Management Implications of Outsourcing Technical Jobs

Team 2:
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Methodology
- Review of the topic through literature and the web
- Define an Objective
- Devise a set of questions
- Find companies who were players in technical outsourcing to interview

Definition
- For the purpose of our research we narrowed our analysis of outsourcing to:
  - technical jobs that have been outsourced or moved to locations offshore of the United States

Introduction
- Outsourcing, a common business strategy
- Quality high-tech products at lower costs
- If cost advantageous, companies will outsource

Management Issues
- Many management issues are involved in the outsourcing of technical jobs
- "The level of success of an outsourced project is dependent on the management that occurs after the outsourcing contract has been signed." – neol
- Global issues
- Companies must understand how to manage the outsourcing relationship opposed to the work itself

Outsourcing
- Quote forbes.com
  - "Most companies woefully under invest in the ongoing governance and management of the service provider relationship and underestimate the time, money and people it takes to manage far-flung operations effectively"
  - What do managers need to be aware of to be successful?
Objective

- There exist common misconceptions that prevent companies from properly estimating complexity of management and costs associated with outsourcing technical jobs. The objective of this project is to identify critical issues in outsourcing and determine the costs, advantages and management strategies for outsourcing technical jobs. This objective will be achieved by conducting interviews in three companies.

Topics of Discussion

- Performance Reviews
  - Accountability, responsibility, intervention, people retention/monitoring
- Communication
  - Relationship with service provider, cultural understanding
- Contract Negotiation
- Training
  - Knowledge transfer, company procedures/specs

Knowledge Sources

- Intel Desktop Boards Operation
  - Murat Erdogan, Product Family Manager
- Oracle
  - Christophe Joo, Manager of Applications Server India Operation
- Wipro Technologies
  - Tony Sturgeon, Business Manager US – Pacific Northwest

Wipro Technologies

- Contract Formation / Change Management
- Training
- Wipro growth

Wipro Technologies

- Supplier Report Card
- Weekly Status Review Meetings
- Relationships

Oracle

Why?
- “Follow the sun” model for software development
- Indian talent

Oracle Subsidiaries:
  - Oracle’s India Development Center
  - India Support Center
  - Oracle Solution Services India

Products:
- Oracle forms
- Oracle designer
- J-developer
Oracle

Performance Reviews
- Individual performance reviews
- Rated on a scale of 1 to 5
- Leveling process

Communication
- High level of communication
- Matrix organization
- Flights

Oracle

Company culture and country culture
- US culture vs. India culture
- Technical vs. Operational
- Cultural transfer

Training/Knowledge transfer
- Rotation

Oracle

Benefits/ future goals
- Oracle believes Outsourcing is not a sustainable model
- Outsourcing model ≠ Global model

Other implications
- Challenge of growing fast

Intel Desktop Boards Business Unit

- Motherboards
  - Taiwan
- Service Provider
  - Chosen through audits, capability assessments, face-to-face discussions
  - Select from several providers

Intel Desktop Boards Business Unit

- Communication
  - Varies from daily to weekly
  - Conference calls, face to face meeting, and collaboration tools such as Nell meeting
  - Bandwidth required for large files, security, language barriers, time differences

- Performance Reviews
  - Score cards
    - Highlight important areas
      - Schedules, quality goals, price, debugging issues
  - Drive improvements and close gap

- Culture
  - Differences
  - Internal management
Intel Desktop Boards Business Unit

- **Contract**
  - Build for unexpected
    - Example: SARS outbreak
- **Knowledge Transfer/Training**
  - Protect IP
  - Extensive training to new providers, ongoing training

Expected Results / Conclusions

- It is cost advantageous to outsource but you have to know how to manage it
- Continuous management is a key to success in outsourcing technical jobs
- A set of important management responsibilities that successful companies understand and follow in regards to outsourcing technical jobs

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<thead>
<tr>
<th>Category</th>
<th>Management lesson to plan for</th>
<th>Key Concepts</th>
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</thead>
<tbody>
<tr>
<td>Performance Reviews</td>
<td>- Reviews highlighting Critical issues</td>
<td>- Use performance reviews as a way to demand improvements</td>
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<tr>
<td>Communication</td>
<td>- Conference calls, Email instant messaging, frequent travel</td>
<td>- The right collaboration and the right tools</td>
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<td>- Security issues, file transfer</td>
<td>- Constant improvement</td>
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<td>Culture</td>
<td>- Differences in management style</td>
<td>- Work with management to help them manage in a way that fosters initiative</td>
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<td>- Ego of internal culture wanting things done their way and a certain way</td>
<td>- Build trust</td>
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<td>- Avoid micromanaging</td>
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<td>- Flexibility</td>
<td>- Build good business relationships so that it is easier to deal with problems when they come up</td>
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<td>- Consumer demand</td>
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<tr>
<td>Training/Knowledge Transfer</td>
<td>- Extensive training</td>
<td>- Training should be ongoing</td>
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<td>- Protect Intellectual Property</td>
<td>- Put Intellectual Property protection in contract</td>
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<tr>
<td>Other implications</td>
<td>- Be sensitive of loss of employees regarding outsourcing</td>
<td>- Be prepared for challenges</td>
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Questions?