

Report

Insights from speeches you missed at recent MR conferences

Institute for International Research

The Market Research Event

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A Call for Transparency with Clients about Offshoring

Main Point: Industry quality standards and codes of ethics have not been placed on offshoring. The speaker reported customer concern about their total loss of control over the production process, specifically the difficulty in obtaining accurate, honest information.

RCR impressions of content: **Innovativeness: A**
Relevance: A-
Practicality: A

In recent years, offshoring has become one of the American research business' newest and boldest institutions. **Anderson Analytics LLC** President **Tom H.C. Anderson** prefaced his comments about what goes on behind the scenes in research industry offshoring with a disavowal of any anti-India or anti-offshoring sentiment. His issue is "the lack of transparency in offshoring." With one of the market's biggest third-party offshoring companies in the audience, he said that India, which is expected to capture 70% of the Knowledge Process Offshoring (KPO) market, "is one of the countries with the biggest problems."

During thoughtful moments, suppliers and clients will own up to several offshoring issues, Anderson remarked. In fact, offshoring's benefits and concerns are well documented and understood. Sharing the knowledge garnered from many industry friends who partake of this capability, he saluted access to resources, reactive/flexible employees and the abundance of MBAs and Ph.D.s from offshoring. He also asked for acknowledgement about offshoring's "hierarchical/lack of

shoring work done in India. He gave examples of data confidentiality breaches, both in IP and customer data. He questioned the negative impact resulting from high offshore employee churn. "Attrition rates are reported in the 30% to 50% range for BPO and KPO, and it is over 100% for ITO," he declared. "This constant movement of employees and, thus, movement of confidential data and IT, creates an inherently dangerous situation. Employees and ex-employees represent the highest risk for a data breach in any country."



Tom Anderson

He assailed the lack of protection afforded offshoring research users. Several countries with offshoring services for U.S. businesses, including India, have fallen under the U.S. Trade Representative Priority IPR/301 Watch List, a detailed federal government examination of the adequacy and effectiveness of intellectual property rights.

He noted the absence of any data protection agreements similar to the EU Safe Harbor agreement among offshore provider nations. Since 1998, the EU has prohibited transfer of personal data to non-European Union nations that do not meet the European "adequacy" standard for privacy protection.

Anderson asserted the need for offshore companies to insist that their subcontractors and employees abide by all agreements offshore organizations have with their

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creativity and lack of push back."

Noting that the business term "Baksheesh" (bribery) is as common in India as "Guanxi" (personal networks) is in China, Anderson reported ethical challenges within off-

customers. In India, for instance, a country with no IP statutes on the books, he said contracts are a client's only protection. Yet, Anderson pointed out that even with contracts in place, The World Bank ranks India

182nd out of 183 nations in contract enforcement.

He wondered out loud about publicity claiming two-thirds of U.S. companies offshore their market research. An Anderson survey with the 6,000 members of LinkedIn's Next Generation Market Research Group revealed the percentage to be far smaller: 58% of 586 MR supplier respondents and 69% of 145 client respondents said they *do not offshore work*. Among those respondents, 69% of the suppliers said they are wary of offshoring their work and 31% are positive about it. Among clients, 61% were wary and 39% feel good about it.

Anderson's data demonstrated a clear and direct correlation between number of research employees and offshoring. He displayed a graph showing the percent of supplier companies that approve of offshoring for a specific research service, and a second one that related types of MR projects and their level of offshore execution.

His underlying point was research supplier transparency with clients about use of offshoring. "In our survey, almost everyone—non-offshoring suppliers at 73%, offshoring suppliers at 61% and 92% of clients—agrees that any offshoring in a project should be revealed," Anderson said, never quite saying but inferring that this is not the case.

Anderson used his presentation to announce his formation of The Foundation for Transparency in Offshoring in order to put some muscle behind the communication imperative. Whether or not a company chooses to offshore all or part of its services to lower-cost countries, FTO believes research companies have an obligation of transparency to their customers. An FTO member company can affix a logo to their site that states the research business does not offshore or that it is responsible and transparent in such activity.

During Q&A, Anderson was sharply questioned about his temerity in deciding to personally lead an offshoring transparency crusade; he was also saluted for his initiative. ☺

For more information, contact: info@offshoringtransparency.org

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