How should organizations communicate their global sourcing strategies to internal and external stakeholders?

Over the past five years, globalization of IT and other business functions has taken on the characteristics of a mega trend, a trend that represents opportunities for some, threats for others and changes for everyone. These changes seep into organizations at different stages of the offshoring lifecycle, affect both internal and external stakeholders and need to be managed carefully in order to avoid damaging effects such as employee productivity, negative publicity and a myriad of other issues. To effectively deal with this change organizations must anticipate the discontinuity that global service delivery introduces into organizational structure, workforce, focus and mission and put in place an effective communication strategy that accounts for the needs of all stakeholders. An effective communication strategy will consist of both internal and external elements and treat each as a separate function with its own set of objectives, guidelines and tactics.

This research summary discusses best practices in communicating global outsourcing initiatives.
# Table of Content

**INTRODUCTION** .......................................................................................................................... 3

**COMMUNICATION STRATEGY** .................................................................................................. 4

- **KEY CONSIDERATIONS** ....................................................................................................... 4
- **MANAGING RUMORS** ........................................................................................................... 5
- **TIMING OF INTERNAL COMMUNICATION** .......................................................................... 6
- **COMMUNICATION VEHICLES** ............................................................................................... 6
- **DEVELOPING KEY INTERNAL MESSAGES** .......................................................................... 7
- **FREQUENCY OF COMMUNICATION** ....................................................................................... 8
- **SENDERS AND RECEIVERS** .................................................................................................. 9
- **EXTERNAL COMMUNICATIONS** ............................................................................................ 9

**RECOMMENDATIONS** ............................................................................................................. 9

**CASE STUDIES** ..................................................................................................................... 10

- **AOL** ...................................................................................................................................... 10
  - Offshoring outsourcing news/viewpoints ............................................................................. 10
  - Analysis of communications ................................................................................................. 10
- **E-LOAN** ................................................................................................................................ 11
  - Offshore outsourcing news/viewpoints ............................................................................... 11
  - Analysis of Communication ................................................................................................. 12
Introduction

Over the past five years, globalization of IT and other business functions has taken on the characteristics of a mega trend, a trend that represents opportunities for some, threats for others and changes for everyone. These changes seep into organizations at different stages of the offshoring lifecycle, affect both internal and external stakeholders and need to be managed carefully in order to avoid damaging effects such as employee productivity, negative publicity and a myriad of other issues. To effectively deal with this change organizations must anticipate the discontinuity that global service delivery introduces into organizational structure, workforce, focus and mission and put in place an effective communication strategy that accounts for the needs of all stakeholders. An effective communication strategy will consist of both internal and external elements and treat each as a separate function with its own set of objectives, guidelines and tactics.

The internal communication strategy is aimed at addressing the concerns of its employees and stemming some of the negative effects that emerge in times of uncertainty. Amid uncertainty, some groups in the organization become paralyzed, others jockey for surviving positions, others falter under “change fatigue,” and others quickly attempt to quantify their value. Unlike domestic outsourcing, in which affected professionals might conceivably be transferred to the payroll of the outsourcing vendor, services globalization typically displaces groups of people after the hand-over period. Many employees will be concerned about the implication of this change on their jobs and their futures. For some employees, a clear understanding of the required changes and their rationale will foster immediate buy-in and support. Other employees will express their concern by asking questions, challenging rationales, and finding holes in the implementation plan and process. And still other employees may resist the change by either avoiding involvement or causing real or potential disruption.

The external communication strategy is aimed at dealing with the potential negative publicity and the resulting impact on the company’s relationship with the community, investors, vendors, clients and other external shareholders. As offshoring gained prominence in the first few years of the current decade, the combination of an economic slow down in the US and a highly competitive presidential election contributed to the elevation of offshoring to the level of an international trade issue. The US media quickly picked up on this topic and further exacerbated the emotions of participants on both sides of the offshoring phenomenon. Although companies have continued to leverage global resources for IT and BPO throughout the period of discord, the way in which companies have addressed the issue with the broader market has ranged from silence and secrecy to full disclosure. The results have been a mixed bag. Some firms have successfully managed to stay out of the limelight by keeping silent. Other companies have been “exposed” by the media for their offshoring initiatives (see AOL & AMEX in case studies), while still other organizations have used full disclosure regarding offshoring to their competitive advantage (see E-Loan in case studies). Regardless of the results, the importance of defining clear objectives and an effective external communication strategy (or lack thereof) is critical to maintaining a consistent image in the market and avoiding negative publicity.
Communication Strategy

KEY CONSIDERATIONS
The new global service delivery paradigm impacts all stakeholders of an organization — employees, users, shareholders, community, clients and support groups. The success of the communication plan depends on the development of customized communication streams that have the end objective of addressing key challenges, managing resistance to change and achieving stakeholder “buy-in”. A list of selected challenges a company needs to address is described in table 1 below.

<table>
<thead>
<tr>
<th>Internal Challenges</th>
<th>External Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee morale</td>
<td>Corporate image/goodwill of the company</td>
</tr>
<tr>
<td>Confusion, uncertainty, rumors</td>
<td>Could affect company valuations, financial forecasts</td>
</tr>
<tr>
<td>Employee productivity</td>
<td>Uncertainty among existing vendors</td>
</tr>
<tr>
<td>Ripple effect of employee emotions</td>
<td>Sense of ownership, stability, commitment and responsibility</td>
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When developing an effective communication strategy that addresses key challenges, an organization should consider the following factors:

**Communications Charter:**
- Consider the communications scope: enterprise, business line, departmental, project level
- Clarify communications goals and issues
- Identify stakeholders for communications messages
- Determine who should be responsible for communications, which depends on scope
- Prepare a high-level communications plan and a detailed plan understanding the needs of each stakeholder group and the success imperatives of services globalization

**Communications Stakeholder Analysis:**
- Recognize the roles of the various stakeholders, their main interests, and the relationship between stakeholders
- Determine each stakeholder's information needs, expectations, obligations, preferred communications method, timing of communications, communications mode and who should deliver communications

**Communications Success Metrics:**
- Define how the organization will know if the communications plan and its execution are successful - This could be quantitative (e.g., reduced complaints, fewer support calls, new communications mechanisms where none existed) or qualitative (opinions expressed in interviews, focus groups, surveys)

Figure 1 below, presents the various components of a communication plan.
### Communication

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Stakeholders</th>
<th>Components</th>
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<tbody>
<tr>
<td>• Manage Resistance to change</td>
<td>• Internal</td>
<td>• Messaging</td>
</tr>
<tr>
<td>• Maintain productivity</td>
<td>• External</td>
<td>• Timing</td>
</tr>
<tr>
<td>• Reduce uncertainty/rumor</td>
<td></td>
<td>• Vehicles</td>
</tr>
<tr>
<td>• Time to re-skill/job change</td>
<td></td>
<td>• Frequency</td>
</tr>
<tr>
<td>• Manage reputation</td>
<td></td>
<td>• Metrics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Receiver/Sender Set</td>
</tr>
</tbody>
</table>

**Figure 1:** Communication objectives, Stakeholders and Components of the communication plan

### MANAGING RUMORS

Effective communications in the early stages of the company’s outsourcing initiative is critical. It is at the outset of an initiative that an organization is most susceptible to the damaging effect of rumors. Rumors are created in both the internal and external universe of the organization and hamper employee morale, productivity and the corporate image. The timelines and frequency of communication need to be planned well so that rumors do not set in and impact productivity and reputation. The following figure presents the stages of rumor formation, evaluation, confirmation and transmission.

**Figure 2:** Rumor stages

Although rumors cannot be stopped, their accuracy can be controlled. Controlling rumors requires anticipating the rumor and communicating the appropriate truth to the group before the inaccurate rumor begins transmission. Rumors are about outsourcing’s possible outcomes: job losses, plant closures or relocations, outsourcing, selection procedures for new jobs or layoffs, reporting lines, and similar topics. Organizations need to manage rumor accuracy by communicating possible outcomes early in the planning stage.

Source: Adapted from [www.larkin.biz](http://www.larkin.biz)
TIMING OF INTERNAL COMMUNICATION

Communication regarding a services globalization initiative needs to start at the planning stages. Delaying communication significantly increases employee resistance and creates an environment where implementation may become delayed or obstructed. Delaying communication may also result in the employee losing confidence in his/her immediate supervisor. Figure 3, below presents a sample communication timing approach.

![Communication Timing Approach](Image)

**Figure 3: Communication Timing Approach**

The decision to communicate early necessarily involves messages with uncertain content. The solution is to communicate scenarios, ranges, estimates, biases, and probabilities. Communication should be iterative and evolving, beginning with very uncertain information and slowly progressing toward greater certainty.

COMMUNICATION VEHICLES

When defining a communications strategy it is important to consider and evaluate the various communication vehicles available to the organization and how each vehicle should be employed. The vehicles typically available to an organization may include company newsletters, face-to-face individual meetings, company-wide meetings, the media, and analyst calls among others. How each of these vehicles is used is highly dependant on a number of factors that include:

- Timing of communication
- Level of employees
- Message of the communication
- Scale of communication
- Level of certainty in the communication, and
- The level of communication sender
Choosing carefully among the available communication vehicles and mapping the vehicle to the appropriate communication stream is critical to the success of the effort.

DEVELOPING KEY INTERNAL MESSAGES

When communicating any major change including services globalization, there is only one choice for content - possible outcomes. Employees are not concerned about the company’s good intentions, the methodology, or assurances of the company’s financial success. Employees need to understand alternate scenarios, ranges and estimates, working models, and hypotheses.

**Issue**

Organizational productivity will immediately fall as soon as people hear about any offshoring plans

- What's happening where? Who?
- Will we all lose our jobs?
- Isn't this very risky?
- Everybody who goes there gets sick!
- We tried it once and failed Why try again?
- How will my business get work done?
- Why should I help?
- Won't we lose our subject matter expertise?

**Action**

Proactively address resistance and anxiety; address the human aspects of change

Source: Gartner, neoIT

**Figure 4:** Employee concerns about services globalization

From an employee’s point of view, not communicating possible outcomes is a decision not to communicate at all. Organizations that have been successful at communicating internal change around a services globalization initiative have employed some combination of the following practices:

**Resist communication that says nothing**

- Communicating without saying anything concrete is worse than not communicating at all as it leads to rumors and creates uncertainty. The act of communicating raises employee expectations. Expectations are dashed when employees see that the communication is empty.
- Employees lose confidence in their leaders and resist the implementation.

**It is better not to persuade**

- The attempt to persuade lowers the credibility of the sender. The more the company tries to persuade, the more untrustworthy it seems.
More than persuasion, the words of recommendation by ‘opinion leaders’ matter. People change their attitudes when other people with whom they have a long, trusting, personal relationship recommend the change.

The communication challenge for the organization is to make sure the opinion leaders have some recommendation to give. Organization needs to supply these opinion leaders with possible outcomes so they can advise their colleagues on what may happen and how to best position themselves for the changes ahead.

**Painting a positive story does not always help**

- Painting a positive story is too risky. A positive story, if believed, raises employee expectations. If these raised expectations are subsequently not met—morale deteriorates and the implementation is negatively impacted.
- Relaying a positive story that is later not realized is much worse than communicating a balanced story that is realized.
- It is better to manage expectations by communicating a range of possible outcomes from positive to negative. Relaying a range of outcomes communicates this inherent uncertainty and lessens the chance of serious damage to the implementation of a services globalization initiative.

**FREQUENCY OF COMMUNICATION**

Communicating about a services globalization initiative may not follow any fixed frequency. Successful organizations typically communicate to employees about the progress of the initiative after the completion of each critical phase in the process. Organizations typically have a periodic briefing about the progress of the initiative along with ad-hoc proactive communication. The key to the frequency of communication is managing the degree of certainty associated with the services globalization initiative.

Communication should evolve from uncertain to more certain over time

![Communication Frequency Approach](image)

*Source: Adapted from Larkin Communication*

**Figure 5: Communication Frequency Approach**
SENDERS AND RECEIVERS
Organizations need to clearly identify the senders and receivers associated with each communication stream to ensure effective message delivery and effective change management. A comprehensive stakeholder analysis should be conducted, the output of which, will be the organization’s sender/receiver set. Senders for internal communication streams may include the CEO, HR, Line Managers and Business Unit Heads. Senders for external communications may include the CEO, Corporate Communications, Analyst Relations or an outside Public Relations firm. Internal receivers are mainly the company’s employees at various levels, while external receivers may include customers, vendors, financial analysts, the media and the community at large. Carefully mapping each set of senders to the appropriate receivers, along with the right message for each communication stream is instrumental in the successful dissemination of information and internalization of the change process.

EXTERNAL COMMUNICATIONS
In the minds of most Americans, offshoring is associated with “out-of-work” for the employees whose company has chosen to offshore their work to a foreign, low-wage market. A financial benefit for the company translates to a financial hardship for departing employees and unhappy constituents for their elected officials who promised the creation of new jobs. Therefore, major outsourcing initiatives are likely to find their ways to the front pages of local and national newspapers and the news is rarely presented in a positive light. In order to mitigate the potential for negative publicity, organizations need to develop a communication strategy that effectively controls the message and maintains the positive image and goodwill of the company.

Crafting the appropriate message, the sender and the communication vehicle should be a deliberate process that begins at the strategy phase. Mature organizations with a competent corporate communications group have implemented external communication strategies internally with varying degrees of success. Companies that have lesser degrees of capability around external communications and those inexperienced with communicating far reaching changes such as services globalization have chosen to employ external public relations firms that bring to bear a wealth of expertise in this area.

Recommendations
Effective internal and external communications is a critical element of an efficient change management effort. Communications becomes increasingly important when dealing with a “hot button” issues such as services globalization. Communicating effectively requires strong commitment from key management and a deliberate, well thought out strategy that aims to address the concerns of internal and external stakeholders before these concerns turn into behavior that can negatively impact the organization and the services globalization initiative.
AOL
Offshoring outsourcing news/viewpoints

AOL takes passage to India
*CNET, December 22, 2003*

AOL's plans slipped out on its Web site in a Dec. 10 job posting seeking a global program manager to "coordinate software development teams" in the United States, Dublin, Ireland, and Bangalore. The posting bothered some people because it appeared at the same time AOL announced it was laying off hundreds of software engineers at its Netscape Communications unit in Mountain View, Calif., as well as other West Coast offices.

"It's America Online with code built where?" said one former Netscape manager. "There's an image issue that they should address, especially with all the people they just chucked." Besides raising concerns about exporting high-paying, high-skilled jobs abroad, many of these workers have long griped that higher-ups at AOL allowed Netscape to falter.

AOL said the job posting and the layoffs are unrelated. "We are considering opening a small (engineering) office in Bangalore," spokesman Andrew Weinstein said. "That action is completely unrelated to the Netscape job actions that were taken."

AOL appears poised to jump on the bandwagon at a time when it is paring back software engineering in Silicon Valley. It laid off 450 employees in its California offices earlier this month. Many of the employees who were laid off were software engineers at Netscape. AOL has offered to relocate 100 of the workers to its Dulles, Va., headquarters or its office in Columbus, Ohio. Weinstein said the bulk of AOL's coding efforts will now be centered on the East Coast.

Analysis of communications

Internal communication

- The company did not clearly communicate to its employees about the plan to outsource, the divisions/departments that would be impacted and the consequences of this initiative on existing employees.
- Information leakage during the planning stage gave way for rumor among employees about this initiative. Employees went through different stage of rumor – formation, evaluation of rumor, confirmation (validated rumor based on the related information given in the intranet) and transmission (this rumor spread within all divisions of the company, even unrelated set of receivers).

External communication

- The company was not clear and forthcoming in its external communication about offshoring. This created extensive negative publicity in the media.
Interview With Tess Koleczek, E-Loan

www.nymity.com, October 2004

Excerpts from an interview with Chief Privacy Officer of E-Loan

In early February of this year we launched an offshore outsourcing pilot program that is limited to back-office underwriting functions for our home equity applications. We chose one of the most respected and experienced outsourcing companies - Wipro Spectramind, the global technology services division of Wipro Ltd., which is traded on the New York Stock Exchange. This outsourcing program enables us to provide faster service due to the time offset.

Essentially, as we close our business day in the US, India begins theirs. This 24-hour processing capability enables us to fund loans one to two days faster – in 10 days vs. 11 to 12 days – than if they were processed entirely in the US. The program also keeps us competitive in the marketplace – outsourcing in the lending industry is widespread; it's part of the reality of doing business today. With offshoring being such a hot topic, particularly from a privacy perspective, we felt an obligation to disclose this practice to our customers and offer them the choice of processing their information domestically.

In everything we do, we strongly believe honesty is always the best policy. We also believe that two key components of protecting consumers' privacy are disclosure about how customer information is used and consumer control over how this information is used. These beliefs led us to disclose the details of offshore program to our home equity customers before they complete their application – including the faster time processing benefit – and give them a choice to opt out of the program and have their entire transaction processed domestically.

Currently 87% of our customers selecting the overseas option. That number has been slowly increasing since we began the program. While we believed that disclosing the program, providing a choice and explaining a time benefit would be appreciated by consumers, we didn't think the numbers would be as high as they have been from the start. However, the results of our program support the idea that when you make the effort to explain the "what, where & why" to consumers, they are comfortable with it.

Reputable companies that provide these services go to great lengths to prevent such occurrences - possibly even greater lengths than most domestic companies, simply because repeated occurrences of this type of events would result in a catastrophic loss of business and reputation. It could cripple the outsourcing industry as it is today. For our part, we make sure that we're only dealing with reputable service providers. We don't send paper documents overseas, and information is never stored locally in these offshore locations, but merely viewed by employees. We use technological solutions for data transfer, with full cooperation and assistance from these service providers, to protect the privacy and security of our customer information.

We disclose offshoring up front and do our best to assure people that their information is protected, and we build in the technology to support that claim. I believe that if this was the standard operating procedure for companies that use offshore service providers, the issue as far as privacy is concerned would fade.
Analysis of Communication

External communication
- This is one of the best examples of how external communication should be handled while offshore outsourcing.
- The company made clear the reasons for offshoring, the benefits that customers and the company will gain through offshore outsourcing and they way they handle potential issues that could arise out of offshoring.
- By appraising its customers upfront about the option of using offshore outsourcing, the company mitigates the future risk and is able to take its customers into confidence.
More information about the offshore outsourcing industry can be found within neoIT’s research center at www.neoOffshore.com. For more details about neoIT’s offshore advisory and management services, please contact:

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