



# Offshoring risks and mitigating them

Without doubt, offshoring offers many benefits, but it does come with some risks too. We encourage our clients to consider both the benefits and risks when working out whether an offshore team is suitable for them.

The risks include:

## Local workforce change management

It's crucial to manage the changes around offshoring with your local staff. Local staff can feel their job security is under threat or that they will have increased responsibilities. Communicating with local staff about what will happen and what they can expect is respectful and fundamental to staff morale and engagement. Remember that you want to add offshore staff, not lose them!

### Solutions:

- Planning properly
- Developing a staff communication plan
- Setting realistic expectations from the outset
- Starting with offshoring staff roles that will free up bottlenecks or add additional resource (rather than starting by moving existing roles offshore)
- Redefining the position descriptions of local managers who will be responsible for the offshore team to include a KPI about the offshore team's success
- Recognising and rewarding local managers who achieve early success with their offshore team
- Training local and offshore staff to help with mutual understanding and respect
- Bringing your offshore team to your home country to meet and greet local staff and integrate into the business

## Cultural differences and misunderstandings

Effective staff communication is essential to offshoring's success. However, when geographic separation and cultural differences also come into play, communication becomes an even higher priority. The Philippines has a 94 per cent English literacy rate and direct exposure to western culture, but subtle differences in culture and understanding can cause difficulties unless handled with care. Filipinos are generally confident speaking in and understanding English, but cultural nuances do sometimes crop up.

This is a two-way street; since both you and your offshore team need to understand and communicate with each other well. Remember that distance and cultural differences can amplify a lack of structure or understanding in a role.

### Solutions:

- Communicating effectively (including face-to-face meetings over video conferencing or preferably in person) to build understanding and to align expectations
- Educating local and offshore staff about their cultural differences and how both teams can best be understood (Diversify has resources and training courses available to help with this.)
- Documenting roles clearly and keeping open communication channels (a clear position description with defined and understood KPIs is helpful)
- Mapping processes and systems to be used (especially useful for repetitive tasks)
- Being clear about time frames
- Allowing time for offshore staff to settle into their role
- Quality briefing and regular updates and communication channels help.

Hi there!



## Data security

Businesses considering offshoring are often concerned about data location and security. No matter the company, there will always be risks in sharing any type of data.

### Solution:

- Developing a data security and location plan from the outset. This would cover where the data will be stored, levels of access, physical security measures within the facilities, contractual arrangements and consequences of data theft.

## Protecting intellectual property

Theft of intellectual property can be a risk if not properly managed. Protecting existing intellectual property rights and ownership are important issues to consider when setting up an offshore team.

### Solutions:

- Having staff sign a Deed of Confidentiality and Assignment of Intellectual Property. This assigns ownership of all IP created during employment to their client and stipulates that they will take reasonable steps to achieve the legal assignment or registration of that IP if required. This includes a confidentiality clause as well.
- Only giving staff access to information that is directly relevant to their role
- Equipping offshoring facilities with entry and exit biometric scanners and security cameras to help protect client IP

## Managing expectations

It's important to manage expectations during the rollout of your offshoring plan. Setting time frames and deliverables that are achievable helps to support staff, customer and supplier relationships during this phase. Almost every offshoring plan brings some difficulty or complication in the early stages. However, these can be dealt easily if well managed.

### Solutions:

- Setting realistic expectations from the outset
- Communicating to offshore staff that you will be taking time to work through problems and find the lessons in them
- Using an offshoring company with knowledge of both offshoring and your industry because industry insights can avoid costly mistakes.

