

Alternatives to establish offshore operations

Going offshore can take various forms such as;

- Tactical outsourcing
- Dedicated offshore resource centre
- Build-Operate-Transfer (BOT)
- Captive outsourcing resources
- M&A - Merger and acquisition

Tactical outsourcing

- A basic, and often the initial, form of engagement with limited risks and resource requirements
- The duration of the engagement could be anything between few months to a few years.
- The service is often provided on an "if and when is needed" basis **project-by-project**.
- The average team size is 2 - 30 staff
- No guaranteed continuity or longer term resource planning
- The primary objective is often cost reductions obtained through labor rate arbitrage.

Dedicated offshore resource center

- Dedicated offshore resources, space and infrastructure
- Typical length of contract 2 - 5 years
- Long term commitment and continuity
- The offshore vendor sets up, owns and operates the facility and infrastructure as well as responsible for operation, people, facilities, security, etc.

B-O-T

Many of the features are the same as with a dedicated offshore resource center, an important difference is the anticipated transfer of ownership.

Build: offshore vendor sets up facility and infrastructure, staffs the offshore center, and establish knowledge transfer.

Operate: offshore vendor manages the offshore organization: people, processes, facilities, infrastructure.

Transfer: register a new offshore subsidiary for the customer, transfer assets, and handover operations.

Reduced time to operations through utilization of knowledgeable 3rd party management resources responsible for:

- Real estate
- Government rules and regulations
- Cultural transition
- IT infrastructure procurement
- Security
- Etc.

Key characteristics;

- Rapid scaling of operations.
- Minimal up-front investment
- Minimum disruption to operation
- Risk reduction

Captive outsourcing

- Building and owning operations offshore without third parties
- Large investment and local knowledge is necessary
- Requires large amount of own resources and capacities;

M&A

- Quick start up
- Finding the right company might be difficult
- Technical proficiency, work quality and processes are issues
- Language and cultural barriers exist