

Leveraging offshore development by managing knowledge

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Caspar Bart van Rijnbach

The growth of the Internet and the drop in international telephone tariffs has enabled a global information and knowledge sharing revolution in recent years. Not only has the cost of acquiring knowledge dropped, it also has leveled the playing field for international competition. Small and medium enterprises are now able to compete globally at little cost compared to previous years. One of the results of this has been a surge in offshore development, with some parts of IT development in the US being outsourced offshore for over 50%. Although levels in outsourcing are still very low in Europe, companies from the old continent are also starting to get interested in moving their development offshore. Excellent opportunities for Brazilian companies to start delivering offshore solutions.

How come then, Brazilian companies have not picked up on this opportunity? Brazil is almost never mentioned in offshore development reports as a possible offshore country and total export of development services is still very low. This seems to be against common sense. Although

cost of labour might be somewhat higher than in India and China for example, the Brazilian market for IT development is of comparable size to both. The main difference is that Indian development has its focus on offshore, while Brazilian development is very much internally focused. Some might be due to the fact that India's common language is English (with quite a heavy accent), but we cannot forget Brazilian culture is much closer to both American and European and time difference with Western Europe and the United States are a few hours compared to the 10-14 hours India has to deal with. The difference lays in the preparedness for offshore development, especially when looking at the structuring of communication, processes and managing knowledge transfer.

Due to its high level of knowledge incorporated in process and product, development offshore brings some complexities with it, especially when compared to the exporting of commodities, which in principle is nothing more than the offshore development of products.

To understand this better we should look at the upholding structure of offshore development. Offshore development is based on three pillars: price, quality and productivity which work completely integrated. For offshore development to be interesting to them, clients demand at least the same quality they are used to at a lower price and delivered in the same timeframes they normally would work with. To complete the three-way requirements, the productivity level needs to be high on both sides of the ocean. If productivity is low, timeframes cannot be kept and overall pricing will increase, due to the required extra hours, not only on the

sometimes even little possibility for synchronous communication due to differences in timezones, knowledge transfer is complicated and the trust base between the parties naturally fragile. Second, offshore development includes a development process, which requires sequential and parallel steps that need to be undertaken during delivery. To enable a proper execution of the delivery, it is important that knowledge is transferred in both directions, with the offshore development party delivering knowledge intense products, status reports and clarifications while the client should provide inputs and feedback. A poor execution of this

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offshore developer side, but also on the client side who is working with expensive specialized staff to lead the projects. And productivity is highly dependent upon timely access to information. To give an example, when staff of the offshore development company does not receive a clear definition on how the client would like a certain development issue to be resolved, they might either loose time due to differences in office hours, or move on and develop a possibly incorrect solution.

This brings us to several key knowledge management issues incorporated in offshore development. First of all, it is offshore, which means that many times there will be quite some distance between the developing party and the client. With virtually no face-to-face contact and

process can lead to misunderstanding and disappointment on both sides. In the third place there is language. During the offshore development process, the parties involved will use a predefined language (often English), but more often than not, this language is not native to one or either of the parties or a huge difference in dialect exists (you might want to hear the difference between Indian English and American English) and thereby complicates, especially, verbal communication and therefore transfer of knowledge. Fourth, there is the outsourcing aspect, which leaves intellectual property vulnerable, especially since international contracts are difficult to juridically impose. High trust between parties is required and without face-to-face contact this is naturally difficult. Fifth, there is the aspect of high rotation of staff in

offshore development countries, where experienced developers might leave the offshore development team and leave a knowledge vacuum of client relationship, product and process.

So how can Brazilian companies prepare themselves for offshore development? In the first place, make use of current day communication tools such as instant messaging, e-mail, voice over ip, and collaborative environments that support low cost based transfer of knowledge, be it tacit or explicit. But it is important that this process happens structured. The focus in this knowledge transfer process should be on codification and organization. If both are done well, the requirements for collaboration (which support the transfer of tacit knowledge) will drop. Even if synchronous tacit communication and collaboration is handled well, it still will be difficult to replace explicit knowledge, especially when the products are high knowledge intense. The higher the intensity of tacit knowledge, the more complex offshore development will be. Tacit knowledge intense processes require proximity. Therefore, design will be more difficult to outsource than programming for example. Programming can be made explicit by technical and functional specification, including even use cases to show user interaction with the system. Design requires, feel, insight, connection to people, although the use of examples (of designs) and references help to transfer this knowledge.

Even knowledge intense products can become less needy for knowledge

transfer when the development becomes routine. With repeated standard development, knowledge will be incorporated by the development team and only the customization of these products will intensify the need for transfer of knowledge again. Transferring of knowledge of customer products and processes via socialization, but especially externalization are fundamental.

Therefore, request proper documentation from your client, structure yourself to enable clear and timely communication, register and document properly yourself and spread knowledge among team members. And continuously improve your development and communication processes via lessons learned and the definition and dissemination of best practices. Maybe you might not need CMM certifications, but you surely need structure to be productive. And productivity depends on access to information and knowledge, the capability of staff to turn this information and knowledge into tangible results and the speed of decision making process. So manage the knowledge transfer and knowledge management process well and combine this with good professionals that Brazil is rich with and you get yourself ready for offshore development. Now you just need clients, and that is another story.

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