

Successfully Implementing a Global Applications Outsourcing Strategy



SYNTEL

SUCCESSFULLY IMPLEMENTING A GLOBAL APPLICATIONS OUTSOURCING STRATEGY



Global outsourcing has the potential to help overcome IT professional staff shortages and reduce application management costs 20 percent to 50 percent -- but only if it's handled right. It's important, first of all, to select applications suitable for

developing or maintaining at a remote site. Insist on an on-site project manager to insure the project is managed according to U.S. standards. Ensure that the delivery team understands and can adapt to your organization's culture. The transition phase from internal to external development requires critical attention. Look for a support system that can provide assistance for batch processing cycles. Finally, ensure that your outsourcing supplier has systems in place that will detect performance problems immediately.

Offshore outsourcing is growing at an unprecedented pace. Fueled by slow economic growth and a desire to cut IT costs without sacrificing new development, CIO's are exploring the use of global resources more than ever. According to International Data Corporation (IDC) U.S. based companies will more than triple their offshore outsourcing spending from \$5.5 billion in 2000 to more than \$17.6 billion in 2005. Forrester predicts that the amount of IT budgets going to offshore will more than double by 2003 to 28%. Yet analysts predict a continued shortage in the supply of qualified IT professionals.

FILLING THE GAP

Global outsourcing has the potential to fill a substantial portion of this gap. A number of developing countries have invested heavily in technical education and can provide a ready supply of

bright people at a relatively low cost. Infrastructure improvements in many developing nations, particularly in the area of telecommunications, and the fact that IT professionals tend to work independently, make it possible to bring this talent to bear on virtually any programming task. Traditionally, the most active location for staging these types of IT initiatives has been India. A strong supply of high-programming talent, favorable government and tax incentives and the ability to complement U.S. time zones with a virtual around-the-clock approach are some of the advantages that this country has to offer.

Key to Success

1. Select the right applications.
2. Strong on-site project management.
3. Well-planned and executed transition.
4. 24 X 7 Customer support.
5. Agreed-upon deliverables, scope, and controls.

How can you take advantage of the benefits of outsourcing without falling victim to the potential pitfalls? The first step is selecting the right applications. The most appropriate candidates generally are large projects that have been defined to the point that they

do not require day-to-day interaction between business and development teams. While many companies think of outsourcing first as a method of handling new application development, it's important to note that it has equal or greater relevance to maintenance and enhancements of existing applications. Many companies prefer to handle strategic initiatives with their internal IT staff, because they have greater knowledge of business rules, and outsource the maintenance of legacy systems. This approach has the advantage of maximizing the knowledge capital invested in individual professionals by enabling their dedication to maximum value added activities.

ON-SITE PROJECT MANAGEMENT

IT managers who have sent work overseas agree almost to a person on the need for a vendor-supplied project manager at the client site. The on-site manager is responsible for maintaining close contact with business managers and transmitting a sense of urgency to the development staff. Ideally, he or she should develop a sense of shared ownership of and responsibility for the project with the customer. It is particularly important that the on-site manager be experienced in handling the administrative and cultural challenges involved in outsourcing. A key advantage of having an on-site manager is their ability to detect subtle changes in project goals and priorities and transmit them to the programming team. Nearly all applications can be affected by shifts in internal and external drivers, such as changes in the regulatory environment. The on-site manager is responsible for

quickly identifying such changes and developing and implementing plans to accommodate them.

Another value-added service provided by the on-site manager is to transcend cultural differences. American business people have certain expectations about how technology projects should progress, how priorities should be established, and the vital importance of communicating potential obstacles on a timely basis. Many countries in the developing world do not necessarily manage projects according to Western styles and standards. In particular, many Asian cultures place a considerable emphasis on maintaining face, with the result that overseas managers and programmers are known for keeping quiet even when problems have arisen. The model of locating the overseas programmers within a Western-style business organization under the direction of an on-site project manager who is knowledgeable in business, technical, and cultural issues insures that U.S.-style project management values are maintained.

IMPORTANCE OF INTERNAL COMMUNICATIONS

Effectively communicating the outsourcing plan within the client organization is crucial. The support of the executive team, IT staff and user community are usually required to successfully outsource an application. Not surprisingly, most IT staff members will look at the outsourcing project in terms of how it affects them as individuals. If you tell a programmer that they are being provided with a training program that will prepare them to participate in a more strategic project than the one they are currently involved in, they will nearly always enthusiastically promote the transfer of knowledge to the outsourcing team. On the other hand, suppose the programmer hears about the outsourcing project through the grapevine and then one day a person arrives to learn their job. In this situation, there's a good chance that the programmer will intentionally withhold information in an effort to improve their bargaining position.

The development of an effective transition is another hallmark of a successful outsourcing effort. The first step normally involves transfer of intellectual capital from the client's organization to the outsourcing firm. The ideal situation is a one-to-one transfer from one member of the internal team to a member of the outsourcing organization. The outsourcing organization will assign a person to play the shadow role, learning everything there is to know about the application even down to the level of "if 10 users call, which call do you return first?" After a certain period of time, the person

from the outsourcing organization begins to perform the job, with the internal person watching closely at first to make sure they are doing it right. Before long, the outsourcing staff is ready to do the job on their own and the internal person can be assigned to their new position.

CONTINUAL IMPROVEMENTS

Once the outsourcing team takes over the application, they should become responsible not only for maintaining the system but also for improving it. There have been many cases where a global outsourcing team is able to make dramatic improvements in an existing application. Typically these improvements do not necessarily stem from an increased level of skill on the part of the outsourcing team but rather flow from the nature of global outsourcing. The outsourcing team brings fresh ideas and perspective to their assignment and is often able to bring to bear methods and solutions that they have developed on previous assignments. The outsourcing team also may not have to deal with manpower shortages and conflicting priorities faced by the previous internal team.

The ability to support a batch processing cycle is an important qualification in a global outsourcing project. An outsourcing firm should be able to provide a technical support service that operates on a 24 hours a day, 7 days a week basis. When a call comes in, the support person staffing the hotline generally queries a database to find the technician that is assigned to the application. The technician is then paged and dispatched to the customer's site. It's important to have a support system that establishes ownership of every problem. For example, at our help desk, a call timer automatically moves open tech support tickets up the chain of command to a programmer after 30 minutes. After another 30 minutes, the problem moves to a manager. The ticket is not closed until the support person calls the client back to make sure the problem has been resolved to their satisfaction. This system provides clearly defined accountability that insures rapid problem resolution.

VALUE OF CONTROLS

The value of controls that insure the effectiveness of an on-going application cannot be overemphasized. For example, our organization generates a report that tracks elapsed time from when a support call is received to when the problem is resolved. About a year ago, we saw the time to respond to pages had

suddenly more than doubled. I immediately met with the technicians involved who assured me that, rather than turning off their pagers, they were responding immediately. I investigated further and discovered that the pager service had operational issues that were causing processing delays. We immediately switched to a different pager service and the response time went back to normal levels.

Paying attention to these issues will help insure successful global outsourcing. Companies that follow the guidelines described here generally experience cost savings ranging from 20 percent up to 50 percent. If the company previously relied on a consulting strategy, the savings tend towards the higher end of the spectrum, while if long-term employees previously managed the applications, the savings tend to be less. Firms that take advantage of global outsourcing also typically experience faster response to business drivers. When a manager comes in and says: "I need three reports for the board of directors tomorrow morning," the work can be done by the offshore team during their normal working day. But whether a project is being run from the next cubicle, next city or 8,000 miles away, solid project management is the key to successful execution.

Syntel is a global Applications Outsourcing and e-Business company that delivers real-world technology solutions to Global 2000 corporations. Founded in 1980, Syntel's portfolio of services includes complex application development, management, product engineering, and enterprise application integration services, as well as e-Business development and integration, wireless solutions, data warehousing, CRM, and ERP.

We maximize outsourcing investments through an onsite/offshore Global Delivery Service, increasing the efficiency of how complex IT projects are delivered. Syntel's global approach also makes a significant and positive impact on speed-to-market, budgets, and quality. We deploy a custom delivery model that is a seamless extension of your IT organization to fit your business goals and a proprietary knowledge transfer methodology to guarantee knowledge continuity.