

Definition of Outsourcing

These were some of the discussions on the definition of outsourcing by the members: (1) augment staff with extra people to help on projects, based on specific needs for a project; (2) taking a whole IT department and outsourcing it; (3) set up captive center. A question was raised about the captive center – if you have direct control over it, is it really outsourcing? Can you think of this as globalized IT? People working at captive centers are considered company's employees but using local talent to fill the need. More and more companies are doing captive centers these days. Below are the responses to the questions by the participants.

How many IT functions do you currently outsource or have considered outsourcing?

- Looked at outsourcing the “help desk” function. There was discussion whether it makes sense to keep it in house or ship it to a third party, whether on shore or off shore. Decided that this function could be done internally much cheaper.
- Off shoring in Ireland and India for application development.
- Outsources database management, 24/7 watching key systems, not really help desk, but took function and decided not to build that expertise in house and contracted instead with someone else, taking HR payroll system and sending it back to the vendor, managing data center, more of a hosting type thing, not dealing with server and network side of it, could almost look at this as a cloud.
- Project based outsourcing – find a group of Oracle talent, they basically have a project planned and then use local talent in that country to work on a project for potentially up to one year, depending on the implementation schedule.
- Off shoring for over 10 years. It has contract with IBM India to do application maintenance, desktop refresh, and network printer maintenance.
- Technical support desk, invoicing, different cloud services, i.e. fax, telephone systems maintenance – on shore outsourcing; at least a dozen different services that are no longer controlled internally.
- Almost all technology areas of a bank are outsourced, use off shore primarily for development and QA, rigorous in terms of testing scripts.
- Use a lot of offshore developers but not quite as successful because don't have institutional knowledge that is built up by a team that understands the application
- Use on shore for technology center.
- Business Analysts are almost always employees – not outsourced; heavy involvement with legal and compliance teams located in the United States; because of degree of interaction business analysts are almost entirely employees

- Outsourcing in India – use for primarily development and testing, also have a component of senior leadership both here and in India that use more of a consulting perspective, learn a lot from them being a contractor, a consultant for other companies, on repetitive tests but not as repetitive as a help desk.
- Lack of talent in certain areas locally; we just have to ramp up somewhere else because we need to find the labor; cost is not necessarily the only factor.

What issues have you experienced with outsourcing?

- Knowledge transfer, people leave and don't transfer the knowledge.
- Finding the talent and managing that talent.
- Key has been retaining people over time – have relatively low turnover compared to market at large, don't pay top dollar, took about 5 years but have had pretty good success for past 6-8 years.
- How to make sure knowledge doesn't dissipate (losing institutional knowledge) when people move on and keeping continuity.
- Off shore with countries that are much lower in cost. Thinking about Philippines, and Vietnam. Have been building a group in Romania for several years on the engineering side and not IT; biggest problem is language barrier.

What are the keys to successful outsourcing?

- Have key people in the country that manage that project, still have to send people to and from these countries to check in, hoping you get good talent and hope they follow your script along the way.
- Struggle in certain countries because we lose people very quickly, to maintain that expertise is a constant challenge.
- Try and retain people through money incentives, performance bonus or retention bonus. Allow contractor to choose how to best distribute it based on the culture; contractually offer performance bonus in overall contract as well.
- Have taken and given incentives to employees to move their family to another country for 1-2 years so they can get some of that knowledge transfer, but this is a challenge to find somebody to do that, can work if you get the right group and right talent; employee will go out and manage the off shore group.
- Biggest human component of off shore – want to be involved in the larger organization, want to understand who the sponsors and customers are; go and visit a couple times of years, have video conferences often, want to know they are talking with someone who is important.
- Make trips and take leaders and also some of the testers and developers and interact with the people they work with; theme of trying to develop relationships all the way down the line with people who interact at many different levels.

- Strategy – try and bring them to the US as often as possible for several weeks at a time in the initial stages of the project; gives sense that they are part of the organization.
- No more misunderstandings – because someone from US is actually leading the team; have less delays and better quality.
- Have shifted work hours so there is more overlap; don't work exactly same hours as eastern time but at least half the day is overlapped; go off shore to see team. Video conferencing is a pretty good way to build a relationship and understand the other person.

Problems with knowledge retention

Hasn't been the big issue; at this point off shoring is becoming more of a component of finding expertise particularly in the technical trades than it is about finding a low cost anymore; can't reduce off shore because don't have capacity or people to meet the business need; knowledge transfer is part of contract, encountered issues because they document thoroughly but then they leave and then company encounters a problem that they have never seen before.

Companies experience with turnover of employees

Last couple years have experienced the same between both. Worse with contracting firm but it is specific to some of the cultural differences between India and US; very different system, model is that everyone aspires to be in a management position, if not escalated appropriately, then they leave, have more control locally to be able to incentivize people. Solution: through contract negotiations; factor in a bucket of money that allows the contractor to incentivize their people in much the same way would incent employees; incentive is money and in India this has worked well

Do you invest in training for cultural intelligence for employees so they become aware of US cultural norms?

Don't necessarily train on US cultures, more so on company culture and company business; treat as if they are part of the organization even though not employees of the company; teach the processes they have internally; have an employee who relocated there to run the group of contractors and it worked extremely well. Employee brings that knowledge back to the states every 3-4 months of what her team is doing, have learned that employees in India want to be part of the mother ship in the US and learn about the company or else they will jump ship and go to another company if they don't feel they are part of the larger organization; contractors can move around very easily from job to job so have to treat that off shore subsidiary as if they are yours or else there are opportunities for the employees to move and they will do so.

Failures with offshore teams and lessons learned

From application development standpoint, it becomes absolutely imperative that you have very specific, detailed

requirements; otherwise it will be a disaster. You will get code that is not quite right, doesn't work, has issues, requires going back and reworking and spending money, post analysis review and realize spent a lot of money and may have been cheaper to not go offshore; generally like to move fast and furious from the retail perspective; not good at coming up with requirements and change mind sometimes and that model does not work very well.

Managing off shore employees

Benefit of having own staff to manage off shore employees; kept this layer of management that has business understanding and able to mentor new employees and train pretty quickly – have been pretty successful at that; to make sure to retain managers is give opportunity and be able to change careers without changing companies; have established a standard line of promotion; as we have empowered them to make decisions, have become more comfortable with that model and it works pretty well; do have to find right people and find people who can think on their feet and have the respect of their peers so they can lead the team.

What is your experience with turnover offshore?

It can make up to 30% or more. If you take care of people well, make them feel a part of the company, don't treat them like they are expendable off shore members, they are more likely to stay. In India, the culture is different. It is not just the money, involve their family, some companies give employees promotion then they have a big event and invite their families, so they have a little bit of pressure to stay with their current employer; important to get family involved when it comes to Indian employees.

Summary

Companies are generally satisfied and comfortable with what they are currently doing with their outsourcing and off shoring. It has to do with not having a lot of options – can't find resources locally or can't acquire them quickly enough; matured – have learned from mistakes over the last 10-15 years and have learned how to manage remotely and technology has improved so much with a team on the other side of the country; much easier to succeed today. Major advantage: emergency comes up and something has to be in by the end of the year, can bring on 15 additional developers. Companies are scared to outsource data centers because of the sensitive data. However, according to the CIO Magazine, the top trends of 2015 is outsourcing data centers to places like India. Indian companies are going after infrastructure market and in 2014 began to win more infrastructure deals than before. But the biggest challenges are security, reliability, and compliance issues.

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