

## Management Implications of Outsourcing Technical Jobs



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## Methodology

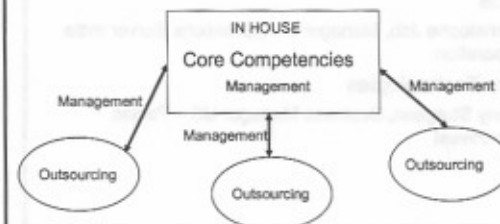
- Review of the topic through literature and the web
- Define an Objective
- Devise a set of questions
- Find companies who were players in technical outsourcing to interview

## 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." – neolt
- 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 Job, Manager of Applications Server India Operation
- Wipro Technologies
  - Tony Sturgeon, Business Manager US – Pacific Northwest



## Wipro Technologies


- Supplier Report Card
- Weekly Status Review Meetings
- Relationships




## Wipro Technologies



- Contract Formation / Change Management
- Training
- Wipro growth

## Oracle

Why?

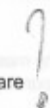
- "Follow the sun" model for software development
- Indian talent


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 Net meeting
  - Bandwidth required for large files, security, language barriers, time differences




## Intel Desktop Boards Business Unit

- 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




## Results and Conclusions

Category	Management issues to plan for	Key Concepts
Performance Reviews	<ul style="list-style-type: none"> <li>• Reviews highlighting Critical Issues</li> </ul>	<ul style="list-style-type: none"> <li>• Use performance reviews as a way to demand improvements</li> </ul>
Communication	<ul style="list-style-type: none"> <li>• Conference calls, E-mail, instant messaging, frequent travel</li> <li>• Security issues, file transfer</li> <li>• Language barriers</li> </ul>	<ul style="list-style-type: none"> <li>• The right collaboration and the right tools</li> <li>• Constant improvement</li> </ul>
Culture	<ul style="list-style-type: none"> <li>• Differences in management style</li> <li>• Ego of internal culture wanting things done now and a certain way</li> </ul>	<ul style="list-style-type: none"> <li>• Work with management to help them manage in a way that fosters initiative</li> <li>• Build trust</li> <li>• Avoid micromanaging</li> </ul>



## Results and Conclusions (cont.)

Category	Management issues to plan for	Key Concepts
Contract	<ul style="list-style-type: none"> <li>• Flexibility</li> <li>• Consumer demand</li> </ul>	<ul style="list-style-type: none"> <li>• Build good business relationships so that it is easier to deal with problems when they come up</li> </ul>
Training/Knowledge Transfer	<ul style="list-style-type: none"> <li>• Extensive training</li> <li>• Protect Intellectual Property</li> </ul>	<ul style="list-style-type: none"> <li>• Training should be on going</li> <li>• Put Intellectual Property protection in contract</li> </ul>
Other Implications	<ul style="list-style-type: none"> <li>• Be sensitive of fears of employees regarding outsourcing</li> <li>• Growth</li> </ul>	<ul style="list-style-type: none"> <li>• Be prepared for challenges</li> </ul>



## Questions?

- Performance
- Communication
- Culture
- Contract
- Training/Knowledge Transfer
- Other Implications



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