

I think that by now most managers have realized that there are substantial savings to be made by outsourcing certain parts of their operations overseas. But having said that, you can't just start outsourcing everything that your company does. First of all, only certain types of work actually lend themselves to outsourcing – where there is no need for face-to-face contact and where a secure and reliable network connection is available. So that restricts things pretty much to IT, Human Resources, R&D and back-office work.

The second thing to remember is that there are a number of constraints you have to work with. The first of those is language – there's no point outsourcing if you don't have professional people at the other end who can speak your language. That's why offshoring today has centered on US and UK companies locating in countries like India and the Philippines where English is a part of the culture. Next comes the wage factor or 'differential' as it's called. If there isn't a substantial saving to be made here, then the risks simply outweigh the potential benefits. So, I would say that if you can't get a 50 per cent saving here, then it won't be worth all the extra costs involved in transferring work abroad.

Then there are the risk factors that you have to look at. Political stability is certainly one of those. What will you do if there is a major problem in the country you have outsourced to? And there's also the question of protecting your assets – not giving away your trade secrets to partners who may use that knowledge to their own advantage. So yes, it's a complex decision and one where you have to weigh the advantages and drawbacks very carefully.