



Are You Offshore Ready?

Strategies and Best Practices to effectively
manage offshore business relationships

November 2008

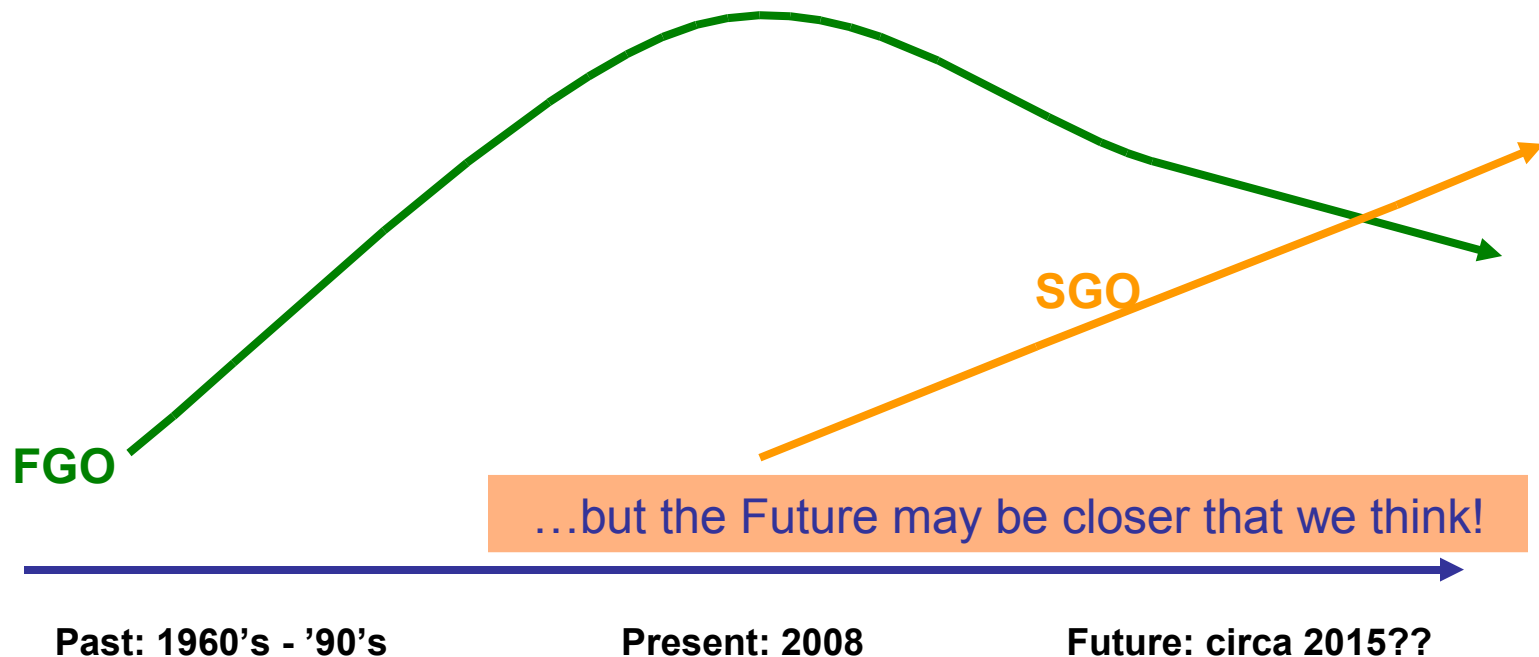
❖ Ramya Kannan...

- Lead Consultant with Anantara Solutions
- Around a decade of experience in the offshoring/outsourcing industry
- Across functions and verticals
- Worked with market leaders in the outsourcing industry

- ❖ Pioneer of **Second Generation Outsourcing (SGO)**
- ❖ Customers, including Fortune 100 companies, hail from over 15 countries
- ❖ Named by NASSCOM to its IT Innovators list 2007 in its very first year of operations; Selected by Mint as one of 10 Indian start-ups to watch
- ❖ Has been featured over 35 times by worldwide media including Business Week Online (U.S.A), Computerworld (China), The Economic Times (India), EDV-Leiter (Germany), Sourcing Asia (Germany), Globes (Israel), Business Line (India), Express Computer (India) and The CTO Forum (India) for its innovative business model
- ❖ Founded by an accomplished management team accredited with seminal work in off-shoring high-end consulting services and producing unambiguous business value for companies worldwide
- ❖ Illustrious investors: Helion Venture Partners, The SVB Group, Walden International and Christian Wedell, a former senior Microsoft executive

Second Generation Outsourcing (SGO)

- ❖ An inclusive model: first generation outsourcing benefits... and more!
- ❖ From IT Value to Business Value
- ❖ Cost-plus pricing to Risk-Reward
- ❖ Vertical Integration to Supply Chain



- ❖ Outsourcing and Challenges
- ❖ Offshoring models
- ❖ Critical success factors and Key enablers
- ❖ eSCM – CL
- ❖ Anantara's approach to assess offshore fitness
- ❖ Questions

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Why are Organizations Outsourcing?

Strategic Reasons

Focus on core competencies & strategic projects

Transfer / share risks with vendors

Access to new technologies

Free internal resources for other purposes

Explore high end research and analytics at lower costs

Tactical Reasons

Harness specific technical skills

Let experts manage difficult functions

Reduce/control operating costs

Free investments

Improve utilization by control on metrics

Transformational Reasons

Reduce time-to-market

Enter new markets with reduced risks

Pre-empt competitors

Improve service quality

Develop new products and services

Outsourcing – Gaining Momentum

Outsourcing is intensifying



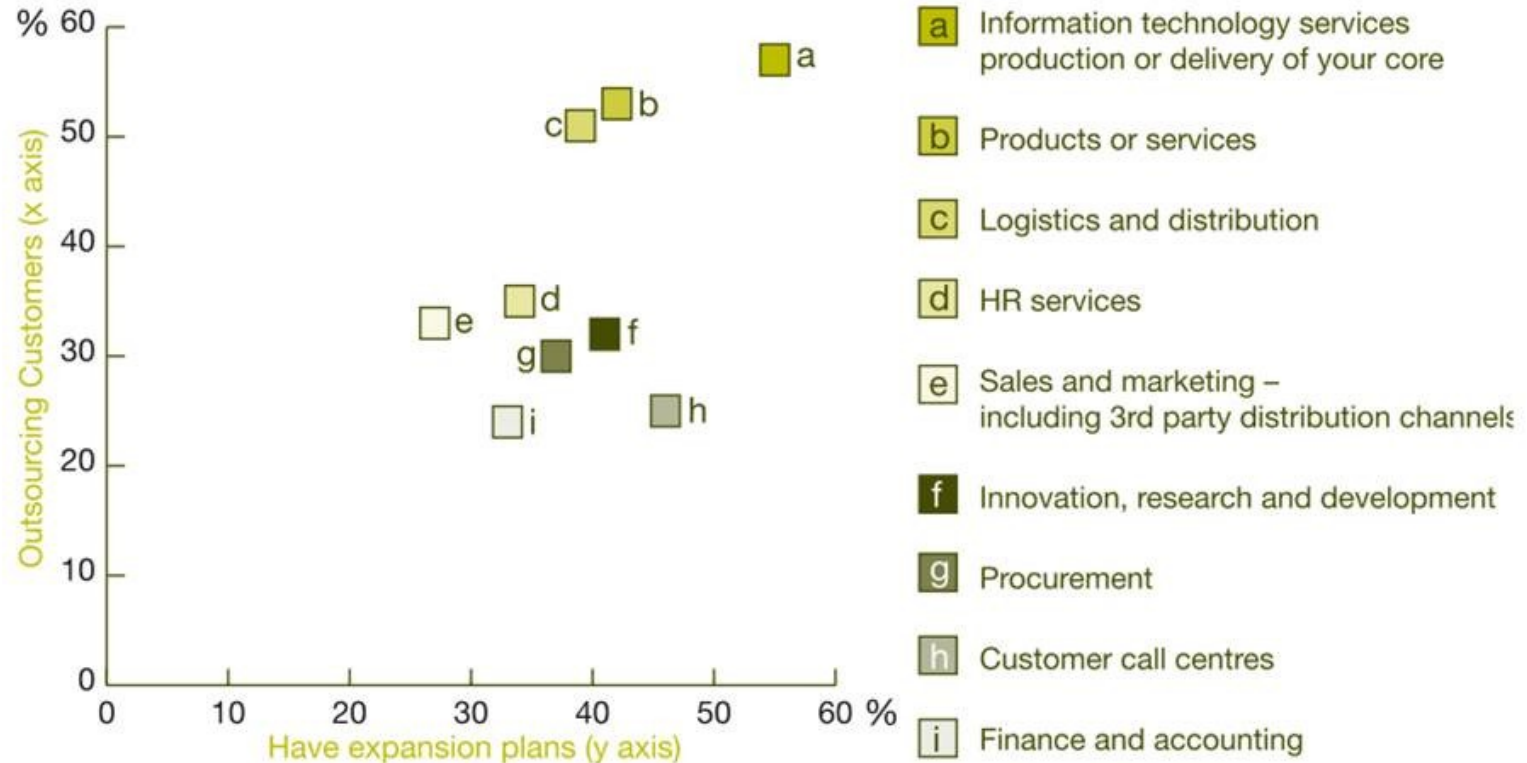
Q: Which of the following products or services does your company currently source from external suppliers?

Q: To what extent does your company currently source each of the following from external suppliers?

Source: PricewaterhouseCoopers Global Outsourcing Survey 2007

Services Outsourced

What organisations outsource and plan to expand



Q: Which of the following products or services does your company currently source from external suppliers?

Q: Broadly speaking, over the next five years, do you think your use of external suppliers for each of the following activities will increase, decrease, or stay about the same within your business?

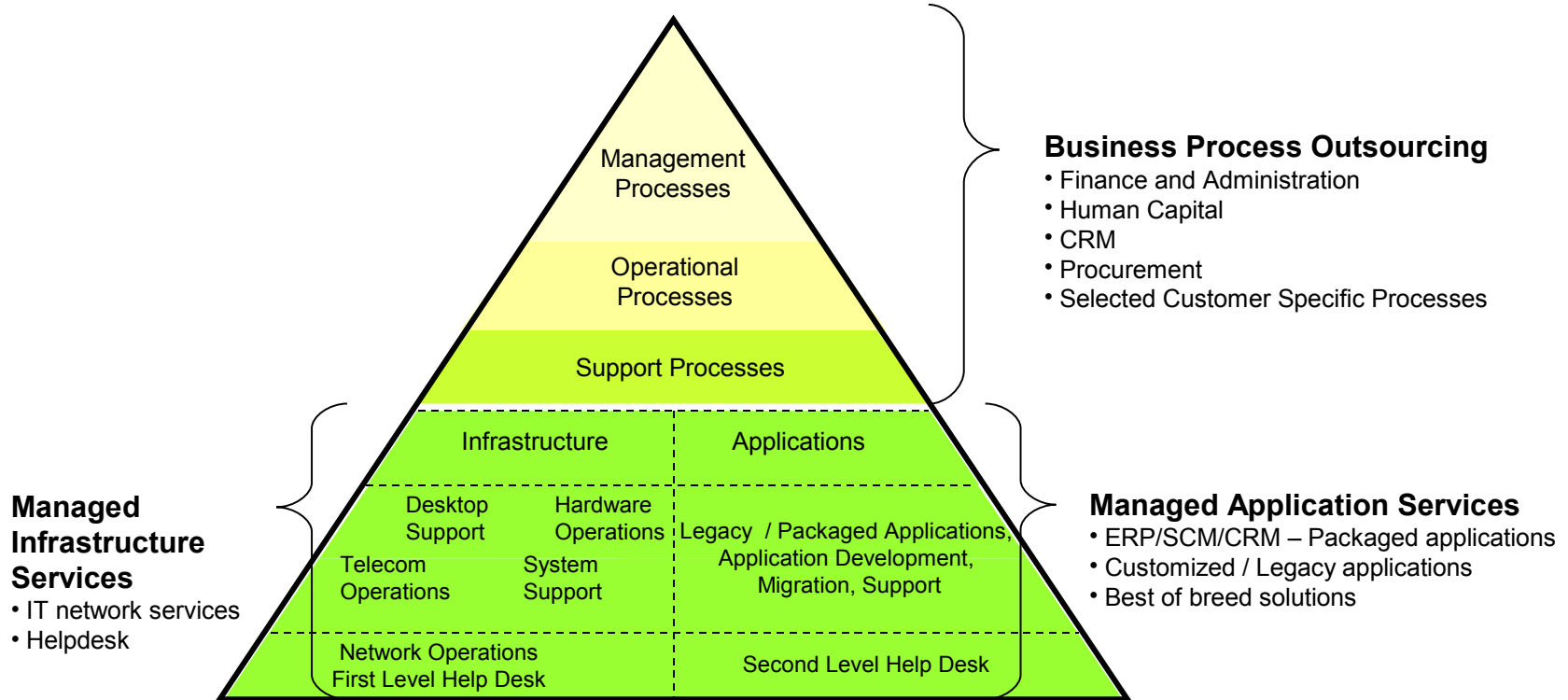
Source: PricewaterhouseCoopers Global Outsourcing Survey 2007

Outsourcing in the Current Economic Scenario

- ❖ Pursued as an active business strategy in the current economic scenario
- ❖ The distinction between offshoring and outsourcing has evaporated... its all about Global Sourcing now...
- ❖ Its all about Cost, Capability, Competitiveness and Change
- ❖ Focus on reducing costs and getting wider capabilities across multiple locations
- ❖ Enable companies enhance their competitiveness and drive transformational changes

Spheres of Outsourcing

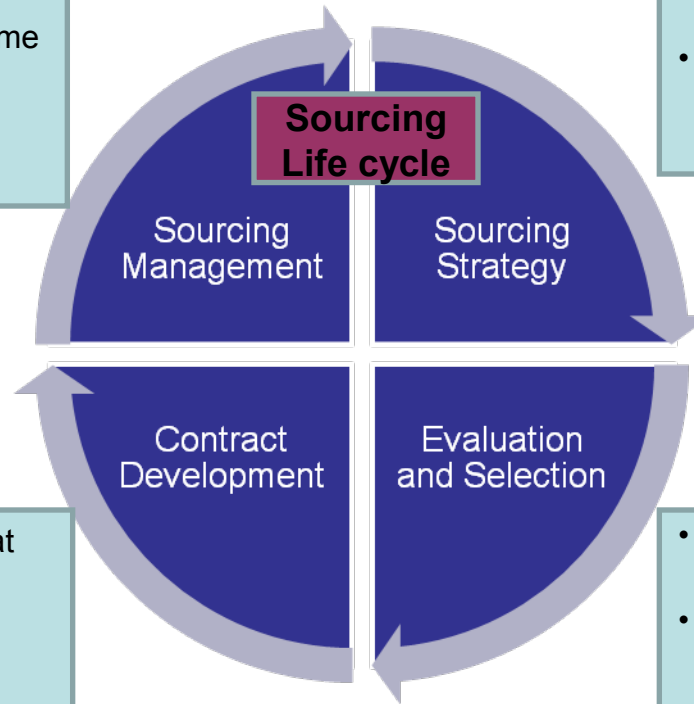
- Strategic IT Outsourcing is the utilization of world class skills, technology and resources to consult, develop and deploy business process and IT solutions under a multiyear contractual relationship.
- It allows customers to
 - Gain competitive advantage in their industry
 - Improve cost-to-benefit value relationship in their business
 - Focus on core competencies
- Asset transfer (technology or employees) may or may not be included



Key Challenges in Sourcing Relationships

- Putting in place program management and metrics to ensure the sourcing relationship stays on track
- Managing the Transition and knowledge transfer
- Managing cultural fit, language and time zone challenges
- Ensuring effective Organizational Change Management

- Identifying which business processes and IT activities provide the most value from sourcing at the least risk
- Developing a coherent sourcing strategy that is aligned to business strategy
- Translating the strategy into an effective implementation roadmap



- Creating contractual relationships that reflect the sourcing strategy
- Establish effective service level expectations and agreements
- Managing changes to the contract to reflect changed priorities / expectations
- Ensuring effective risk mitigation

- Establishing relationships with partners who are capable and compatible
- Determining an appropriate relationship model (multi-sourcing, Vs single-sourcing, strategic Vs tactical. near shore Vs offshore, captive Vs. third party etc.)
- Evaluation of information security, business continuity, legal and regulatory compliances

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The Offshore Models

❖ Third Party / Service Provider

- Day to day operations and service delivery is the responsibility of the service provider for a given contracted period of time governed by Service Level Agreements

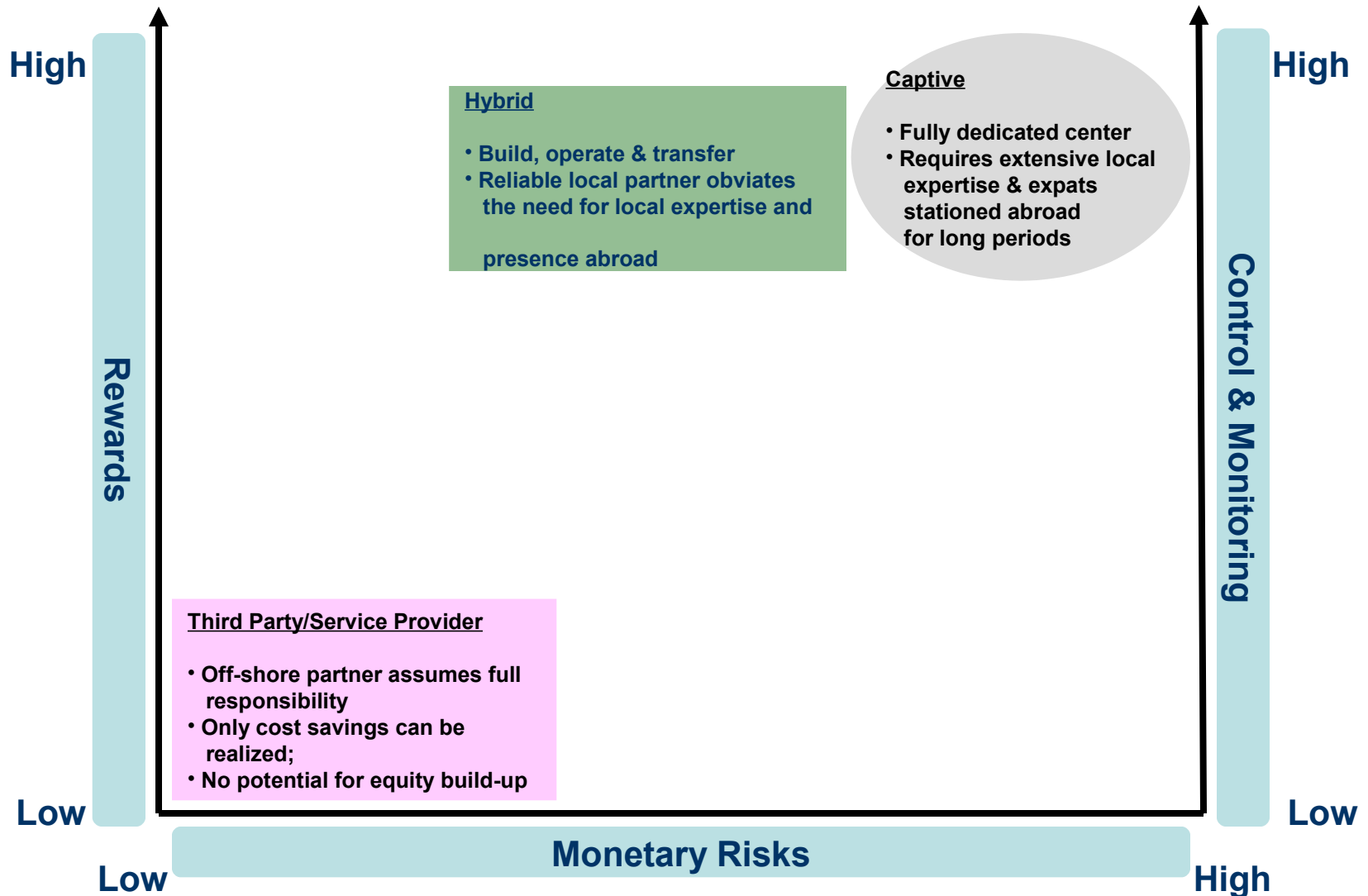
❖ Hybrid (or “Build, Operate, Transfer” or BOT)

- The partner contracts to provide a service for a given period of time and then transfers the operation to the originating company

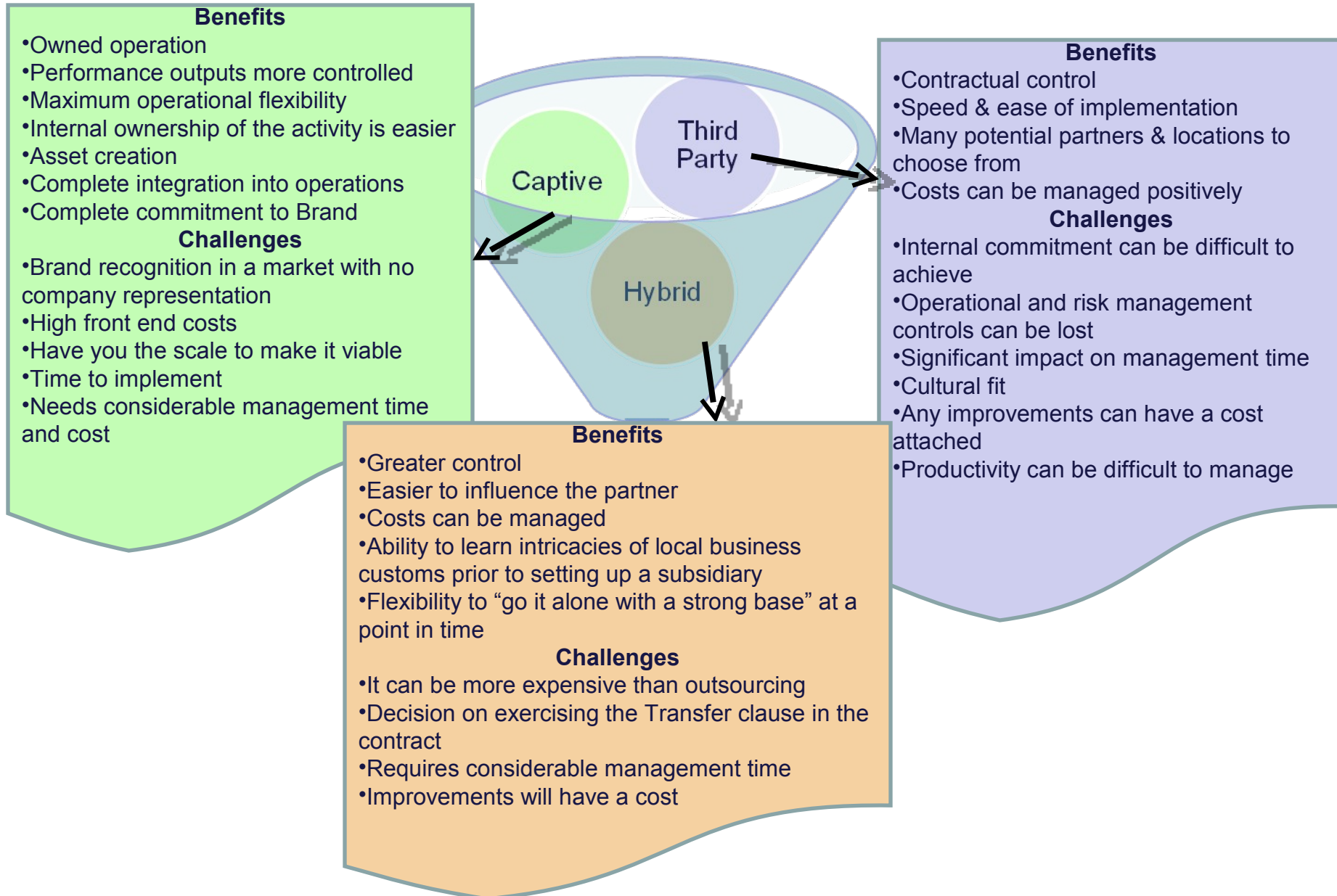
❖ Captive

- The operation is fully owned by the organization and is run as a process centre within the overall control of the business
- Investment in terms of time, efforts, management bandwidth and money is relatively the highest in this model

Offshoring Models



Benefits and Challenges of these Models



Agenda

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- ❖ eSCM – CL
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Critical Success Factors – Selecting the Right Model

- ❖ Selection of an offshore model depends on certain key decision points:
 - Are you looking for speed of implementation?
 - Is cost the key motivator?
 - Do you want optimum control?
 - How much flexibility is needed?
 - Do you want the flexibility to scale up and down?
 - What's best for your internal Governance?
 - Which model provides the best risk management and mitigation?

Critical Success Factors – Other Key Considerations

- ❖ Managing risk and regulatory compliance
- ❖ Ensuring the customer experience is maintained or enhanced
- ❖ Managing to the contractual terms
- ❖ Managing cultural fit
- ❖ Ensuring achievement of cost benefit as well as productivity gains
- ❖ Selecting the right partner, location, processes etc.
- ❖ Governance internally can be a major challenge
- ❖ Associated migration costs
- ❖ Managing 3rd party providers within a different ethos, culture and legal system

Key Enablers



Creating the business case outlining expected benefits



Sponsorship of top management



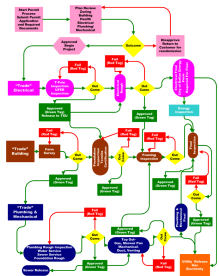
Consent of stakeholders



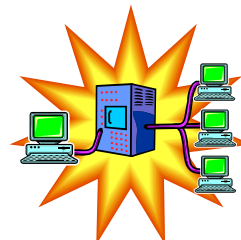
Detailed planning and blueprint for offshoring



Open communication



Process Maturity



Robust IT infrastructure



Team competence

Key Enablers – Business Case

- ❖ Any offshoring decision needs to be based on a business case for offshoring
- ❖ The business case should
 - Outline the scope of the relationship
 - Articulate the business benefits expected
 - Identify measurement criteria to assess if the offshoring exercise is meeting the expectations of the business
 - Discuss risks involved and strategies to mitigate these risks



Key Enablers – Top Management Sponsorship

- ❖ Effective sponsorship is a key factor in driving the success of the project
- ❖ A sponsor from the top management is able to provide a critical bridge between the permanent organization seeking beneficial change and the temporary organization (project) implementing the change
- ❖ The sponsor is responsible for the benefits harvested or realized
- ❖ Offshoring involves significant change and therefore an investment in change management which is provided by the sponsor



Key Enablers – Stakeholders' Consent



Consent of all groups of stakeholders makes the process of offshoring smoother. This needs a combination of communication and convincing.

❖ Open communication facilitates

- Consent of stakeholders through discussion and substantiating the decision with facts and numbers
- Smooth transition as one of the most important stakeholder groups – employees – need to be communicated openly and appraised of all key facts of the offshore relationship
- Avoiding negative press on account of offshoring

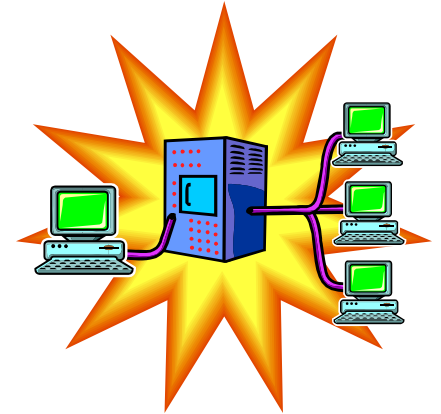


- ❖ Step by step project plan with
 - Key milestones
 - Identified responsibilities
 - Status updates
 - Targeted start and finish dates
 - Review mechanism
 - Steering committee
 - Defined meeting schedules

Key Enablers – Robust IT Infrastructure

- ❖ IT Infrastructure consists of

- Hardware
- Software
- Networks



- ❖ Availability of network infrastructure

- ❖ Adaptability to remote working and offshoring (VPN, Citrix etc...)

- ❖ Data security

- ❖ Bandwidth

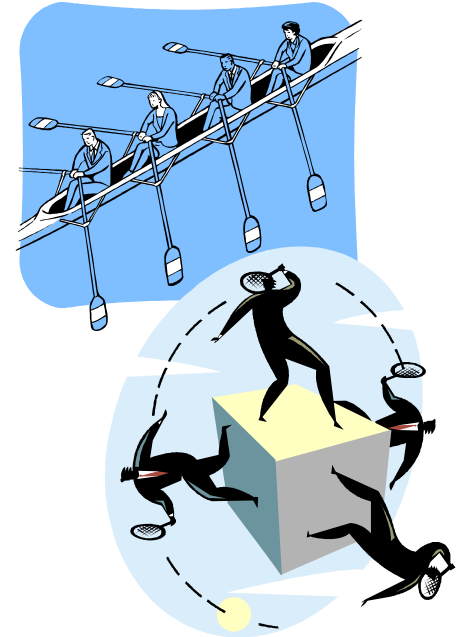
- ❖ Response times

- ❖ Helpdesk support

Key Enablers – Team Competence

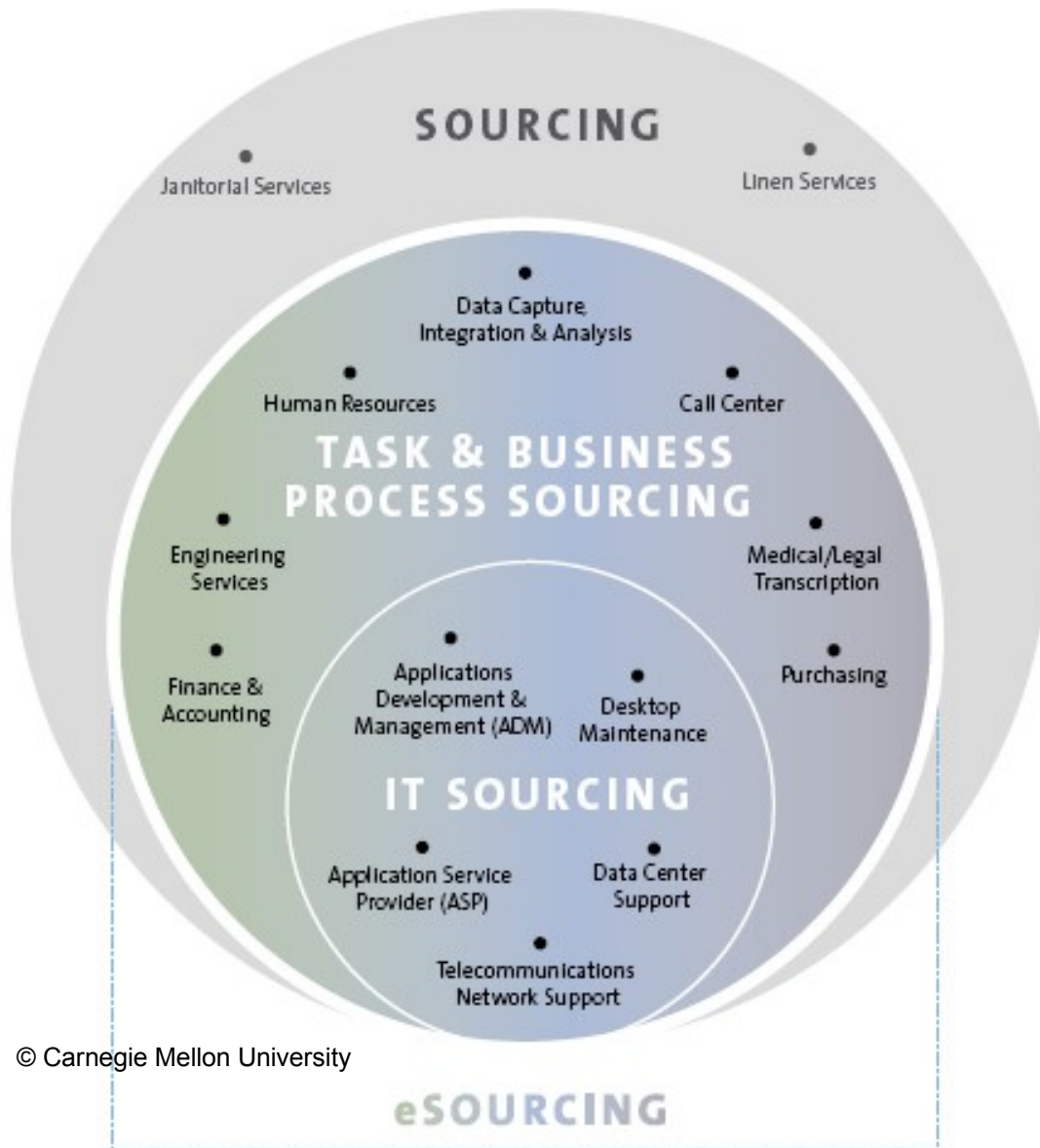
❖ Team characteristics:

- Knowledge, Skill, Aptitude (KSA)
- Ability to see big picture
- Ability to work at a detailed level
- Communication
- Conflict resolution skills
- Leadership and project management ability
- Mentoring ability
- Adaptability
- Change management ability
- Prior experience in offshoring would be an advantage



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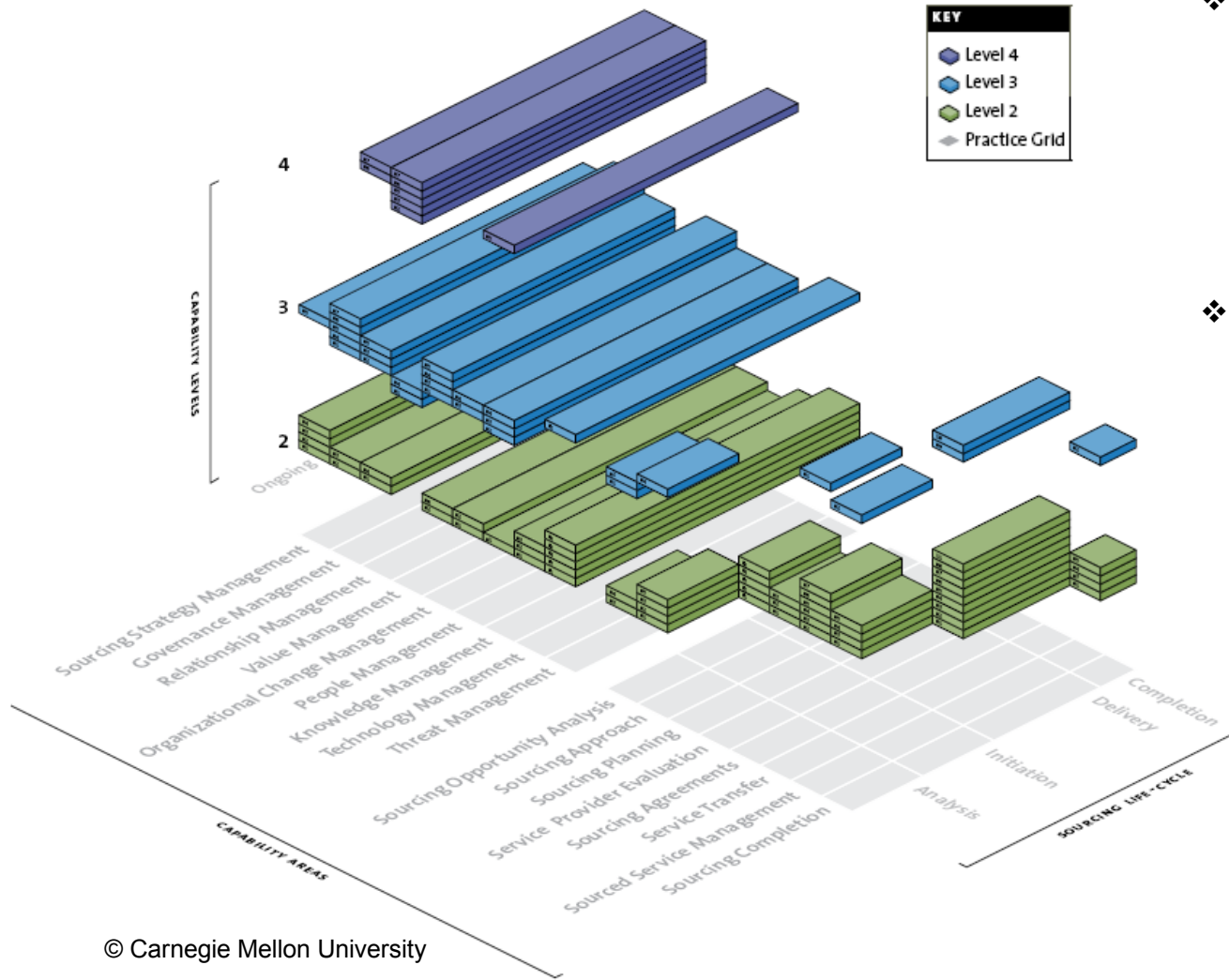
eSCM – Background and Applicability



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- ❖ The eSourcing Capability Models (eSCM) are developed at the IT Services Qualification Center (ITSqc) www.itsqc.org at Carnegie Mellon University, USA
- ❖ The ITSqc was created in 2000 to develop and support adoption of "best practices" capability models and qualification methods to improve sourcing relationships in the Internet-enabled economy
- ❖ ITSqc industry consortium comprises leading global organizations involved in outsourcing, who support the research and development effort for the eSCM
- ❖ The eSCM models apply to sourcing of IT-enabled services, which include:
 - BPO / KPO services
 - IT services

eSCM CL – Model Structure

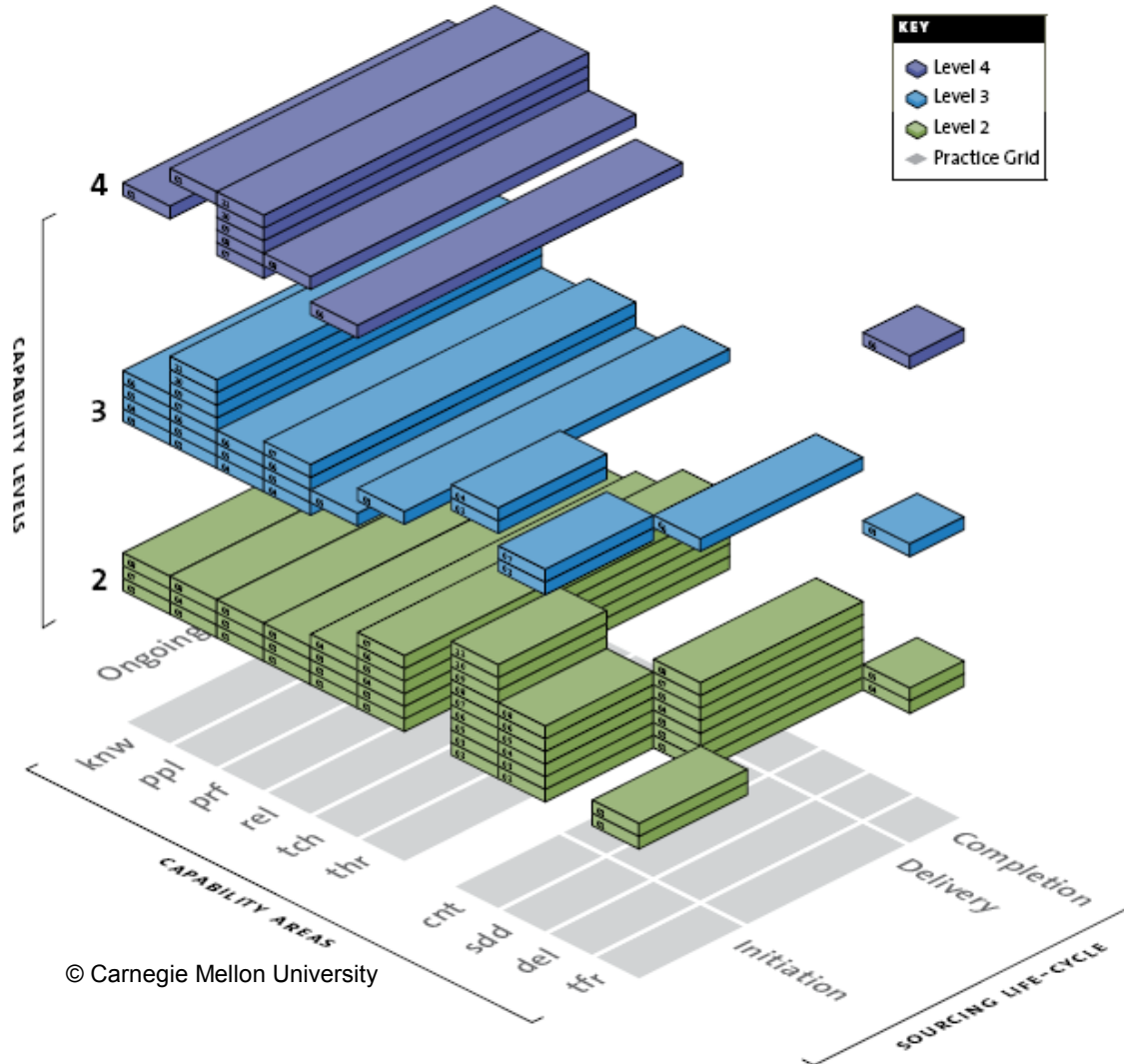


- ❖ The eSourcing Capability Model for Clients (eSCM CL) has 95 practices (each block in the diagram represents a practice)
- ❖ Designed to specifically address the needs of organizations who are sourcing clients (E.g. Sourcing Strategy Management, Governance, Organizational Change Management)

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- ❖ Enables client organizations to appraise and improve their capability to foster the development of more effective relationships and to better manage these relationships
- ❖ Allows client organizations to continuously evolve, improve, and innovate their capabilities to develop stronger, longer-term, and more trusting relationships with their service providers.
- ❖ eSCM-CL addresses a full range of client-organization tasks, ranging from developing the organization's sourcing strategy, planning for sourcing and service provider selection, initiating an agreement with service providers, managing service delivery, and completing the agreement.
- ❖ The practices are organized into three dimensions:
 - **Sourcing life-cycle phases:** Analysis, Initiation, Delivery, Ongoing and Completion
 - **Capability areas:** E.g. Knowledge, People, Performance, Technology, Threat, Contracting, Service Delivery
 - **Capability levels:** Provide a progression of capabilities from ad-hoc to proactive with levels ranging from 1 to 5

eSCM SP – Model Structure



- ❖ The eSourcing Capability Model for Service Providers (eSCM SP) has 84 practices (each block in the diagram represents a practice)
- ❖ These are organized into three dimensions:
 - **Sourcing life-cycle phases:** Ongoing, Initiation, Delivery and Completion
 - **Capability areas:** E.g. Knowledge, People, Performance, Technology, Threat, Contracting, Service Delivery
 - **Capability levels:** Provide a progression of capabilities from ad-hoc to proactive

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Anantara's Approach to Assess Offshore Fitness

Stages



Deliverables



Way ahead based on Offshoring Roadmap



Note: Timelines specified above are indicative and vary based on mode and scope of engagement

Assess your Offshore Readiness

- ❖ Do you have a business case with expected benefits articulated?
- ❖ Do you have a buy-in from all key stakeholders?
- ❖ Do you have well documented policies and processes to perform the business?
- ❖ Is there a standardization in your processes?
- ❖ Is your knowledge base highly dependant on certain key people in the organization (SMEs)?
- ❖ Does your technology infrastructure enable teleworking for your employees?
- ❖ Do you have a team with the relevant experience to work on offshoring?
- ❖ Is your data secure with access procedures compliant with global security standards?
- ❖ Is there any specific regulatory compliance required for your business?
- ❖ Is there any unique skill set required for your business that is scarce in the market place?
- ❖ Do you need any certifications to conduct business as usual?

Scoring Pattern

- ❖ Please answer as “Yes”, “Partially” or “No”
- ❖ The scoring is as follows:
 - Yes : 5 points
 - Partially : 3 points
 - No: 1 point
- ❖ Scores
 - 11-25 : Not ready for offshoring
 - 26-40 : Need a little more preparation for offshoring
 - 41-55 : High level of offshore readiness



Questions?

Contact Information:

Email: ramya_kannan@anantsol.com

Mobile: 91-9840970313

Office Phone: 91-44-43594750

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