

## Finding the Balance of Onshore vs. Offshore IT Outsourcing

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Now that the global economy is two years past the worst of the late 2008 economic crisis, many US and European companies are either completing their IT alignment and restructuring plans they had in place prior to the crisis, or in many cases simply re-evaluating their IT priorities altogether and focusing even more on how to get the most out of their IT budget. In many cases this discussion, inevitably, comes with an internal strategy discussion within these companies on how much to rely the traditional “offshore” global IT outsourcing vendors versus leverage local and familiar (and sometimes higher priced) domestic “onshore” vendors.

For the most part, the IT industry has aligned around this idea that “offshore” IT resourcing is the only way to achieve a reduction in their IT costs. But along the way, in some cases, the industry seem to have forgotten all the positive benefits to local, “onshore” IT outsourcing. To be certain, the last ten years have been incredible as related to the global IT outsourcing phenomenon. Companies from India, China (including iSoftStone), Russia, Eastern Europe, Brazil, and more have pioneered new business models and delivered lower cost technical resources to companies around the globe. But at the same time, the reality of Fortune 2000 customers has not changed: they are still juggling an ever complex IT project and application portfolio, and – just like always – a “one size fits all” model of IT outsourcing usually does not work. For the most part, customers need a *blend* of these “onshore” and “offshore” resources, each of which provides their own benefits.

At iSoftStone we have a strong belief that this is the model of the future: that global IT outsourcing vendors will be required (as driven by customer demands!) to have a full-service, global delivery model. In other words, long-term customer success will be driven by a combination of local, onshore IT resources working *in conjunction* with their offshore, scalable counterparts. And when I refer to “local, onshore”, I am not referring to flying in people from across the globe to be “local” for only a few months – I’m referring to people that understand the local culture, local economy, and local IT landscape. As many, many IT executives around the globe know, the pure technical competence of a vendor’s team they might be working with onsite is only one of the attributes that makes an engagement successful. It also takes the ability to work within the broader client team and culture, something that isn’t easily transplanted.

Here in the Seattle office of iSoftStone, and more generally in our US and Europe offices, we help our clients and customers with this balance every day. We have a strong local delivery platform in the US (in cities like Seattle, San Francisco, New York, and Boston) and a fast growing delivery platform in Europe and other parts of Asia (Japan, Taiwan, and more). And we are growing our presence in each of these regions quickly. In all cases our local, in-market delivery teams are highly connected to our offshore teams in China, providing seamless integration across the shores. I think it is worth emphasizing this last part about integration across our internal processes and

teams: sometimes customers tell me they already have this integration; they say they direct their onshore vendors to work directly with the offshore vendors they are using. But the challenge with that approach is that Company A (onshore) simply won't have the same culture, engineering processes, and approach as Company B (offshore). And quite often the customer gets stuck in the middle trying to sort out the differences. It might sound good in principle, but this integrated approach simply needs to be an integrated part of a single company for maximum efficiency. And this is what we have built and what we are growing even further at iSoftStone.

In each of these geographic areas, the amount of local, on-shore IT support we provide our clients depends on the particular project: in some cases the client might want a small team to quickly architect a solution that has to be done in-person, and in a highly changing environment. In this case we would recommend our local resources help support this project. In other cases, a client might be looking to move support and maintenance of a legacy application to an offshore development center (ODC) – this would be done completely offshore with perhaps some local project oversight. The situations we are most proud of, however, are the situations where a project may start small and local and grow to be a significant engagement over the course of two or three years – all the while we are providing our clients the *right resources* at the *right price* in the *right location*. The benefit of this flexibility is that all of our employees and customers are talking with each other about the *outcome* and *value* of the projects we do together – not just about *cost* and *location*.

Said another way, we simply don't believe "one size fits all".

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