

For immediate release

**NEW STUDY REVEALS MOST COMMON OFFSHORE OUTSOURCING MISSTEPS
ARE ORGANIZATIONAL**

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New Canaan, CT, June 24, 2004 – An in-depth research study of more than 90 offshore outsourcing implementations conducted by Foote Partners from 2001 to 2004 reveals that failure to achieve desired outcomes is predominantly blamed on organizational, communications, cultural, project delivery, and HR aspects, not the details of contracts, technology, and related elements of due diligence and decision making.

"While it is obviously important to choose the right supplier and negotiate a good contract, failure in either is rarely cited by companies as the primary reason for failed or lackluster offshore outsourcing experiences," notes David Foote, President and Chief Research Officer for Foote Partners. "Instead, the findings of our study make it clear that failure to conquer a variety of transition challenges and to navigate difficult organizational and cultural barriers are the main culprits. It shouldn't come as a surprise that, like many other critical corporate initiatives, success in offshore outsourcing comes down to how people are both managed as employees and treated as people, both those directly involved in the project and the many stakeholders who are affected by the decision," continues Mr. Foote. "Companies will do a great job evaluating technology and financial risks, but all too often they are failing to assess a whole gamut of internal readiness issues and project management practices. This makes them vulnerable to offshore supplier relationship-building miscues and the kind organization upheaval common with offshoring in a post-recession environment." The remedies by themselves are not all that difficult to implement, according to Foote. "But it can involve having to break bad habits that have found their way into a company's management processes, and take a little longer to correct. However

the upside benefits in cost savings and productivity gains associated with an offshore outsourcing project that goes well more than compensates for the extra time and effort."

The study entitled "Offshore Outsourcing Best/Worst Practices Report: 90 Offshoring Cases, 2001 to 2004," part of the firm's IT Insider research series, reveals that problems begin early in the strategy and planning phases, cascade through the sourcing stage, and typically continue beyond contracting and service level agreements into management and governance phases, sometimes for several years. Failure to assess a full range of transition issues and create and execute proactive, comprehensive communication, staffing, and knowledge transfer plans were common problems cited. Moreover, many companies report that they significantly overestimated their overall HR capabilities in serving workers in countries in which they've hired cheaper labor, or failed to properly assess those capabilities in supplier companies where they're contracted labor.

For summaries and interviews concerning this research, please call us directly at 203-972-8900.

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NOTES TO EDITORS

About Foote Partners

Foote Partners LLC is a general management consultancy and IT workforce research firm founded in 1997 and headquartered in New Canaan, Connecticut. The firm's senior team of former McKinsey & Company, Gartner, META Group, and Forrester/Giga analysts and consultants, and former HR, IT and business executives, advises governments and leading corporations on five continents in strategic business solutions benefiting most from integration of IT, business, and HR communities.

The firm's consulting practice areas include:

- Outsourcing/Offshoring and Strategic Resource Management
- Organizational Transition and Transformation
- Enterprise Project Delivery
- International and Domestic HR
- Executive IT Compensation

Foote Partners research division, **Foote Research Group**, compiles and publishes IT and HR research products that have helped over a thousand organizations solve their most difficult information technology workforce problems, strengthen their management capabilities, and build first-class IT organizations. The firm continuously monitors the compensation and attitudes of 46,000 IT workers in the U.S. and Canada using proprietary data collection methods and analytical techniques, and publishes the highly respected ***IT Insider*** research series featuring comprehensive and up-to-date IT salary/bonus and technical skills premium pay surveys, and IT organization and workforce trends research. Included in the ***IT Insider*** series, which is updated, compiled and published every three months, are the following:

- IT Insider Professional Salary Survey
- Hot Technical Skills and Certifications Pay Index
- IT Insider Total IT Compensation Reports
- IT Insider Tech Skills & Certifications Quick Pay Reports
- IT Insider Human Capital Management and Workforce Trends Series
- IT Insider Offshoring Outsourcing Best/Worst Practices Series

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