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Publisher

Pradeep Gupta

Editor-in-Chief

Shyam Malhotra

Chief Editor

Hoshie Ghaswalla

Associate Editors

Shyamanuja Das, Juhi Bhambal

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Consulting Editors

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Copy Editor

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Designers

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Product Management

HS Shenoy, Pramiti B

Finance and Accounts

ML Sharma, CP Kalra

Print, Circulation and Reader Service

NC George, T Srirengan, Vijay Nagrath, Ekta Sharma

Advertising Sales

International: Deepak Sharma, D-74 Panchsheel Enclave, New Delhi, India-110017

Tel: +91-11-26498999, 51751234 Fax: +91-11-26496765

Singapore and Malaysia: Naveen Barsainya CyberMedia (Singapore) Pte, 32 Maxwell Road, #03-14 White House, Singapore. Tel: + 65-91070035

Bangalore: Satish Gupta, 205, 2nd Floor, #73, Shree Complex, St Johns Road, Bangalore, India-560042 Tel: +91-80-51238238, Fax: +91-80-51238750

Calcutta: Pranab Das, Tel: 9830045191

Chennai: Vinodh K, 5B, 6th Floor, Gemini Parsn Apartments, 599 Mount Road, Chennai, India Tel: +91-44-28221712 Fax: +91-44-28222092

Mumbai: MA Jaideep, 32/33, Mittal Estate No 1, 1st Floor, Andheri-Kurla Road (Near Marol Naka), Andheri (East), Mumbai, India-400059, Tel: +91-22-28502661 Fax: +91-22-28514877

New Delhi: Sudhir Atgula, D-74 Panchsheel Enclave, New Delhi, India-110017, Tel: +91-11-26498999, 51751234 Fax: +91-11-26496765

Pune: Majid Khan, 2 Rajat Apartments, Koregaon Park, Pune, Tel: +91-20-26119313

Secunderabad: G Satya Prasad, Room No 5 & 6, 1st Floor, Srinath Commercial Complex, SD Road, Secunderabad, India-500003, Tel: +91-40-27841970, 27841665 Fax: +91-40-27898134

Corporate office: Cyber House, B-35, Sector-32, Institutional, Gurgaon, Haryana, India-122002 Tel: +91-124-5031234 Fax: +91-124-2380694

Registered Office: D-74, Panchsheel Enclave, New Delhi, India-110017 Tel: +91-11-26491320, 51751234 Fax: +91-11-26496765

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A JOURNEY CALLED GLOBAL OUTSOURCING

All the hope, celebration, and protests notwithstanding, offshoring today accounts for just about 3-4 percent of the total outsourcing market in the world. Depending on which side of the fence you are, you can make much of this little bit of fact. And many do. Reactions vary from much ado about nothing to immense untapped opportunity that can be exploited.

One thing, however, is for sure. The hype does not match the ground reality. It is a problem of growth. Call it a positive problem, but a problem nevertheless.

On the market side, there are three big white spaces. Thanks to the demand-exceeding-supply situation, none of the major suppliers target the small and medium businesses. From an IBM to a Delhi call center, it is the Fortune 500 that his world begins and ends with. The second biggest gap is government outsourcing, a major vertical in many markets, that has not yet offshored, due to political reasons. Third big segment is non-English markets, like Germany and Japan, which do not have many supplier destinations that can handle the challenges. The biggest mover of offshoring industry, India, cannot speak any language other than English.

While calculating the share of offshoring, however, the base includes all these huge segments. Then, there are the supply side constraints.

India, the only big destination that is fairly ready, is fast getting saturated as far as ready availability of man-

power is concerned. IT cannot take much more growth in the short run, though long term potential is still immense. Among other destinations, countries that are ready, like Philippines and Ireland, do not have growth potential beyond a point. And countries that have large young educated population, do not have infrastructure and stable political environment.

Simply speaking, global outsourcing is not yet global. We have just started the journey. Thankfully, we seem to be moving in the right direction. All of us have the responsibility to contribute and catalyze that process. *Global Outsourcing* is a small endeavor in that direction. This special compilation of selected articles—not necessarily the best, but more representative of the range that we cover—is one small labor of love.

We are launching an online resource center for them in June at www.globaloutsourcing.org. It will contain resources, data, news, analyses, features—not just at a strategic level—but also with ears close to the ground, at most major offshoring destinations. Some of the articles in the issue will give you a feel of what I am trying to say.

As many of these articles are taken from older issues, there may be changes that might have happened. Please keep that in mind when going through them. In fact, that will give you an idea of how fast this industry is evolving.

Shyamanuja Das
shyamanujad@cybermedia.co.in

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Knowledge @ McKinsey

An anecdotal account of how the McKinsey Knowledge Center came to be set up back in 1999

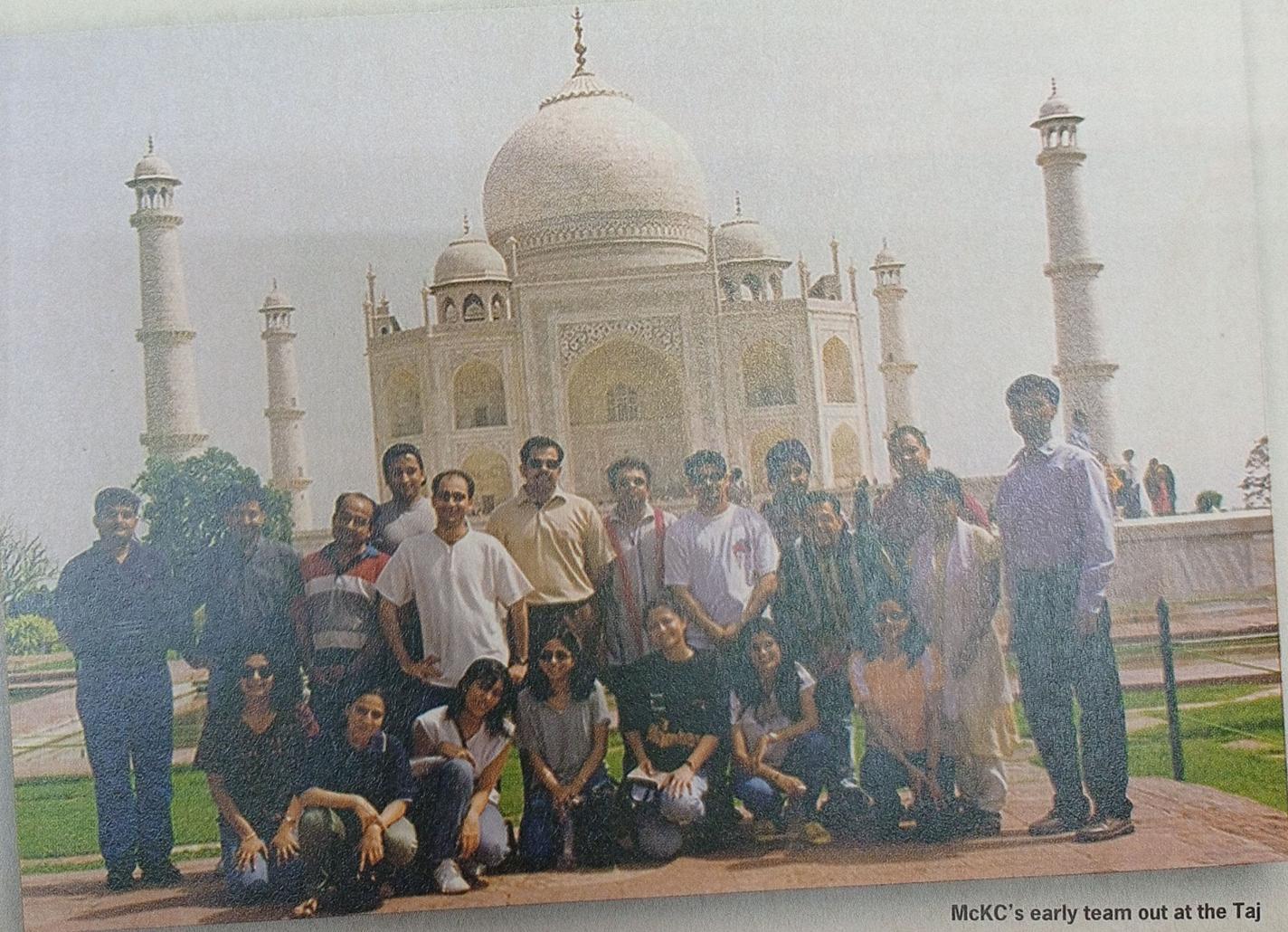
Juhi Bhambal

As a McKinsey consultant gets off a late evening flight at Sydney and begins to get worked up about an early morning presentation for which he still lacks some critical data, he calls up an McKC (McKinsey Knowledge Center) staff and asks him for it. By the time he's ready to begin work the next morning, he has the processed information in his mail. If he had asked, he would have even got some preliminary number crunching done.

This was not the case almost a decade ago, when the consultant would have to either do the research himself or pull up an R&I (Research and Information) staff from his late evening pubbing and request him for the information. This was because of the way research was structured within McKinsey. McKinsey had about 800 researchers at its R&I centers spread across its 80 offices and several Practices. No one office—not even the larger New York and

London offices—had sufficient specialist researchers for each Practice group, while the smaller offices didn't have enough critical mass even amongst the non-specialists. This, combined with the fact that the demand from consultants had its peaks and troughs, meant that researchers often found themselves overworked.

This is what R&I managers lamented about at an Asia-Pacific meeting for McK-



McKC's early team out at the Taj

insey R&I managers in Kuala Lumpur in February 1997. The antidote came in the form of a suggestion to set up an R&I regional support center in India, much like a back office, to be staffed with specialist researchers. By creating a mass of support staff in a low-cost location, such a model would allow R&I to give consultants information faster, and at lower cost than happened traditionally. Consultants from anywhere in the A-Pac region could send in a request for generalist or specialist information or analysis via email or phone, and staff in India would turn it around within 24 hours. The center was to work five days a week, round the clock.

This idea had been fomenting for a while in the mind of Anil Kumar, a senior partner at McKinsey, who had spent time working on the remote-services area. It was proposed at Kuala Lumpur by another enthusiast of remote services—Amit Bhatia, the newly appointed R&I manager for McKinsey's India office. Bhatia had come to McKinsey from American Express where he had watched Chairman and CEO Harvey Golub's initiative to build three financial resource centers, one each at Brighton (UK), Salt Lake City (US) and Delhi (India). So, it was easy for him to ex-

tend his learning from American Express to the McKinsey situation.

Need for a parent

As expected, managers at the meeting reacted to the proposal, citing problems of language differences, database incompatibilities, and absence of rapport with consultants. But, the center got the support that any radical project can't see the light of day without—the support of a big wig. In this case, it was Roger Ferguson, the Firm's R&I Director worldwide, and now Vice-Chairman of the Board of Governors of the Federal Reserve System, US. So began the laborious process of writing business plans and approaching senior directors for buy-ins, before Ferguson left to join the Federal Reserve System.

Ferguson was succeeded by an equally determined Jane Kirkland. During this time, the plan suggested two separate centers—the Quick Information Center, which would service the global McKinsey community, and the Pan Asian Desk, which would service the region. Later the Pan Asian Desk was dropped and the Quick Information Center got christened the McKinsey Knowledge Center.

As the remote-services idea gained momentum, effort began to be put in to

finding guardian angels for the project and soon a set of owners was in place. Kirkland, Kumar, and Neeraj Bhargava, a partner from the Mumbai office, became members of an Advisory Council to drive the McKC idea, while Bhatia continued to be in charge of operations. Kumar took the task of getting the buy-in of senior Firm members worldwide, while Kirkland lobbied with R&I managers in various countries, and Bhargava worked with Bhatia on the details of the plan.

With buy-in came constructive suggestions to make the plan workable. One of them was to lower the bar of the service that McKC was proposing—it was proposed to support McKinsey's high-end Practices. This was lowered and a new plan suggested that the center would first cater to quick information needs, and once that gained momentum would it move to provide information support to Practices. And, to McKC's credit, within a year of setting up, it began supporting a few Practices by providing them customized data and analysis.

With a sound plan in place, only the matter of getting the go-ahead remained. In March 1998, armed with a proposal that had passed many hands, and backed by a team of partners, the McKC board went straight to the boss—Rajat Gupta, Managing Director of the Firm. Gupta approved the plan and the center was in-

1. Roger Ferguson, 2. Jane Kirkland, 3. Amit Bhatia



BEFORE AND AFTER

	Start	End of first year	Now
Team	10 people	45 people	200 people
Customers	Pilot to support two offices-London and Sydney	60 offices (almost 50 percent European offices, 15 percent US, 10 percent India)	All McKinsey offices
Work	Low-end quick research information	Customized information and analysis support	Support center to Practices

porated in February 1999.

Square peg in a round hole?

McKC had got partner-level support, but it didn't have any customers. Offices didn't see the value in participating, while the local R&I staff was naturally insecure. McKC identified the London and Sydney offices as its pilot customers as there was a genuine gap there which it could seek to fulfill. These were large offices, whose R&I teams were not able to meet the demand. Their R&I teams, too, were less insecure about giving up some of their work as they were overworked and looked forward to getting some work off their back.

In fact, demand took some time to build up. The first few months were extremely slack, with staff pouncing on any work that came their way. So McKC decided to 'pull' work its way. It got implants from the Sydney and London offices, who gradually began to siphon work to India.

What sustained the initial trickle was the quality of output that the team delivered, and what began to feed McKC was the realization that the team could handle analyses and the word of mouth publicity that the center got from satisfied customers. And within six months, volume ceased to be an issue.

As con-

sultants began to circumnavigate their local R&Is, McKC had to respond to the local teams—after all these were the people who's jobs were being affected. At an operations level, McKC started to respond to the consultants' queries with a copy to the local office, thereby keeping them in the loop. At a managerial level, Kirkland called an R&I managers' meet, where the McKC team took a stand of candor—"We are starting with only 10 to 12 people. There is no threat as this will be your back office. We will see how to help it grow after piloting the service for the next six to 12 months."

McKC hired from India's brood of second tier MBA schools. The idea was to get people who were hungry to prove they were better than the ones from first tier schools

Secrets behind the success

McKC outdid its projections. In the first year, it had planned to service two offices. It ended up servicing almost 60. It had planned a 10-member team; it ended up requiring a 45 member one. It had planned to do almost 100 per cent low-end quick-information work; it ended up providing significant customized information and analysis support as well.

But, what was the key factor in McKC's success? "People," say McKC leaders. "In the western hemisphere offices, MBAs

were consultants, while librarians were R&I and there was a divide in the middle. In India, we sought to put MBAs on either side." This was something eminently possible in India with its brood of MBA schools, people's willingness to work in shifts, and lower wages. The hunt was for second and third-tier MBA graduates, people who were hungry to prove that they were as good or better than the first-tier MBAs. It resulted in the hiring of the first batch of ten people, handpicked from 5000 resumes that the McKC appointment ad attracted. And this team was driven by quality, believing that cost advantages are soon forgotten and matter only to the owners.

Like many success stories, McKC, too, started small, though it thought big. It tested the model with a mere ten people working from a few rooms at the Taj Palace hotel in Delhi, scaling up in staircase fashion to 20, and eventually 45 researchers and analysts by the end of the first year. It was only after 18 months of existence, and continuous demand from consultants, that it shifted to a larger office in Gurgaon, a suburb of Delhi and today a hotbed of BPO activity.

Happily ever after

Today the firm has three knowledge centers—the original one in Gurgaon, one outside Boston, and another in Brussels—servicing the three regions and the world. While the knowledge centers provide extensive support to consultants and Practices, the local R&I offices are very lean. This configuration is fairly close to the regional plan first proposed almost ten years ago—the original plan had proposed centers in India, the US, and UK. ■

