten as we plough through our projects on a daily basis but are ultimately core to our needs and success.

### What are some of these benefits?

1. Cost Savings—Depending on the model used (onshore/offshore ratio, FTE vs. FTE/SOW ratio, etc.), you can expect a range of cost savings per project but overall net savings that help the bottom line.
2. Talent Acquisition Advantages
3. Speed to Market
4. Flexibility
5. Follow-The-Sun Productivity

T-Mobile is in a great position for Offshoring. We have a smart, focused and experienced Senior Leadership Team who has thoroughly mapped out the when, the how, and the what to offshore. This is a growing initiative that will continue to reap the expected and necessary rewards.

In March 2009, I attended a very informative webinar on “**Setting yourself up for Offshoring success**”, hosted by **Anna Frazzetto, Vice President of Technology Solutions at Harvey Nash**. My intent was two-fold:

To learn something new that I could adopt for our new and exciting direction at T-Mobile.  
To delve into the world of Offshoring for an hour and take me back to my ‘professional roots’ where I worked 100% on Offshoring models in the Localization and Testing industries.

Anna’s presentation was very balanced in that she discussed not only the benefits we can expect when we exercise a complement of onshore and offshore capabilities, but the challenges that can arise along the way.

### What are some of these challenges?

- Location –  
Geographic, political, etc.
- Transition of knowledge
- IT infrastructure

Good planning will help with these. I was lucky enough to get some *one-on-one* time with Anna in person; below are some of the questions and answers from our chat which I hope you find informative.

**DIANNE:** “In gearing up to expand a company’s operations offshore, you mention some of the challenges as being (1) Security and (2) Expectations, e.g. costs, scope creep. What are the necessary steps to take to ensure both do not become overwhelming challenges to a point of failure up front and forward planning measures to stay ahead of the game once established?”

**ANNA FRAZZETTO:** “I think it all starts with the upfront planning. Even if your organization experienced changes that you plan to manage internally, you still have to go through a planning phase: If you launch a new product, expand an existing division or look at outsourcing initiatives, it all starts with self reflection on your current environment and the determination phase of how you start this initiative. You should focus on the

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basic 3 areas of impact: people, process, technology. The question of Security and Expectations will impact any and all changes to your environment regardless if you offshore, it really is a matter of initial effective planning.”

**DIANNE:** “You mention one of the Offshoring benefits as being “Cost Savings”. About 15 years ago, the recognized savings were greater than they are today, e.g. 45% – 70% vs. 15% – 30%. However, more companies are still engaging in the Offshoring model for their business vision and to benefit from the follow-the-sun timelines, the cost-savings, etc. Do you believe this is still the correct approach for US-based businesses, particularly for their IT arm given the perceived drop in profit margin?”

**ANNA FRAZZETTO:** “Absolutely I agree I think the valuable lesson learned in cost savings analysis is that years ago it was measured strictly on labor cost. If you look at labor cost only then you can project savings of 70% plus...BUT the issue is that is not reality because when you offshore you need to factor in the management time impact, duplicating project management offshore, trips back and forth to offshore destination, and also team size (when you offshore the team might be a bit larger than if done domestically). Once you add all these other costs into the total project expenditure, then the real savings is probably 15 to 30%. Still this is a pretty significant savings and will allow you to work on additional projects...basically doing more with less expenditure. It will also allow you to take advantage of having around the sun support, testing, development etc.”

**DIANNE:** “What is your bottom line advice to any company going through stages of off-shoring or with an established offshore model for one or several of their services?”

**ANNA FRAZZETTO:** “The hardest part is starting or even trying to change the model you already have in place. Often we are asked to help organizations take a snapshot of what they are doing today and help recommend how to improve their current offshore model or look at offshoring/outsourcing a new area. This is an exercise regardless of who does it, that needs to take place. I often recommend that it is best to have an outside organization to be involved in this process so you can get an objective view of your current state. The hard part is always starting with a white canvas

but once you are able to start building a roadmap the rest falls into place. I do believe in creating an environment that is competitive for the vendors you plan to work with is necessary to give you as the client the buying power. Notice I say vendors...it is important to have a mixture of vendors and geographies to provide you with stability and greater economies of scale.”



*Anna Frazzetto, Vice President of Technology Solutions at Harvey Nash*

In closing, I asked Anna what specific advice she had for T-Mobile as we continue our endeavor in the Offshoring world. Her reply was: **“Offshoring is meant to be a tool – a way of supplementing your core team – giving you the competitive advantage to do more with less cost - it is never meant to be a replacement of your team. When organizations start thinking it’s a replacement that is where we get into trouble with client expectations, deliverables, management efforts etc. There is always a balance between what should stay core to the business and what is outsourceable.”**

This was very appropriate and in tune with what T-Mobile practices in our decision-making as it relates to the components we offshore, what remains onshore and the cost/talent/results benefit analysis of those actions.

My sincere thanks to Anna Frazzetto for dedicating her personal time for the purpose of Offshoring Q&A for this article. You can check out additional info on her blog that was created as an outcome of her Webinar:

[What metrics/models can be used to accurately measure productivity of offshore/outsourced application development?](#)

I sincerely hope you are as excited as I am to ride the wave with Offshoring and see the cost savings as we immerse ourselves more in this model at T-Mobile!