OFFSHORING SECRETS

By Utkarsh Rai

WITH CASE STUDIES AND SOLUTIONS

Building & Running a Successful India Operation

"*I will be the first to recommend this book to my portfolio companies…*"

Vinod Khosla

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"Offshoring Secrets" Book Excerpt

Building and Running a Successful India Operation

By Utkarsh Rai
foreword by Vinod Khosla

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20660 Stevens Creek Blvd.
Suite 210
Cupertino, CA 95014

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C o n t e n t s

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Foreword by Vinod Khosla

The 21st century has witnessed a spurt in the growth of many organizations that chose to open their own India operations in the hopes of having better control on the quality of the products and people, intellectual property and execution of various state-of-the-art projects. Today, managers face extreme adjustments as each local economy transforms into a global economy, which in turn, causes changes to the work environment. The most significant issue facing offshore organizations as global competition increases is the concept of sustaining a successful operation.

Plenty of articles explain outsourcing and its impact on the global economy, but very few tackle the challenges of offshoring. Utkarsh Rai recognized the common problems behind running a successful India operation. I have not come across any other book, wherein a true insider writes about "HOW" to build and administer a successful operation.

This book outlines the environmental changes within an offshore organization and its management consequences. Offshoring is increasing dramatically in India, but a company wishing to setup an office or delegate a project to an India offshore organization should understand and anticipate potential management issues. The management needs to set up a practical and logical framework to understand offshoring—Utkarsh explains just that.

I have seen organizations that have struggled to survive, took time in becoming productive, have been unable to breakeven in the stipulated timeframe, or have had a difficult time to inculcate the same culture in the new setup and experienced other issues, which are all equally responsible in hindering the growth of India offshore center.

This book is an exceptional mix of offshoring theories and practices, helping companies understand the reasons for what management in both the parent company and offshore counterparts are facing today. If the management from both parties were to be better educated on the perception of India offshoring, any company can succeed in running an offshore entity.

This book not only provides many insights, but also contains an excellent set of case studies, which companies and individuals currently experience in day-to-day operations and provides possible, yet provoking, points to solve them. Utkarsh provides a clear understanding of offshoring developments, offering new approaches for management to achieve more flexibility and greater efficiency, which in turn, provides greater cost-effectiveness.

I have interacted with Utkarsh on multiple occasions. I am convinced that his experience and concept of offshore management will help many companies and individuals—both setting up a new offshore center, or those already running an offshore organization—to learn and apply relevant management practices that could ensure successful operations daily.

As a venture capitalist, I will be the first to recommend this book to my portfolio companies, even as we look for economizing our operations.

Each chapter of this book could stand on its own, but the flow of theory and logic results in a practical appreciation of the issues we face in the India offshore center. Enjoy this reading, and, hopefully, you can apply the management practices and theories Utkarsh has written for the success of your own business enterprise.

Vinod Khosla

2 Choosing the Right Leader

Proper recruitment plays a critical role. Choosing the right person to lead is one of the most important decisions that a company has to make. Many factors play a role in deciding the ideal person to lead the team. Here are some of the most frequently discussed dilemmas:

- A strong technical person transferred from the parent company

- A strong technical person hired from the local market

- A strong general management person transferred from the parent company

- A strong general management person hired from the local market

- A strong sales/marketing person hired from the local market or transferred from the parent company

There are also many permutations and combinations to the situations mentioned above.

In a Fairly New Company

Start-ups setting up operations in India aim on making the setup functional as soon as possible and receiving deliverables as early as possible from a given entity. These startups normally have to choose between a strong technical person who can provide technical leadership and achieve the goal of providing fast deliverables or a general management person who is well versed in local issues like culture, government rules and regulations, hiring, retention, team building, compensation, and benefits.

People coming from the parent company to head the India operations face some common issues—an entirely different work culture and a newfound dynamism in the workforce. This directly influences building and retaining a team. A booming economy and an increasingly porous culture have brought changes in the social fabric, creating new and unique people issues.

Such a person will also struggle on the personal front. His family—also trying to settle down and adjust in India might decide to return home. The reasons may include problems with children adjusting to the school system, someone in the family unable to adjust to the climate and health issues, or the spouse may be dissatisfied with their job opportunities.

The head of the India operations has a twofold responsibility: the first is to setup the India office and the second, to build the team and ensure that they start making a valuable contribution as soon as possible. This can lead to frustration, as it can be difficult for them to do both functions within a given timeframe.

If he or she focuses on setting up the office, such a person will end up having almost no time for technical contribution. One solution is to require senior technical people from the parent office to visit for a few months and get the ball rolling.

If the head focuses on technical delivery, he will need to build the team with senior technical people that will contribute towards the product development. He will also have to work to increase the competency level of the team—and will need a strong support team to take care of various support functions like payroll, HR, and so on. While the India

operations may choose to outsource some of the support, it will remain a challenge to manage the outsourcing to ensure right outputs and receive appropriate ROI.

When a Technical Person of Indian Origin Shifts to India from the Parent Company

When the company decides to send a person from the parent company, its first choice would normally be a person of Indian origin. Not surprisingly, even the returning Indian, having stayed abroad for a long time, will find a big gap between the current ground reality and his previous work experience in India—if any—of years past. He will discover many issues that were either non-existent in the past or did not have a major impact on the work environment, but which have become a major concern now. For example, the increased awareness of discrimination and harassment, the high challenges of recruitment and attrition, adhering to the Information Technology Act, working from home, and so on are as common to the India market too as they were back "home." Similarly, many old issues are no longer valid in the current scenarios.

When a Technical Person of Non-Indian Origin Shifts to India from the Parent Company

This situation is probably the most difficult to allow for success. The person will face multiple challenges such as choosing the city, understanding the government rules and regulations, identifying support activities that need to be outsourced, choosing the outsourcing partners and those who will manage the outsource partners, hiring and building the team, project execution and understanding the Indian industry and its dynamics. All of these will take time and will be a test of patience and perseverance. If the person is determined to hang in for the long term, then there are ways to succeed, for example: from setting the right expectations with the parent company about timelines, desired results, to spending a few initial months on just setting up and streamlining the operations without even bothering about the technical deliverables. Once the basic infrastructure is in place, through the establishment of a very good set of advisors in the non-technical areas (either by hiring or by outsourcing), the person in charge can start concentrating on building the technical team and delivering the product.

The other option is to hire people who are good general managers and hand over the operations to them, in order to focus on building a stronger technical team. This model can work as long as there is a clear distinction of the responsibility and accountability between them to avoid two power centers. Over time, this delegation of responsibilities can also help the person hand over the technical aspect to the local team and return to the parent company.

A General Manager Coming from the Parent Company

Sending in a person with general management experience was very prevalent in the last two decades when the senior management pool in India was scarce. As the Indian industry has matured, one can find very good people to head operations. However, a few large organizations still prefer sending in talent from the parent company.

For a startup or a young company, where time is always at a premium, this model takes far too much time to allow for success in a short time frame.

A General Manager Hired Locally

Hiring a senior talent with general management experience is now a common exercise by many organizations. This option provides many benefits, such as familiarity with the compensation structure and benefits prevailing in the industry, ability to handle complicated people management issues that usually occur with local industry scenarios and culture, and an understanding of the social fabric of society and the personal circumstances of the people hired. This person should not only be knowledgeable about the country's specific rules and regulations, but also should possess good contacts within the industry to help resolve generic issues or conduct a good recruitment and provide the right perspective on a given situation to the parent organization.

Nevertheless, this alone is not enough. A local hire can only be successful if a technical person from the parent company can work together with the hire for the initial period. This person will help in ramping up the initial technical team, increase the competency level of the team, and become a bridge between the parent company and the

Indian operations in propagating the parent company vision, mission and culture. After an initial period, several technical people, who can travel to India on rotation to achieve goals, can split this role.

It is better to hire the general management person from the same technology domain because in the end, the person has to manage the technology and be responsible for the deliverables of the team, both of which will continue to grow.

It is best if the local management leader could spend 60-80% of their time setting up multiple activities for the new organization like Finance, Administration, HR laws, Legal, IT, Recruitment, brand building, culture setting, etc. (even though some of these will be outsourced). During the second year, this percentage can be reduced to around 30%.

A Sales/Marketing Person Hired Locally or Shifted from the Parent Company

As the Indian industry continues to grow and a few customers turn early adopters of new technology, it is an ideal environment for a small company to setup sales and marketing functions together with the development center. Although this scenario is common in large companies, it is a growing phenomenon in the past couple of years even for small businesses.

The local sales person will have an advantage over the person from the parent company because he has better contacts in the target customer segment, which could definitely help in closing deals. On the other hand, the person from the parent company might have a better understanding of the product and hence might make an effective sale by providing a larger perspective to the client.

The challenge in both cases will be to provide a uniform company culture across the teams to avoid working in silos. On the contrary, development and sales/marketing teams being co-located will provide better coordination in product definition and execution and therefore will provide a faster response to the customers.

The dilemma does not end here.

Scope of Responsibility

There are numerous questions as to whom the head of India operations will report to. Here are some frequently discussed options on reporting, which will be discussed later in this chapter.

- To the CEO

- To the COO

- To Program Management office

- To an Engineering VP

- To a Sales/Marketing VP

This decision is somewhat easy initially, when there is only one operation setup. In this case, the India head reports to the sponsor—the person responsible for setting up the India office. However, when other operations in the parent company also choose to setup their own teams in India, it becomes a complex issue. Some organizations have a multifaceted matrix reporting structure. They have geographical (Asia Pacific or South Asia, or South East Asia) and/ or functional (support, engineering, sales, marketing) report orders, which can make it complicated and beyond the scope of discussion here.

It is important to look into the responsibilities of the India head that will decide the reporting structure.

The first and foremost objective is to run and grow the operation. This consists of two major components: the main functions (e.g. manufacturing, product development, validation, back office support etc.) and support functions (legal, finance, Admin, HR, and IT, etc.)

In some cases, the India head is an administrator looking after support functions, in addition to handling government relations, press and brand building. In other cases, an India head will take on the marketing and sales function along with the support functions. Some of the India

heads will have a couple of execution teams to manage and provide support directly to other execution teams (managed by another manager, linked by "dotted lines" to the India head).

For a very large organization (over 1000 people or so), one cannot avoid having multiple divisions headed by division heads. In these cases, either one administrative head will provide support to division heads or one of the division heads will take additional responsibility of handling support functions and act as India head too. In the large organization where support functions are "shared services," these shared services provide support to the center head in running the operations, freeing him or her from the day-to-day support responsibilities.

Nevertheless, the most important aspect for the center head of a small or medium organization or for the division head of a large organization in India is to make sure that the various execution teams should not work in silos. It is important that the India head or division head (as appropriate) take up the responsibility for execution from all divisions (if working on the same product line) and work together with the respective division/team heads in providing a smooth execution. Such a leader will definitely require senior help in providing daily implementation and flexibility in movement of peoples and physical resources in order to achieve better utilization and to save some of the critical projects that suffer from scarcity of good resources. This will also promote better knowledge sharing.

Whom should the India head report to? There is no simple answer, but the basic philosophy of reporting is that the position should facilitate smooth execution and information should flow smoothly, providing minimum decision-making hierarchies and linking the India operation efficiently with the other operations around the world.

One important aspect in this reporting discussion is that many Human Resources Information system (HRIS) software packages work for "solid line" reporting. In many organizations, the India head will not have everyone in India reporting to them, and therefore the system will hinder the India head in providing a unifying policy across teams.

Choosing the Right Leader Summarized:

It is important to remember that one size does not fit all. The company should do a self-assessment on its vision, mission and charter. It also needs to examine not only its short-term expectations and long-term strategies, but also its expectation from the leader, skills brought in by an expatriate and skills supplemented through local hiring. The company should be patient enough to find the right person even though it may take several months. It is crucial to find a strong leader who can build a stronger team and deliver better-than-expected results.

Choosing the Right Leader Case Studies:

Case 2.1: I need to setup a center in India since we are discussing various projects for execution in India. My management has asked me to elect a person who has the right balance of technical and general management skills. The person should possess great communication skills and his past records should prove that he has built or scaled a team of a hundred or more people. My company does not even have a sales office in India, and as a privately held company, it does not have a brand. I am convinced that I should recruit the person from India and not have to transfer someone from the US. I will exploit my network to find out a competent person to take up this role. I have a couple of leads and I have received a few more from recruiters. After interviewing candidates for nearly five months, I realize that good candidates are attracted to established brands for their stability and if they do accept a position with a smaller company, they expect a very high remuneration. Some initially accept the offer and later on have turned it down for some reason. I am tempted to shelve the idea of finding the appropriate leader, even issuing a half page ad in the newspaper does not help and even the recruiters who place executives are unable to provide the right resumes.

How shall I find a leader?

Case 2.2: The management asked a person of Indian origin to relocate to India. He is very happy to take up this opportunity. He came for a brief visit with his family to get a feel of the city and looked for schools to admit his children and to inquire about the right location for the office and house. On his return, he decided to make a move to India. He has setup the expectation with the parent company that it might take him six months to setup the office and form the core team. Once he moved to India, he had to work extremely hard to settle his family down, find office space, and set up a recruitment process. Though he outsourced most of the activities, he still had to follow up with every vendor. All these activities took a toll, and at the end of six months, when he could not see the desired results, he wanted to handover this role to his replacement from the U.S. and transfer back to the U.S.

What might have gone wrong?

Case 2.3: A person of non-Indian origin comes to India to setup the India operations. He is primarily a technical person and wants to setup the offshore center for his team. He is excited that he is pioneering the setup. If successful, other directors will also leverage his setup to form their own respective teams. The U.S. Company supports him, provides a good expatriate package and sets up some milestones for his role.

The person starts receiving leads to agencies that can help in setting operations, from friends and colleagues in the US. After a few months, he realizes that he cannot set up the operation and simultaneously make the team productive to deliver the solution as easily as he expected. He suggests hiring a senior person under him who can execute general management. His supervisor understands the problem and suggests the following:

> "I agree with your suggestion, but it would be better if this person reports directly to me, so that by the time you return in a couple of years, he can be groomed to drive technical deliverables too."

The person ponders this and finally seeing some merit in it agrees to proceed in that direction.

The general manager is hired and starts working together with the expat technical head. At times, the general manager feels that the technical head is overbearing and is free with suggestions where his expertise is unnecessary. On the other hand, the technical head feels that it is his responsibility to induct the general manager into the overall company culture and therefore, he should share his thoughts with him.

Slowly, the organization moves towards two power centers:

If you are the supervisor of these two people, what will you do?

About the Author

Utkarsh Rai, head of India Operations, Infinera, started his career in the late eighties as one of the first few batches of IT professionals who joined Siemens in India and went on to work in Siemens Germany for a stint. The team returned to form a spin-off called Siemens Information Systems in India, an IT company.

Utkarsh moved on to work with Adaptec in Silicon Valley, where he was involved in a full-blown product development lifecycle. In the boom period of the late nineties, when Indians flooded the U.S. in search of IT jobs, he could see India—and Bangalore, specifically—being a center for product development. He flew against the winds of the time and joined the Global Software Group at Motorola in Bangalore.

This opportunity provided him with the experience in leading large teams, recruiting a large pool of engineers and handling complex people issues. When the first Motorola facility in Bangalore were filling up, the team was asked to move to a new location in Bangalore, which provided him an additional opportunity to learn about the challenges of starting fresh. As he grew to become a member of the senior management team of Motorola in Bangalore, he addressed operational issues like crisis management, setting up the right compensation and benefits, adherence to government regulations and execution challenges.

This experience prepared him for his current role as the head of India operations for Infinera—a startup in digital optical networking—a position that he took in early 2003. At that time, there were few people on board, and he was responsible for reinforcing the company culture and its policies, ramping up the team in number and in skills, and over the past four years, he has achieved a smooth execution with ownership and drive from India. He understands the Indian Government's regulations and operational compliance, and setup a new facility in line with the expansion plan. The single largest success has been in managing and developing the greatest asset—people.

Infinera went IPO in June 2007.

All these experiences triggered Utkarsh to write a book on India operations, which he sees as a great way to share his knowledge and experience with wider audience. Utkarsh can be reached at utkarshrai@yahoo.com.

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