Offshore Challenges: Perspectives from offshore managers

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Topic outline

- About Zinnov
- Study methodology
- Study findings
- Best practices
- Interesting facts
- Discussions
About Zinnov

We help our clients in reducing the time, money and risks involved in initiating and managing offshore operations.

- Offshore strategy
  - Capability assessment
  - Offshore blueprint
  - Transition planning

- Offshore setup
  - Vendor partnership
  - Subsidiary setup

- Offshore manage
  - Ongoing assessment
Study Methodology

- Questionnaire
- Interview
- Analysis
Study Methodology

Questions categorized into 5 areas on challenges and best practices

- Strategy
- Infrastructure
- People
- Process
- Onsite (customer)
Study Methodology

We interviewed the following:

- Center heads and Project managers of captive centers
- Vendor with focus on ISVs
- Head hunters
Study Methodology

- Aggregated and assimilated the interview answers
- Ranked the top challenges
- Listed the key best practices
- Discovered a few interesting insights
Top 5 challenges

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<th>Initial Assumptions</th>
<th>Captive</th>
<th>Vendor</th>
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<td>Attrition</td>
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<td>Communication</td>
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## Top 5 Captive challenges

<table>
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<tr>
<th>Challenge</th>
<th>Description</th>
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<tr>
<td>Hiring</td>
<td>Difficult to find engineers with design/architecture/domain expertise</td>
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<td>Resources sometimes take up offer to renegotiate deals with existing company</td>
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<td>On an average 1 in 3 engineers take up an offer</td>
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<td>Unknown brand in India</td>
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<td>Not enough understanding of the educational institutions in India</td>
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Top 5 Captive challenges

- **Hiring**
  - Onsite not having the visibility into offshore’s project execution
- **Communication**
  - Late or Lack of feedback from onsite
  - All synchronous communication happen during onsite time zone
- **Internal buy in**
- **Attrition**
  - Misunderstanding of requirements
  - Inability to say “No”
- **Domain Expertise**
  - No issue escalation process
Top 5 Captive challenges

- Hiring
  - Lack of buy-in from part of the management team
- Communication
  - Lack of buy-in from engineering team
- Internal buy in
  - Doubts about offshore team’s ability
  - No visibility to onsite team about company’s offshore plans
- Attrition
  - Fear of backlash

Domain Expertise
Top 5 Captive challenges

- Hiring
- Communication
- Internal buy in
- Attrition
- Domain Expertise

- 30% reported a increase in attrition in the last 4 months
- Not able to manage expectations
- Lack of opportunities to visit onsite
- Lack of opportunities to learn new technology
- Transparency in salary structure
- Same role for a long period of time
Top 5 Captive challenges

- Hiring
- Communication
- Internal buy in
- Attrition
- Domain Expertise

- Far from customer location
- No direct interaction with the customers
- Not enough domain experts in India
- Not part of the team that defines the problem
- Not enough problem solving skills
Top 5 Vendor challenges

- Not a clear understanding of the goals for offshore initiative
- Not a clear understanding of the various risks involved
- Little senior management involvement in planning
- Unrealistic expectation on savings
- No previous experience
- No roadmap for offshore initiative
Top 5 Vendor challenges

- Client Planning
- Communication
- Attrition
- Micro management
- Domain Expertise

- 20 – 30% lesser salary than captive centers
- Larger number of employees in 0 – 3 years experience level
- Consultant vs. employee mentality
Top 5 Vendor challenges

- Client Planning
  - Do not want to let go
- Communication
  - Not investing in strong offshore leadership
- Attrition
  - Execution of projects in an offshore staff augmentation model
- Micro management
  - Vendor doesn’t understand product development
- Domain Expertise
Other challenges

- Acclimatization of the spouses of the managers/engineers who move to India to work at the offshore center
- Re-creation the company culture at the offshore facility
- Understanding of the Indian work culture by the onsite team
- Mirroring of onsite processes at offshore
- Lack of understanding of offshore challenges by the onsite team
Key Best Practices

- Strategy
- People
- Process
- Onsite
Key Best Practices

- Start with a clear roadmap for your offshore plans
- Understand your organization capability to offshore
- Work to ensure buy-in of the entire organization
- Structure the offshore operations as an extension of your engineering team
Key Best Practices

- **Strategy**
  - If possible, seed your initial team with engineers from onsite
  - Handpick the first 20 – 30% of the offshore team

- **People**
  - Well structured hiring process
  - Lock in the top 30% of the team

- **Process**
  - If possible, rotate job responsibilities

- **Onsite**
  - Engage new hires from the date of offer till the date of joining
Key Best Practices

- **Strategy**
  - Identify, analyze and fill the onsite process gaps before mirroring it offshore
  - Share all onsite internal communication such as audio/video recordings of meetings
  - Onsite processes do not necessarily work in offshore.
  - Increase project visibility by use of project management tools.

- **People**

- **Process**

- **Onsite**
Key Best Practices

- Alternate time zones for synchronous communication
- Identify managers who work well with offshore and increase their offshore responsibility
- Acknowledge communications from offshore
- Provide visibility into what is happening at onsite
- Make frequent visits to offshore
Interesting facts (captive)

- Offshore subsidiaries boast a cost reduction of 75%
- 90% of the companies that setup subsidiaries had a person of Indian origin in the senior management team
- An MNC subsidiary is setup in India every other day (Source: Nasscom)
- 60:40 ratio of offshore:onsite seem to be the optimal combination for product companies with captive centers
Interesting facts (vendor)

- Vendors boast a cost reduction of 40 - 50%
- ISV focused vendors expanding services to provide professional and technical support services
- Most vendors are planning to grow 50 – 100% in 2004
- Large investments in state of the art infrastructure facilities
Discussion