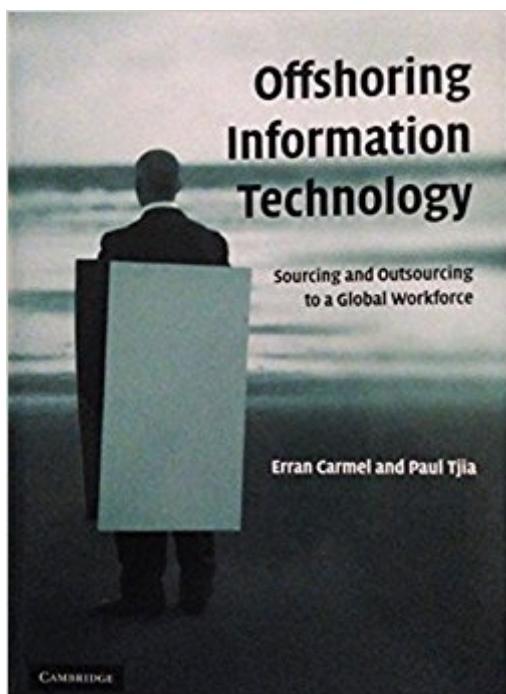


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# Offshoring Information Technology: Sourcing And Outsourcing To A Global Workforce



## Synopsis

The decision to source software development to an overseas firm (offshoring) is looked at frequently in simple economic terms - it's cheaper, and skilled labor is easier to find. In practice, however, offshoring is fraught with difficulties. As well as the considerable challenge of controlling projects at a distance, there are differences in culture, language, business methods, politics, and many other issues to contend with. Nevertheless, as many firms have discovered, the benefits of getting it right are too great to ignore. This book explains everything you need to know to put offshoring into practice, avoid the pitfalls, and develop effective working relationships. It covers a comprehensive range of the important offshoring issues: from ROI to strategy, from SLA to culture, from country comparisons to provider marketing. Written for CTOs, CIOs, consultants, and other IT executives, this book is also an excellent introduction to sourcing for business students.

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## Customer Reviews

"It looks and feels like a stodgy college textbook, but there are some fascinating insights here for IT executives who can get over that hump. The superb content isn't surprising once you realize that co-author Erran Carmel, an associate professor at American University in Washington, was a leading expert on globally dispersed software teams long before CNN's Lou Dobbs ever heard of offshore outsourcing...As you'd expect, the book has country sketches and thoroughly covers subjects such as managing contractors, risks and legal issues. But for me, the richest sections deal with 'soft' topics like cross-cultural issues and overcoming the problems of distance, time zones and language...Don't fly to Bangalore without reading this book." Computerworld

"The decisions to

sources software development to an overseas firm (offshoring) is looked at frequently in simple economic terms. The practice, however, is fraught with difficulties. This book tries to explain the process and to avoid the pitfalls."Abstracts of Public Administration, Development, and the Environment

The decision to outsource software development to an overseas firm (offshoring) is frequently looked at in simple economic terms - it's cheaper and skilled labour is easier to find. In practice, however, there are differences in culture, business methods and many other issues to contend with. This book explains everything you need to know to put offshoring into practice, avoid the pitfalls and develop effective working relationships. Written for CTOs, CIOs, consultants and other IT executives, this book is also an excellent introduction to outsourcing for business and MIS students.

Carmel and Tjia have written an excellent book that is full of penetrating insights into the advantages and difficulties associated with offshoring. Anyone who manages globally dispersed teams is familiar with the problems that arise due to differences in culture, time zone, language, education, and professional expectations. Carmel and Tjia take a hard-nosed look at what the research actually shows about each of these topics. In some ways, the research confirmed what I was already seeing in terms of the difficulties associated with managing a dispersed team. But the applied research has provided me with new insights and ideas about how to overcome the obstacles and exploit the advantages of a dispersed team. I've read the book several times now, and I never come away from the book without a fresh idea of something I can try to make my team work together more smoothly.

A rather decent collection of thoughts, observations and study about the issues of IT projects over global distribution. It is a good source of reading to get a background on the true advantages and pitfalls one can face in offshoring. I enjoyed the read and it makes you better prepared to face the challenges or perhaps to understand the ones you are already in. The perspective does not all come from one source as the author has help writing and you get opinion as global as the topic. That in itself is well worth the read because it helps the US based reader understand how to see others and to see yourself!

"All things being equal, any manager would prefer to manage a co-located team rather than a distributed team," how true. Authors Erran Carmel and Paul Tjia believe that IT managers need to

feel as comfortable with managing distributed teams as they are with co-located teams. They intend their book, Offshoring Information Technology, to act as a primer for IT professionals, students and teachers in business and technology programs as well as policy makers and analysts in and around governments. That is a lot of end parties to satisfy, so does this book hit the mark. Erran Carmel had previously authored, "Global Software Development Teams", in 1999, and has deeply focused on the topic of developing software with global teams for years. It is obvious that a researcher was one of the co-authors, as very accurate listing of references are made, more than you usually see in many of these books on offshoring. These references provide another list of papers and publications that the reader can use for further research. The book makes excellent use of cross-referencing between topics, which also adds to its usage as a good reference tool. Right off I like the preface in which the authors define the terms offshoring and outsourcing. Since I agree there are many strange definitions leading everyone to think outsourcing means offshoring, this needed to be included. The offshore stage model, previously defined by one of the authors in a research paper, puts the offshoring numbers in to perspective by dividing it in to stages and the number of Fortune 1000 companies currently using the offshoring model. These numbers may be surprising to some, as the actual usage is much smaller than is played up in the media. The book is full of case studies, most of them fairly interesting. The case study in chapter 9 is meant to show the difference between working in a low-content country versus a high-context country like India. I, along with I believe many practitioners, will look on this case study and say that Christina (not her real name) was not a good manager, no matter where she was working, if they thought dumping a bunch of new work on a team was not going to impact the schedule. Low-content or high-content country aside, the project manager made too many assumptions and may not be the experienced project manager that she thought she was. I think others will see the same when they read it. Another real life case study gives an example of one company trying to do a comparison between countries; what do we learn from it, price wins out over quality in the end, which in reality is often the case. The emphasis on knowledge transfer is exceptional. This area is often glossed over in many offshoring books. Chapter 7 which is dedicated to managing the offshore transition defines different ways of undertaking knowledge transfer. One of the ways that they describe is to have the developers work in different positions, i.e. put them in to the user's position, so they understand why the user works the way they do. They state that this is new. I started out in banking twenty years ago and this is how I started out, working the user positions of the applications which I was then to develop and maintain, so I do not think this concept is new. But perhaps the authors mean this is new for offshore outsourcing. In all though this section on knowledge transfer is valuable and looks

at all of the different types of transfer: skills, process, domain and work and cultural norms. Good emphasis on the fact that the easiest one to achieve is skills transfer, but the other ones are more difficult to achieve. For example it is more difficult to have someone work on dispute resolutions app for credit card processing, when they do not understand how credit card processing works. Chapter 8 on overcoming distance and time emphasizes and outlines virtual team management. Much of the information presented is included in many books on virtual team management, but as this book is a primer for IT managers, it has a place in this book. Readers will find the suggestions on iteration development; formalizing the iterations and frequency of iterations particularly helpful in a real situation. I whole heartedly agree that this is what builds trust. If you have frequent deliverables, and the remote team meets those frequent deliverables, i.e. they do what they say they are going to do, trust is built. The authors also define the range of deliverables and that it can be anything: plans, outlines, prototypes, simulations, design reviews, test results, software code reviews, module integration and documents. Again I wholeheartedly agree. This will be an area that many IT managers may have to get used to because at first to some it seems like "make work", when in fact all of what is delivered from the offshore is and should be useful for fulfilling the project. There are a few situations where puzzling statements are used such as the quote on pg. 28, just before a section on IT-enabled services. The quote refers to E-loan and its well-documented offering to its clients of a couple of years ago. At the time E-loan offered the users of their loan service to Press 1 if they wanted their loan processed in 1 day in an Indian center, or to press 2 if they wanted their loan processed in the US which included the statement that the processing may then take longer. In March of 2004, this was written up by many Indian firms as admittance by a US company that Indians are faster. It seems strange that the authors use this statement with no explanation; for example was it really an admittance that Indians are faster or did it really mean E-loan had 4 times as many processors in India versus the number in the US, thus accounting for how loans could be processed faster there. Or were they working round the clock in India versus only one shift in the US, another reason for the difference. In other areas the authors go to great lengths to explain issues which are reported in the press, such as how offshore labor rates are reported in detail and what they really mean versus the actual total cost of ownership. The book contains an excellent discussion on the different types of risk, very detailed, to a level not usually defined. Only one area, contractual risk, seemed to be lacking. The authors state that a buyer can mitigate contractual risk by signing a contract with a US company, if you are a US buyer, or with a UK company if you are a UK buyer, i.e. with a company which is also domiciled in your location versus in the offshore location only. The authors also refer to the chapter on Legal issues of offshoring where contractual risk will

be further defined. In that chapter, however, only mention to reduce contractual risk is to work with providers who can provide a combination of onshore/offshore resources, thus enabling a buyer to access the provider's onshore resources if necessary. They seem to fail to mention one of the bigger issues; if the contract does go awry, even if you are dealing with the big Indian players, most of the assets that of that vendor are located in the offshore location. If any case, you will have to bring suit against that vendor in their home country. Large buyers already seem to be aware of this based on both outsourcing and vertical conferences I have attended over the last couple of years. There were two areas where I thought more emphasis could have been made, if this is a book is really meant to assist IT professionals. One of these areas is helping the IT manager assess their own offshore readiness; how do they feel about the process, are they ready to change how they work, are they ready to manage by not walking around? The second area of missed opportunity is assisting IT professionals in defining what could be a new role for them in the global environment, for example by working in and/or managing the offshore office which is responsible for managing the onshore and offshore outsourcing for a client. Offshoring Information Technology is an informative and educational book for IT managers looking to define their place in the offshoring world. The details provided on the offshoring process and through the case studies will make it easy for an IT professional to determine where they may need to gain additional knowledge to move their career forward. The book will be most useful and most familiar to those IT professionals currently working in or with large scale enterprises as most case studies and examples such as in total cost of ownership and the governance areas, use examples from large enterprises. This book is highly recommended for IT professionals who are looking at career development as well as those persons who are in a position to help their countries promote their outsourcing capabilities.

This volume is well-written, lucid and easy to follow. The authors have done an excellent job in providing an explanatory framework for offshoring, as well as giving a realistic look at potential costs and benefits. Their list of suggestions and guidelines is comprehensive. The book avoids the trap of becoming overly technical and steers clear of being specific to any particular country or industry. I was pleasantly surprised to find chapters on such important topics as country-specific legal pitfalls, privacy rights issues, and how to sell the idea of offshoring inside a company resistant to the idea. The authors livened up their material with numerous case studies to illustrate key points. The level of detail they provided on how to write a solid Service Level Agreement (SLA) was also impressive. Overall this was an excellent volume, and the only two objections that I have are both minor. First, the book could benefit from a small amount of updating; some of the data, especially in

Part I of book, dates from 2001-2003. In any other discipline, that would still be considered fairly recent. However in technology, that verges on being stale. In addition, that was the period of the global downturn in IT. The authors' data would be obviously impacted by that global economic event. To be clear: I do not believe that any of the authors' points would be reversed by updating the data. On the contrary, I expect that current data would only strengthen their points, as the trends they identified have only accelerated since the book's first publication. Second, as noted earlier the authors provided several cases of companies who tried offshoring and either failed, or suffered setbacks. Given the fact that offshoring is not the cure-all for every company, it would have also been useful to see a couple of case studies of companies who investigated the offshoring option but decided against it. It is just as important to understand why a company declines to offshore, as it is to understand why they would undertake to do so. This is a book that I wish I had read before working on several offshoring/outsourcing projects for former employers. It is highly recommended for anyone who is contemplating the offshore option, or who has recently been put in charge of making such an option successful.

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