

2005 Offshoring

Survey Report

A Study by the Society for Human Resource Management





2005 Offshoring

Survey Report

Evren Esen

SHRM Survey Research Specialist

SHRM Research

September 2005

This report is published by the Society for Human Resource Management (SHRM). The interpretations, conclusions and recommendations in this report are those of the author and do not necessarily represent those of SHRM. All content is for informational purposes only and is not to be construed as a guaranteed outcome. The Society for Human Resource Management cannot accept responsibility for any errors or omissions or any liability resulting from the use or misuse of any such information.

© 2005 Society for Human Resource Management. All rights reserved. Printed in the United States of America.

This publication may not be reproduced, stored in a retrieval system or transmitted in whole or in part, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the Society for Human Resource Management, 1800 Duke Street, Alexandria, VA 22314, USA.

For more information, please contact:

SHRM Research Department
1800 Duke Street, Alexandria, VA 22314, USA
Phone: (703) 548-3440 Fax: (703) 535-6432
Web: www.shrm.org/research

2005 Offshoring

Survey Report

Contents

iv	About This Report
iv	About SHRM
iv	About the Author
iv	Acknowledgments
v	Introduction
vi	Methodology
viii	Key Findings
1	Survey Results
1	The Prevalence of Offshoring
1	The Primary Reasons for Offshoring
3	HR Professionals' Views on Offshoring
4	Impact of Offshoring on the HR Profession
5	Why Organizations Do Not Offshore and How They Remain Competitive
7	Experiences of Organizations That Presently Offshore
15	HR Involvement in Offshoring
23	Conclusion
24	A Look Ahead: A Future View of Offshoring
25	Demographics
27	Survey Instrument
39	SHRM Survey Reports

About This Report

In May 2005, the Society for Human Resource Management (SHRM) conducted its Offshoring Survey by asking HR professionals about the prevalence of offshoring in their organizations and about the factors that influenced organizations to offshore. The role of HR in offshoring was also examined. For this survey, *offshoring*, also known as *cross-border outsourcing* and *offshore outsourcing*, was defined as the practice of U.S. organizations operating business units and/or functions in other countries.

Findings are discussed in the survey results section. Interpretations about future trends in offshoring practices are presented at the end of the report in the section titled “A Look Ahead.” Statistically significant findings by organization staff size and sector are integrated in the survey report, where applicable.

About SHRM

The Society for Human Resource Management is the world’s largest association devoted to human resource management. Representing more than 200,000 individual members, the Society’s mission is to serve the needs of HR professionals by providing the most essential and comprehensive resources available. As an influential voice, the Society’s mission is also to advance the human resource profession to ensure that HR is recognized as an essential partner in developing and executing organizational strategy. Founded in 1948, SHRM currently has more than 550 affiliated chapters and members in more than 100 countries. Visit SHRM Online at www.shrm.org.

About the Author

Evren Esen is a survey research specialist for SHRM. Her responsibilities include designing, conducting and analyzing surveys on HR-related topics. She has a graduate certificate in survey design and data analysis from The George Washington University in Washington, D.C.

Acknowledgments

This report is the culmination of a team effort. Steve Williams, Ph.D., SPHR, SHRM Director of Research, provided valuable expertise adding to the content of the survey report. Mike Aitken, SHRM Director of Governmental Affairs, contributed to the overall content of the survey instrument. Leslie Weatherly, SPHR, SHRM HR Content Expert, provided extensive background literature related to offshoring. Jennifer Schramm, SHRM Manager of Workplace Trends and Forecasting, provided insight on future trends in offshoring.

The survey instrument was developed by the SHRM Survey Program. An internal committee of SHRM staff with HR expertise, along with Todd Allen, Nancy Anheier, Wendy Bliss, Michael McCallum, Barbara Mitchell and Mary-Jane Sinclair of SHRM’s HR Consulting/Outsourcing Special Expertise Panel, provided valuable insight and recommendations for the survey instrument. Noel Kreicker of SHRM’s Global Special Expertise Panel also contributed to the survey instrument design.

Introduction

Over the last several years, offshoring has consistently been a topic of debate in the media and among economists, business leaders and politicians. National statistics show that organizations are offshoring jobs to other countries at an ever-increasing rate. Proponents of offshoring believe that it creates higher-value-added jobs and allows organizations to focus their offshoring cost savings on new technologies that create job growth in the United States. Opponents of offshoring believe that it eliminates U.S. jobs and that state and federal governments should legislate restrictions on offshoring. In fact, in 2004 five states¹ passed bills that limited the offshoring of jobs. And so far in 2005, 112 bills in 40 states have been introduced.²

Predictions by economists and business analysts regarding growth in offshoring practices indicate double-digit annual growth culminating in over 3 million U.S. jobs globally sourced by 2015.³ Currently, this trend appears to encompass service and manufacturing jobs in large multinational organizations, which have the infrastructure to easily operate business units across borders. However, with improvements in information and communication technology, more and more high-paying white-collar jobs are being moved overseas.⁴

While the deliberations about offshoring are likely to continue in the years to come, offshoring is here to stay, and it is unlikely that its growth can be con-

tained. Offshoring is particularly significant from the standpoint of the human resource profession in terms of its impact on U.S. human capital. When employees are displaced as a result of jobs being moved to other countries, HR professionals are the first to deal with the employee impact. Most remedies for job displacement center on formal job training/retraining programs, continuing education grants and greater on-the-job training. This puts HR professionals in a prime position to regulate the effects of offshoring and its ramifications for organizations and for the existing workforce.

HR professionals are involved in corporate strategies that investigate the viability of offshoring and, in some cases, the subsequent decision to offshore certain business functions and/or units. The role of HR in offshoring implementation is immense. From training HR professionals from offshore sites in the home organization's corporate culture and policies to developing strong channels of communication between global satellite offices, HR's involvement is crucial in effectively managing cross-border human capital.

The results of this research provide a glimpse of how HR professionals view offshoring and its impact on the HR profession. Insight from HR professionals whose organizations are currently offshoring are also included to offer an indication of the role HR plays in offshoring.

¹ The five states were Alabama, Colorado, Indiana, North Carolina and Tennessee.

² National Foundation for American Policy. (2005). *Global sourcing information*. Retrieved July 26, 2005, from www.nfap.net/researchactivities/globalsourcing/appendix2005.aspx.

³ McCarthy, J. C. (2004, May). *Near-term growth of offshoring accelerating*. Cambridge, MA: Forrester Research, Inc.

⁴ Schramm, J. (2004). *Offshoring. SHRM Workplace Visions, 2*.

Methodology

A sample of HR professionals was randomly selected to participate in the survey from SHRM's membership database, which included approximately 190,000 individual members at the time the survey was conducted. Only members who had not participated in an SHRM survey or poll in the last six months were included in the sampling frame. Members who were students, consultants, academics, located internationally and who had no e-mail address on file were excluded from the sampling frame. In May 2005, an e-mail that included a link to the SHRM Offshoring Survey was sent to 5,000 randomly selected SHRM members who worked in organizations with 500 or more employees.⁵ Of these, 3,976 e-mails were successfully delivered to respondents, and 395 HR professionals responded, yielding a response rate of 10%. The survey was accessible for a period of three weeks. Three e-mail reminders were sent to nonrespondents, in addition to phone and fax reminders, in an effort to increase response rates.

Notes and Caveats

Analysis by organization staff size: Throughout this report, analyses by respondents' organization staff size are presented and discussed, when applicable. Organizations are grouped into three categories based on the number of employees at the HR professional's business worldwide: small organizations (500 to 2,499 employees), medium organizations

(2,500 to 9,999 employees) and large organizations (10,000 or more employees).

Differences: Conventional statistical methods were used to determine if observed differences were statistically significant (i.e., there is a small likelihood that the differences occurred by chance). Therefore, in most cases, only results that were significant are included, unless otherwise noted.

Generalization of results: While it is optimal to generate as high of a response rate as possible, this is not always achievable due to the complexities of surveys. Therefore, as with any research, readers should exercise caution when generalizing results and take individual circumstances and experiences into consideration when making decisions based on this data. While SHRM is confident in its research, it is prudent to understand that the results presented in this survey report are only truly representative of the sample of HR professionals responding to the survey.

Number of respondents: The number of respondents (indicated by "n") is noted in all tables and figures and indicates the number of individuals (not organizations) who provided data relevant to a particular table or figure. The number of respondents varies from table to table because some respondents did not answer all of the questions. Individuals may not have responded to a question on the survey because

⁵ Organizations with fewer than 500 employees were excluded from the sampling frame because it was thought that these organizations would be less likely to employ offshoring practices.

the question or some of its parts were not applicable or because the requested data were unavailable. This also accounts for the varying number of responses from one table to another or within a table.

Confidence level and margin of error: A confidence level and margin of error give readers some measure of how much they can rely on survey responses to represent all SHRM members. Given the level of response to the survey overall, SHRM Research is 95% confident that responses given by responding HR professionals can be generalized to all SHRM members, in general, with a margin of error of approximately 5%. For example, 26% of the responding HR professionals reported that they believed that offshoring decreased HR job opportunities. With a 5% margin of error, the reader can be 95% certain that between 21% and 31% of SHRM members believe that offshoring decreases HR job opportunities. It is important to know that as the sample size decreases, the margin of error increases, and therefore the margin of error for each individual question will vary depending on the number of responses to that particular question.

Key Findings

According to HR professionals, only about one-third of organizations currently offshored one or more business units and most of them were medium- and large-staff-sized organizations.⁶ The top two reasons why organizations utilized offshoring were lower labor costs and increased overall profits. The most widespread business function offshored was manufacturing/production, followed by IT and customer service/call centers. India was the country where most offshored work took place. Mexico was second, and China and Canada tied for third place. The obstacles faced by organizations with offshored business units and functions were communication/language barriers and cultural differences/difficulties in understanding local customs. The top two negative outcomes cited were decreases in U.S.-based employee morale and lack of face-to-face contact with employees, which made the offshoring process less personal. Despite the challenges of offshoring, three-quarters of organizations achieved cost savings as a direct result of offshoring, according to HR professionals.

Respondents from organizations that did not offshore reported that the main reasons for choosing not to offshore were because it did not fit the strategic business direction of their organizations or that small size of the organizations and the incompatibility of the industry did not make offshoring a necessity. To increase their competitiveness, these organizations have been investing in technology and increasing productivity levels.

More than one-third of HR professionals from organizations that were planning to offshore or were presently offshoring stated that HR was involved in the decision-making process to offshore. Slightly less than one-half of respondents reported that the HR function in the United States managed HR operations in other countries. The most common areas of oversight included help in solving and preventing problems and providing training to the offshore workforce on the organization's business practices, corporate culture, as well as creating culturally sensitive policies. About six out of 10 professionals indicated that the HR function in the U.S. location was responsible for recruiting and hiring staff for the offshore location's HR function. HR in the U.S. location was also involved in offshore employee recruitment.

The majority of HR professionals believed that U.S. organizations should have the flexibility to operate businesses anywhere in the world in order to meet their strategic business needs and did not think that limitations should be placed on businesses through federal legislation. However, about three-quarters of HR professionals also agreed that offshoring contributed to the loss of U.S. jobs.

⁶ Medium-staff-sized organizations have 2,500 to 9,999 employees and large-staff-sized organizations have 10,000 or more employees.

Survey Results

The Prevalence of Offshoring

Figure 1 shows that 29% of HR professionals reported that their organizations presently offshored one or more business units and another 4% indicated that their organizations were presently discussing the possibility of offshoring. Sixty-four percent of organizations were not presently offshoring and had no plans to offshore any of their business.

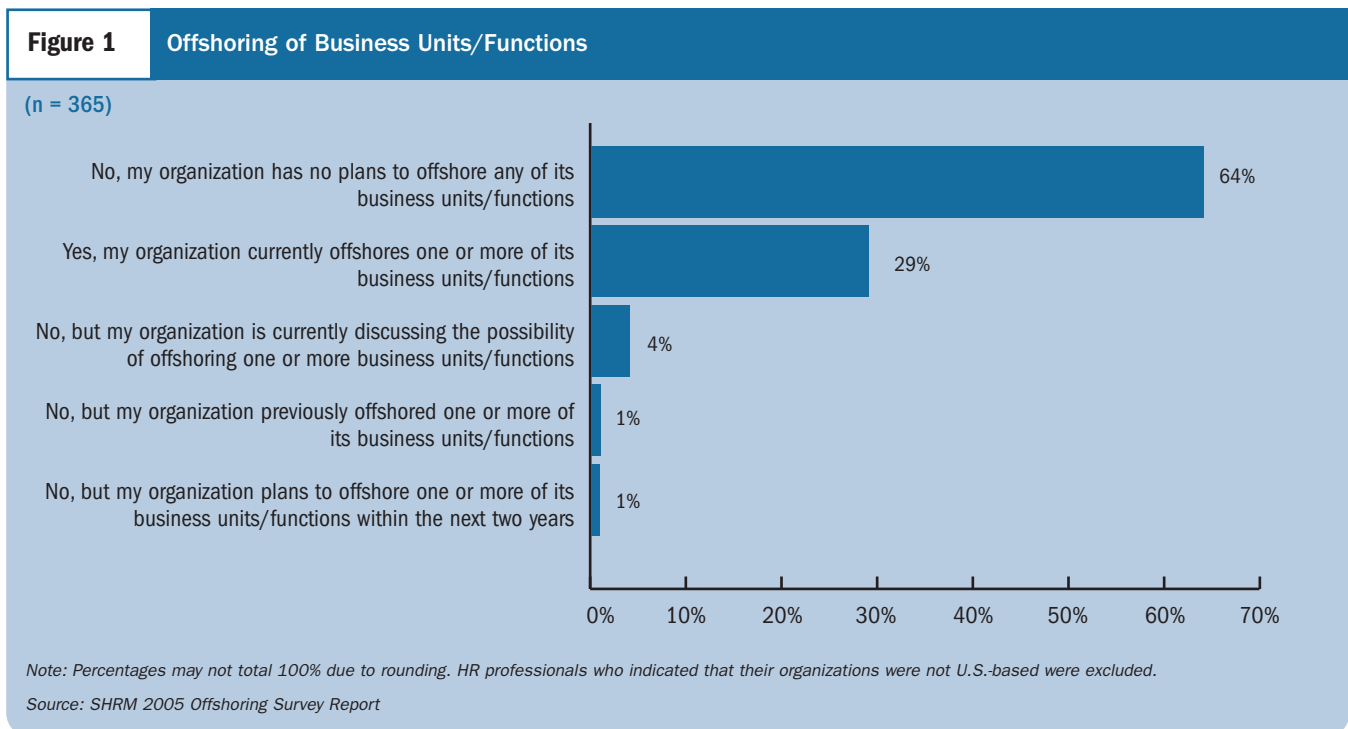
Table 1 illustrates how organization staff size impacted the likelihood of offshoring. About two times as many medium and large organizations (34% and

35%, respectively) presently offshored business units/functions compared with small organizations (17%).

Analysis by industry revealed that finance, manufacturing (durable goods) and services (profit) organizations were more likely to engage in offshoring than the health industry.

The Primary Reasons for Offshoring

Table 2 depicts the primary reasons organizations offshore.⁷ Not surprisingly, the top two overall reasons



⁷ HR professionals from organizations that had no plans to offshore were asked why they thought other organizations were offshoring. HR professionals from organizations that were currently offshoring were asked the primary reason their organizations offshored. The "Overall" column in Table 2 is the combination of all responses.

Table 1 Offshoring of Business Units/Functions (by Organization Size)

	Small (500-2,499 Employees) (n = 135)	Medium (2,500-9,999 Employees) (n = 82)	Large (10,000 and more employees) (n = 111)	Comparison
Yes, my organization currently offshores one or more of its business units/functions	17%	34%	35%	Medium > small Large > small
No, but my organization is currently discussing the possibility of offshoring one or more business units/functions	3%	5%	6%	
No, but my organization plans to offshore one or more of its business units/functions within the next two years	0%	1%	3%	
No, my organization has no plans to offshore any of its business units/functions	79%	59%	52%	Small > medium Small > large
No, but my organization previously offshored one or more of its business units/functions	1%	0%	4%	

Note: Percentages are column percentages and may not total 100% due to rounding.
Source: SHRM 2005 Offshoring Survey Report

Table 2 Primary Reasons for Offshoring

	Overall (n = 360)	Perspectives of Organizations That Currently Offshore/Plan to Offshore (n = 127)	Perspectives of Organizations With No Plans to Offshore (n = 233)
Lower labor costs	76%	54%	88%
Increased overall profits	50%	42%	54%
Decreased health care costs	23%	5%	34%
New business opportunities	20%	41%	9%
Regulatory environment	17%	2%	26%
Access to highly skilled technical expertise	16%	26%	10%
24/7 operations	15%	15%	16%
Unfavorable U.S. economic conditions	15%	9%	15%
Revenue opportunities in host country	11%	13%	10%
Increased productivity levels	10%	13%	8%
Legal environment	9%	1%	13%
Improved customer service levels	7%	17%	1%
More time to focus on core competencies (at the U.S. location)	7%	10%	5%
Retirement/pension costs	6%	0%	10%
Development of new jobs at U.S. location(s) (i.e., restructuring, reallocation, etc.)	1%	3%	0%

Note: Percentages do not total 100% due to multiple response options. Data are sorted by the "Overall" column. HR professionals were asked to select only three responses. HR professionals from companies that had no plans to offshore were asked why they thought other companies were offshoring. HR professionals from companies that were presently offshoring were asked the primary reason their companies offshored. The "Overall" column is the combination of all responses.
Source: SHRM 2005 Offshoring Survey Report

cited as the impetus for offshoring were lower labor costs (76%) and increased overall profits (50%). How much do organizations save when they offshore? This number is difficult to pin down, but estimates vary from 25% to 55%, depending on the scope of the project.⁸ HR professionals from organizations that did not offshore (88%) were much more likely to indicate that the reason organizations offshored was due to lower labor costs, while only 54% of organizations that offshored cited this reason. This suggests that the perception of nonoffshoring organizations was somewhat inexact with respect to the impact that lower labor costs had on the decision to offshore. In fact, a comparison of the reasons provided by both groups shows discrepancies in several areas. Forty-one percent of organizations that offshored cited new business opportunities as a primary reason, while only 9% of nonoffshoring organizations provided this reason. Similarly, 26% of organizations that offshored stated that access to highly skilled technical expertise was a motivation to offshore, compared with only 10% of nonoffshoring organizations.

Although advocates of offshoring credit it with the creation of new U.S. jobs through opportunities gained from the cost savings from offshoring, only 3% of offshoring organizations indicated this as a reason for offshoring. It may be that job creation is not a short-term gain of offshoring, although in the long term organizations that offshore may be able to invest their profits in new technologies and business directions that will spur future job growth.

HR Professionals' Views on Offshoring

HR professionals' opinions about offshoring are depicted in Figure 2. Offshoring is here to stay, according to almost all HR professionals surveyed (92%). HR professionals from private for-profit and private non-profit organizations were more likely to agree with this statement than public/government respondents. One of the advantages of offshoring is that it compels U.S. organizations to be part of the global market thereby

broadening their reach across the world. This is imperative as world economies become increasingly intertwined. In fact, U.S. organizations have been operating overseas for many years, and other countries have headquarters in the United States. When asked if U.S. organizations should have the flexibility to operate businesses anywhere in the world in order to meet their strategic business needs, 78% of HR professionals agreed. HR professionals from private for-profit organizations were more likely to agree with this statement than HR professionals from public/government organizations. More than eight out of 10 (82%) HR professionals also agreed that offshoring afforded organizations the flexibility to meet their strategic business needs. Large organizations were more likely than small to agree with this statement, as were private for-profit organizations compared with public/government organizations. Although, as mentioned earlier in this report, there are calls for government legislation of offshoring, many HR professionals (62%) disagreed that the U.S. government should pass legislation that would limit offshoring by U.S. organizations.

While HR professionals disagreed that the government should interfere with offshoring, 75% indicated that offshoring was responsible for the loss of U.S. jobs. Sixty-three percent also disagreed that the increased profits from offshoring were ultimately used to preserve U.S. jobs, though HR professionals from private for-profit organizations were more likely to agree with this statement than those from public/government organizations. These findings are interesting because they hint at the dilemma that offshoring presents. Although the perception exists that U.S. jobs are lost as a result of offshoring and that organizations are not creating new jobs in place of offshored jobs, most HR professionals believed that U.S. organizations should have the flexibility and freedom to follow their strategic business needs via offshoring.

Seventy-nine percent of HR professionals indicated that the role of HR became more strategic due to

⁸ The Conference Board. (2005, February). *Executive action: Thinking offshoring through*. New York: Author.

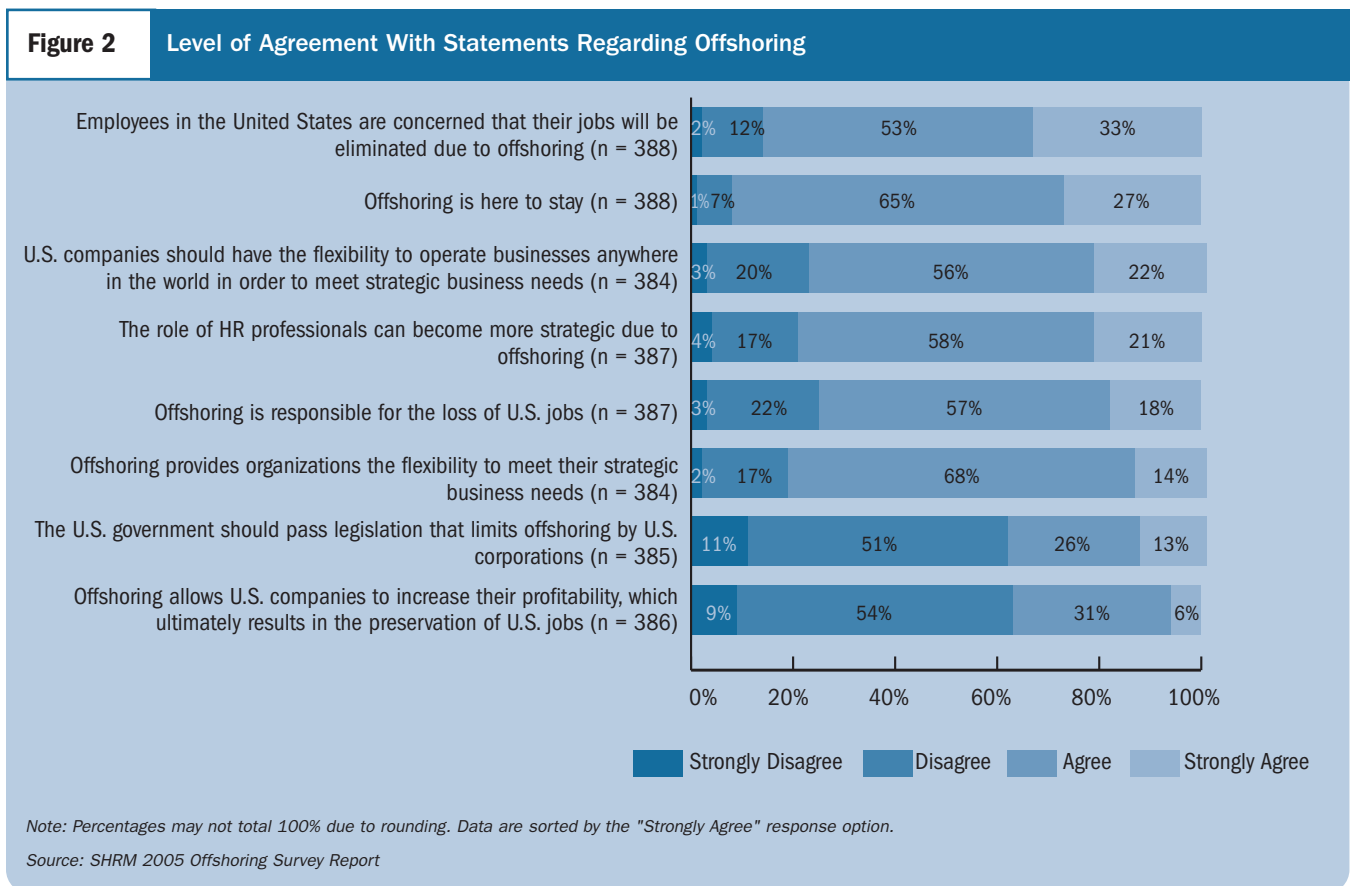
offshoring. HR does play a critical role in the information-gathering process that helps determine the business impact of offshoring, as well as in maintaining consistency across all operations and tracking changes in a country's economic or political climate.⁹ The impact of offshoring on the organization's U.S. employees is also HR's responsibility. HR professionals were very aware of the effects that offshoring was having on employee concerns regarding job security. Eighty-six percent of HR professionals indicated that employees were concerned that their jobs would be eliminated because of offshoring. Offshoring has a direct impact on employee morale and productivity, which can lead to higher turnover among employees whose jobs have not been offshored but who feel unsatisfied with the organization's handling of the process. The people manage-

ment skills of HR are crucial during any transformation or restructuring process.

Impact of Offshoring on HR Profession

Do HR professionals believe that offshoring has an impact on HR job opportunities? About four out of 10 (42%) indicated that offshoring had no impact on HR job opportunities and 32% indicated that it increased HR job opportunities. These data are depicted in Figure 3.

The majority of HR professionals (73%) were not at all concerned that offshoring would impact their jobs, as illustrated in Figure 4. Although the offshoring of white-collar jobs is increasing, there are few who believe that HR jobs will be threatened. One view is that technology and HR outsourcing within U.S. bor-



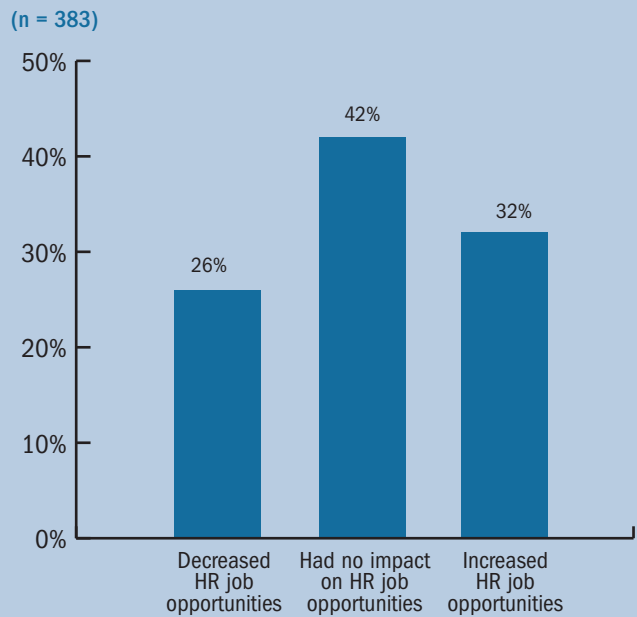
⁹ Schramm, J. (2004). *Offshoring*. SHRM Workplace Visions, 2.

ders are more of a threat to HR jobs than cheap overseas labor.¹⁰ Respondents from small organizations were more likely to be not at all concerned (84%) about their job security compared with HR professionals from large organizations (64%). Results from the 2004 SHRM Human Resource Outsourcing Survey Report showed that HR professionals were concerned that HR outsourcing would impact their jobs more than offshoring.¹¹ While only 27% of respondents indicated that they were somewhat or very concerned that offshoring would impact HR professionals' jobs, 49% of HR professionals felt the same way about HR outsourcing.

Why Organizations Do Not Offshore and How They Remain Competitive

In spite of the abundance of information about offshoring and the resulting displacement of workers, the majority of organizations are not offshoring. As shown in Figure 1, 64% of organizations were not presently offshoring their business units/functions nor did they

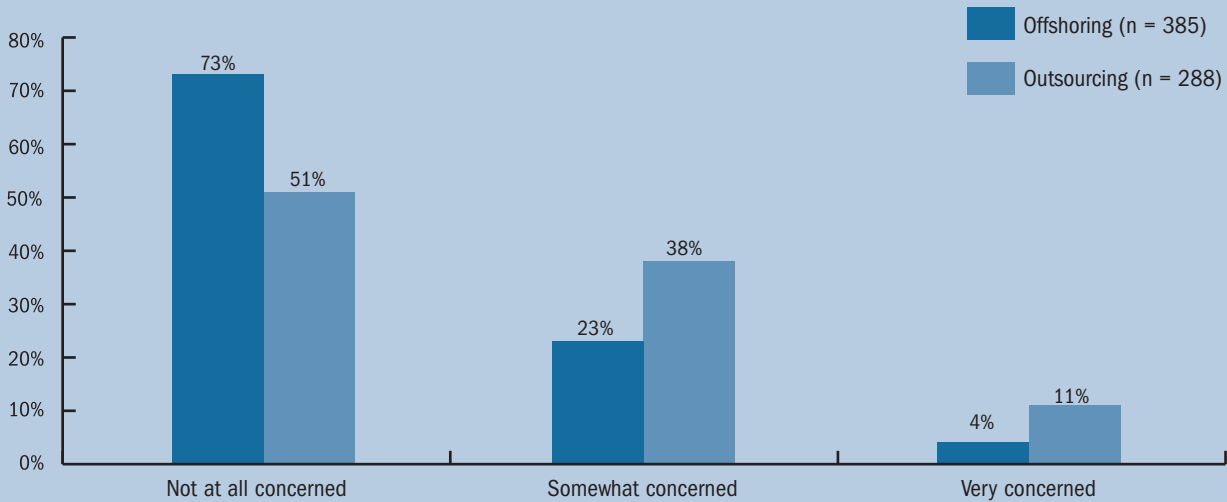
Figure 3 Impact of Offshoring on the HR Profession



Note: Percentages may not total 100% due to rounding.

Source: SHRM 2005 Offshoring Survey Report

Figure 4 Concern That Offshoring and Outsourcing Impact HR Professionals' Jobs



Note: Percentages may not total 100% due to rounding.

Source: SHRM 2005 Offshoring Survey Report and SHRM 2004 Human Resource Outsourcing Survey Report

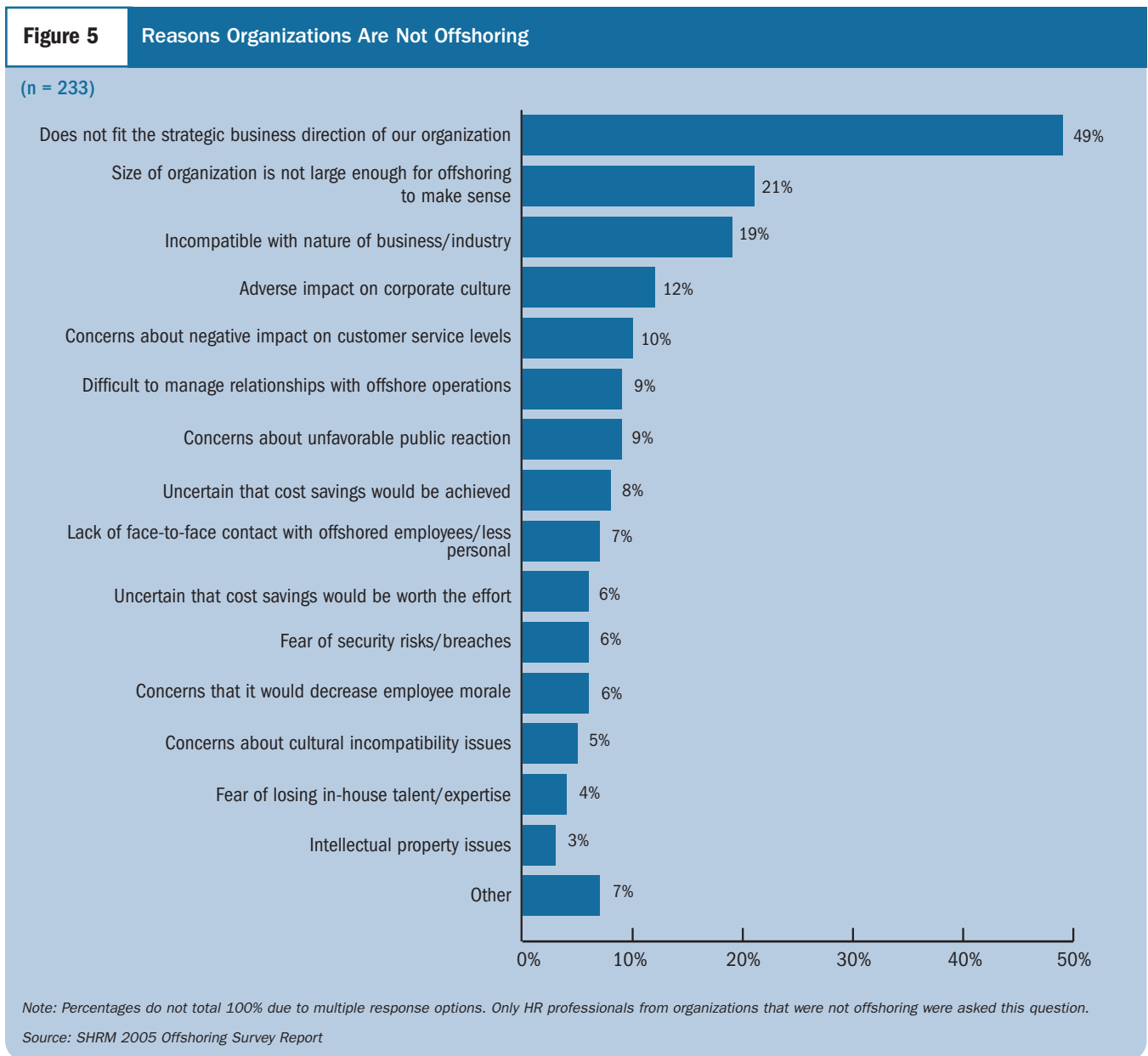
¹⁰ Schramm, J. (2004). *Offshoring*. SHRM Workplace Visions, 2.

¹¹ Esen, E. (2004). *SHRM human resource outsourcing survey report*. Alexandria, VA: Society for Human Resource Management.

have plans to do so. What makes these organizations resist the possible competitive advantages of offshoring? These data are shown in Figure 5.

About one-half (49%) of respondents stated that offshoring did not fit the strategic business direction of their organizations. Twenty-one percent indicated that the size of their organizations was too small to need to offshore. And 19% of HR professionals indicated

that offshoring was incompatible with their industry (e.g., health care, government entities). Slightly less than 10% indicated that concerns about unfavorable public reaction and uncertainty that cost savings would be achieved dissuaded them from offshoring. This suggests that these organizations are not adverse to offshoring, but that it is not to their advantage to offshore at the present time.



If offshoring increases the profits and competitiveness of businesses, then what are nonoffshoring organizations doing in order to improve their share of the market? As shown in Figure 6, the increased use of technology (49%) was the major means by which these organizations were maintaining their advantage in the market place. This was especially the case for large organizations compared with small. Other means included increased productivity levels (34%) and the development of more profitable business units (30%). About one-quarter of organizations (24%) were restructuring their benefits packages to

reduce costs, and 16% reported reduction of workforce as a way to win advantages.

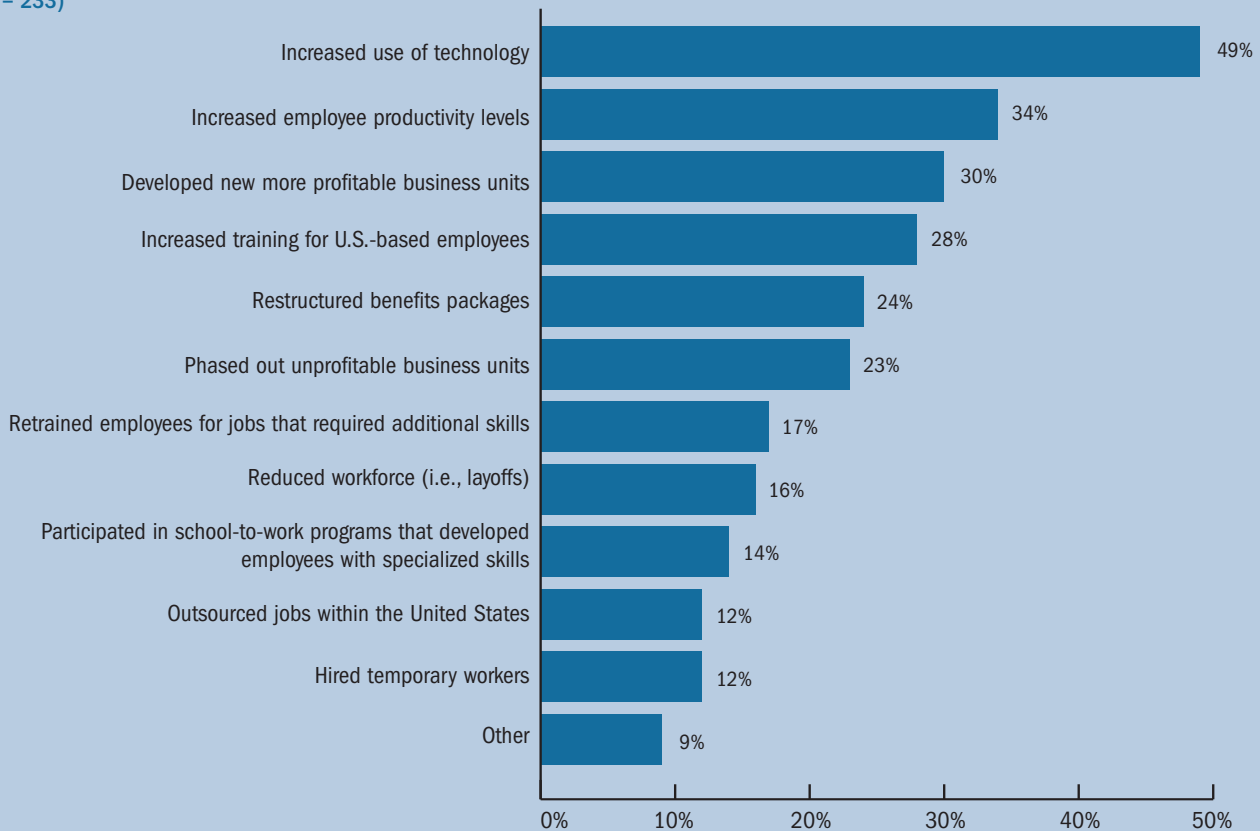
Experiences of Organizations That Presently Offshore

This section examines the experiences businesses have had with offshoring.¹²

The term “offshoring” usually encompasses two methods by which organizations can take their businesses to other countries. Some organizations choose to expand business operations while main-

Figure 6 Efforts to Maintain Competitiveness Used by Organizations That Are Not Offshoring

(n = 233)



Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

¹² The median number of years organizations offshored was five. The range was from less than one year to 35 years.

taining direct control over the operations. Large organizations might use this method, which is called offshore ownership. Other organizations may participate in offshore outsourcing, which entails outsourcing jobs to other countries through third-party vendors or suppliers that have already set up shop in a given country. According to Figure 7, most organizations used both offshore ownership and outsourcing (43%) at the same time. Another 36% used only offshore ownership and 19% used only offshore outsourcing. The type of offshoring practice used has implications for HR involvement in the process.

Figure 8 displays the types of business units that organizations offshored. Manufacturing/production (43%) was the top function that organizations offshored, followed by IT and customer service/call centers (both at 29%). Computer programming was offshored by 22% of the organizations, according to HR professionals. The business units offshored the

least were sales (5%) and legal services (4%). Human resource functions were offshored by 16% of organizations. Computer programming was offshored more frequently by large organizations (37%) than by small organizations (5%). Large organizations also were almost five times as likely to offshore customer service/call centers (43%) than were small organizations (9%).

Figure 9 depicts the countries that organizations used for offshoring. India (53%) topped the list as the site where most offshored work took place. Mexico was second at 36%, and China and Canada tied for third place at 33%. Nearshoring is when businesses outsource jobs not overseas but to countries neighboring the United States, such as Canada, Mexico and the countries in Central and South America. The advantage of nearshoring is the convenience of it. Canada and Mexico share the same or close to the same time zones as the United

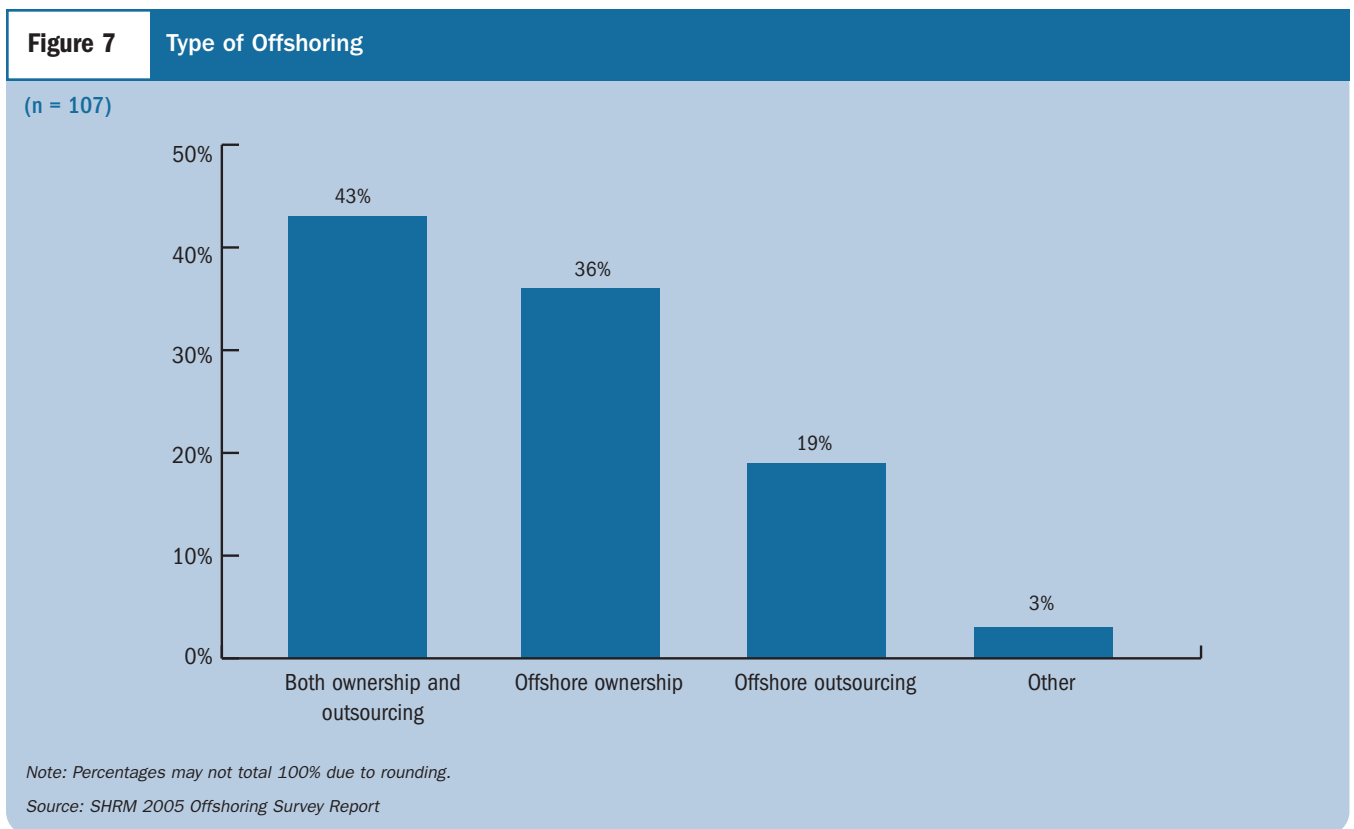
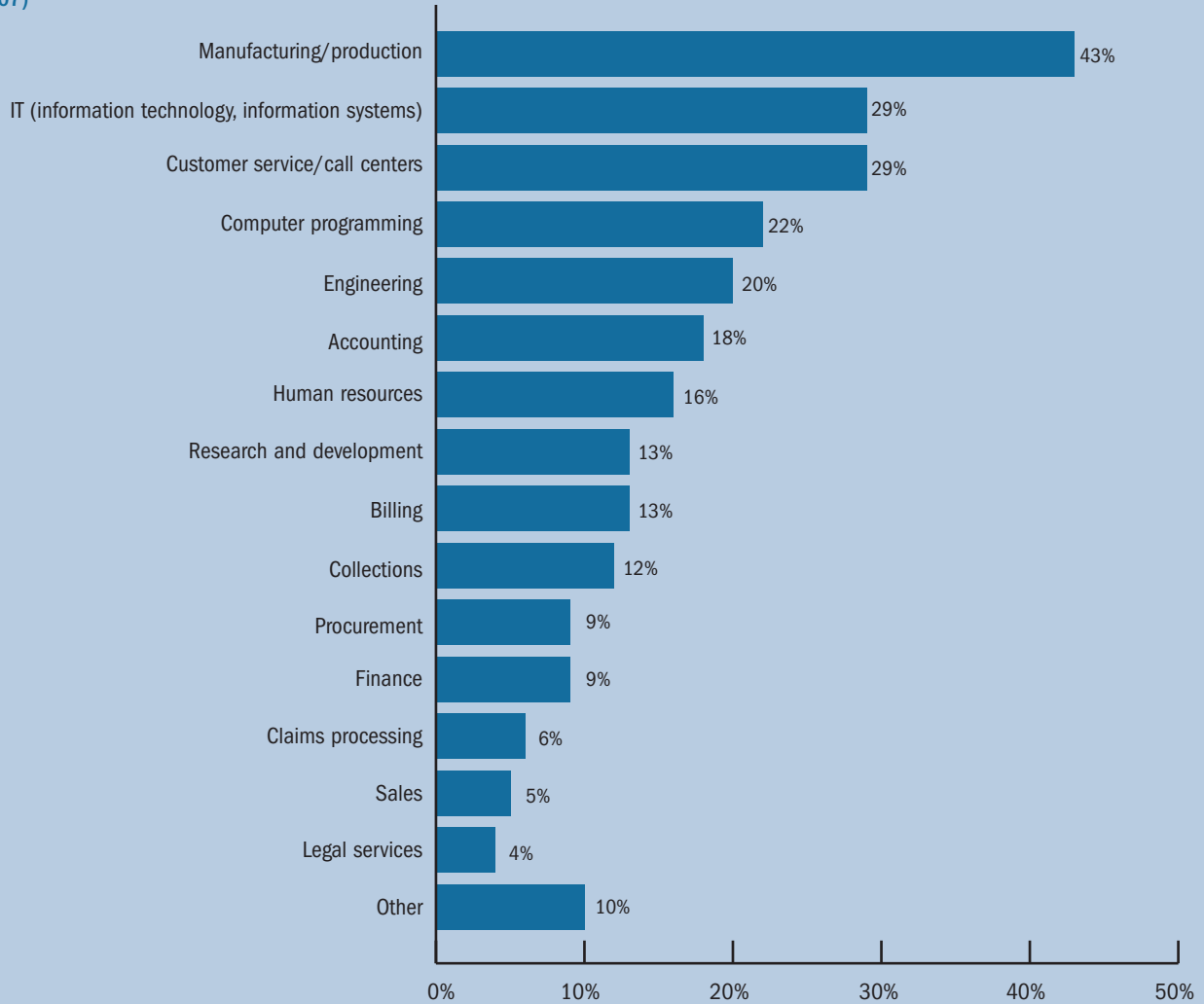


Figure 8 Types of Business Units/Functions Offshored

(n = 107)

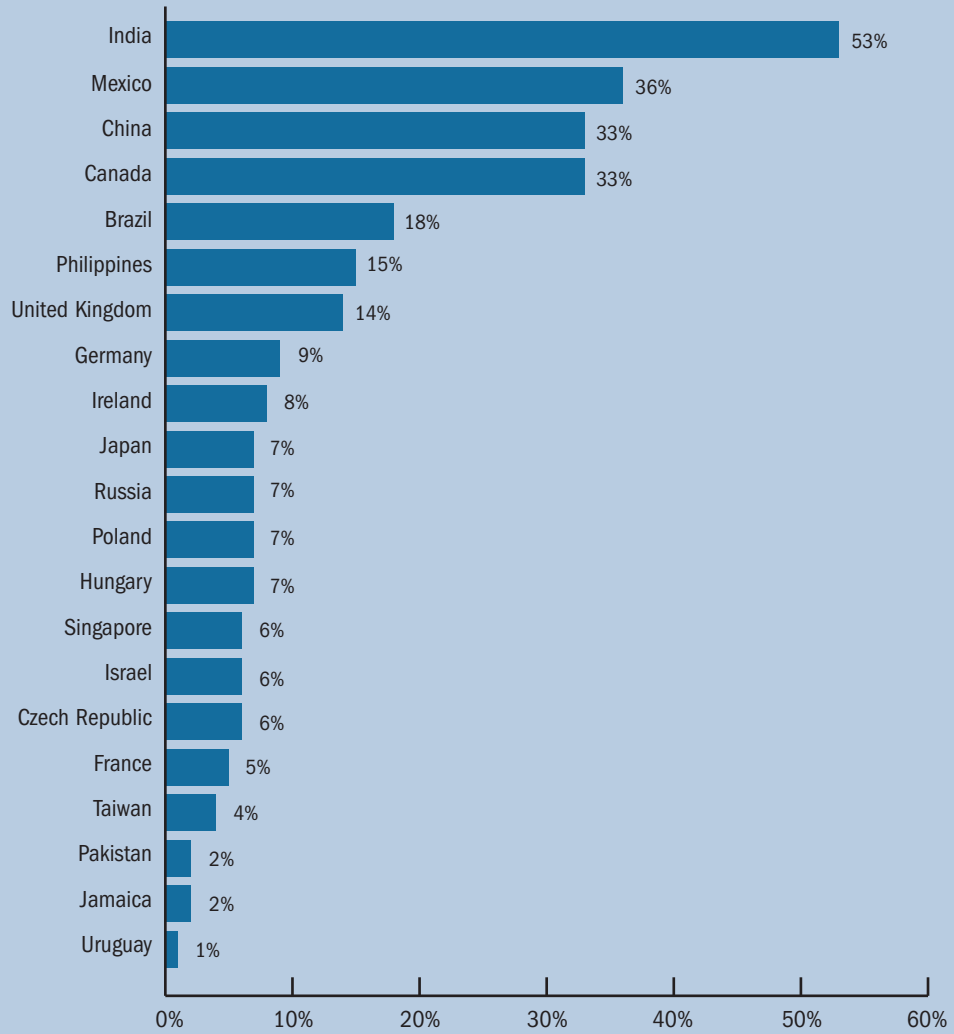


Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

Figure 9 Countries of Offshored Operations

(n = 107)



Note: Percentages do not total 100% due to multiple response options. Other countries that were specified by respondents included Korea, South Africa, Thailand, Spain and Italy, among others.

Source: SHRM 2005 Offshoring Survey Report

States, thereby making it easier to work collaboratively with the nearshored unit. Travel costs and distances are also greatly reduced. Nearshoring may prove to be a more viable alternative for U.S. organizations. Although the cost differential may not be as high as in less developed countries, the costs for operating in India, for example, are on the rise due to high rates of job turnover and constantly developing job opportunities.

Figure 10 illustrates the most important factor in selecting an offshore location. Thirty-six percent of HR professionals indicated labor costs as the primary factor, followed by the skill set of the labor pool and proximity to the customer (both 18%). Although rising health care and benefits costs may be a factor in organizations offshoring jobs to more cost-effective countries, they did not appear to be

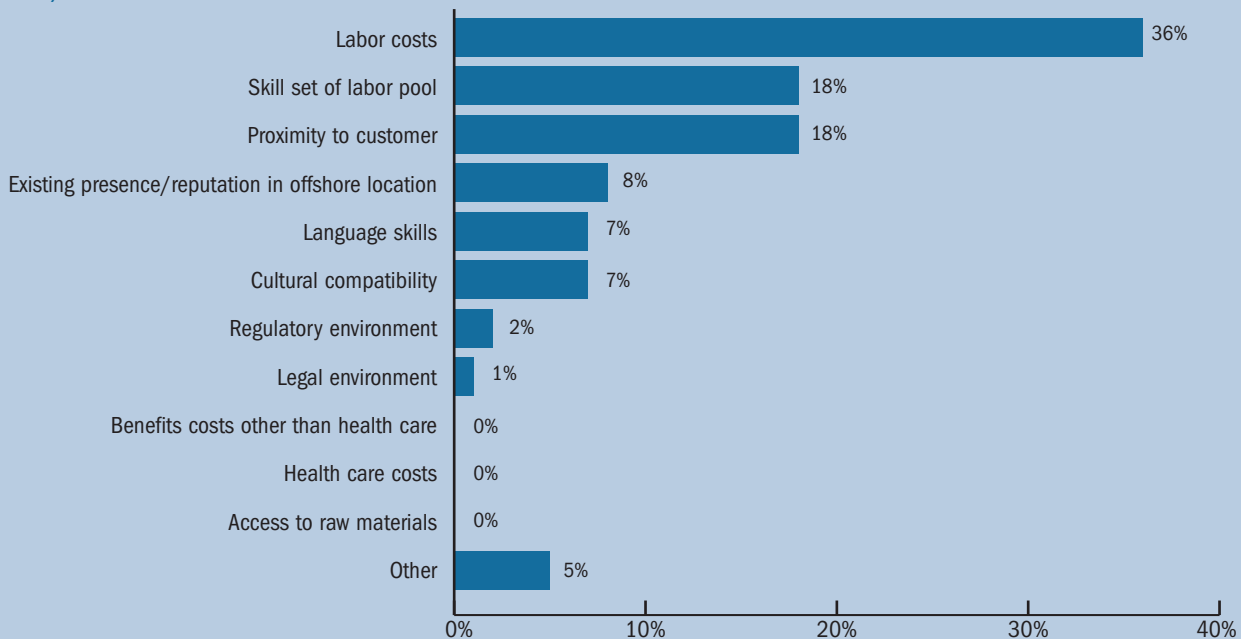
the primary reasons for surveyed respondents' organizations.

Figure 11 illustrates the obstacles faced by organizations with offshored business units and functions. Communication/language barriers (57%) and cultural differences/difficulties in understanding local customs (55%) were the top two obstacles cited by HR professionals. Inadequate customer service levels (10%) and increases in customer complaints (9%) were cited by only a small number of respondents, indicating that most of the roadblocks in offshoring are structural issues rather than labor-related issues.

Figure 12 illustrates the positive outcomes of offshoring from the perspective of HR professionals. Naturally, lower labor costs were the most beneficial outcome of offshoring, according to 57% of respon-

Figure 10 Primary Factor in Selecting Offshore Location

(n = 107)

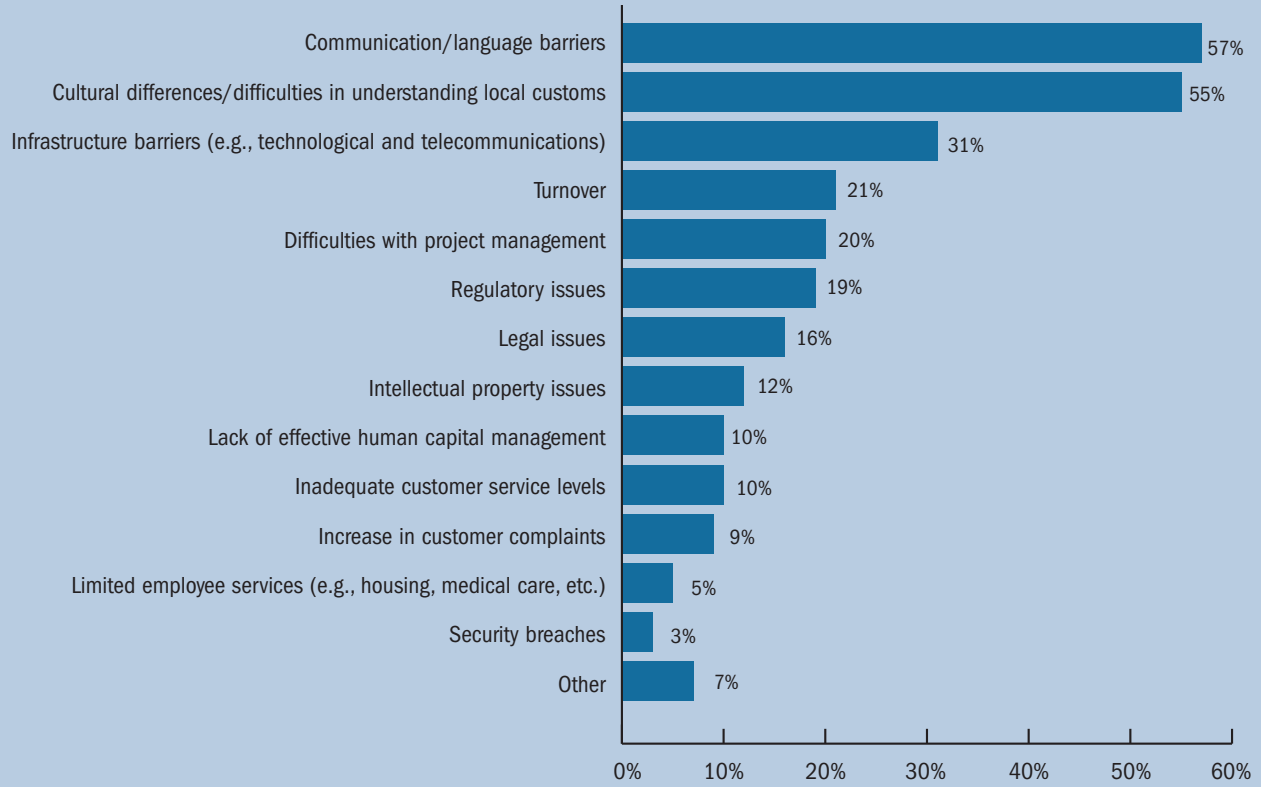


Note: Percentages may not total 100% due to rounding. HR professionals were allowed to select only one factor.

Source: SHRM 2005 Offshoring Survey Report

Figure 11 Obstacles Due to Offshorings

(n = 107)



Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

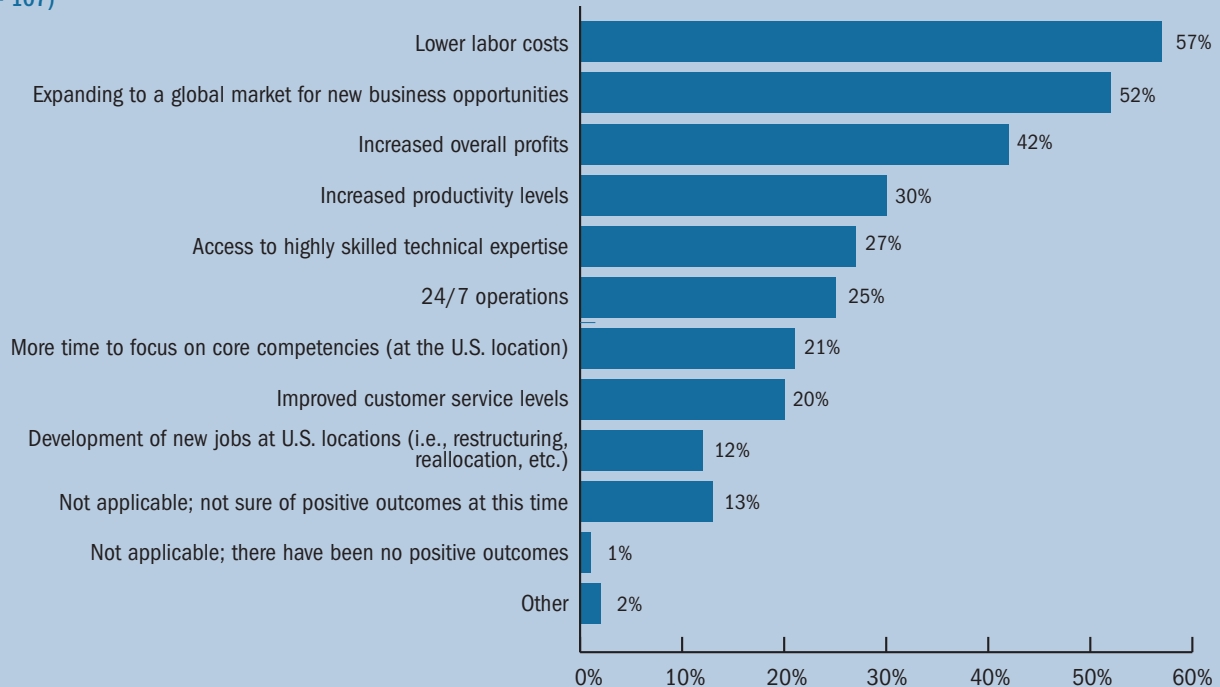
dents, followed by expanding business opportunities to a global market (52%). Only 12% of HR professionals reported that a positive outcome of offshoring was the development of new jobs at U.S. locations. And 13% reported that the positive outcomes were unknown at this time.

Figure 13 depicts the negative outcomes of offshoring, according to HR professionals. Twenty-nine percent of respondents indicated that they were not yet sure of the negative outcomes. This highlights the importance for HR professionals to ensure that measures that determine the potential downsides of offshoring are in place. The top two negative outcomes cited were decreases in U.S.-based employee morale (29%) and lack of face-to-face contact with employees, which made the offshoring process less personal (28%). Only 8% of respondents report-

ed that the inability to achieve cost savings and decreased customer service levels were negative results of offshoring. Despite unflattering media portrayals of offshoring, few organizations have been harmed in terms of unfavorable response from customers or clients (8%) and negative public reaction (5%). Employee morale appears to be among the most adverse effects of offshoring. This is a key area where HR professionals can greatly improve the impact of offshoring-related downsizing on the organizations' U.S. workforce. Developing sound and strategic communication plans that explain the background behind the organization's decision to off-shore and how employees at the U.S. location(s) will be affected is necessary to keep employee morale from declining. For employees whose jobs will be lost due of offshoring, HR should take the lead in promoting incentive packages that will aid in employ-

Figure 12 Positive Outcomes of Offshoring

(n = 107)

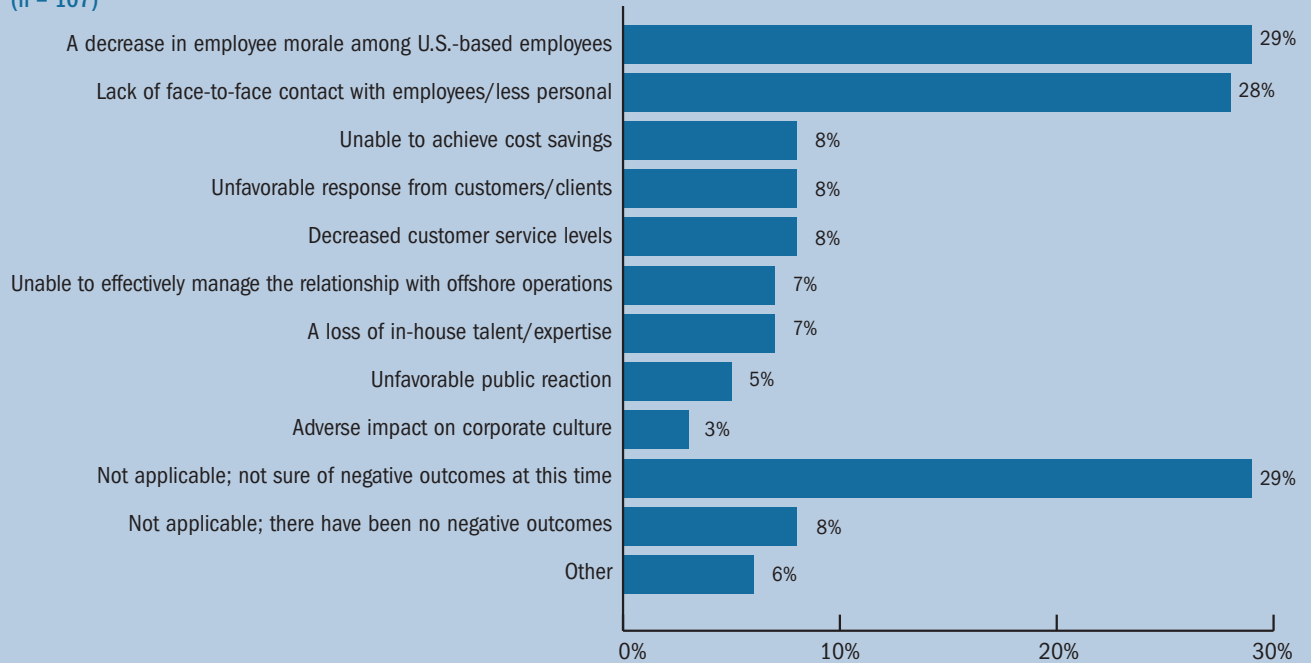


Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

Figure 13 Negative Outcomes of Offshoring

(n = 107)

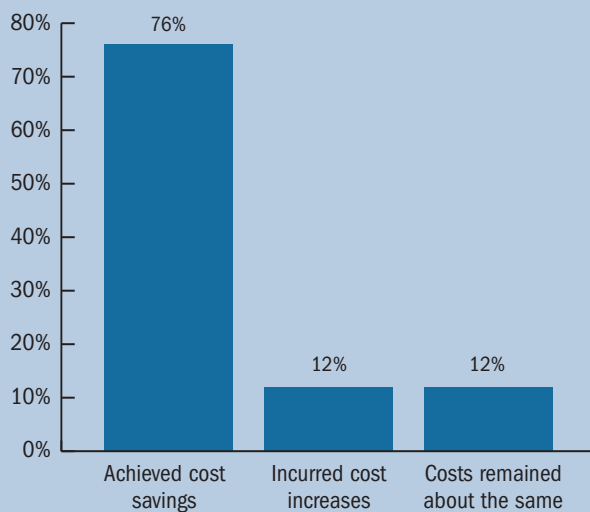


Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

Figure 14 Cost Savings Due to Offshoring

(n = 58)

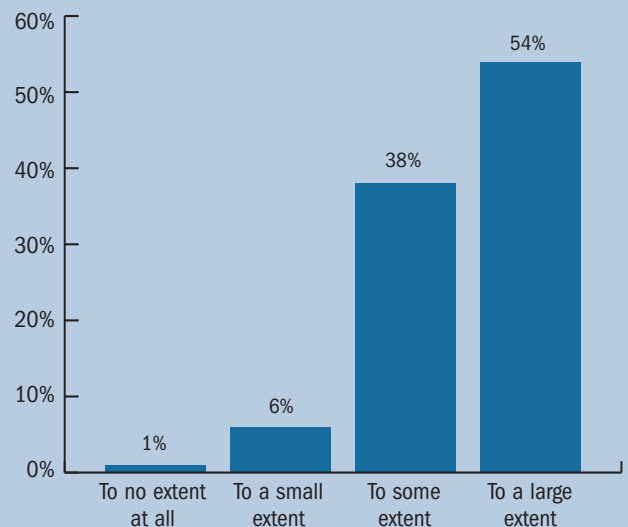


Note: Percentages may not total 100% due to rounding. HR professionals who indicated "do not know" and "too early to determine" were excluded.

Source: SHRM 2005 Offshoring Survey Report

Figure 15 Expectations of Offshoring Were Met

(n = 79)



Note: Percentages may not total 100% due to rounding. HR professionals who indicated "too early to determine" were excluded.

Source: SHRM 2005 Offshoring Survey Report

ee retraining and education or severance and early retirement packages.

About three-quarters of offshoring organizations achieved cost savings as a direct result of offshoring, according to HR professionals (see Figure 14). This makes offshoring a business strategy that is difficult to deny. Nearly all large organizations (94%) reported costs savings, compared with 55% of small organizations.

Figure 15 displays data regarding the extent to which offshoring has met the expectations of organizations. Almost all respondents indicated that offshoring had met their expectations to some degree: 38% of HR professionals said expectations were met to some extent and 54% said they were met to a large extent.

When asked if they expected their organization's use of offshoring to change within the next five years, 71% of HR professionals predicted that it would increase (see Figure 16). These findings suggest that now that the door to offshoring has been opened, it will be nearly impossible for it to be closed.

HR Involvement in Offshoring

Figure 17 illustrates at which stage in the offshoring decision-making process HR was initially involved. Twenty-one percent of respondents whose organizations planned to offshore or presently offshored indicated that HR had not been involved in the offshoring process; small organizations (53%), compared with medium (15%) and large (7%) organizations, were more than three times more likely to indicate that HR was not involved in the offshoring process.

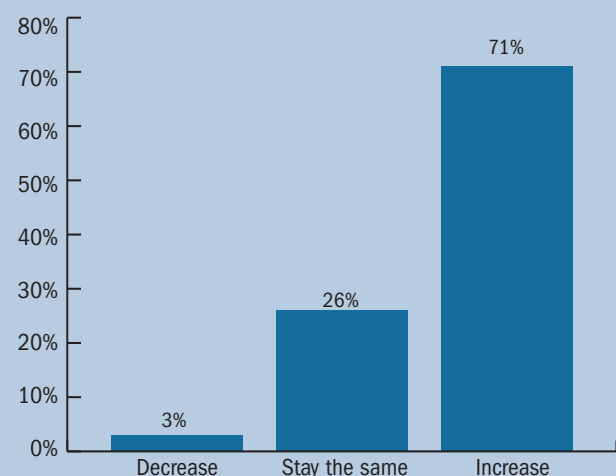
More than one-third (35%) of HR professionals stated that HR was involved in the start-up phase—the initial decision-making process. About one-half (52%) of large organizations indicated that HR was involved from the onset, compared with only 16% of small

organizations. HR's involvement is critical from the onset because of its direct connection to the workforce. If downsizing occurs as a result of offshoring, HR is also responsible for managing the entire process as well as ensuring that employee morale does not decline. HR's perspective is also necessary in the beginning stages to assess the impact of offshoring on the structure of the organization and to establish clear lines of communication between the home country and the offshore location.

People management is a principal concern for organizations that offshore. Recruiting the most qualified workers, motivating these workers and creating culturally compatible policies are arduous tasks when handled from thousands of miles away. Figure 18 focuses on one aspect of managing the offshore workforce—recruitment. Almost one-half (48%) of businesses used recruiting firms at the offshore location for initial applicant screening, and 25% used consultants to create effective recruiting strategies tailored to the off-

Figure 16 Use of Offshoring Within the Next Five Years

(n = 93)

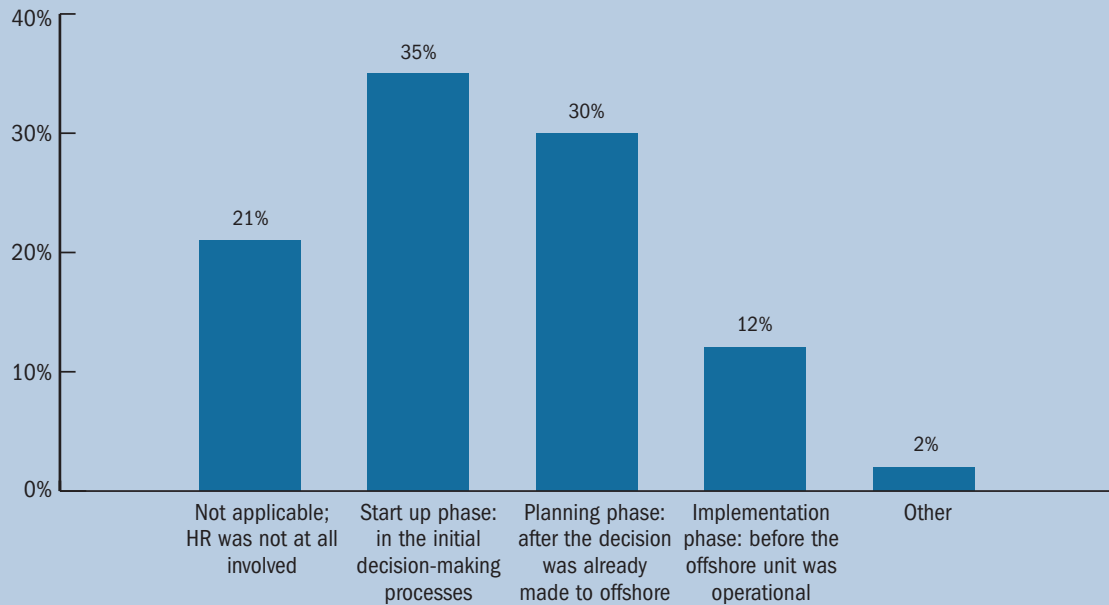


Note: Percentages may not total 100% due to rounding. Only HR professionals whose organizations currently offshored were asked this question. HR professionals who indicated "do not know" were excluded.

Source: SHRM 2005 Offshoring Survey Report

Figure 17 HR's Initial Involvement in Offshoring Process

(n = 94)

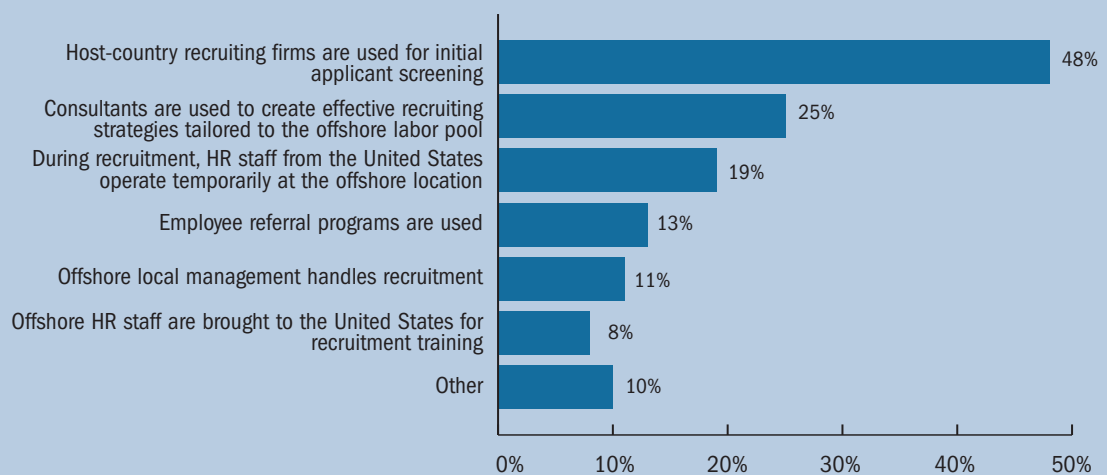


Note: Percentages may not total 100% due to rounding. HR professionals who indicated "do not know" were excluded. This question was asked of HR professionals whose organizations were presently offshoring and whose organizations were planning to offshore.

Source: SHRM 2005 Offshoring Survey Report

Figure 18 Strategies for Recruiting Local Employees at Offshore Location

(n = 107)



Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

shore labor pool. Fewer than 20% of respondents indicated that HR staff from the organization's U.S. location operated temporarily at the offshore location.

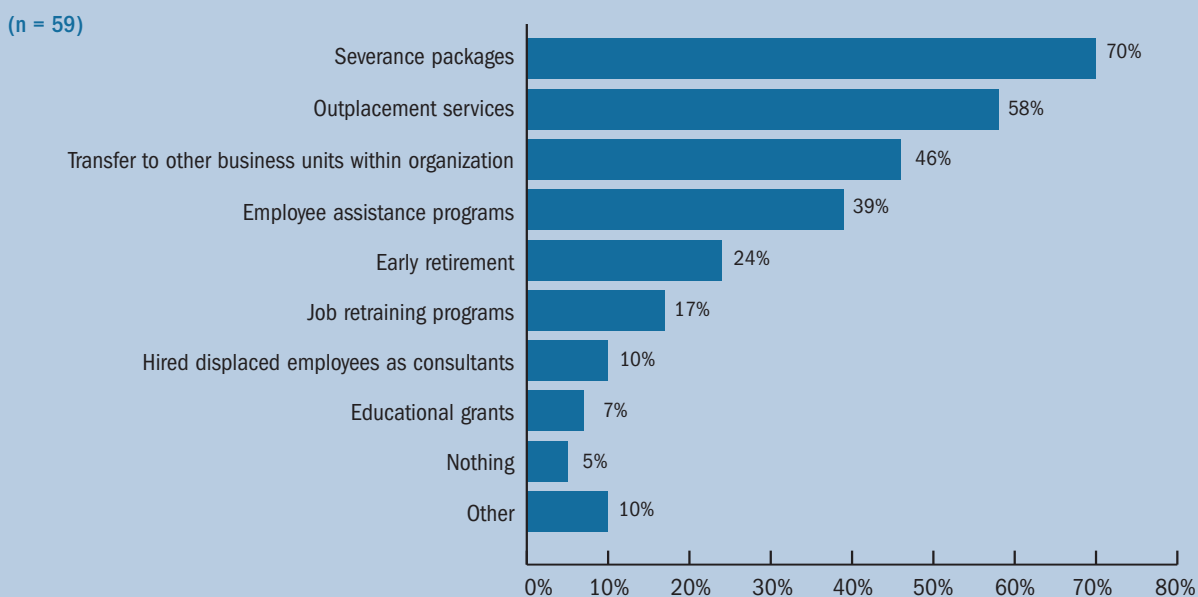
HR professionals were asked if their organizations displaced (i.e., laid off, offered early retirement, etc.) employees from the U.S. workforce within the first year of offshoring. Eighteen percent of the respondents whose organizations offshored were able to provide a percentage of employees' displaced—the median was 10%.

What type of aid was offered to employees displaced as a direct result of offshoring? It appears that almost all organizations attempted to provide assistance to employees whose jobs had been displaced; only 5% of respondents reported that their organizations did nothing. The top programs in place to help ease the impact of job loss for employees whose work had been offshored were severance packages

(70%), outplacement services (58%) and transfer to other business units within the organization (46%). Although job retraining programs and educational grants are often mentioned as ways to transition workers to new jobs, they were used by a small percentage of organizations (17% and 7% respectively). These data are shown in Figure 19.

What is the role of HR professionals in interfacing with the offshored business unit/function? Slightly less than one-half (48%) of respondents reported that the HR function in the United States oversaw HR operations at the offshore location. HR professionals from the U.S. location also spent time at offshore locations to ensure that organizational policies and practices were implemented, according to 52% of respondents. This was twice as likely to occur in large organizations (66%) than in small (32%). These findings, depicted in Figure 20, have implications for HR as the practice of offshoring grows.

Figure 19 Type of Help Offered to Employees Displaced Due to Offshoring

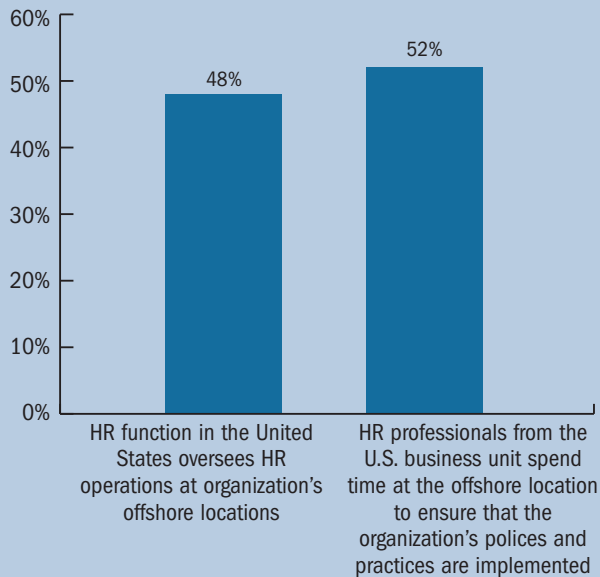


Note: Percentages do not total 100% due to multiple response options. Only HR professionals who indicated that employees were displaced due to offshoring were asked this question.

Source: SHRM 2005 Offshoring Survey Report

Figure 20 Role of the U.S.-Based HR in Offshoring

(n = 107; 106)



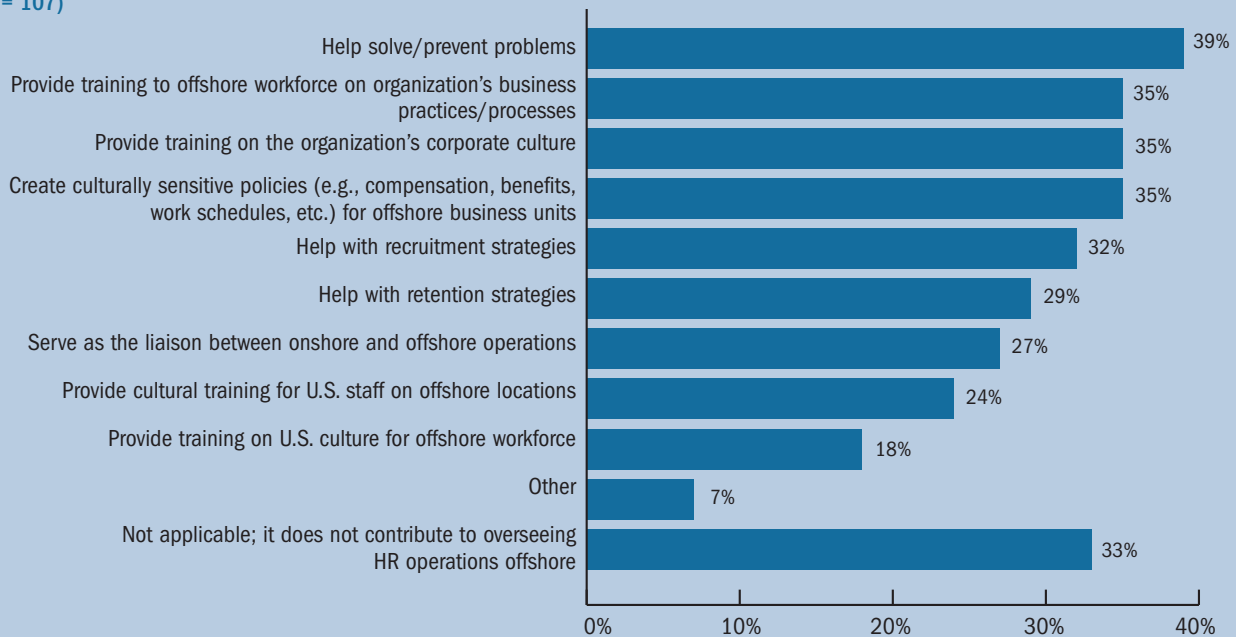
Source: SHRM 2005 Offshoring Survey Report

Figure 21 illustrates the contribution of the U.S. HR function in overseeing HR operations offshore. One-third of HR professionals indicated that their HR function did directly manage offshore HR functions. Those who reported interacting with the offshore HR operations stated that most prevalent areas of oversight included help in solving and preventing problems (39%), providing training to the offshore workforce on the organization's business practices and corporate culture as well as creating culturally sensitive policies (all at 35%). HR professionals may be asked for a variety of solutions—from people management to legal and ethical dilemmas—at offshore locations.

Figure 22 looks at the benefits and policies in the U.S. and offshore locations. Approximately one-half of HR professionals indicated that the types of benefits (51%) and policies (40%) offered were dependent upon the location. Few organizations had exactly the

Figure 21 U.S.-Based HR Function's Relationship With Offshore HR Operations

(n = 107)



Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

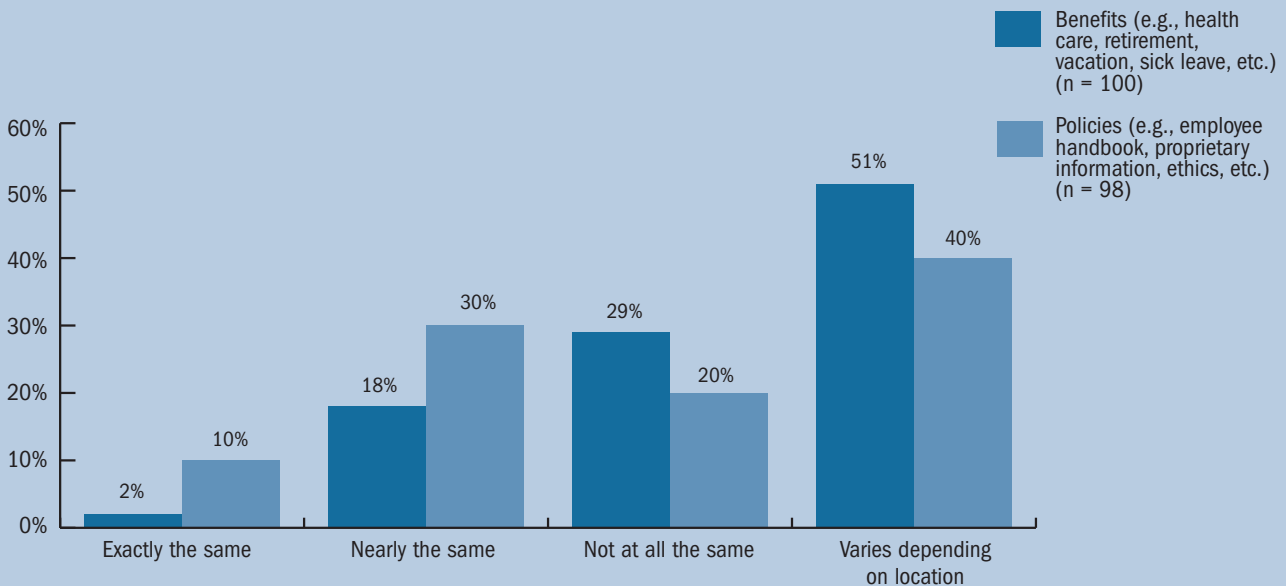
same benefits and policies at offshore locations, although 18% of HR professionals reported having nearly the same benefits and 30% stated that the policies were nearly the same. Small organizations (38%), compared with large organizations (3%), were much more likely to indicate that their policies were not at all the same as their offshore locations. Instituting fair and equitable benefits packages and culturally compatible policies can be challenging. These are probably areas that are of utmost importance for HR to be engaged in, but they are also among the most difficult to administer from one country to another.

Offshoring can bring a wide array of benefits and challenges. The advantages of offshoring are usually quite clear as they provide the impetus for the organization to offshore in the first place. HR professionals were asked about the specific challenges that the HR function at the U.S. location faced when working with the workforce at the offshore location(s). Almost all respondents indicated

that HR at the U.S. location was involved in some way with the offshore workforce; only 5% indicated that HR was not involved. The most frequently cited challenges for HR were language barriers (51%), ensuring the flow of information (49%), consistency of employment policies/practices (46%) and time zone differences (44%). These data are shown in Figure 23.

Figure 24 shows the extent of agreement of HR professionals with statements about HR and offshoring. About three-quarters (72%) of HR professionals agreed that HR served as the bridge between domestic and offshore locations. Although the decision to offshore is usually tied to financial incentives, the relationships and communication between the domestic and offshore location are often streamlined by HR. These findings emphasize the importance of HR's involvement in offshoring decisions from the start. A dilemma for businesses, especially larger ones, is that all locations, domestic

Figure 22 Benefits and Policies in U.S. Location Versus Offshore Locations



Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

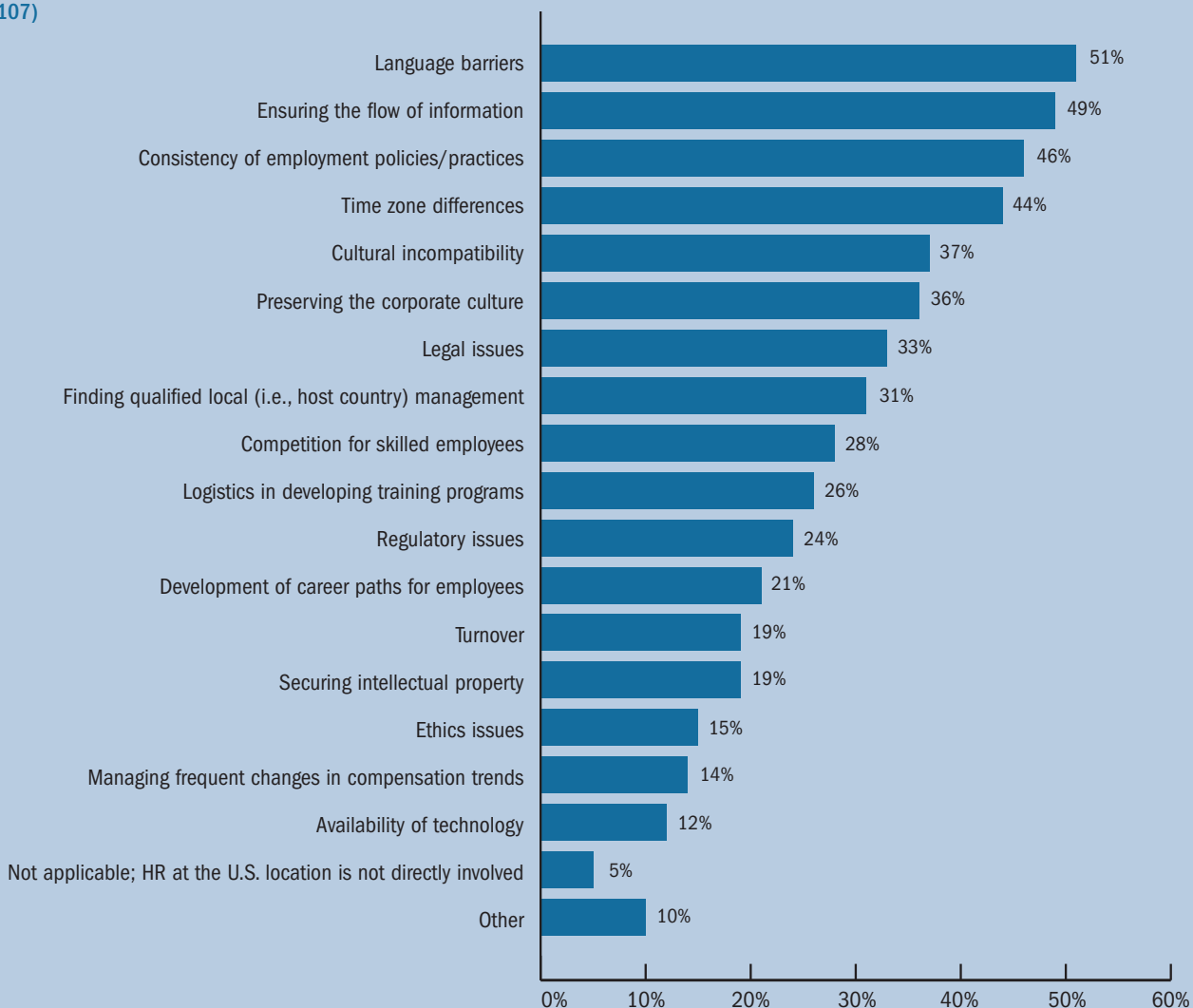
and offshore, embody the same set of core organizational values, which, in turn, comprise the corporate culture. This is a huge undertaking that appears to fall under the purview of HR, according to 71% of respondents. An additional advantage to involving HR in early decisions-making processes is that HR can assess the labor pool in potential offshore countries and determine if the workers in

these countries can meet the needs of their organizations' business operations—64% of respondents agreed that HR participated in this aspect of offshoring preparations.

Sixty-one percent of HR professionals agreed that the HR function in the U.S. location was responsible for recruiting and hiring staff for the offshore loca-

Figure 23 Challenges for U.S.-Based HR Working With Offshore Locations

(n = 107)



Note: Percentages do not total 100% due to multiple response options.

Source: SHRM 2005 Offshoring Survey Report

tion’s HR function. HR in the U.S. location was also actively involved in offshore employee recruitment (65%). Seventy-nine percent of HR professionals agreed that the U.S. location’s HR worked in conjunction with the offshore HR function to develop compensation and benefits packages. HR in the U.S. location also determined the training needs of offshore workers, according to 71% of respondents, and appeared to participate in the evaluation of offshoring outcomes (67%).

HR professionals whose organizations planned to offshore or presently offshored were asked if there had been changes in the size of their organizations’ HR departments within the past five years. Nearly equal percentages of respondents indicated that the size of their departments had increased (38%) or decreased (39%). The majority of HR professionals indicated that changes in their HR departments were not a direct result of offshoring. These data are depicted in Figure 25.

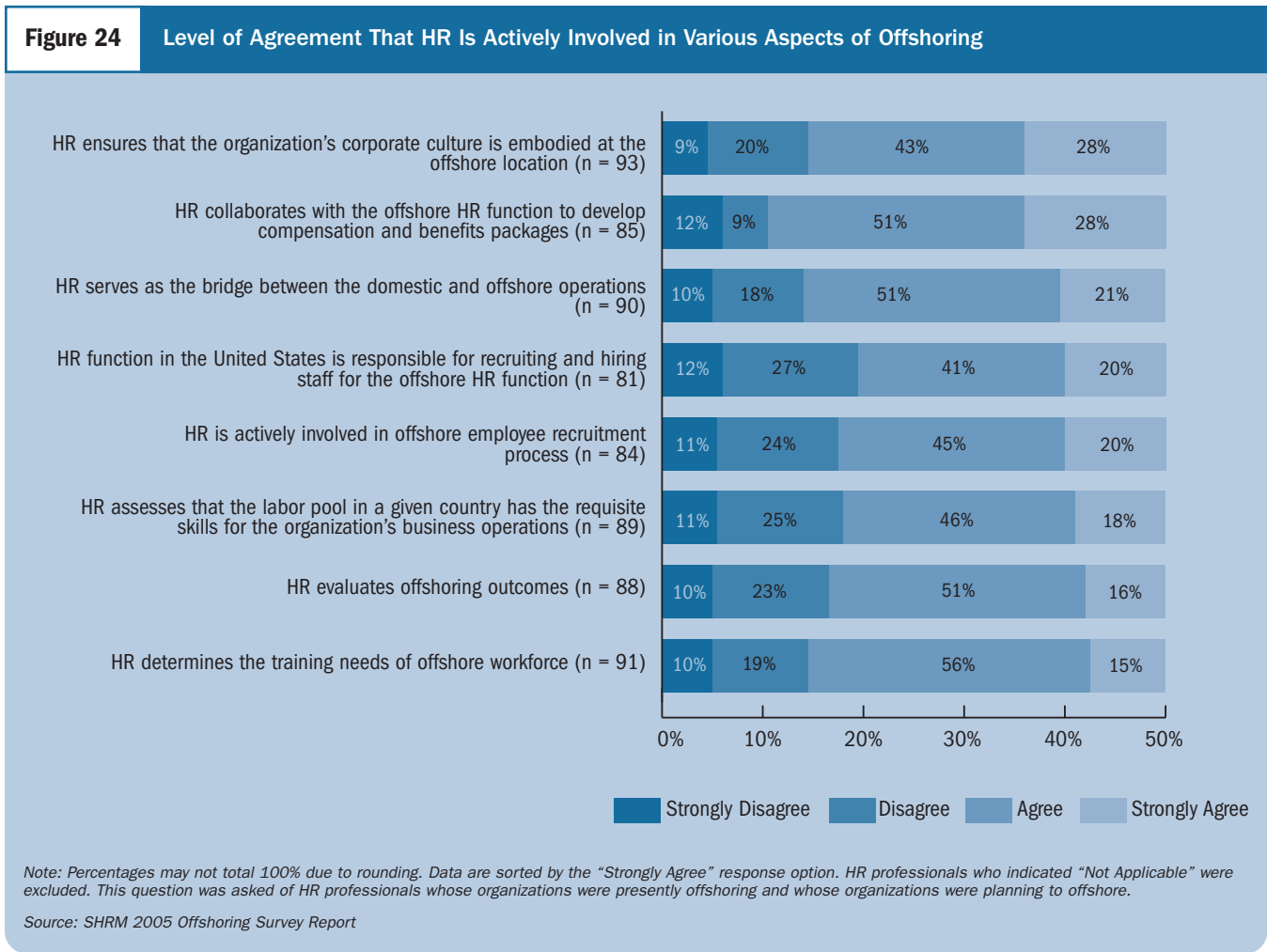
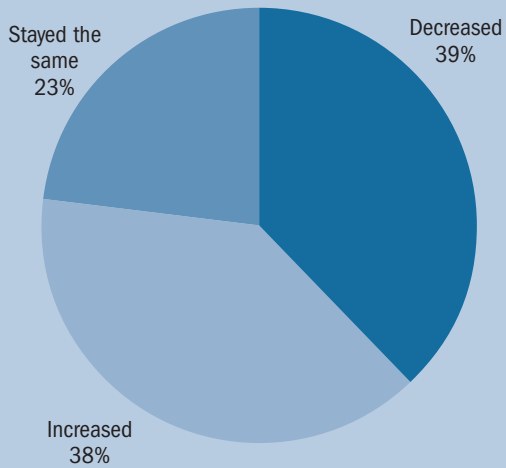


Figure 20

Changes in Size of HR Department in the Past Five Years

(n = 93)



Note: Percentages may not total 100% due to rounding. The majority of HR professionals (84%) indicated these changes in size were not a direct result of offshoring.

Source: SHRM 2005 Offshoring Survey Report

Conclusions

As shown throughout this survey report, offshoring is changing the way that U.S. businesses operate. Most organizations that offshore report strong financial incentives that make it hard to deny the powerful impact that offshoring will have on the shape of the U.S. and global economies. While most HR professionals support the need of U.S. organizations to send work to other lower-cost countries, they also recognize the impact of this decision on employee jobs in the United States. While job churn is not new to the U.S. economy, layoffs and downsizing attributed to offshoring tend to have a stronger emotional appeal because offshoring is fast becoming an occurrence that is no longer limited to certain industries and professions.

The participation of HR professionals in offshoring is necessary from the beginning stages of exploring the idea of offshoring as a viable option to the implementation stage. HR should be involved in spearheading the country selection process—investigating the most viable offshore labor force—and then in orchestrating the recruitment of qualified staff. Even if the organization chooses to use a third-party vendor or supplier to manage the offshored work, HR will need to ensure that U.S. employees whose jobs are threatened are supplied with the outplacement help they will need. HR professionals' people management skills mean that they are best suited to pro-

vide solutions to the barrage of employee relations issues that develop during any organizational change. HR can also provide a broader perspective than the players in the organization who may rush into offshoring decisions for purely financial reasons. A balanced approach to offshoring can prevent potential obstacles and challenges that all offshoring ventures face.

Offshoring is the by-product of the much bigger phenomenon of globalization. Although, according to the findings from this survey, offshoring has not yet been embraced by many organizations, it is likely that, as globalization continues to bring the far reaches of the world closer, the number of organizations choosing to use global production as a means to increase their profits will grow. In addition to the United States and other developed countries transporting their work to countries where labor and operating costs are low, it is also likely that organizations will decide to move their work to countries that house the necessary technological expertise, state-of-the-art facilities and trained workers. These factors all play into lower overall production costs and may, over time, play an even more important role than labor. HR professionals will need to become aware of all of the factors that encompass the realm of offshoring so that they can lead their organizations to achieve the most beneficial outcomes.

A Look Ahead: A Future View of Offshoring

By Jennifer Schramm, Manager, Workplace Trends and Forecasting

Since the development of information and communications technologies, such as fiber-optic cable connections that link emerging economies such as India and China to the United States, Europe and Japan, the use of offshoring as a business strategy—especially through reducing labor costs—has grown. This may have many implications for HR professionals, from a growing role in the management of a global and far-flung workforce to a greater emphasis on employee data security and greater cultural awareness as employees from a number of different locations work together.

Not only will offshoring continue to impact HR's role in managing employees in different locations, it will also continue to impact the U.S. workforce overall. Because the use of offshoring has moved up the skills ladder into some of the most skilled and high-paying knowledge jobs, many more individuals in the U.S. workforce may feel threatened by offshoring, and this could have an ongoing impact on employees' motivation and job satisfaction, especially since, according to SHRM research on job satisfaction, job security is such an important issue in determining how happy individuals are with their jobs. The research in the *2005 Offshoring Survey Report* indicates that these issues may be somewhat overlooked by corporate leaders, as only 35% of organiza-

tions surveyed said that HR was involved in the offshoring process from an early stage. Clearly, this means that, despite the major role that HR plays in restructuring the organization's workforce as a result of offshoring, the HR function is most often not involved in neither the decision to offshore nor in the early planning stages of the offshoring process. Unless HR assumes a greater role in the decision-making and planning stages of the offshoring process, the resulting challenges and pressures on HR could grow greater, especially since the vast majority of those surveyed believe that the use of offshoring by their organizations is likely to increase.

On a broader level, offshoring is likely to have a profound impact on the global economy and on the economic position of those countries that stand to gain the most from it. Economists broadly agree that the greater intensity of global competition, especially through the skills and wages of the workforce, will challenge the educational and employment policies of many industrialized countries. The consensus among economists has for a long time been that the ability to move jobs away from the centers of innovation to low-cost emerging economies frees up the capital needed for further research, development and innovation, thus creating better quality jobs than those

that are lost to offshoring. This puts added pressure on industrialized countries to increase the skills levels of the workforce as lower-skilled jobs are lost. But with innovation through research and development now also being offshored, there is less agreement over the long-term impact offshoring has on overall job growth at all skills levels.

One area that will remain important regardless of the impact offshoring has on job growth will be continuous pressure to improve productivity rates. The United States has led the way in productivity growth, but with human capital increasingly seen as the main factor in competitive advantage at both national and organizational levels, increasing productivity through effective human resource management will be crucial. In this sense, HR's role in boosting productivity through human capital and workplace culture, even as the scope of the workplace extends across the globe and spans very different cultures, will continue to grow.

For more information on the potential implications offshoring has for the HR profession see "Offshoring" (*Workplace Visions*, No. 2, 2004), "Learning to Compete in a Knowledge Economy" (*Workplace Visions*, No. 3, 2005) and *2015: Scenarios on the Future of Human Resource Management* at www.shrm.org/trends. ■

Demographics

Organization Staff Size (Worldwide)

(n = 328)

Small (500 to 2,499 employees)	41%
Medium (2,500 to 9,999 employees)	25%
Large (10,000 and more employees)	34%

HR Department/Function Size

(n = 365)

Less than five employees	11%
Five to nine employees	19%
10 to 24 employees	22%
25 to 49 employees	14%
50 to 99 employees	9%
100 and more employees	24%

Organization Industry

(n = 389)

Services (profit)	11%
Manufacturing (durable goods)	10%
Health	9%
Wholesale/retail trade	8%
Government	7%
Educational services	6%
Finance	6%
Manufacturing (nondurable goods)	5%
High-tech	4%
Telecommunications	4%
Transportation	4%
Construction and mining/oil and gas	3%
Services (nonprofit)	3%
Utilities	3%
Insurance	1%
Newspaper publishing/broadcasting	0%
Other	16%

Census Region

(n = 364)

Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin)	36%
South (Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)	29%
West (Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Montana, Oregon, Utah, Washington, Wyoming)	21%
Northeast (Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont)	13%

Unionized Employees

(n = 386)

Yes	19%
No	81%

The 19% of organizations that had unionized employees reported that, on average, 52% of their employees were under a collective bargaining agreement.

Organization Sector

(n = 386)

Private for-profit organization	59%
Private nonprofit organization	14%
Public/government	23%
Other	5%

Survey Instrument

SHRM Offshoring Survey

In an effort to examine the use of offshoring, also known as cross-border outsourcing, by U.S. organizations, the Society for Human Resource Management (SHRM) is conducting this CONFIDENTIAL survey. We are interested in your perspective even if your organization is NOT currently offshoring or planning to offshore any of its business units/functions.

Please participate in this survey by answering the following questions and hitting the “submit” button at the end no later than May 31, 2005.

If you have any questions, please contact the SHRM Survey Program by telephone at (703) 535-6301 or by e-mail at surveys2@shrm.org. Your input is valuable. Thank you for sharing your time and experience!

Please be assured that your responses to the survey will be kept strictly confidential. Responses from all participants will be combined, analyzed and the findings reported only in their aggregate form.

Results of this survey will appear, free to SHRM members, on the Survey Program homepage on SHRM's Web site. Please visit the Web site at www.shrm.org/surveys.

This survey should take no more than 10 to 15 minutes to complete.

INSTRUCTIONS

For the purposes of this survey, *offshoring*, also known as *cross-border outsourcing*, refers to U.S. organizations operating business units and/or functions in other countries. Offshoring includes expanding business operations to other countries or offshoring jobs through vendors or suppliers located in other countries.

1. Does your organization currently offshore one or more of its business units?

- Not applicable; my organization is not U.S.-based (it originates in another country) [Go to question 28]
- Yes, my organization currently offshores one or more of its business units/functions
- No, but my organization is currently discussing the possibility of offshoring one or more business units/functions [Go to question 20]

- No, but my organization plans to offshore one or more of its business units/functions within the next two years [Go to question 20]
- No, my organization has no plans to offshore any of its business units/functions [Go to question 25]
- No, but my organization previously offshored one or more of its business units/functions [Go to question 28]

2. Offshoring includes offshore ownership (expanding business operations to other countries) and offshore outsourcing (outsourcing jobs to other countries through an offshore vendor or supplier). Which form of offshoring does your organization utilize?

- Offshore ownership
- Offshore outsourcing
- Both ownership and outsourcing
- Other (please specify): _____

3. Approximately how many years has your organization been offshoring (both offshore ownership and offshore outsourcing) any of its business units and/or functions? (Round up to nearest year.)

_____ years

- Do not know

4. What types of business units and/or functions are currently offshored? (Check all that apply.)

- Accounting
- Billing
- Claims processing
- Collections
- Computer programming
- Customer service/call centers
- Engineering
- Finance
- Human resources
- IT (information technology, information systems)
- Legal services
- Manufacturing/production
- Procurement
- Research and development
- Other (please specify): _____

5. In which countries does your organization currently have offshoring operations? (Check all that apply.)

- Brazil
- Canada
- China
- Czech Republic
- Hungary

- India
- Ireland
- Israel
- Jamaica
- Mexico
- Pakistan
- Philippines
- Poland
- Russia
- Uruguay
- Other (please specify): _____

6. What factor do you believe is the most important in selecting an offshore location? (Check one.)

- Access to raw materials
- Cultural compatibility
- Existing presence/reputation in offshore location
- Health care costs
- Benefits costs other than health care
- Labor costs
- Language skills
- Legal environment
- Proximity to customer
- Regulatory environment
- Skill set of labor pool
- Other (please specify): _____

7. Which of the following strategies are used when recruiting local employees at offshore locations? (Check all that apply.)

- Consultants are used to create effective recruiting strategies tailored to the offshore labor pool.
- During recruitment, HR staff from the United States operate temporarily at the offshore location.
- Employee referral programs are used.
- Host-country recruiting firms are used for initial applicant screening.
- Offshore HR staff are brought to the United States for recruitment training.
- Other (please specify): _____

8. When your organization offshored its business units and/or functions, what percentage of the organization's U.S. workforce was displaced (i.e., laid off, offered early retirement, etc.) within the first year?

- _____ %
- Do not know
 - No employees were displaced [Go to question 10]

9. What type of help was offered by your organization to employees who were displaced as a direct result of offshoring? (Check all that apply.)

- Early retirement
- Educational grants
- Employee assistance programs (EAPs)
- Hired displaced employees as consultants
- Job retraining programs
- Outplacement services
- Severance packages
- Transfer to other business units within organization
- Nothing
- Other (please specify): _____

10. What are the challenges for HR at the U.S. location working with a workforce at offshore locations? (Check all that apply.)

- Availability of technology
- Competition for skilled employees
- Consistency of employment policies/practices
- Cultural incompatibility
- Developing career paths for employees
- Ensuring the flow of information
- Ethics issues
- Finding qualified local (i.e., host country) management
- Language barriers
- Legal issues
- Logistics in developing training programs
- Managing frequent changes in compensation trends
- Preserving the corporate culture
- Regulatory issues
- Securing intellectual property
- Time zone differences
- Turnover
- Other (please specify): _____

11.

	Yes	No
Does your organization's HR function in the United States oversee HR operations in your organization's offshore locations?	<input type="radio"/>	<input type="radio"/>
Do HR professionals from the U.S. business unit spend time at the offshore location to ensure that the organization's policies and practices are implemented?	<input type="radio"/>	<input type="radio"/>

12. How does your organization’s HR function contribute to overseeing HR operations in offshore locations? (Check all that apply.)

- Not applicable; it does not contribute to overseeing HR operations offshore
- Create culturally sensitive policies (e.g., compensation, benefits, work schedules, etc.) for offshore business units/functions
- Help in solving/preventing problems
- Help with recruitment strategies
- Help with retention strategies
- Provide cultural training for U.S. staff on offshore locations
- Provide training on the organization’s corporate culture
- Provide training on U.S. culture for offshore workforce
- Provide training to offshore workforce on organization’s business practices/processes
- Serve as the liaison between onshore and offshore operations
- Other (please specify): _____

13. Does your organization extend the same types of benefits and policies at its offshore locations as it does for its U.S. locations?

	Exactly the Same	Nearly the Same	Not At All the Same	It Varies Depending on the Location
Benefits (e.g., health care, retirement, vacation, sick leave, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Policies (e.g., employee handbook, proprietary information, ethics, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14. What are the obstacles that your organization has faced at its offshored business units and/or functions? (Check all that apply.)

- Communication/language barriers
- Cultural differences/difficulties in understanding local customs
- Difficulties with project management
- Inadequate customer service levels
- Increase in customer complaints
- Infrastructure barriers (e.g., technological and telecommunications)
- Intellectual property issues
- Lack of effective human capital management
- Legal issues
- Limited employee services (e.g., housing, medical care, etc.)
- Regulatory issues
- Security breaches
- Turnover
- Other (please specify): _____

15. What have been the positive outcomes of offshoring for your organization? (Check all that apply.)

- Not applicable; there have been no positive outcomes
- Not applicable; not sure of positive outcomes at this time
- 24/7 operations
- Access to highly skilled technical expertise
- Development of new jobs at U.S. locations (i.e., restructuring, reallocation, etc.)
- Expanding to a global market for new business opportunities
- Improved customer service levels
- Increased overall profits
- Increased productivity levels
- Lower labor costs
- More time to focus on core competencies (at the U.S. location)
- Other (please specify): _____

16. What have been the negative outcomes of offshoring for your organization? (Check all that apply.)

- Not applicable; there have been no negative outcomes
- Not applicable; not sure of negative outcomes at this time
- A decrease in employee morale among U.S.-based employees
- A loss of in-house talent/expertise
- Adverse impact on corporate culture
- Decreased customer service levels
- Lack of face-to-face contact with employees/less personal
- Unfavorable public reaction
- Unfavorable response from customers/clients
- Unable to achieve cost savings
- Unable to effectively manage the relationship with offshore operations
- Other (please specify): _____

17. As a direct result of offshoring, did your organization achieve cost savings, incur cost increases or did costs remain about the same?

- Too early to determine
- Achieved cost savings
- Incurred cost increases
- Costs remained about the same
- Do not know

18. Overall, to what extent has offshoring met the expectations of the organization?

- Too early to determine
- To a large extent
- To some extent
- To a small extent
- To no extent at all

19. Do you expect that your organization's offshoring will increase, stay the same or decrease in the next five years?

- Increase
- Stay the same
- Decrease
- Do not know

OFFSHORING/PLANING TO OFFSHORE

20. What were your organization's primary reasons for offshoring/planning to offshore? (Check only up to three reasons.)

- 24/7 operations
- Access to highly skilled technical expertise
- Decreased health care costs
- Development of new jobs at U.S. location(s) (i.e., restructuring, reallocation, etc.)
- Improved customer service levels
- Increased overall profits
- Increased productivity levels
- Legal environment
- Lower labor costs
- More time to focus on core competencies (at the U.S. location)
- New business opportunities
- Regulatory environment
- Retirement/pension costs
- Revenue opportunities in host country
- Unfavorable U.S. economic conditions
- Other (please specify): _____

21. At what stage was/is HR initially involved with the offshoring process?

- Not applicable; HR was not at all involved
- Start up phase—in the initial decision-making processes
- Planning phase—after the decision was already made to offshore
- Implementation phase—before the offshore unit was operational
- Do not know
- Other (please specify): _____

22. Do you agree or disagree that HR is actively involved in the following aspects of offshoring?

	Strongly Agree	Agree	Disagree	Strongly Disagree	Not Applicable
Assessing that the labor pool in a given country has the requisite skills for the organization's business operations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Determining the training needs of offshore workforce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Collaborating with the offshore HR function to develop compensation and benefits packages	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ensuring that the organization's corporate culture is embodied at the offshore location	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Evaluating offshoring outcomes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offshore employee recruitment process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Serving as the bridge between the domestic and offshore operations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recruiting and hiring staff for the offshore HR function	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

23. Has the size of your organization's HR department increased, stayed the same or decreased overall in the past five years?

- Increased
- Stayed the same
- Decreased

24. Is this a direct result of offshoring or plans to offshore?

- Yes [Go to question 28]
- No [Go to question 28]
- Do not know [Go to question 28]

NOT OFFSHORING**25. In your opinion, why do you think that organizations are offshoring their business units and/or functions? (Check only up to three reasons.)**

- 24/7 operations
- Access to highly skilled technical expertise
- Decreased health care costs
- Development of new jobs at U.S. location(s) (i.e., restructuring, reallocation, etc.)
- Improved customer service levels
- Increased overall profits
- Increased productivity levels
- Legal environment
- Lower labor costs
- More time to focus on core competencies (at the U.S. location)
- New business opportunities
- Regulatory environment
- Retirement/pension costs
- Revenue opportunities in host country
- Unfavorable U.S. economic conditions
- Other (please specify): _____

26. Why does your organization currently NOT engage in offshoring? (Check all that apply.)

- Adverse impact on corporate culture
- Concerns about cultural incompatibility issues
- Concerns about negative impact on customer service levels
- Concerns about unfavorable public reaction
- Concerns that it would decrease employee morale
- Difficult to manage relationships with offshore operations
- Does not fit the strategic business direction of our organization
- Fear of losing in-house talent/expertise
- Fear of security risks/breaches
- Intellectual property issues
- Lack of face-to-face contact with offshored employees/less personal
- Size of organization is not large enough for offshoring to make sense
- Uncertain that cost savings would be achieved
- Uncertain that cost savings would be worth the effort
- Do not know
- Other (please specify): _____

27. What efforts has your organization made (or does it plan to make) to maintain its competitiveness without the use of offshoring? (Check all that apply.)

- Developed new more profitable business units
- Hired temporary workers

- Increased employee productivity levels
- Increased training for U.S.-based employees
- Increased use of technology
- Outsourced jobs within the United States
- Participated in school-to-work programs that develop employees with specialized skills
- Phased out unprofitable business units
- Reduced workforce (i.e., layoffs)
- Restructured benefits package
- Retrained employees for jobs that required additional skills
- Other (please specify): _____

ALL RESPONDENTS

28. To what extent do you agree or disagree with the following statements?

	Strongly Agree	Agree	Disagree	Strongly Disagree
Employees in the United States are concerned that their jobs will be eliminated due to offshoring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offshoring allows U.S. organizations to increase their profitability, which ultimately results in the preservation of U.S. jobs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offshoring is here to stay	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offshoring is responsible for the loss of U.S. jobs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offshoring provides organizations the flexibility to meet their strategic business needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The role of HR professionals can become more strategic due to offshoring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The U.S. government should pass legislation that limits offshoring by U.S. organizations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
U.S. organizations should have the flexibility to operate businesses anywhere in the world in order to meet strategic business needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

29. In terms of its impact on the HR profession, do you believe that offshoring has increased, had no impact on or decreased HR professional job opportunities in the United States?

- Increased HR job opportunities
- Had no impact on HR job opportunities
- Decreased HR job opportunities

30. In general, how concerned are HR professionals at your organization that offshoring leads to reductions in HR staff?

- Very concerned
- Somewhat concerned
- Not at all concerned

DEMOGRAPHICS

31. How many employees are employed by your organization in the United States? _____

32. How many people are employed both full time and part time in your organization's U.S. HR department/function? _____

33. How many employees are employed by your organization worldwide? _____

34. What is the zip code of your location? _____

35. Are there unionized employees (under a collective bargaining agreement) at this location?

- Yes
- No [Go to question 37]

36. What percentage of employees at this location is unionized (under a collective bargaining agreement)?

37. Which industry best describes your location's main business? (Check only one.)

- Construction and mining/oil and gas
- Educational services
- Finance
- Government
- Health
- High-tech
- Insurance
- Newspaper publishing/broadcasting
- Manufacturing (durable goods)
- Manufacturing (nondurable goods)
- Services (nonprofit)

- Services (profit)
- Telecommunications
- Transportation
- Utilities
- Wholesale/retail trade
- Other (please specify): _____

38. Which of the following best describes your organization?

- Private for-profit organization
- Private nonprofit organization
- Public/government
- Other (please specify): _____

SHRM Survey Reports

Available to members and the public

1. Organizational Communication Poll Findings (24 pages, June 2005)
2. Workplace Productivity Poll Findings (17 pages, January 2005)
3. SHRM/CareerJournal.com Workplace Privacy Poll Findings (47 pages, January 2005)
4. SHRM/CareerJournal.com 2004 U.S. Job Recovery and Retention Poll Findings (33 pages, November 2004)
5. Employee Trust and Loyalty Findings (21 pages, July 2004)
6. Job Negotiation Survey Findings (41 pages, April 2004)
7. Job Opportunities Survey (39 pages, September 2003)
8. Job Recovery Survey (28 pages, August 2003)
9. Job Opportunities Poll (39 pages, April 2003)
10. Job Satisfaction Poll (74 pages, December 2002)
11. HR Implications of the Attack on America (23 pages, September 2002)
12. Corporate Credibility and Employee Communications Survey (14 pages, August 2002)
13. Job Opportunities Poll (30 pages, August 2002)
14. Workplace Romance Survey (24 pages, February 2002)
15. School-to-Work Programs Survey (16 pages, January 2002)
16. HR Implications of the Attack on America: Executive Summary of Results of a Survey of HR Professionals (13 pages, October 2001)
17. Negotiating Rewards Poll (14 pages, October 2001)
18. Search Tactics Poll (8 pages, April 2001)

Available to members only

1. 2005 Fair Labor Standards Act Survey Report (22 pages, August 2005)
2. 2005 Benefits Survey Report (72 pages, June 2005)
3. 2005 Future of the U.S. Labor Pool Survey Report (58 pages, June 2005)
4. 2005 Job Satisfaction Survey Report (52 pages, June 2005)
5. SHRM/Catalyst Employee Development Survey Report (36 pages, April 2005)
6. 2005 HR Technology Survey Report (37 pages, March 2005)
7. 2005 Rewards Programs and Incentive Compensation Survey Report (38 pages, March 2005)
8. The Maturing Profession of HR: Worldwide and Regional View Survey Report (33 pages, February 2005)

9. Reference and Background Checking Survey Report (41 pages, January 2005)
10. Job Satisfaction Series Survey Report (193 pages, August 2004)
11. Generational Differences Survey Report (41 pages, August 2004)
12. Employer-Sponsored Investment Advice Survey Report (60 pages, July 2004)
13. Human Resource Outsourcing Survey Report (40 pages, July 2004)
14. 2004 Benefits Survey Report (76 pages, June 2004)
15. Health Care Survey Report (40 pages, June 2004)
16. SHRM/CNNfn Job Satisfaction Series: Job Satisfaction Survey Report (52 pages, April 2004)
17. SHRM/CNNfn Job Satisfaction Series: Job Compensation/Pay Survey Report (36 pages, February 2004)
18. The Maturing Profession of Human Resources in the United States Survey Report (48 pages, January 2004)
19. Workplace Violence Survey (52 pages, January 2004)
20. SHRM Eldercare Survey (40 pages, December 2003)
21. SHRM/CNNfn Job Satisfaction Series: Job Benefits Survey (57 pages, December 2003)
22. Undergraduate HR Curriculum Study (45 pages, October 2003)
23. SHRM Equal Employment Opportunity Commission Survey (10 pages, October 2003)
24. Fair Labor Standards Act (FLSA) Survey (20 pages, August 2003)
25. SHRM/SHRM Foundation 2003 Benefits Survey (81 pages, June 2003)
26. SHRM Job Satisfaction Series: Job Security Survey (41 pages, June 2003)
27. SHRM/NOWCC/CED Older Workers Survey (53 pages, June 2003)
28. March 2003 Current Events Survey (28 pages, May 2003)
29. 2003 FMLA Poll (20 pages, April 2003)
30. 2003 Business Ethics Survey (48 pages, April 2003)
31. Employer Incentives for Hiring Individuals With Disabilities (66 pages, April 2003)
32. Fun Work Environment Survey (56 pages, November 2002)
33. Aligning HR With Organizational Strategy (53 pages, November 2002)
34. Recruiter Cost/Budget Survey (30 pages, October 2002)
35. 2002 SHRM/Fortune Survey on the Changing Face of Diversity (16 pages, October 2002)
36. Workplace Demographic Trends Survey (37 pages, June 2002)
37. Global Leadership Survey (36 pages, June 2002)
38. SHRM 2002 Benefits Survey Results (57 pages, April 2002)
39. A Study of Effective Workforce Management (36 pages, February 2002)
40. Resource Strategies, Stages of Development and Organization Size Survey (46 pages, January 2002)
41. Job Security and Layoffs Survey (76 pages, December 2001)
42. World Events Survey—Impact on Global Mobility (4 pages, November 2001)
43. Religion in the Workplace (58 pages, June 2001)
44. Employee Referral Programs (40 pages, June 2001)
45. Impact of Diversity Initiatives on the Bottom Line (41 pages, June 2001)
46. 2001 Benefits Survey (59 pages, April 2001)
47. 2000 FMLA Survey (51 pages, January 2001)

- 48. Workplace Privacy Survey (51 pages, December 2000)
- 49. Performance Management Survey (43 pages, December 2000)
- 50. Impact of Diversity Initiatives Poll (5 pages, October 2000)
- 51. 2000 Retention Survey (40 pages, June 2000)
- 52. SHRM Cover Letters and Resume Survey (39 pages, May 2000)
- 53. 2000 Benefits Survey (52 pages, April 2000)

www.shrm.org/surveys

SHRM members can download this survey report and many others free of charge at www.shrm.org/surveys.
If you are not an SHRM member and would like to become one, please visit www.shrm.org/application.

