

## Chapter 13: Outsourcing Objectives

Although chapter 7 studied the main drivers underlying the concept of outsourcing and why it has started to become a compelling business model, it is important to remain focused on the specific objectives you want to achieve for your organisation.

Outsourcing is on the increase. Even Dilbert is outsourcing to India now<sup>1</sup> and Forrester research predict that by 2015, US companies will outsource 3 million jobs compared to the present 300,000.<sup>2</sup> This is no reason to consider that it is right for you and without specific reasons for a programme, it could be doomed to failure. You must know why you want to go ahead with this. Success or failure, it will be impossible to define exactly what happened if no objectives were ever defined.

Every outsourcing programme manager has a set of goals; it may be a selection of many goals including cost reduction, access to new skill sets or improving the product quality. If these desirable goals are not translated into specific objectives then it is difficult to define exactly what is required from the outsourcing vendor and near impossible to measure success once the outsourcing is complete.

When I moved a large investment banking IT project from Singapore to India, there were a number of reasons for the move:

- Availability of expertise.
- Quality of the end product.
- Ongoing project cost.

I was facing serious recruitment problems in Singapore. I had some open positions in software development that were unfilled for months and this lack of resource in open positions was a drag on my projected deliveries. The late nineties saw a boom in the value of technologists and so my bank was not considered to be an attractive place to work. Not when it only offered a regular salary and dull office, compared to all the exciting start-up ventures offering companion animals in the office, stock options and the chance of immense riches when the company (hopefully) moves to its IPO.

I could not make the Singapore office any more attractive to technologists, as that would mean changing the entire culture of the organisation for the sake of a few computer programmers. Bankers are not as keen on Border Collies at work as Internet start-ups are. I needed to look around for a place where talent was easier to find. I was not aware back then that I could just wait for the end of the dot com boom, at which point the dynamics of the technology labour market would change considerably. Hindsight is a wonderful thing.

Quality was becoming a serious problem with my software production in Singapore. The team had started moving from the maintenance of a mature system to development of a new, global mission-critical equity trading system - alongside the earlier maintenance work. It was more exciting work, but the rapid deliveries demanded by the traders in London and New York meant that quality took a nose-dive.

Even a single bug could cause an expensive trading error and when a rollback was required, to reverse a new software release, it meant support technicians from Tokyo to New York had to synchronise frantic weekend work to avoid failures the following Monday.

The mistakes had to end. As the system became more complex, the errors became a part of the deal. The end users expected them. Each release required a number of attempts to get right, yet without a quality assurance or testing team in Singapore there was no other way to deliver.

I found there was no support from other managers when I proposed the establishment of a QA team in Singapore, so a new solution was required.

The project cost was escalating as Singapore remuneration rates were shooting up to be almost on par with European levels. The company had started working with technologists in Singapore in part because of the cost differential, yet this was being eroded. Though they had the expertise, if the company was going to pay the same price in Asia as a person might cost in Paris or London then it would make more sense to have the people closer to home.

I had thought about the possibility of moving everything to London or Paris. Some of the existing people could be transferred and an immense amount of management time, effort and expense would be saved by not travelling across the globe so frequently.

A group of technology managers in Asia had already started to consider all these issues. They had formulated a plan where we would shift operations to Bangalore. I visited India and was soon a strong supporter of the plan. My three major problems would be addressed:

- Bangalore offers a rich seam of talent. Not only are the people there, but they are available quickly so it is possible to ramp up from small beginnings to a large scale operation without compromising on staff quality.
- The plan was to create a new software company, linked to the parent firm, but independent. This would allow a genuine concern for product quality, creating a need to start working to process guidelines, managed by dedicated quality personnel.
- The proposed costs were far lower than the Singapore staff costs. Even the fully-loaded hourly rates for Bangalore, which included all costs (bonus, pension, office rent, heating, lighting etc.), were cheaper than Singapore salaries alone.

I quickly found that my problems could be turned into objectives and my own move to India could then be judged by them: