

Offshore Challenges: Perspectives from offshore managers

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SOFTWARE

2004

zinnov 

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

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Study Methodology

Questionnaire



Interview



Analysis

Study Methodology

Questionnaire



Interview

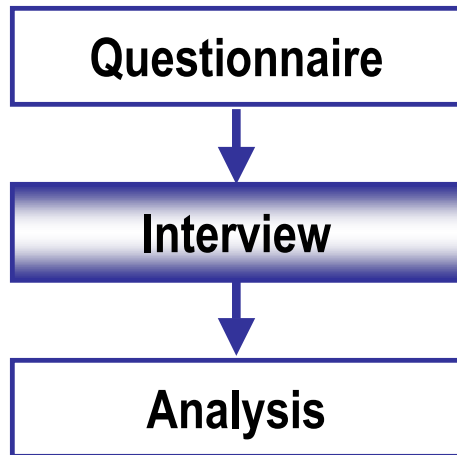


Analysis

Questions categorized into 5 areas on challenges and best practices

- ▶ Strategy
- ▶ Infrastructure
- ▶ People
- ▶ Process
- ▶ Onsite (customer)

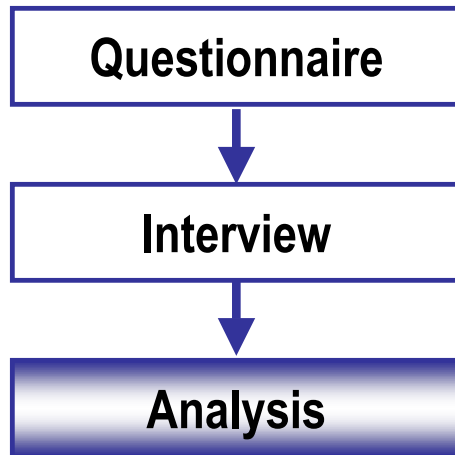
Study Methodology



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

Initial Assumptions

Attrition

Productivity

Communication

Infrastructure

Cultural Disparity

Captive

Hiring

Communication

Internal buy in

Attrition

Domain expertise

Vendor

Client Planning

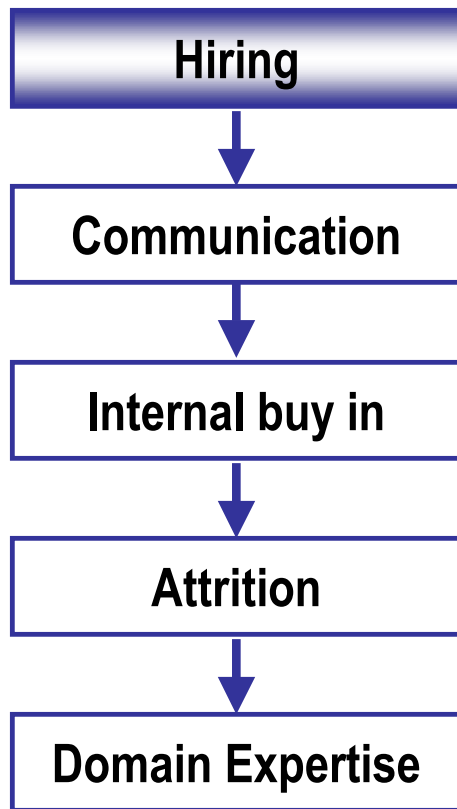
Communication

Attrition

Micro management

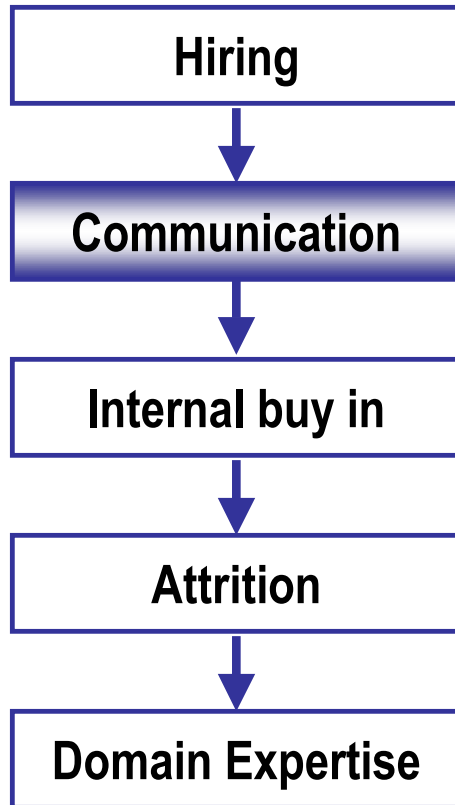
Domain expertise

Top 5 Captive challenges



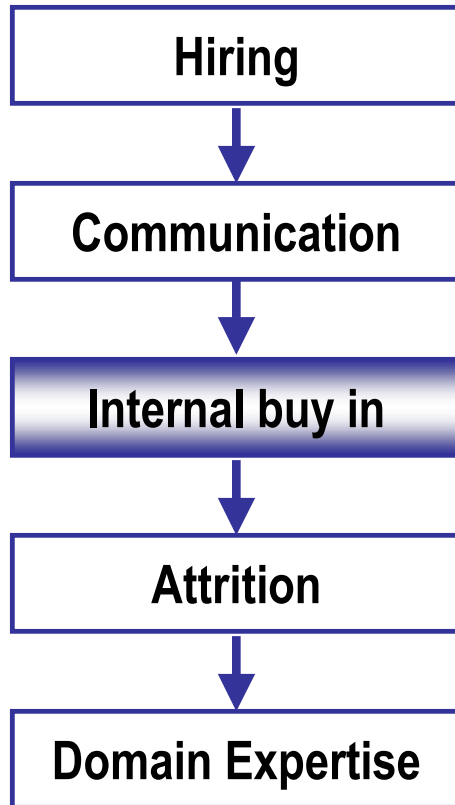
- Difficult to find engineers with design/architecture/domain expertise
- Resources sometimes take up offer to renegotiate deals with existing company
- On an average **1 in 3** engineers take up an offer
- Unknown brand in India
- Not enough understanding of the educational institutions in India

Top 5 Captive challenges



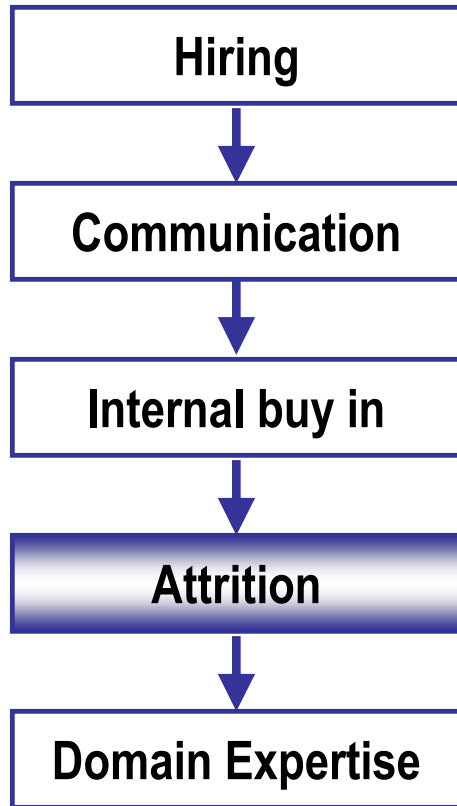
- Onsite not having the visibility into offshore's project execution
- Late or Lack of feedback from onsite
- All synchronous communication happen during onsite time zone
- Misunderstanding of requirements
- Inability to say "No"
- No issue escalation process

Top 5 Captive challenges



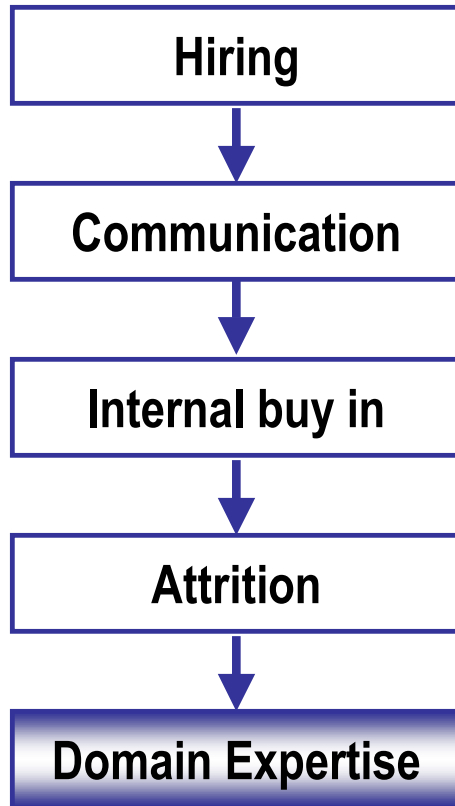
- Lack of buy-in from part of the management team
- Lack of buy-in from engineering team
- Doubts about offshore team's ability
- No visibility to onsite team about company's offshore plans
- Fear of backlash

Top 5 Captive challenges



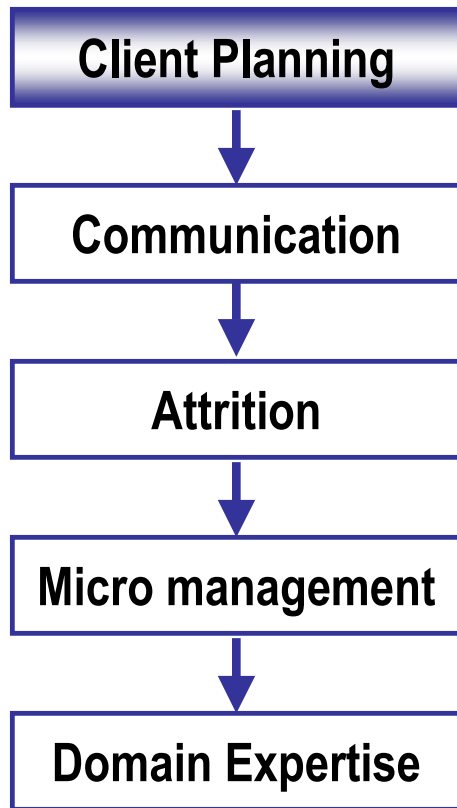
- **30%** reported a increase in attrition in the last 4 months
- Not able to manage expectations
- Lack of opportunities to visit onsite
- Lack of opportunities to learn new technology
- Transparency in salary structure
- Same role for a long period of time

Top 5 Captive challenges



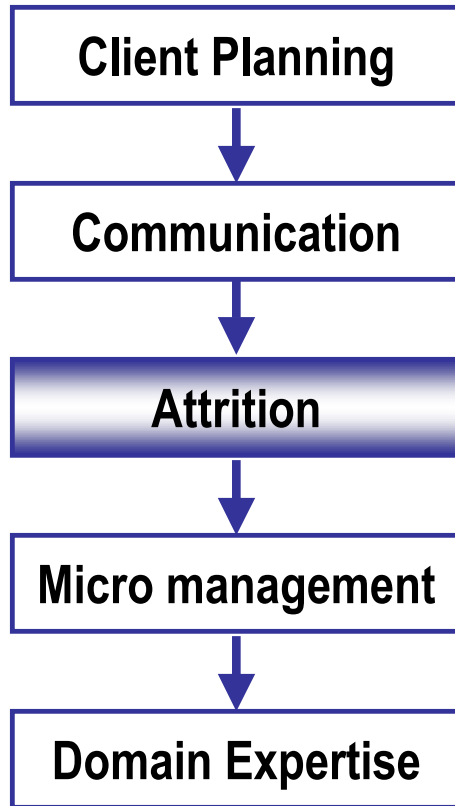
- Far from customer location
- No direct interaction with the customers
- Not enough domain experts in India
- Not part of the team that defines the problem
- Not enough problem solving skills

Top 5 Vendor challenges



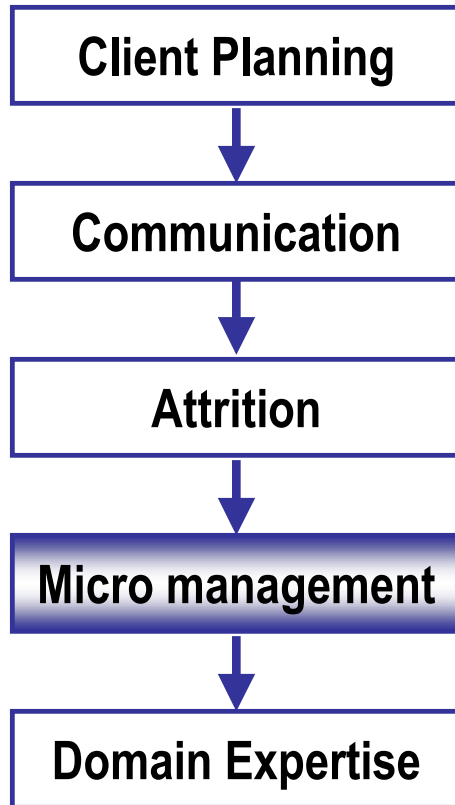
- Not a clear understanding of the goals for offshore initiative
- Not a clear understanding of the various risks involved
- Little senior management involvement in planning
- Unrealistic expectation on savings
- No previous experience
- No roadmap for offshore initiative

Top 5 Vendor challenges



- **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



- Do not want to let go
- Not investing in strong offshore leadership
- Execution of projects in an offshore staff augmentation model
- Vendor doesn't understand product development

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

Strategy

People

Process

Onsite

- 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

People

Process

Onsite

- If possible, seed your initial team with engineers from onsite
- Handpick the first 20 – 30% of the offshore team
- Well structured hiring process
- Lock in the top 30% of the team
- If possible, rotate job responsibilities
- Engage new hires from the date of offer till the date of joining

Key Best Practices

Strategy

People

Process

Onsite

- 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 does not necessarily work in offshore.
- Increase project visibility by use of project management tools.

Key Best Practices

Strategy

People

Process

Onsite

- 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