

**Hard to hit a moving target**

## **Off-shore operations present own set of problems**

JOHN GLENN, MBCI  
*Certified Business Continuity Planner*

Many U.S. companies have looked to off-shore operations as a way to reduce costs.

In the rush to send jobs to the Pacific Rim and Far East, a number of organizations overlooked one or more problems which either don't exist in the home country or are mitigated by the home country environment.

Some of the problems - such as accents - are "old hat" and smart organizations have worked to eliminate or mitigate them.

Other problems are just now coming to light.

**Poverty, crowding, and disease**

According to a Washington Post article, "World Death Toll Of a Flu Pandemic Would Be 62 Million" ([http://www.washingtonpost.com/wp-dyn/content/article/2006/12/21/AR2006122101466\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2006/12/21/AR2006122101466_pf.html)) by David Brown,

"An influenza pandemic of the type that ravaged the globe in 1918 and 1919 would kill about 62 million people today, with 96 percent of the deaths occurring in developing countries.

"That is the conclusion of a study published yesterday in the Lancet medical journal, which uses mortality records kept by governments during the time of 'Spanish flu' to predict the effect of a similarly virulent outbreak in the contemporary world.

"The analysis, the first of its kind, found a nearly 40-fold difference in death rates between central India, the place with the highest recorded mortality, and Denmark, the country with the lowest. The reason for the huge variation is not known, but it may reflect differences in nutrition and crowding."

The companies most involved in moving jobs "off shore" typically select the lowest wage countries to set up shop, the same countries which meet the study's criteria as primary areas of impact for any epidemic.

Typically, when we think of the pandemic impact on organizations in Canada and the U.S., in Australia and New Zealand, Israel, and most parts of Western Europe, we think in terms of perhaps a 40 percent absentee rate. Elsewhere, due to one or more of the conditions cited in the WashPost article, we need to be thinking in terms of mortality, not absentee, percentages.

"The countries most likely to be adversely affected are the ones with the least resources. This happened then (in 1918), and is what is likely to happen now," said Keiji Fukuda. "WHO, as it always has done, pays a disproportionate amount of its attention and efforts toward such countries."

What this means to organizations in "developed" nations is that management must make plans to transfer the out-sourced functions from their current locations elsewhere.

"Where" is the question.

Current indications are that the threat du jour - Avian Influenza A (H5N1) - is a relatively slow-moving virus which has yet to mutate to a form which easily infects humans.

Translation: Organizations which track H5N1's progress on reliable Web sites such as the U.S. Center for Disease Control (CDC) and the UN's World Health Organization (WHO) should have sufficient advance warning to move operations from one location to another with minimal impact on the overall organization. This applies to multi-site organizations in the same country (e.g. those with facilities on the Canadian or US Atlantic Coast and Pacific Coast).

No matter if alternate sites are available across the globe or just across a country, management must consider today how it will react tomorrow, just as it should be considering today what it would do in any other mass absence situation (e.g. work action or "plain, ol' ordinary flu").

### **Things to consider**

Besides means to mitigate H5N1's local impact through basic hygiene - wiping door knobs and telephone handsets, coughing or sneezing into a tissue, perhaps issuing approved masks and the like - management must consider the load handled by its off-shore operations and how it can return that load to an N5H1-free area.

Does it have the personnel in place to handle the load at least on a short-term basis until additional, supplemental personnel can be trained and equipped?

How many people will be needed? Can load-sharing be arranged so that those off-shore personnel that can, and do, report can be supplemented by in-country

personnel? Estimates are a 40% absentee rate; can that be absorbed by organization personnel elsewhere?

Some organizations have opted to job out certain work not to their own off-shore operations but to off-shore vendors. Has management done its due diligence and confirmed that these vendors have viable Business Continuity plans, plans which are frequently exercised and regularly maintained/updated? (For that matter, does it do its due diligence for vendors in the home country or other developed countries?)

If the off-shore operation is a call center, how many lines? How many people per shift? How much space will be needed if 40 percent of the operation is brought back? What about 60 or 100 percent? Are there people in the home country that have the knowledge needed to man a call center? How long and how much money does it take to recruit and train a person in the off-shore country (to replace those who won't be coming back). How long and how much money will to recruit and train someone to man a phone in the home country for a two, three, or four month contract?

Off-shore production? How long can an organization continue operations without the production? Is this product something that can be stockpiled "for the duration," usually guestimated to be 6 to 8 weeks. Is there a shelf life issue? Can marketing accurately forecast demand? What about delivery of raw materials to the production site? Again, management must do its due diligence on the vendor; sometimes on the vendor's vendor.

Writing software "over there?" How critical is the latest revision? How desperately is the fix needed; will customers wait or will customer patience be worn so thin they will go elsewhere - if not immediately then sometime in the future. Customers have long memories and they do punish vendors who let them down. An aside to organizations acquiring software, in-house or from external vendors: make certain it thoroughly is commented by the developers.

If software development is on a tight schedule, can development be transferred elsewhere? How long will it take for a programmer new to the development to get up to speed; do all programmers think alike for a seamless transition?

If a call center must be established in the home country, if a production line must be set up, where will the people go, where will they work?

Will staff be asked to relocate? If so, what about travel, per diem, family support and home leave? Are policies and procedures in place; do union contracts allow relocation? Are there different laws and regulations in effect at an alternate site which may impact directly, or indirectly, on the organization's business? California's SB 1386 comes to mind, as do state variations on OSHA and similar worker-protection laws.

The flu's not a significant threat - yet - but while it is on almost everyone's mind the time has arrived to consider not only what must be done to protect the local operation, but the off-shore business as well. The off-shore operation and any critical vendors which support it.

Management may have shipped part of the business beyond the border, but the Business Continuity concerns remain at home and demand attention.



John Glenn, MBCI, has been helping organizations of all types avoid or mitigate risks to their operations since 1994. Comments about this article, or others at <http://JohnGlennMBCI.com/> may be sent to [Planner @ JohnGlennMBCI.com](mailto:Planner@JohnGlennMBCI.com).

A business card for John Glenn, MBCI. On the left is a vertical image of a lighthouse with a yellow and black striped tower and a white top. To the right of the image is the text: "As a lighthouse protects a sailor, so Business Continuity protects the organization™". Below this is "JOHN GLENN, MBCI" and "Certified Business Continuity Planner". Further down are the contact details: "Mobile: 1.727.542.7843", "JohnGlennMBCI@gmail.com", and "http://JohnGlennMBCI.com/". At the bottom of the card is the slogan "Business Continuity Planning Is Business Survival Planning™".

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<http://JohnGlennMBCI.com/>

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