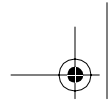


PREFACE

What is this book about? Strategies, tactics, and issues around offshoring. This book is designed for C-level and operational managers (all others are welcome too, however) in need of information and decision frameworks necessary to navigate the thicket of issues surrounding an offshoring strategy. Critics will say that this book is for offshoring and everything it impacts when, in fact, the book is for the illumination of an economic phenomenon and business trend that can improve a company's competitiveness or worsen it. An implicit advocacy of offshoring by dint of providing strategies and tactics to successfully execute it does not mean advocacy for massive layoffs of U.S. workers, no more than being for mild winter weather in a traditionally cold climate means advocating that ski lift operators go out of business because of the absence of snow. The fact is that for a variety of reasons explained shortly, offshoring is a real economic phenomenon and legitimate management discipline. It demands the editorial attention only a book can provide, so I decided to write one. Managers who ignore the subject do so at their own peril and that of their employers.

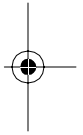
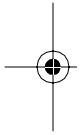
If managers have spent any time researching this subject, they might have found that the media offers conflicting signals about what is happening in the offshoring marketplace. For example, *CFO Magazine* runs a story that says the pharmaceutical industry is risk averse to offshoring because of, among other things, its standards of near perfection sought in all processes involved in the creation of a drug.¹ Perfection can be ensured only if the processes are under the company's direct control. Walk to the other end of the newsstand and the *Wall Street Journal* has published a story on the front page of the second section stating that the drug industry

1. Alison Rea, "Outsourcing Risks Worry the Wary," CFO Research Services, October 14, 2004.



is offshoring R&D to Asian service providers to meet operational and strategic needs.² Which is it? Both. Another example. The conventional wisdom says a company should never offshore its core competencies or those processes that deliver strategic value to the firm. But value hardly gets any more strategic than R&D, and these key processes are enjoying long but pleasant journeys to exotic locations with increasing frequency, as readers will discover. Joining research offshore is the D in R&D. More and more technology companies are sending product development work to offshore service providers. Never offshore the strategic says the little man in one ear; by all means offshore any set of business processes that deliver value to the organization, says his twin sister in the other. Which is it? Both.

Offshoring is highly contextual, influenced by many business circumstances: company cost structure, competitive environment, internal capability and resource availability to deliver value, new product introductions and the time-to-market issues surrounding them, a need for physical proximity to international customers, and the list goes on. Conventional wisdom is just that—conventional—and one person's peach is another's poison. In this kind of reality, the only hope from a book such as this is to provide the ideal, a framework for thought and discussion, and let managers apply it to the pressure-packed real world in which they toil. If they follow the framework, managers will discover if offshoring presents a compelling value proposition.



2. See Laura Santini, "Drug Companies Look to China for Cheap R&D," *Wall Street Journal*, November 22, 2004.

