

# Off shoring Lotus Notes

## Does it work in practice?

Rob Klok

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# Agenda

- Introduction
- Why – business case
- Strategy
- Are you ready
- What to offshore
- The Indian way
- Comparing the suppliers
- Managing the process
- Pitfalls
- Conclusion

# Introduction

# Business case

- Price
- Cost
- Tariffs
- Money
- Big bucks
- Pecunia
- Quality / Process improvement
  
- At Philips: LN resources becoming more scarce and so more expensive

# Strategy

- What happens without strategy
  - Too high expectations (80% savings, done in 3-6 months)
  - Pilot after pilot
  - Trying different vendors
- In short: loosing trust of all internal and external involved

# Strategy

- How strategy helps
  - Gives guidance for longer term (why, what, how, with whom)
  - Involves all different departments (IT, HRM, Purchasing, Legal)
  - Proper RFI-RFP
  - Manages realistic expectations
  - Do pilot (not too many / not too long)
  - Phased model (start small with much control, grow to large and self-operating)

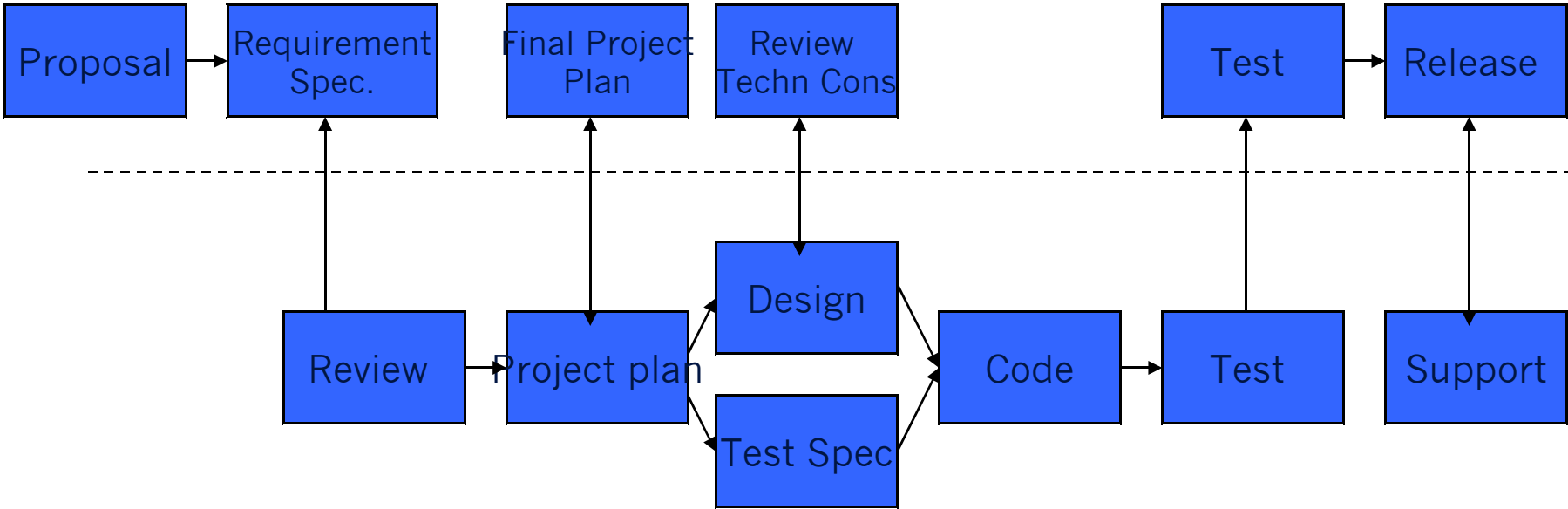
# Are you ready

- If you don't have proper development / support processes in place
- If you don't have reasonable volume to be offshored
- If you don't have management attention
- You most probably are not ready!

# What to offshore

Front Office

Overall Project Management and Customer Communication



Offshore Project Management

Back Office

# Front Office Roles, Projects

- Project management
- (Business) Consultancy
- Information analysis / prepare Requirements Specs
- Preparing Project Proposal
- Prototyping / Small developments
- Cooperate / inform C/IT
- Quality Assurance
- Escalation and issue management with Customer
- Evaluation BO

# Front Office Roles, Support

- SLA finalization
- Support intake process
- 1<sup>st</sup> line support

# Back Office Roles

## Back Office Roles, Projects

- Creating Technical Design and Test Specifications
- Development
- Creating post-development documentation (eg. User Manuals)

## Back Office Roles, Support

- Incident Management
- Problem Management
- Change Management

# The Indian way

## Why India?

- Enormous potential of people
- Improving infrastructure
- Gap with Western tariffs
- Proven track record (GE: 70-70-70)
  
- 70% offshore, 70% in ODC, 70% India

# The Indian way

But is it the only way?

- No, so I prefer term global sourcing

Different global sourcing models:

- Onsite
- Offshore insourced
- Offshore outsourced

# Some companies we considered

- TCS
- Satyam
- Atos Origin
- LogicaCMG (with Indian partner)
- Ordina (with Indian partner)
- Philips internal parties

# Some other Indian companies

- CSS
- Wipro
- Infosys
- HCL

# Comparing the suppliers – ‘BBSC’ example

- Financial
  - Cost savings
  - Cost transparency
  - Overhead increase
- Operation
  - No decline in current KPI levels
  - Delivery according to functional specs
- Customer
  - Customer satisfaction
- Employees / innovation
  - Ability to ramp up & ramp down!
  - Skills availability

# Managing the process – ‘BBSC’

Financial		Customer	
Performance Indicator	Target	Performance Indicator	Target
Reduce cost of Software Development	>=50%		
Additional overhead effort in own organization	<=15%		
Operations		People / Innovation	
Performance Indicator	Target	Performance Indicator	Target

# Managing the process – ‘BBSC’

Financial		Customer	
Performance Indicator	Target	Performance Indicator	Target
Reduce cost of Software Development	>=50%	Retain customer satisfaction	> 4 (on scale 1-5)
Additional overhead effort in own organization	<=15%	Own satisfaction (measured by FO)	> 4 (on scale 1-5)
Operations		People / Innovation	
Performance Indicator	Target	Performance Indicator	Target

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Performance Indicator	Target	Performance Indicator	Target
Takeover activities	>=70%		
Schedule variation	<5%		
Budget slip	<5%		

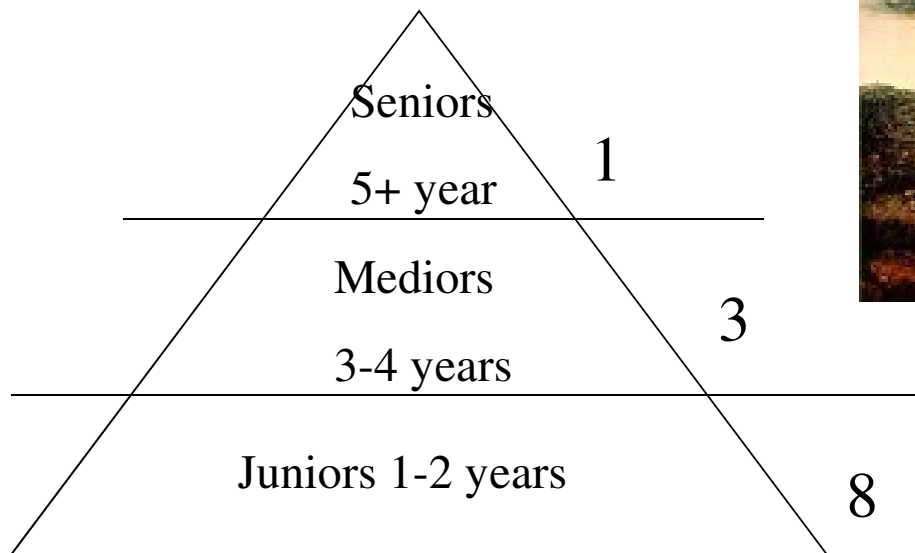
# Managing the process - ‘BBSC’

Financial		Customer	
Performance Indicator	Target	Performance Indicator	Target
Reduce cost of Software Development	$\geq 50\%$	Retain customer satisfaction	$> 4$ (on scale 1-5)
Additional overhead effort in own organization	$\leq 15\%$	Own satisfaction (measured by FO)	$> 4$ (on scale 1-5)
Operations		People / Innovation	
Performance Indicator	Target	Performance Indicator	Target
Takeover activities	$\geq 70\%$	Changes in staffing of core team	$\leq 20\%$
Schedule variation	$< 5\%$	Ability to ramp up (and ramp down) team size	$< 2$ working days
Budget slip	$< 5\%$	Skill match	$\geq 90\%$

# Pitfalls

- See it as a one time effort
- Promise you can do it within 6 months and with 50% + savings
- Enforce you way of working on offshore partner
- Just select the cheapest partner
- Depend on only one partner
- Be blinded with what they offer you
- Cultural differences are easy to overcome

# Other considerations



Yes or No

CMM5 vs CMM1/0

# Results at Philips

- It took us almost 3 years to get where we/they are today
- Good process in place
- Right management attention
- Good amount of work offshored (and growing) to keep offshore partner attention
- Would we do it again.....

**Absolutely!**

# My conclusion

- Offshoring Notes development and support is well possible
- Global sourcing is the better term
- Manage expectations well
- Choose that organization that fits your organization best
- Take your time to make it work, don't stop after 6-12 months

Questions?