

# **Offshore Outsourcing: Getting It Right the First Time!**



**PRADEEP ANAND**

**SEETA RESOURCES**

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# Agenda

- **Introduction**
- **Offshore Outsourcing: Key Success Factors**
- **A Case History**

# **Seeta Resources**

## **“Swift Execution” Focused Consulting Firm**

### **WHO:**

**Senior Executives at Oil & Gas, Engineering, Manufacturing, and Technology firms**

### **URGENT NEED:**

**Experienced expertise to speedily develop and execute vital market-related strategic initiatives**

### **WHAT DO WE DO:**

**Seeta creates, catalyzes, galvanizes, and leads corporate SWAT teams, consisting of internal client resources, to meet deliver quick business results - within months, not years**

### **SUPPORTED BY:**

**Proven processes and strong knowledge of tools/technologies  
Work with and direct client employee teams during all stages of the engagement**

### **RESULTS:**

**Execution Success with rapid transfer of insights/knowledge to employees, and embedded buy-in by employees!**

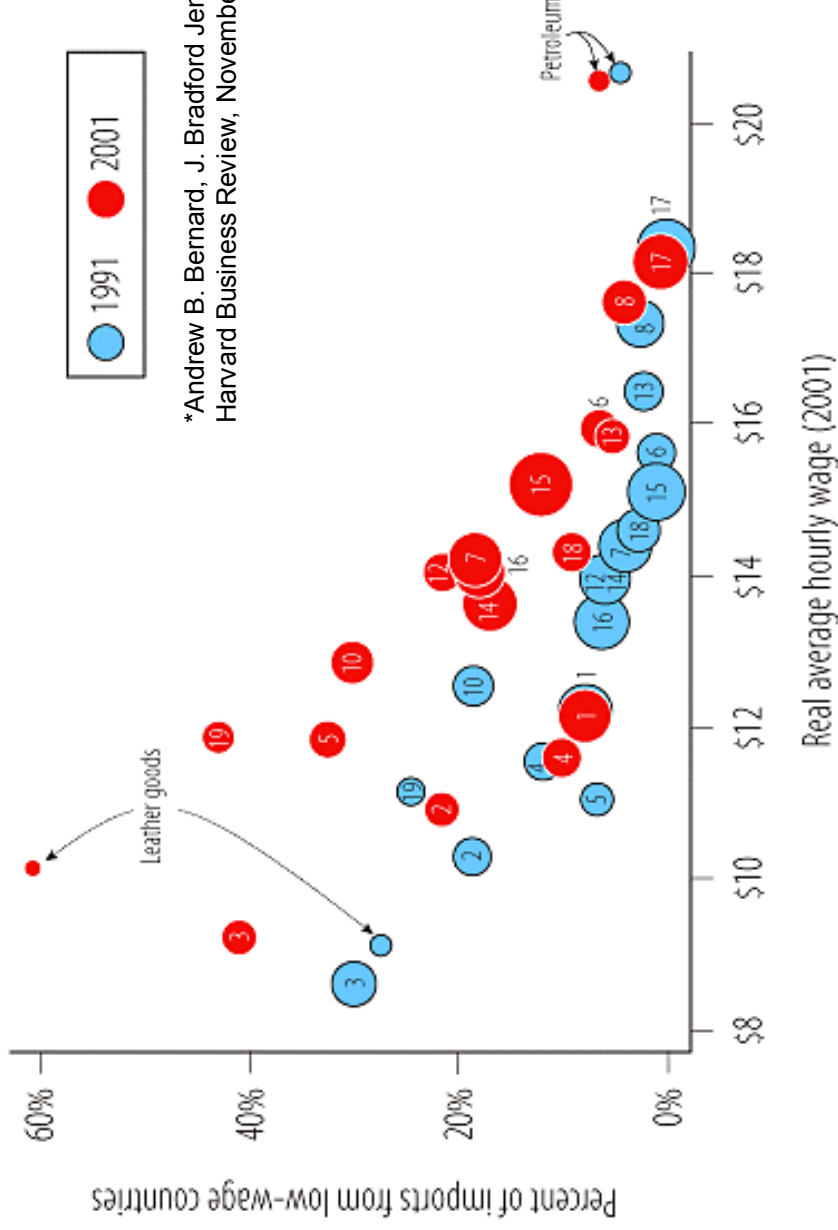
# Pradeep Anand

- **President, Co-founder, PointCross**
- **VP Marketing, Landmark Graphics**
- **North American Operations Manager, Production Automation - Baker Hughes**
- **First marketing manager for LWD/MWD at Sperry-Sun Drilling Services**
- **MBA, University of Houston; BS, Metallurgical Engineering, Indian Institute of Technology (IIT), Bombay, India**

## Partial Client List

- **OIL & GAS : Baker Hughes, Baroid Corporation, Daniel Industries, Dresser Industries, Dresser Oil Tools, Integrated Exploration Systems (IES-Germany), Landmark Graphics, NL Industries, Numar, OFS Portal, Photon, PGS- Tigress, Praxis, Sperry-Sun, Object Reservoir (US Venture Partners), Volumetrix**
- **ENGINEERING/MANUFACTURING: AirXChangers, CompX, Fabsco, Fort Lock, Gundle/SLT Environmental, Hendrickson Trailer, IKG Industries, National Cabinet Lock, Nutter Engineering, Patterson-Kelley, Waterloo Furniture Components**
- **IT/TECHNOLOGY: Avalon Imaging, Sun Microsystems, Scicom, Scandent, Silicus Technologies**

# How Offshore Work Affects Your Industry\*



\*Andrew B. Bernard, J. Bradford Jensen, and Peter K. Schott  
Harvard Business Review, November 2004

## Industry key

- |                             |                                 |                                    |  |
|-----------------------------|---------------------------------|------------------------------------|--|
| 1. Food                     | 6. Paper                        | 11. Leather goods                  | 16. Electronics                              |
| 2. Textiles                 | 7. Printing                     | 12. Stone, concrete, and porcelain | 17. Transportation equipment                 |
| 3. Apparel                  | 8. Chemicals                    | 13. Primary metal                  | 18. Instruments and controls                 |
| 4. Lumber and wood products | 9. Petroleum                    | 14. Fabricated metal               | 19. Miscellaneous (toys, jewelry, and so on) |
| 5. Furniture                | 10. Plastic and rubber products | 15. Industrial machinery           |  |

# **Offshore Outsourcing: Key Success Factors**

# Offshore Outsourcing: Key Success Factors

1. Focus on drivers for outsourcing, delivering balanced shareholder value and long-term value
2. Use an execution-focused process framework that:
  1. Evaluates Opportunity
  2. Evaluates Alternatives and selects one for optimal results
  3. Focuses on detailed design/plan for transition to steady state operations
  4. Executes the transition
  5. Assures smooth, steady-state operations
3. Conduct portfolio analysis to determine what to outsource
4. Choose an appropriate outsourcing business model
5. Implement an iterative, execution-driven partner & location selection process
6. Develop and execute a focused transition plan
7. Develop and execute a focused steady-state operations plan
8. Retain an independent advisor

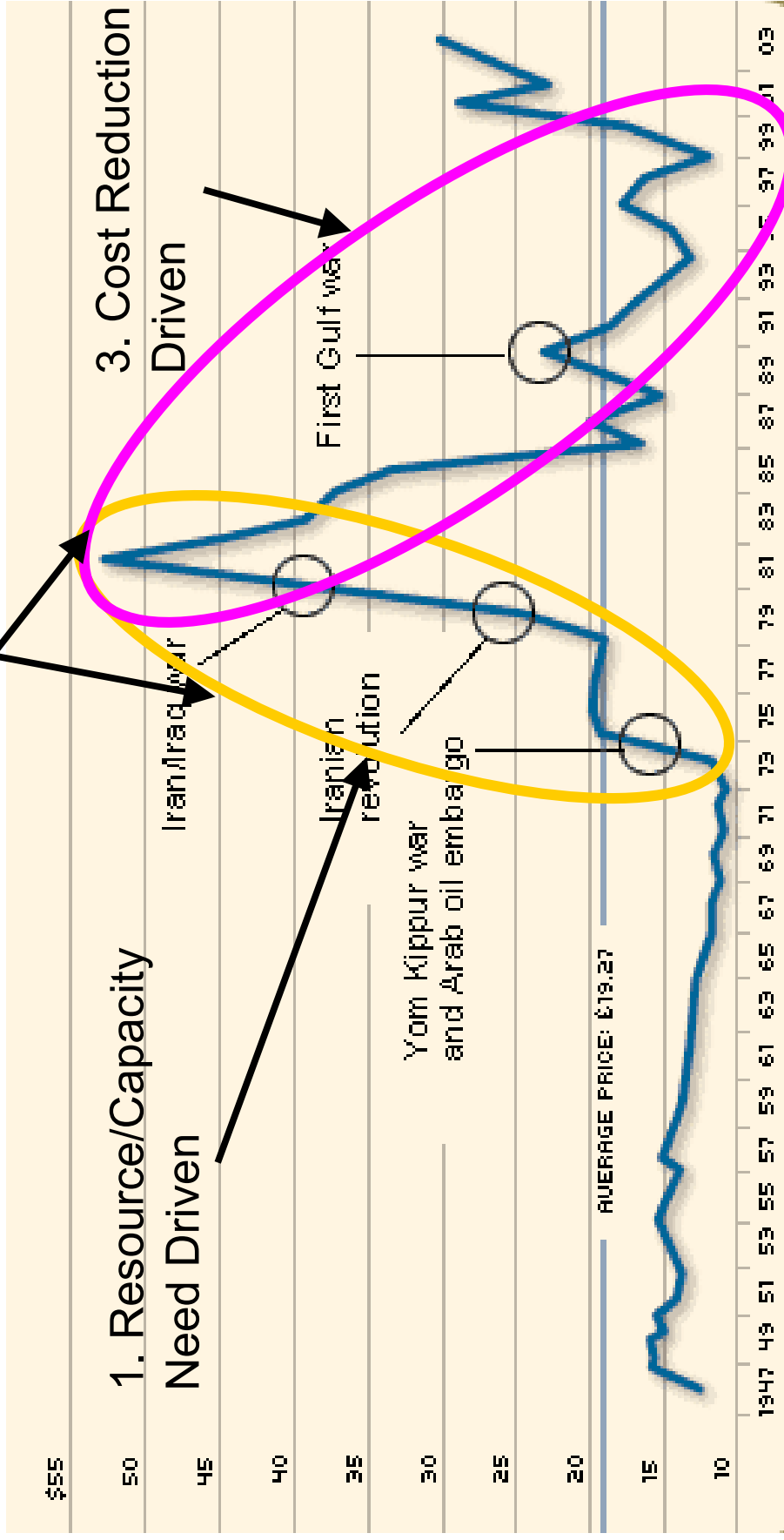
# **Key Success Factors**

**Focus on drivers for outsourcing,  
delivering balanced shareholder value and  
long-term value**



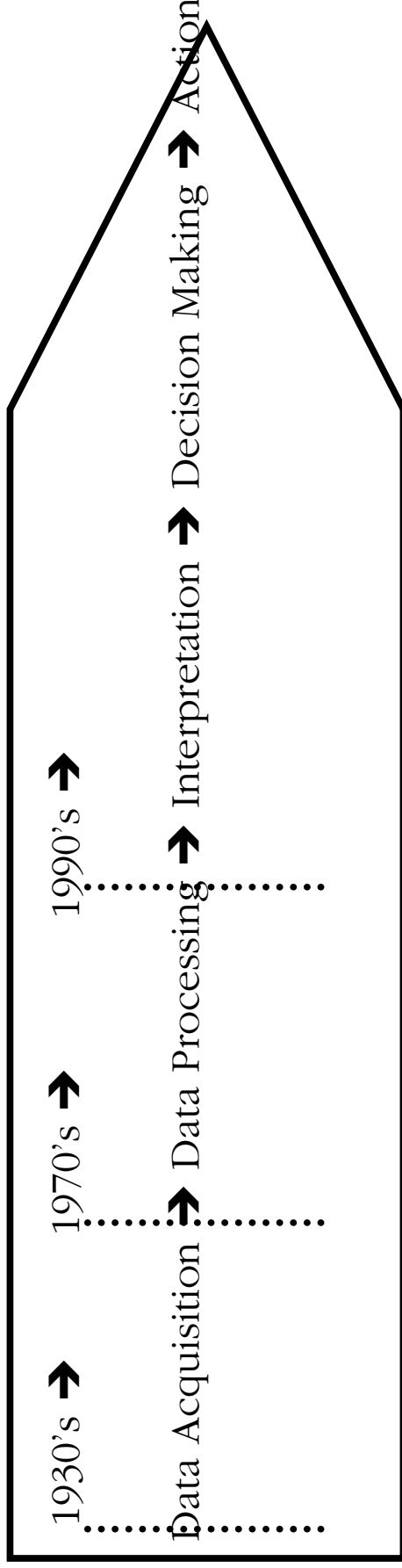
# Market Drivers for Offshore Outsourcing

2. Business Model  
Change Driven



# 4. Outsourcing driven by need for expertise

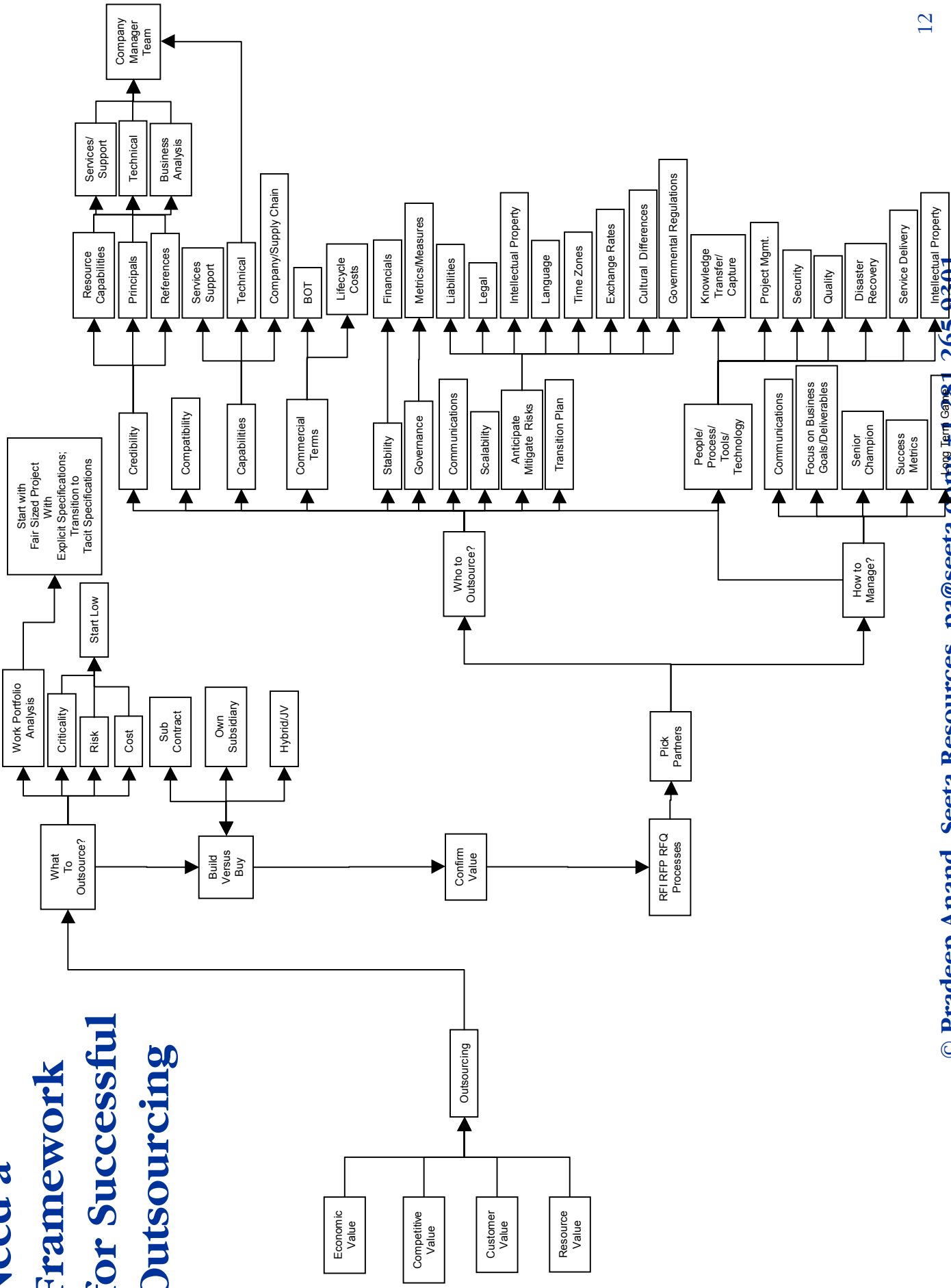
Example: Seismic Industry



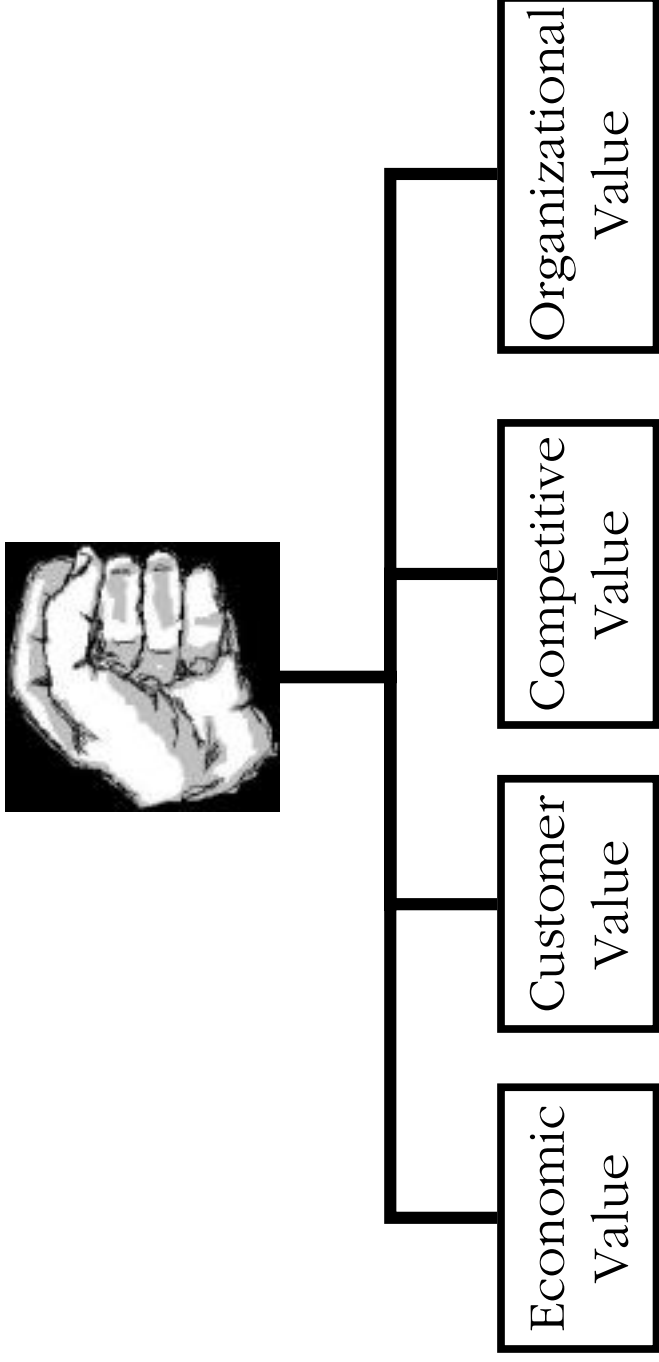
# **Key Success Factors**

**Use an overarching process framework,  
delivering balanced shareholder value,  
and long-term value**

# Need a Framework for Successful Outsourcing



# Driven by Balanced Shareholder Value



# Long-Term Value of Outsourcing

## TRIPLE ECONOMIES OF SCALE, SCOPE, AND KNOWLEDGE

**Economies of Scale** are obtained because available knowledge is shared over a number of uses as time passes by, thereby reducing average costs per use

**Economies of Scope** are realized because explicit knowledge can be reused in activities and processes across different uses or users

**Economies of Knowledge** occurs because of sharing of explicit knowledge that leads to knowledge combination, not mere replication

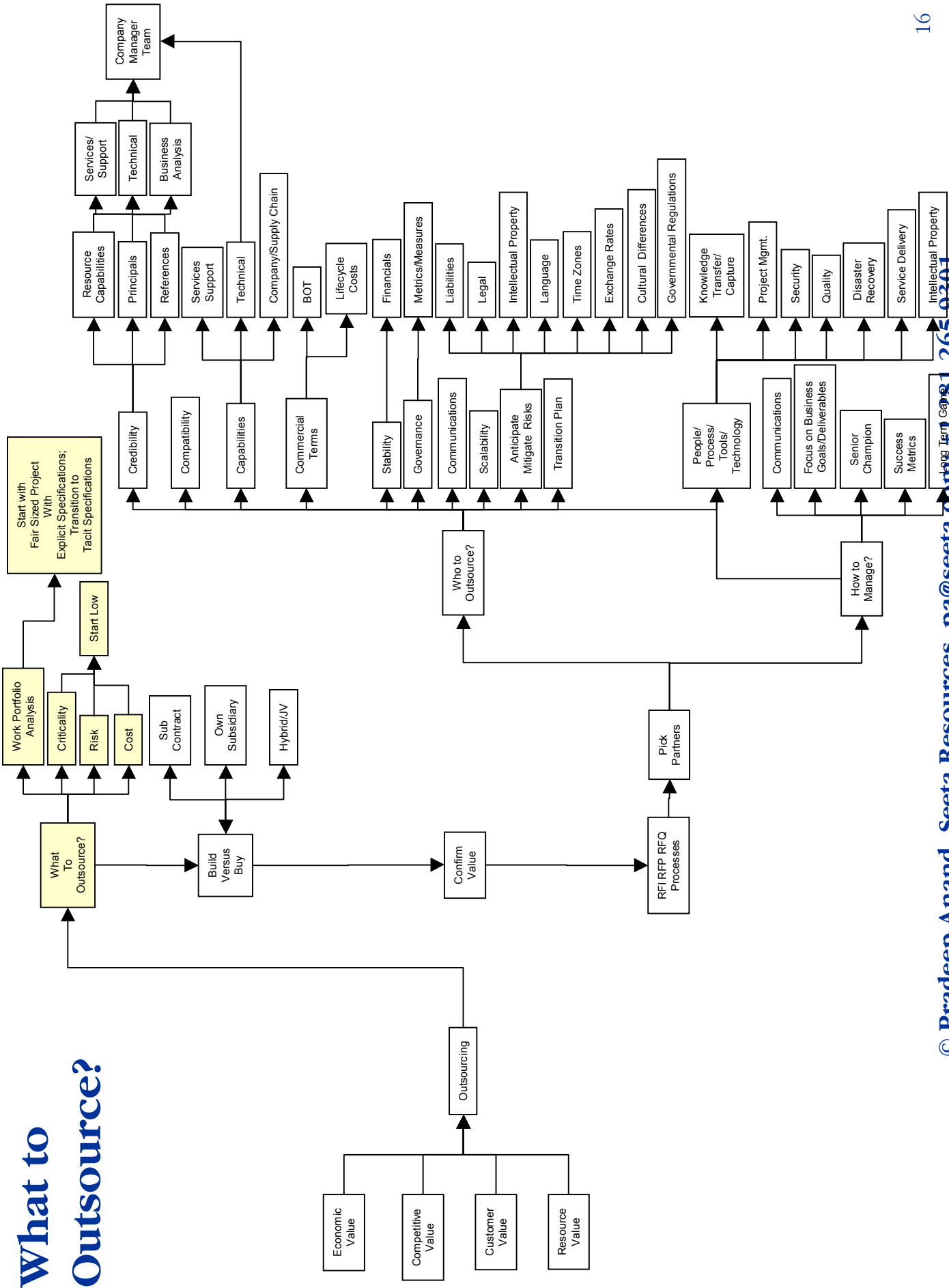
- **Multiply Productivity**
- **Improve Customer Satisfaction**
- **Speed Up Innovation**
  - “Companies that collaborate with outsiders on their R&D reap a higher percentage of their total sales from new products than companies that don’t collaborate”\*

\* *Darrell Rigby and Chris Zook, “Open Market Innovation”, Harvard Business Review, October*

# **Key Success Factors**

**Conduct portfolio analysis to determine what to  
outsource**

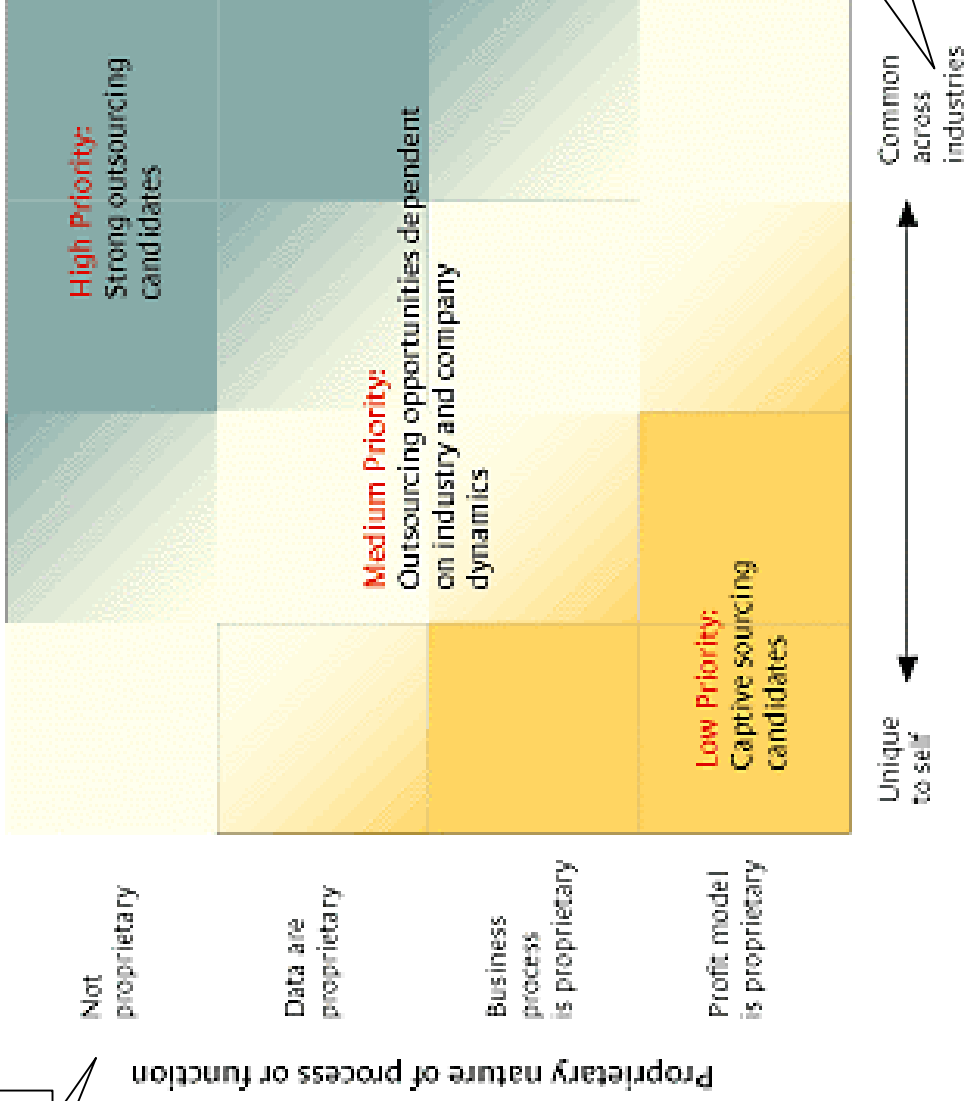
# What to Outsource?





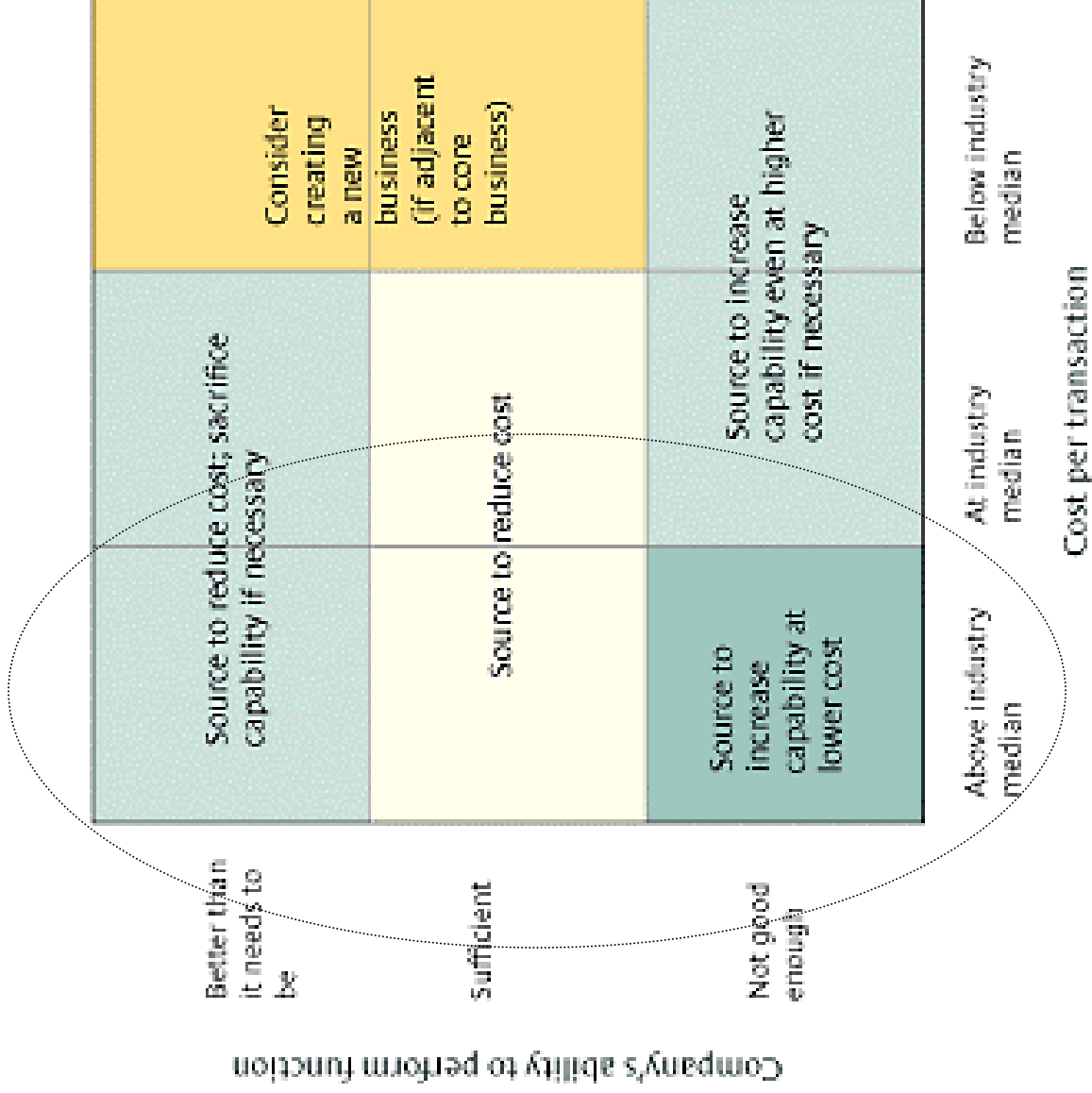
# What do you Outsource?

Example:  
Platform  
Products

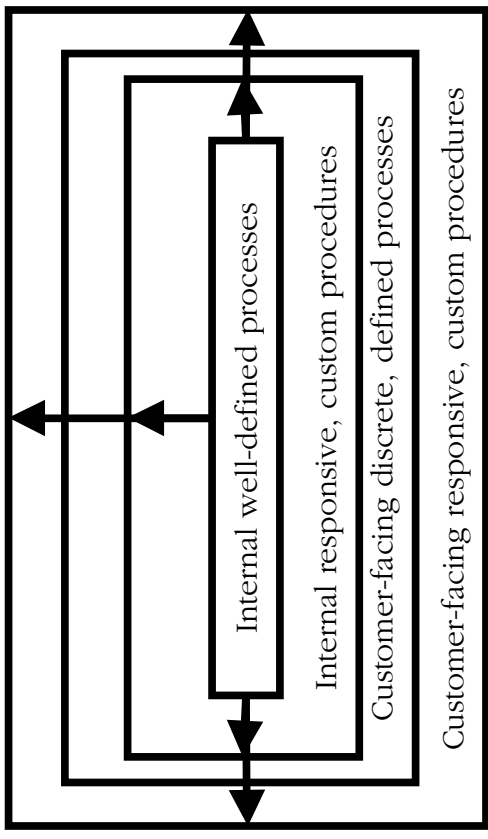
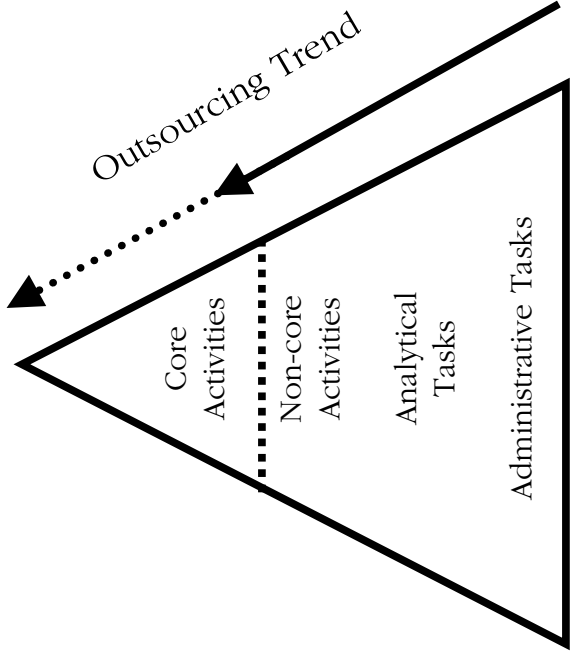


Uniqueness of business process or function

# What to Outsource?



# What to Outsource in the Back Office?



# Walk, Don't Run! Use a Phased Approach

## PHASE ONE: EXPLICITLY DEFINED TASKS

- Project Management and Product Management controlled by client
- Trust in the relationship is low
- Vendor does not have assets dedicated to the client
- Estimated savings are about 20% to 30%

## PHASE TWO: TACTILY DEFINED TASKS

- Product management is clearly in client's domain
- Client and Vendor share Project Management and Processes
- Vendor has some assets dedicated to client
- Trust and communications begin to gel; knowledge sharing begins
- Estimated savings are about 30% to 45%

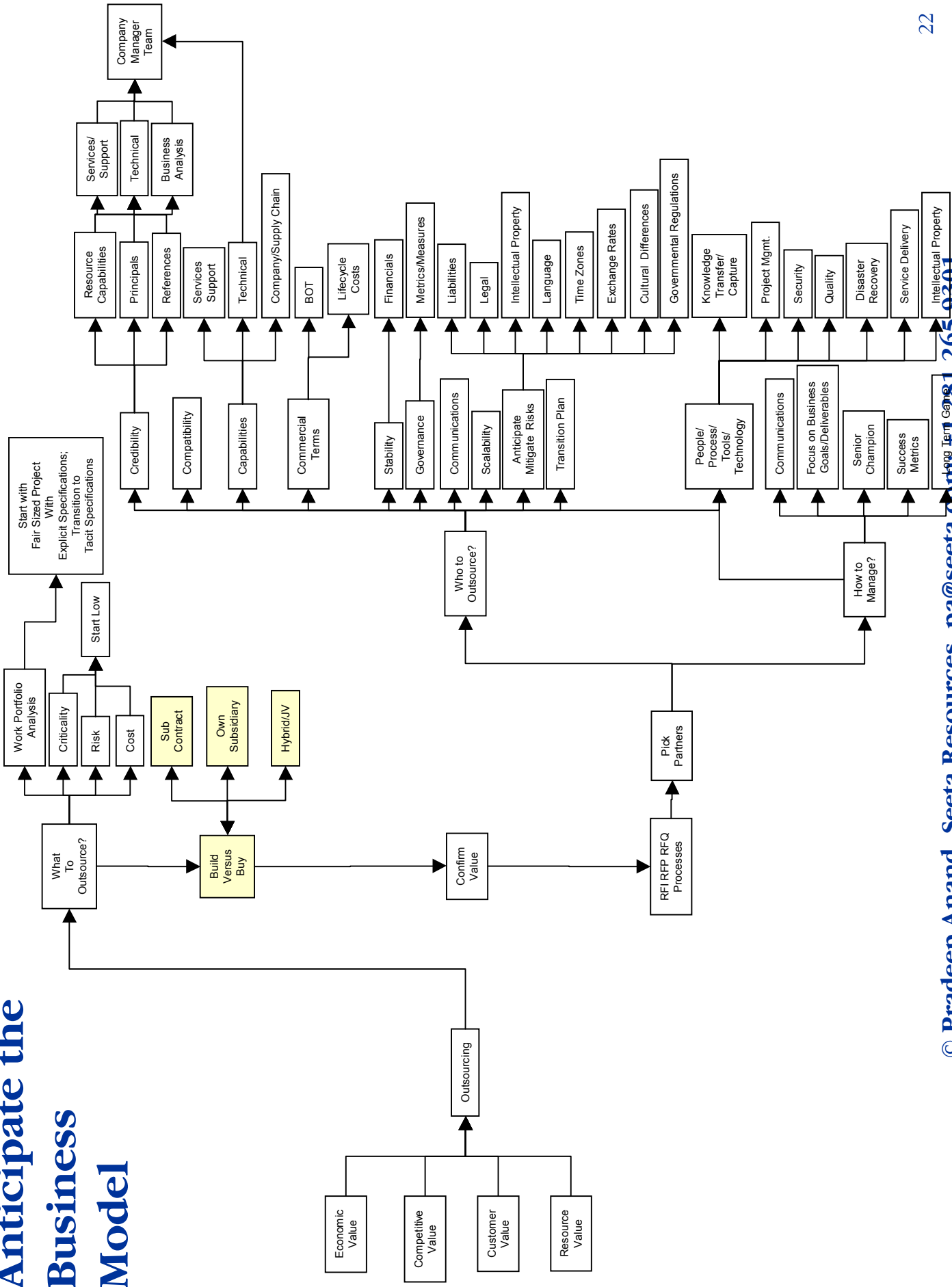
## PHASE THREE: GOAL-DRIVEN

- Client and the vendor share responsibilities for project management and processes
- Product management is still clearly in client's domain.
- Communications and processes become integrated
- Vendor firm has significant assets dedicated to your projects,
- Trust in the relationship and knowledge sharing between the two entities are high.
- Estimated savings are about 45% to 65%.

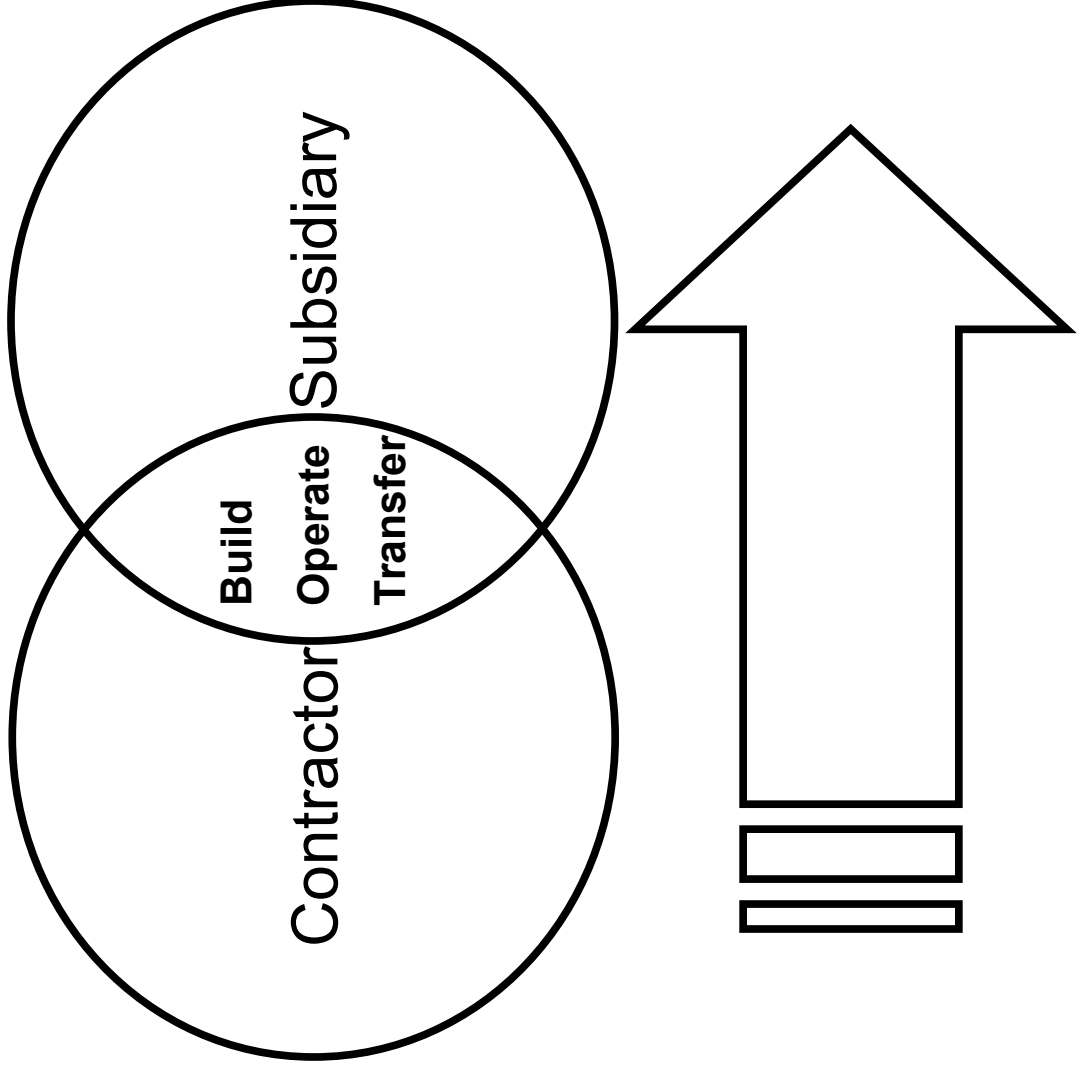
# **Key Success Factors**

**Choose an appropriate outsourcing business model**

# Anticipate the Business Model



# Consider Alternate Models at the Outset

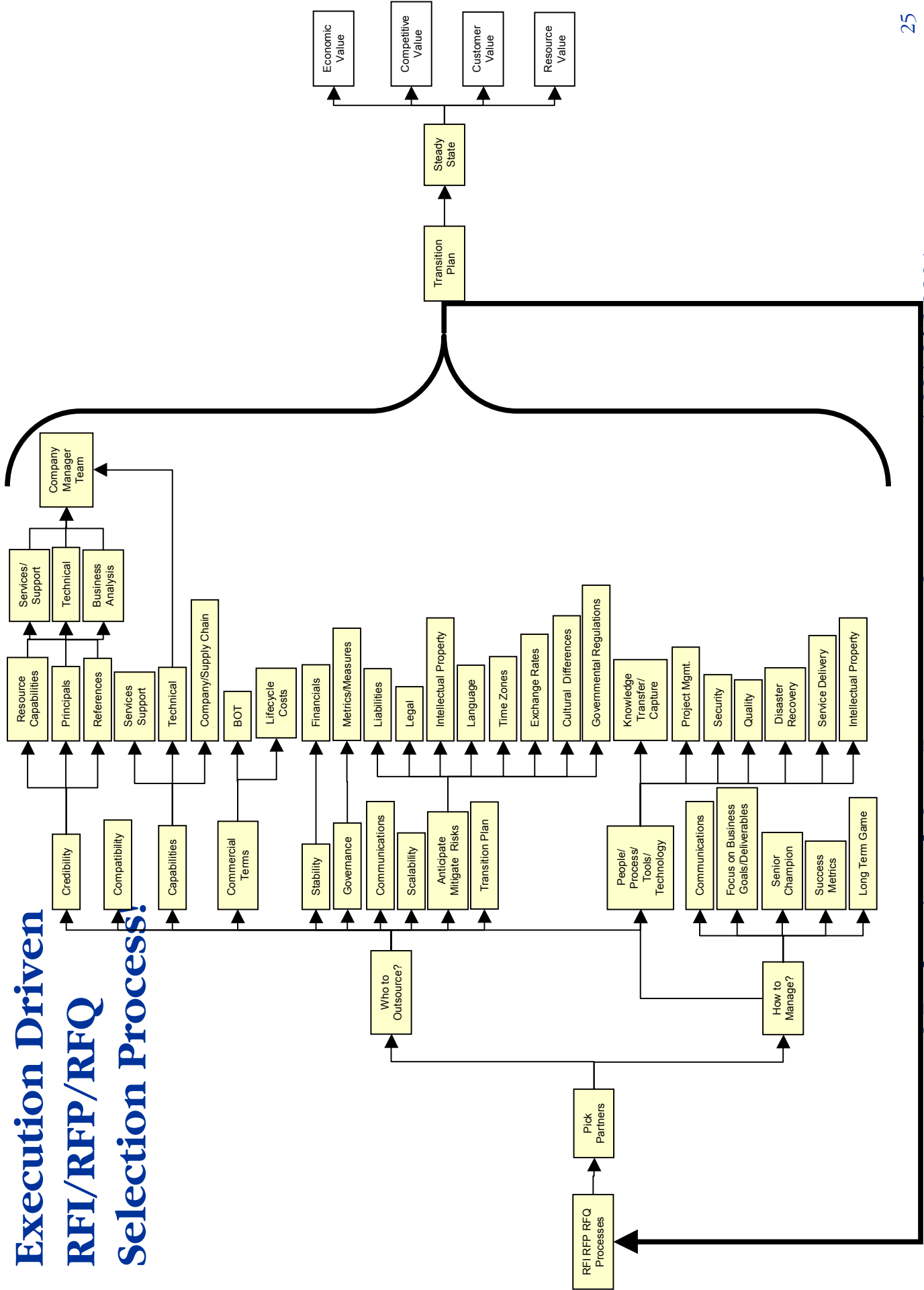


# **Key Success Factors**

**Implement an iterative, execution-driven partner  
& location selection process**



# Execution Driven RFI/RFP/RFQ Selection Process!



# **Key Success Factors**

**Develop and execute a focused transition plan**

**Develop and execute a focused steady-state operations  
plan**

# Detailed Transition (Execution)

## Plan



- Joint Buyer and Vendor
  - Plan and Set Up
  - Knowledge Transition
  - Migrate to Production
  - Communications/Interfaces
- Buyer
  - Anticipate changes in:
    - Governance/Business Controls
    - Processes
    - Competencies needed
    - Organizational Structures
  - Managing Current Workforce

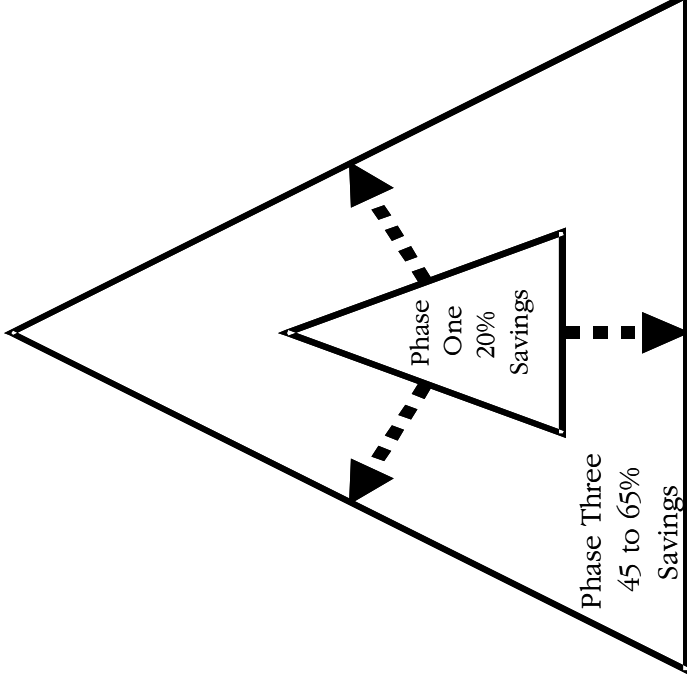


## Clear Vision of Steady State Condition

# Increasing Long-Term Delivered Value\*

1. Horizontal “governance profile” of the production network
2. Dedicated Assets: Investing in dedicated or relation-specific assets and resources
3. Knowledge Sharing: Creating inter-organizational knowledge-sharing routines
4. Long-Term Relationship: A commitment to the long-term creates high levels of

Dedicated Assets



Knowledge Sharing

Long Term Relationship

**trust throughout the extended enterprise**

\* Jeffrey Dyer (Collaborative Advantage: Winning through Extended Enterprise Supplier Networks, Oxford University Press, 2006) & Seeta Resources

# Retain an Independent Advisor

- Drives the client-firm to the “Best Answer” rather than the most convenient answer
- Possesses a combination of:
  - Deep business and technical experience (and the accompanying insights and perspectives)
  - Operational and execution experience
  - Quick study of firm’s products and services
  - Engineering/Technical background
  - Pragmatic program management experience
  - Strategic thinking capabilities
  - Deep analytical skills
  - Communications skills at multiple levels of client-firms
  - Organizational motivational skills
  - Deep, objective knowledge of doing business in India and with Indian firms
  - Multi-cultural negotiation skills
  - Integrity

# **A CASE HISTORY**

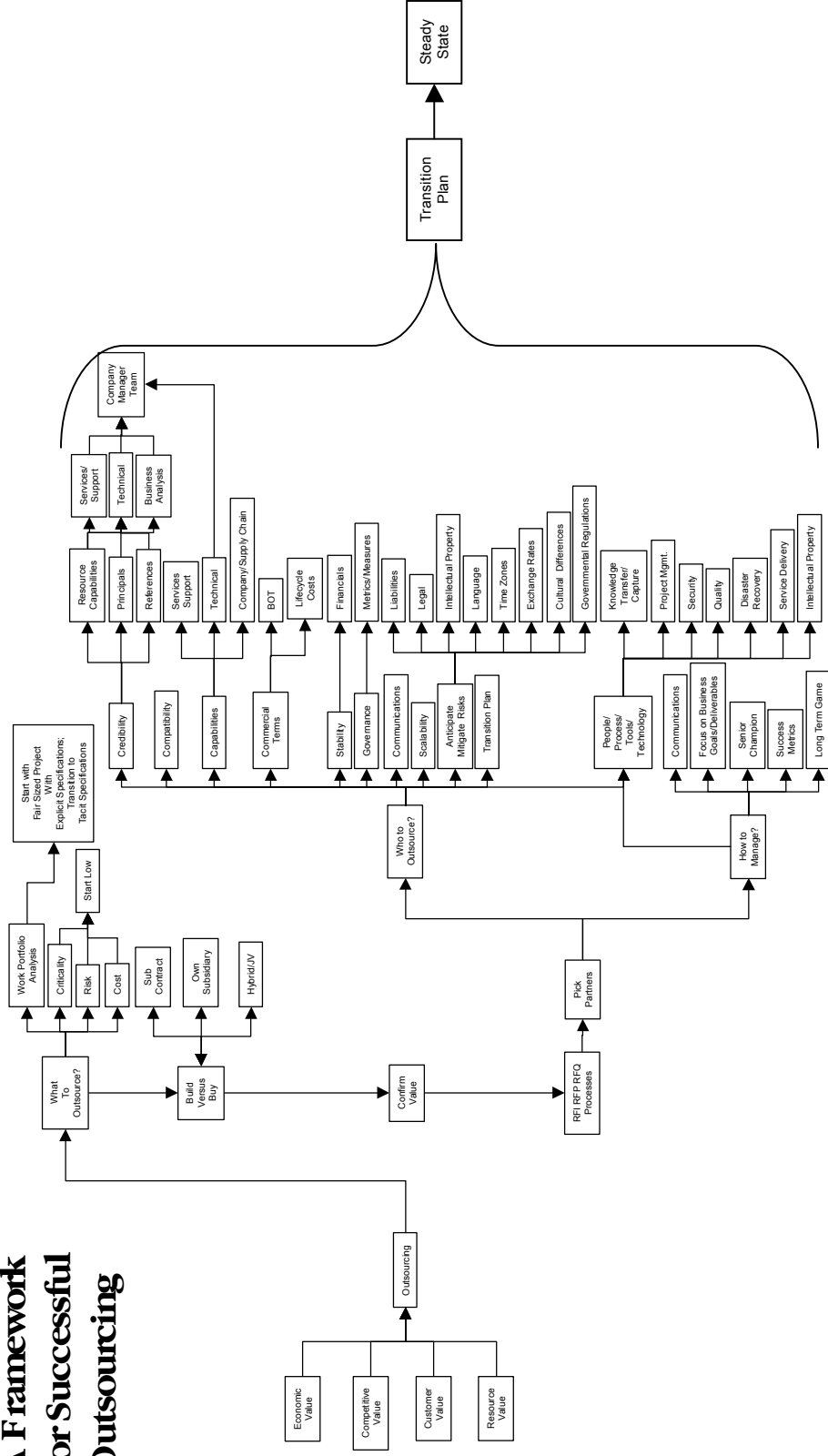
**SUCCESSFUL APPLICATION OF SEETA'S OUTSOURCING  
METHODOLOGY IN THE TECHNOLOGY INDUSTRY**

# The Client's Challenge

- **A US based, publicly traded telecom software firm**
  - Under intense competitive and market pressures
  - Sought to reduce software maintenance and customer support costs of its mature products through offshoring to India.
- **This firm hired Seeta Resources to help**
  - Maximize the opportunity
  - Minimize the risks and pitfalls of this potentially eight-figure offshoring initiative.
  - Swift implementation - deliver benefits within six months of initial discussions.
- **Seeta brought a unique combination of:**
  1. **High-level business and technical experience (and the accompanying insights and perspectives) that promoted swift, in-depth understanding of what the client wanted to accomplish**
  2. **Intimate understanding of the potential pitfalls of doing business in India**
  3. **Ability to implement pragmatic programs to avoid these pitfalls and fully tap into the capabilities of Indian offshore vendors**

# Timeline

## A Framework for Successful Outsourcing



Start Date: December 15, 2004

End Date: April 15, 2005



# Value Delivered to Client

- 1. In four short months, the client will go live and savings will begin to accrue to them almost immediately.**
- 2. Transition to steady-state operations is anticipated to take an additional nine months, yielding more than 50% cost savings, with year-on-year cost reductions.**

# Why Seeta?

1. **Depth of experience and expertise in developing and executing new business models to make firms more competitive**
2. **A phased project management approach that included: A. Defining Goals, Opportunities, and Risks; B. Seeking Alternatives and Selection; C. Design; D. Execution/Transition; E. Ongoing Operations**
3. **Execution-focused, disciplined RFI, RFP, and RFQ procurement processes**
4. **Organizational skills to secure buy-in from all stakeholders within the buyer organization for speedy implementation**
5. **Intimate knowledge of India, Indian vendors, cultural/communications/management issues with Indian workforce, and blindspots/pitfalls in outsourcing to India - during all phases, including negotiations with vendors**

# How Seeta Helped

**Working in collaboration with the Executive Vice President of Engineering and Customer Care, and three members of his staff, Seeta participated in:**

- 1. Confirming that the offshoring initiative had sound basis in delivering Economic Value, Competitive Value, Customer Value, and Organizational Value.**
- 2. Developing vendor evaluation criteria that were driven by Economic Value, Competitive Value, Customer Value, Resource Value, and Risk**
- 3. Developing a Request for Proposal (RFP) driven by the firm's objectives, key performance areas, and anticipated risks/pitfalls**
- 4. Researching the universe of potential suppliers who could meet their needs**
- 5. Executing Non Disclosure Agreements with fifteen firms and sending RFPs to these firms**
- 6. Evaluating each response and selecting six finalists**
- 7. Organizing (the logistics) and visiting these six firms in India, for detailed due diligence of transition and execution related people, processes and technologies. The client team was visiting India for the first time, and we visited five cities, in five days, and accomplished our goals, returning to the US, perfectly healthy**
- 8. Seeta engaged very closely with all RFP finalists to make sure that all put their best foot forward to meet client expectations, so that the client-firm could make best-quality evaluations and decisions**

**9. In Process: Selecting two of the finalists for detailed discussions for final**

## Offshore Outsourcing: Key Success

### Factors

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**Final Word**  
“There is no sugar-coating this: in a flat world, every individual is going to have to run a little faster if he or she wants to advance his or her standard of living.”

“When I was growing up, my parents used to say to me, ‘Tom, finish your dinner -- people in China are starving.’ But after sailing to the edges of the flat world for a year, I am now telling my own daughters, ‘Girls, finish your homework -- people in China and India are starving for your jobs.’ ”

*Thomas L. Friedman - author of “The World Is Flat: A Brief History of the Twenty-First Century”*

**Thank you**



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