

Managing Off shored Projects: Globalization is here. Are you ready to capitalize?

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Session # TRN06



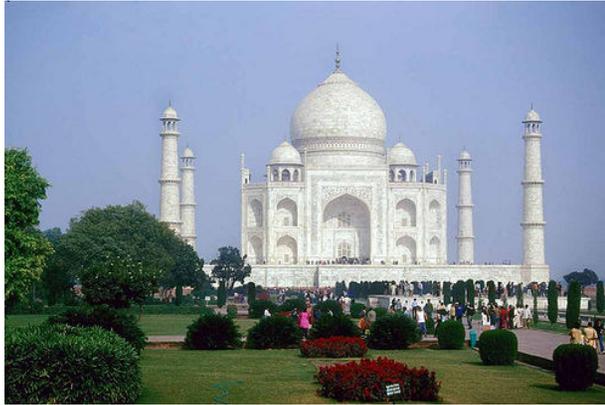
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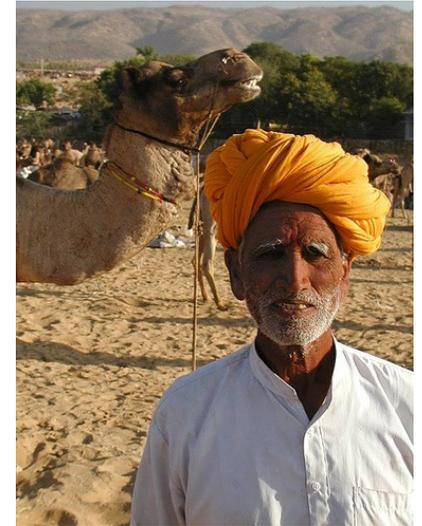
The Offshoring Industry

- Example IT industry:
 - Indian IT exports expected to be close to \$20 Billion this year
 - Chinese IT exports are estimated to be close to \$2 Billion
 - The total global IT Offshoring market (including between developed economies) is estimated to be \$50 Billion
- Offshoring is also occurring in other industries:
 - Business process outsourcing (PBO)
 - Call centres, Accounting, Insurance





India : A Powerhouse



- Population: 1.29 billion people
- More than 200,000 technical graduates are produced by Indian universities each year
- That is similar to the number of tech graduates produced in the entire US
- Many Indian universities teach all courses in English
- Starting salary = under \$10,000 per year



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China: Rising Power



- Population: 1.32 billion people
- More than 600,000 technical graduates are produced by Chinese universities each year
- Three times the number of tech graduates produced in the entire US
- Graduates usually have taken English courses
- Starting salary = under \$6,000 per year

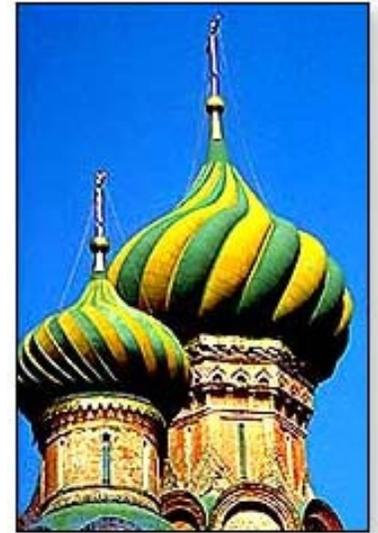


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More Competition

- Eastern Europe (Romania, Russia)
 - 520 Million USD 2007 outsourcing biz for Romania: increase of 12% in European business
- Southeast Asia (Philippines)
 - 100,000 people in call centers, 10 Billion industry by 2010
- South America (Brazil)
 - Outsourcers include: JPMorgan, Estee Lauder, GE, Citigroup, Motorola, Dell and Oracle,





Manage the Potential Problems

1. Language
2. Time Zones
3. Communication
4. Team Experience
5. Culture
6. Infrastructure



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Language Challenges



- What will be the common language for your off shored project?
- Expect their English to be less fluent than yours
- Make sure communications are understood





Realities of Time Zones

- Little to be gained from 24 hour work cycle
- They may promise to work during your business hours but they will most likely work their regular hours.
- Time zone issues will impede communications
- Be ready for early and late meetings



Make Telecommunications work for you

- Get good phones
- Use instant messaging
- Recap what was discussed
- Issue meeting minutes



Evaluate Your Offshore Team Experience



- Lower level of experience
- Younger Management
 - InfoSys founded 1981, first foreign customer 1987
 - Wipro IT services founded 1990
 - Others are more recent
- High turnover! Key skill sets are in high demand
- Shortage of senior Staff in many areas



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Recognize Cultural Differences



- Differences in cultures will have an impact
- They may defer to authority vs. question decisions
- For them, saving face will be important
- Their culture may not be as customer oriented



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Manage your Infrastructure



- Infrastructure vendors overseas may take more time to deliver
- Test latency issues
- Set up overnight access
- Put in place 24 hour system support
- Infrastructure should be running before the project is to start!



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Making it Run Smoothly

1. Choosing The Project
2. Structuring the Engagement
3. The on shore team
4. Exchanges
5. Planning
6. Governance
7. Tracking



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Choosing The Project

Evaluate candidates based on the following three areas:

1. In-depth business knowledge required?
2. Experience with your existing systems or technology required?
3. Complex requirements?



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Structuring The Engagement

- Decide who designs the approach
- Define Fixed Price vs. Time and Materials
- Set Delivery targets
- Include Penalties and Bonuses



Have A Great On Shore Team

Offshored projects require local support to be successful.

- Program manager
- Project managers
- Solution architects
- Business analysts
- Leads
- Subject Matter Experts (SMEs)



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Ensure Exchanges Occur

- Offshore representative on site is critical
- Send local team members overseas during critical periods



Make Sure You Do Careful Planning



- Expect lower level of experience
 - Lower productivity
 - Learning curve
- Plan for Frequent deliverables
- Build demos into your plans
- Involve your staff in the planning process
- Set up peer reviews



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Put Governance Processes In Place

- Realize processes may not translate between organizations
- Use your own successful processes
- Agree to acceptance criteria
- Have escalation paths in place



Tracking Effectively

- Ensure you can monitor progress
- Monitor their early deliverables
- Request weekly status and updated project plans
- Consider Iterative approaches



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Good Points To Using Off Shore Teams

- They normally have a strong work ethic
- High motivation is normal
- They can fill roles you can't
- Offshoring Generates cost savings



Case Study

- Legacy application
- Complex, built using multiple technologies
- Vendor lead re-design
- Fixed price contract
- Underestimation of complexity and scope



Thank You

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