

Leveraging Offshore Services in Planning, Implementation & Management of Enterprise Applications

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Digital GlobalSoft Limited



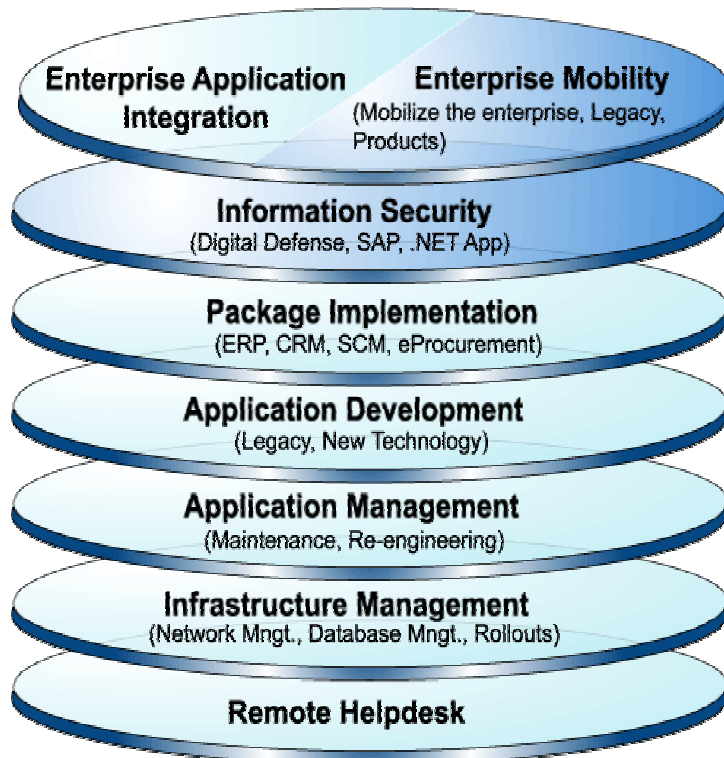
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- Enterprise Applications Components
- Offshoring Enterprise Applications
 - Trends
 - Common issues
 - Engagement benefits
- Implementation projects
 - Phase-wise analysis
 - Cost implications
- AMS
 - Phase-wise analysis
 - Cost implications
- Facts and Trends

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Enterprise Application Components



Priorities for Enterprise CIOs

- Integrating systems and processes
- External customer service/ relationship management
- Enterprise Resource Planning
- Enabling/ enhancing e-commerce
- Increasing revenues from business over the net (B2B2C)
- Infrastructure Upgrades
- CRM
- Desktop Upgrades

Source : CIO Magazine, Sept ' 02

Applications for the Extended Enterprise

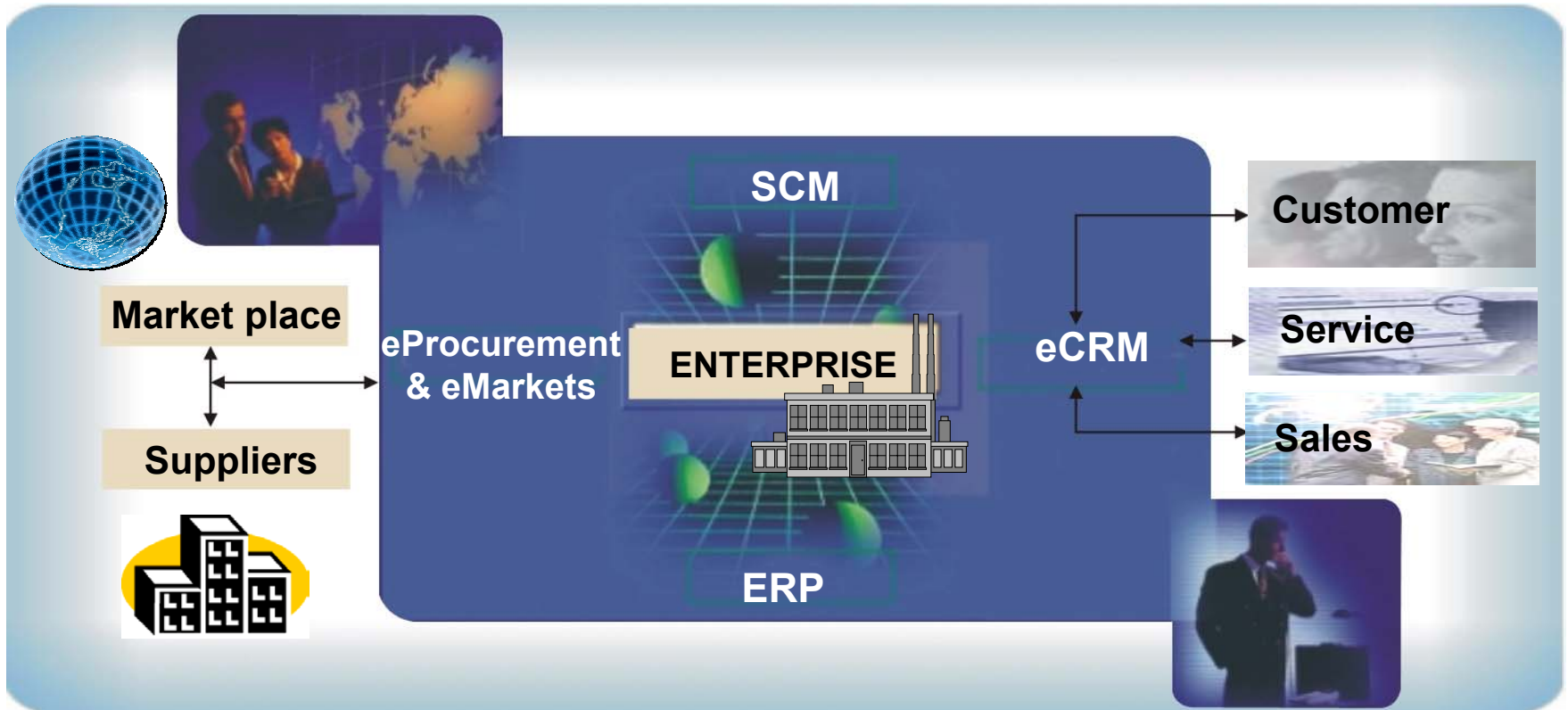


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When Do Enterprises Go Offshore?

Business Requirements

- Cost
- Speed, time to market
- Quality
- Obtain readily available resources
- Shift lower value work to third party

Technical Requirements

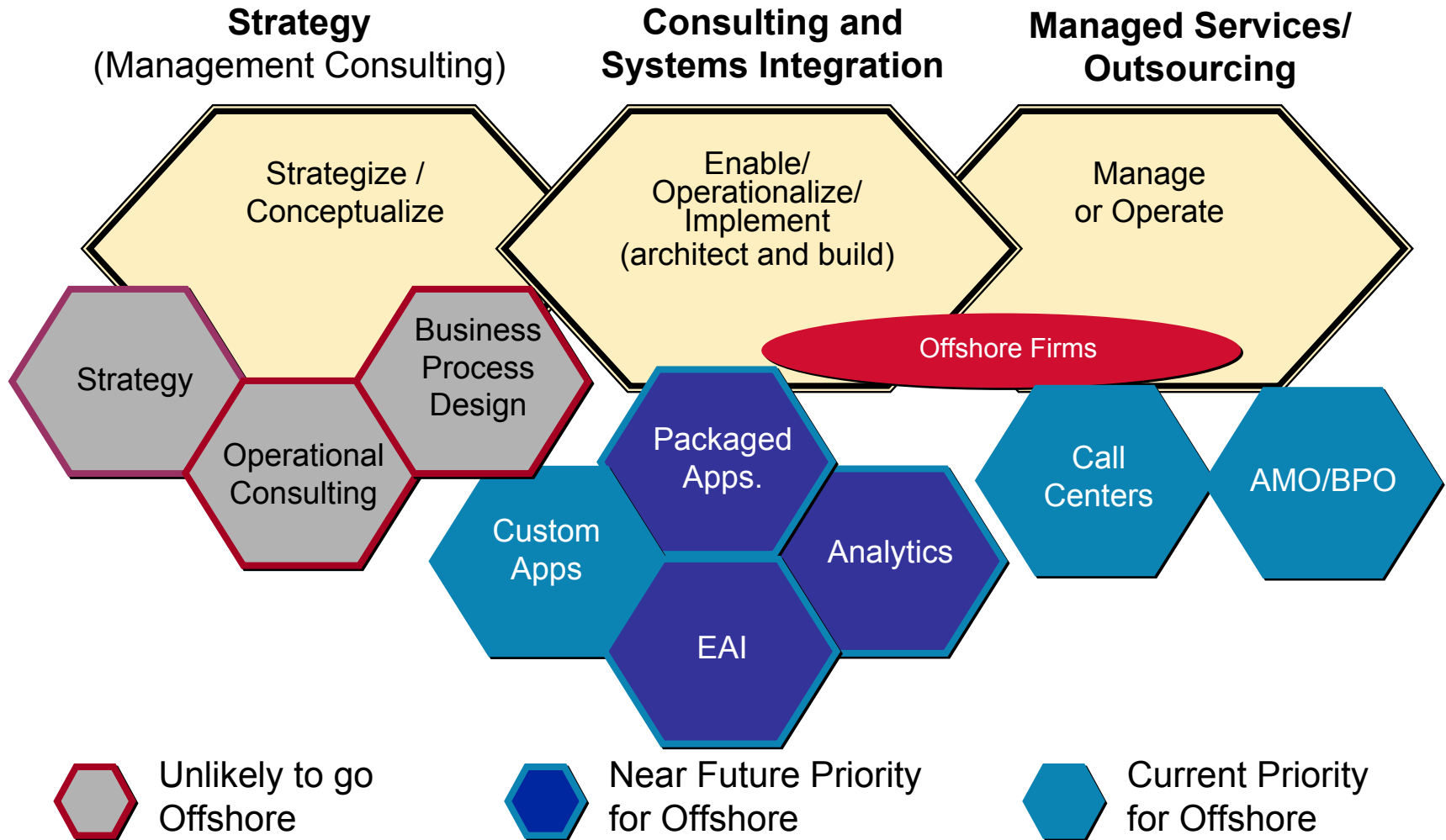
- New skills: networking, software, middleware, migration
- R&D
- Single point resolution of cross divisional issues

Project Requirements

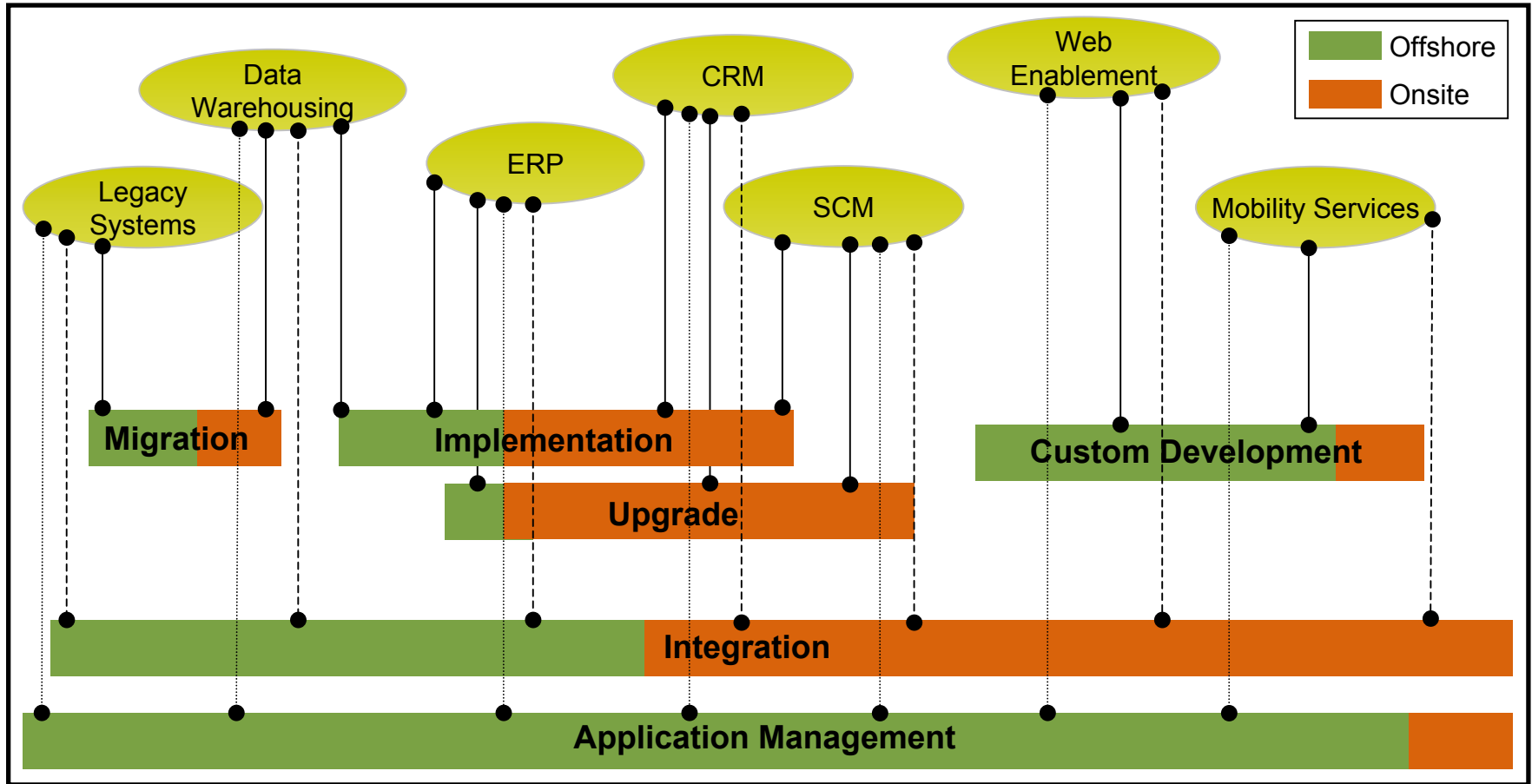
Business Solutions

- Domain (industry) expertise
- Process and business consulting

Landscape for Offshore IT Services

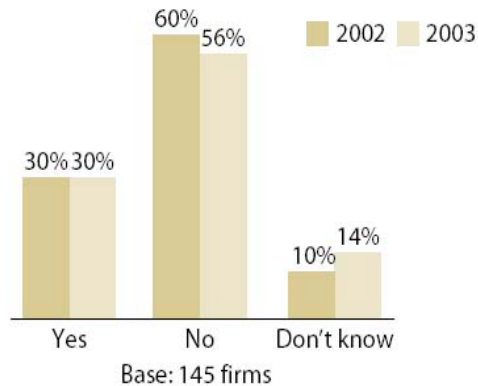


Onsite/Offshore Proportions

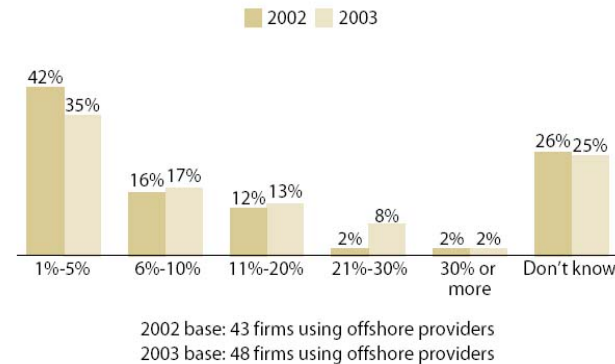


Forrester Facts

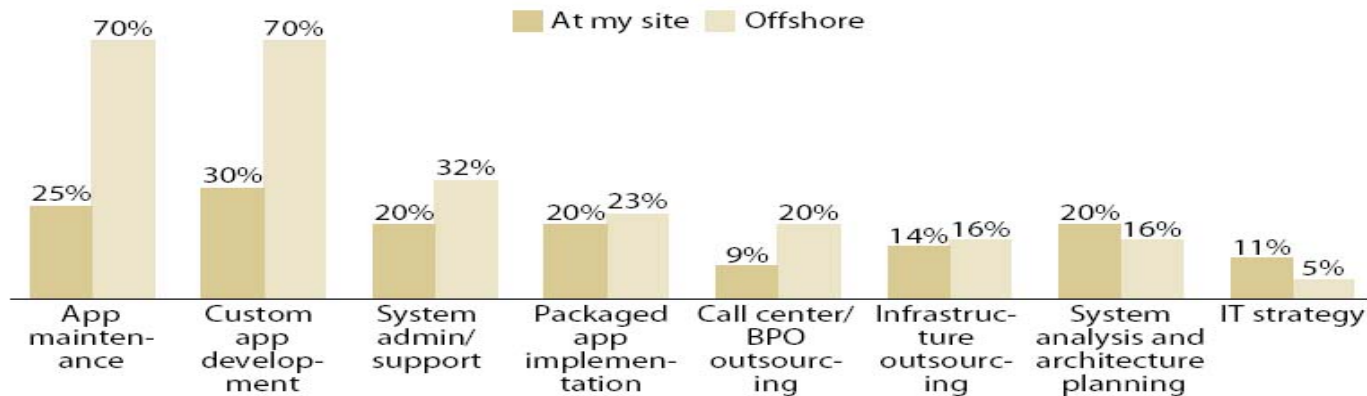
"Is your company using offshore service providers for technology services or outsourcing?"



"What percentage of your company's total external technology services and outsourcing spending went to offshore IT services firms in 2002? In 2003?"



"For each of the following services, please indicate where offshore firms provide their services to your company."



Source: Forrester Research, Inc.

Common Issues & Concerns

- Loss of control
- Abdication of customer responsibilities
- 100% offshore implementation / support??
- Communication / language
- Quality
- IP protection
- Security
- Time difference
- Software licenses
- Economies of scale

QMS @ Work

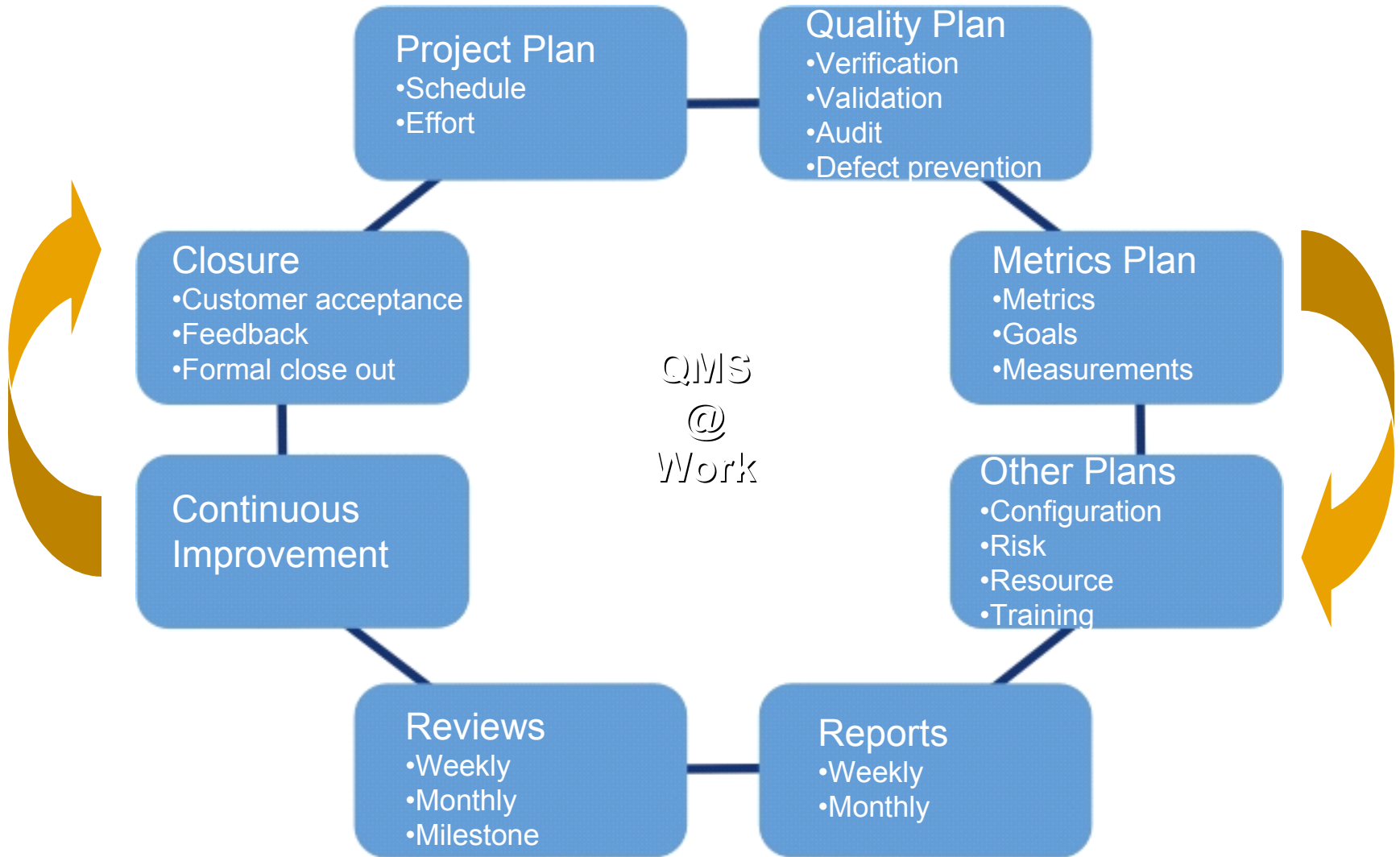



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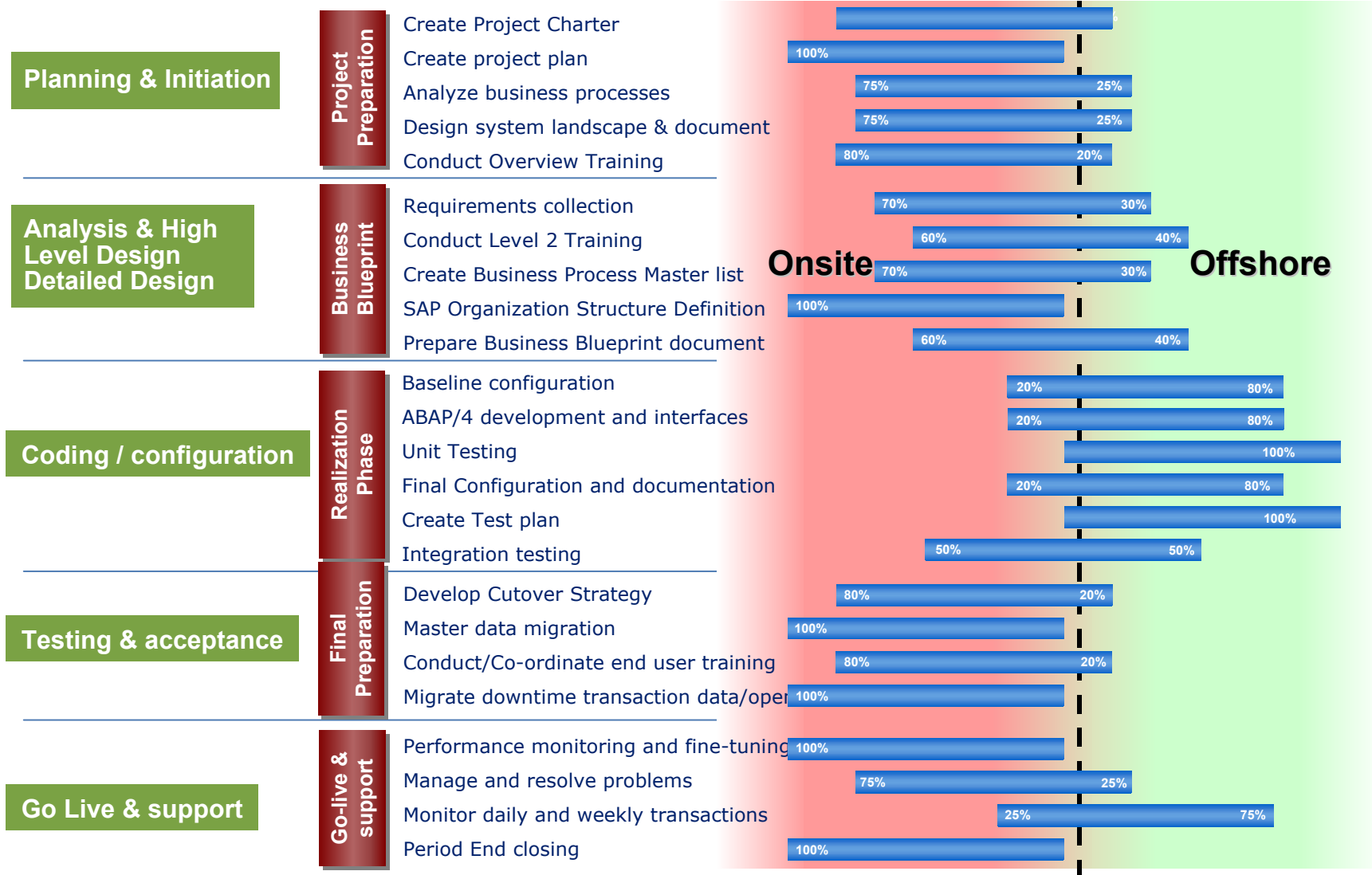
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There is only **ONE** Implementation Methodology!

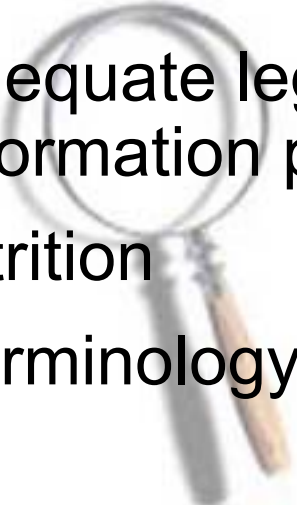
Oracle	SAP	Siebel	CommerceOne	Ariba
AIM	ValueSAP	eRoadmap	GSIM	AribaLive
		Plan	Planning	
Definition	Project Preparation	Define		Discover
Operations Analysis	Business Blueprint	Discover	Analysis and Design	Plan
Solution Design		Design		Design
Build	Realization	Configure	Installation and Configuration	Build
		Validate		
Transition	Final Preparation	Deploy	Deployment	Deploy
Production	Go Live and Support	Sustain	Support	Evolve

Example - ValueSAP based Collaborative Delivery Model



Implementation Considerations

- Vendor due diligence by customer
- Localization issues
- Adequate legislation on IPR & business information protection
- Attrition
- Terminology



- Absence of onsite co-ordinator



Implementation - Phase 1

Planning & Initiation

- Engagement Model
 - Communication
 - Project reporting and Team communication
 - Resource Mobilization Planning
 - Travel plans and visas
 - High level offshore / onsite work split
 - Methodologies and Standards
 - Connectivity, Access & Security
 - Development environment
-
- Loosely defined engagement model



Implementation - Phase 2

Analysis & High Level Design

- Predominantly onsite
- Offshore team set up
- Key offshore team members participation onsite
- Customer core team availability critical
- Process ownership
- Critical processes / interfaces identification
- Design standards
- Sign off onsite
- Attrition

- Don't push work offshore purely for cost reduction 

Implementation - Phase 3

Detailed Design

- Delivered through offshore resources
- CRP / Rapid prototyping of critical processes & interfaces – ONSITE
- Communication
- Complete knowledge transition to offshore
- Ownership assignment for configuration

Implementation - Phase 4

Coding / Configuration


- Leverage CMM Level 5 processes for defect prevention and process improvement
- Legacy migration and interfaces
 - Specs and testing – ONSITE
- Platform configuration
- Coding standards / naming conventions
- Admin access to development servers

- Avoid using multiple development platforms



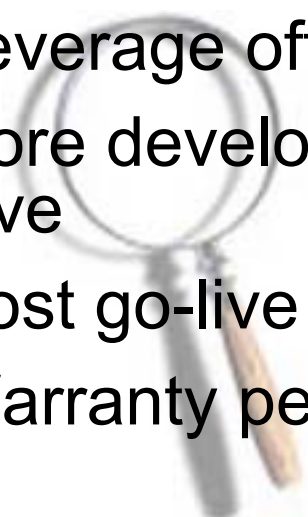
Implementation - Phase 5

Testing & Acceptance

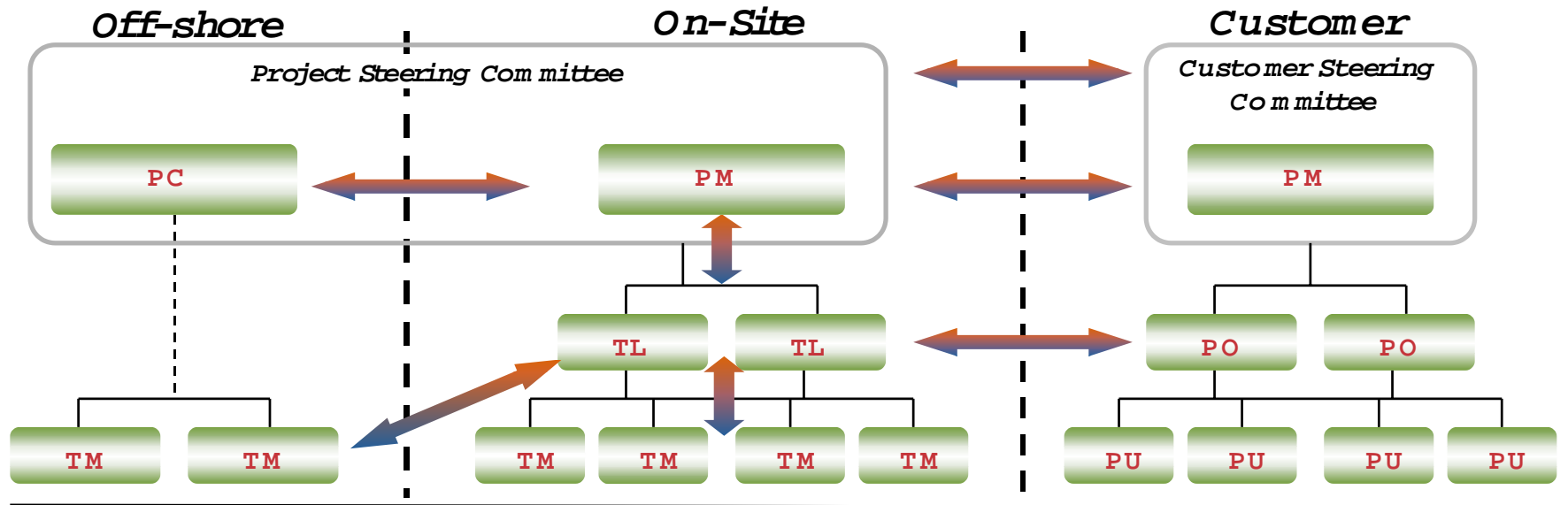
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- Production data for testing
 - Production system access from offshore

Implementation - Phase 6

Go-Live & Support

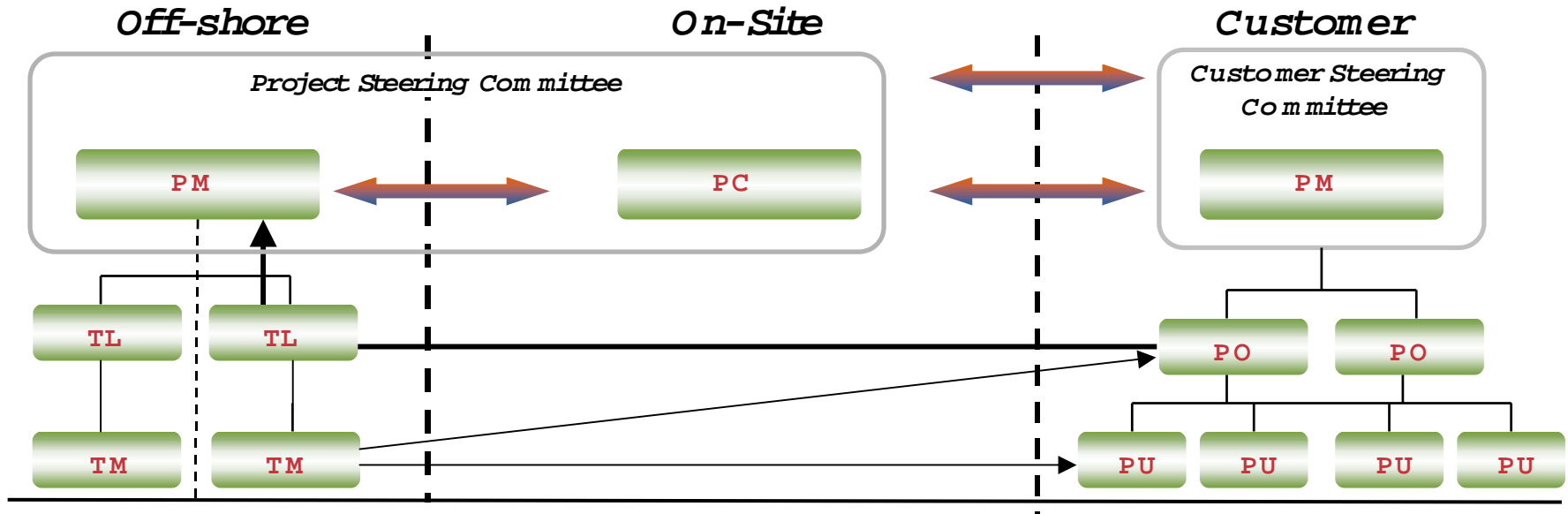
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- Critical process checks
 - Leverage offshore for documentation & training
 - Core development team should be available for Go-Live
 - Post go-live support done offshore
 - Warranty period & post implementation support

Engagement Model (Onsite Heavy Phases)



- Planning and Initiation
- Analysis and High Level Design
- Go-Live and Support

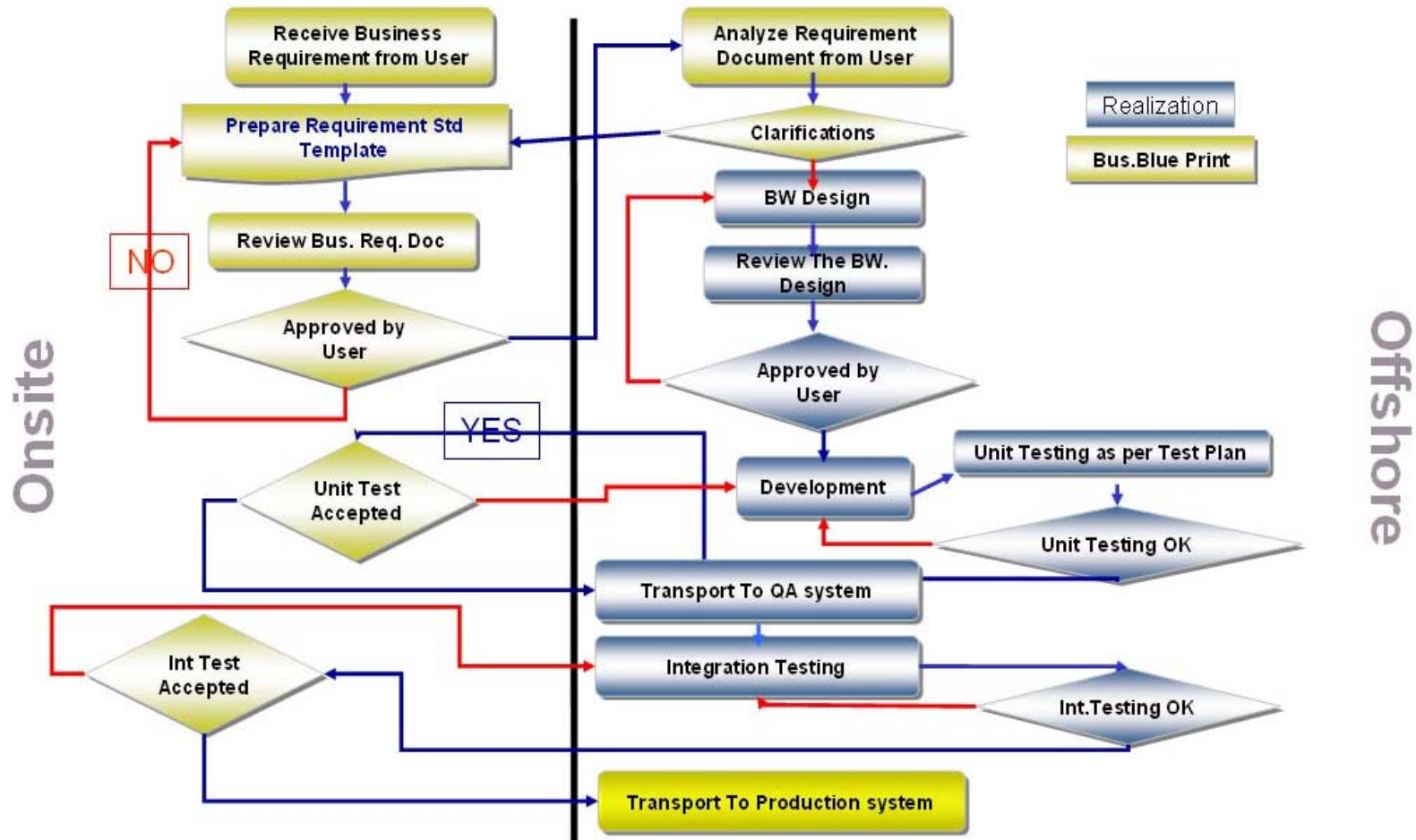
Engagement Model (Offshore Heavy Phases)



- Detailed Design
- Coding / Configuration
- Testing and Acceptance

SAP BW Implementation Sample Engagement Model

Collaborative Model - BW Implementation Communication flow



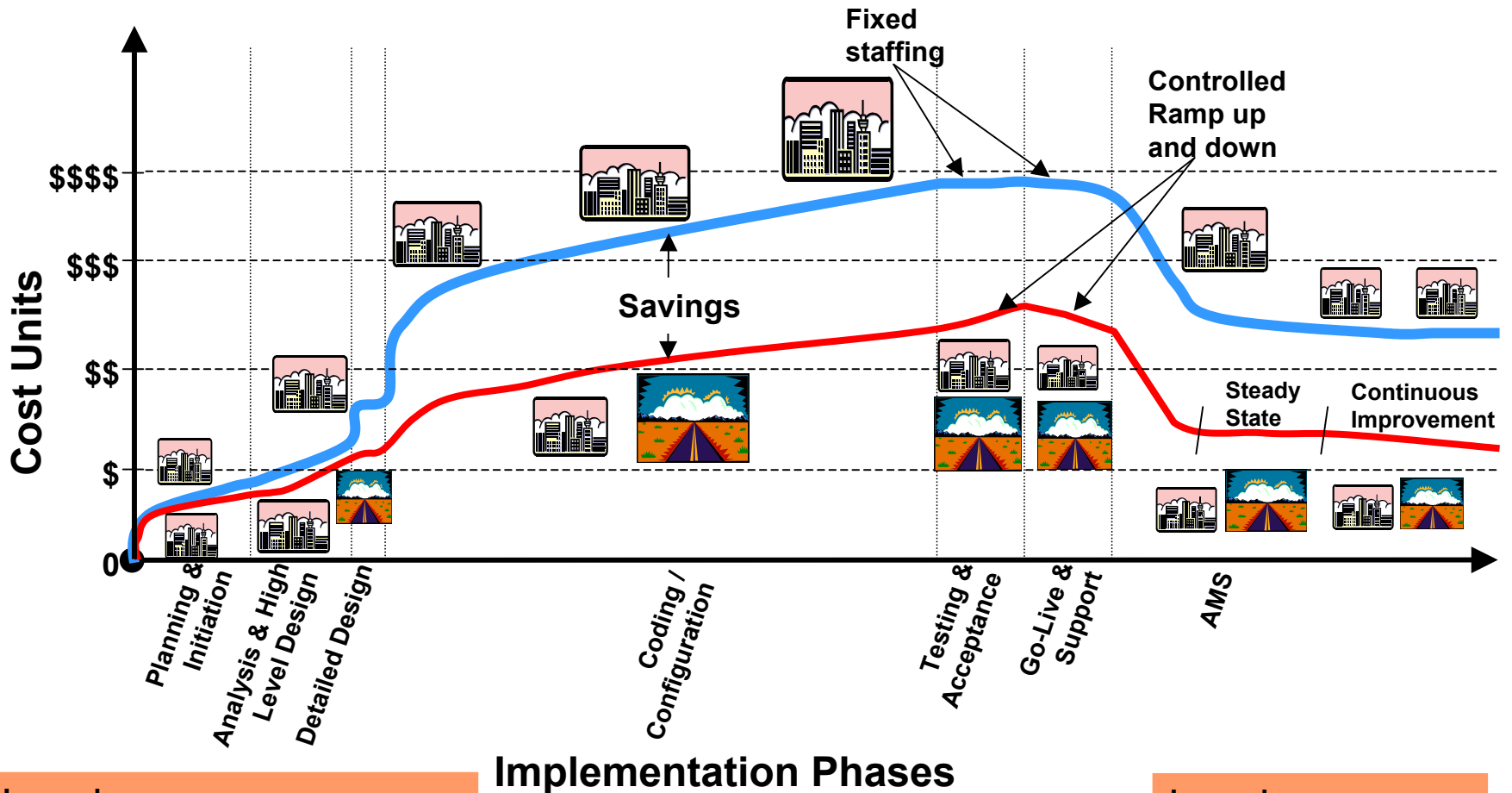
Perceived Benefit Realization

An Illustration


- Number of Resources = 20
- Onsite Rates = \$ 10000/resource/per month
- Offshore Rates = \$ 5000/resource/per month
- Savings from Offshoring
= 20 x \$(10000 – 5000)
= \$ 100,000 (50%!!!!!!!)


Not So SIMPLE!!!

Implementation Cost Analysis



Legend

Onsite Resources 

Offshore Resources 

Size is representative of numbers

Legend

Onsite 


Onsite-Offshore 

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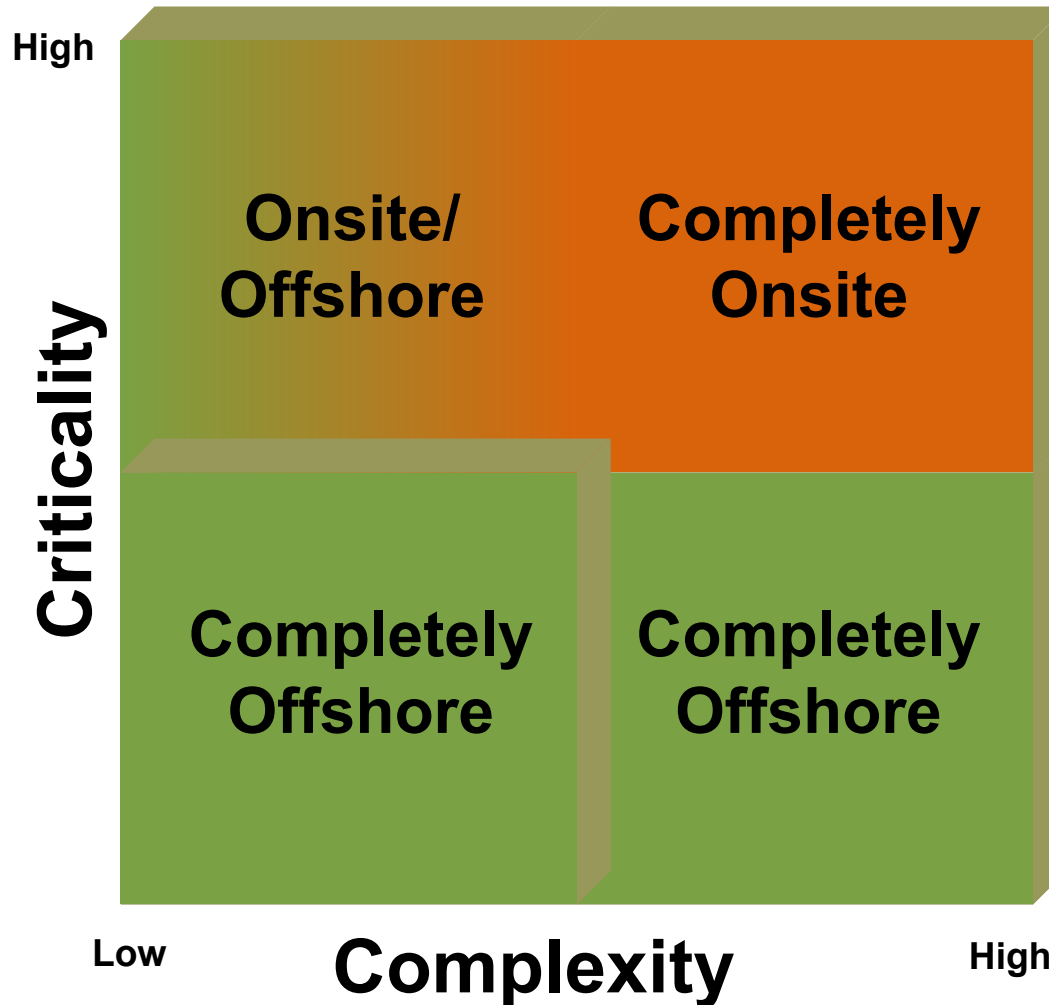
According to Gartner...

"The biggest threat to the Application Support domain is the lack of urgency to transform itself.. ...

...failure to transform the environment will result in an under-optimised, opportunistic approach to application support vs. a strategic approach"

Gartner research
on IBM Application Managed Services

Application Nature Vs AMS



Other Factors

- Global Spread
- Consolidation
- Technology
- Quality

AMS Considerations

- AMS methodology
- Project / Change Management
- Quality processes and certification
- Leveraging commonalities to improve efficiencies
- Vendor infrastructure & connectivity
- Availability of SMEs / Key functional resources
- Engagement Model
- Multiple time zones and shifts
- Ability to achieve productivity improvements

- Don't push work offshore purely for cost reduction
- Beware of hidden costs

SEI - Capability Maturity Model

Level	Characteristics	Key Challenges	Results
5 Optimizing	Improvement Routinely Fed Back into the Processes	Continuous Process Improvement	Both the productivity and Quality are high
4 Managed	Quantitatively measured Processes	Changing Technology, Problem Analysis, Problem Prevention	
3 Defined	Project and Technical Management Integrated and Institutionalized	Process Measurement, Process Analysis, Quantitative Quality Plans.	
2 Repeatable	Project Management Practices Institutionalized, Gaps in Technical Practices	Training, Tech. Practices, Process Focus (Studs, SEPG)	
1 Initial	Key Project Management and Tracking Inconsistent	Project Planning, Project Management, Configuration Management, Software QA	

AMS – Phase 1 Transition Planning

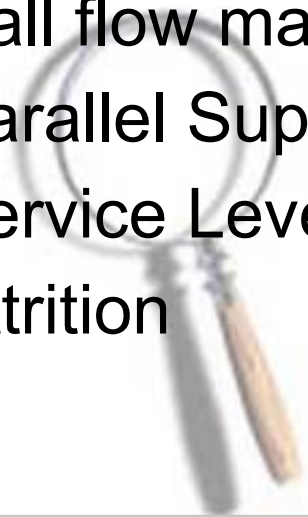
- Well defined scope
- Engagement model
 - Onsite / offshore work split
- Transition timelines
- Operation Level Agreements
- Resource mobilization planning
- Plan for attrition

- Loosely defined engagement model



AMS – Phase 2

Transition Execution

- 
- Knowledge transfer
 - Call flow management
 - Parallel Support from offshore
 - Service Level Agreement
 - Attrition

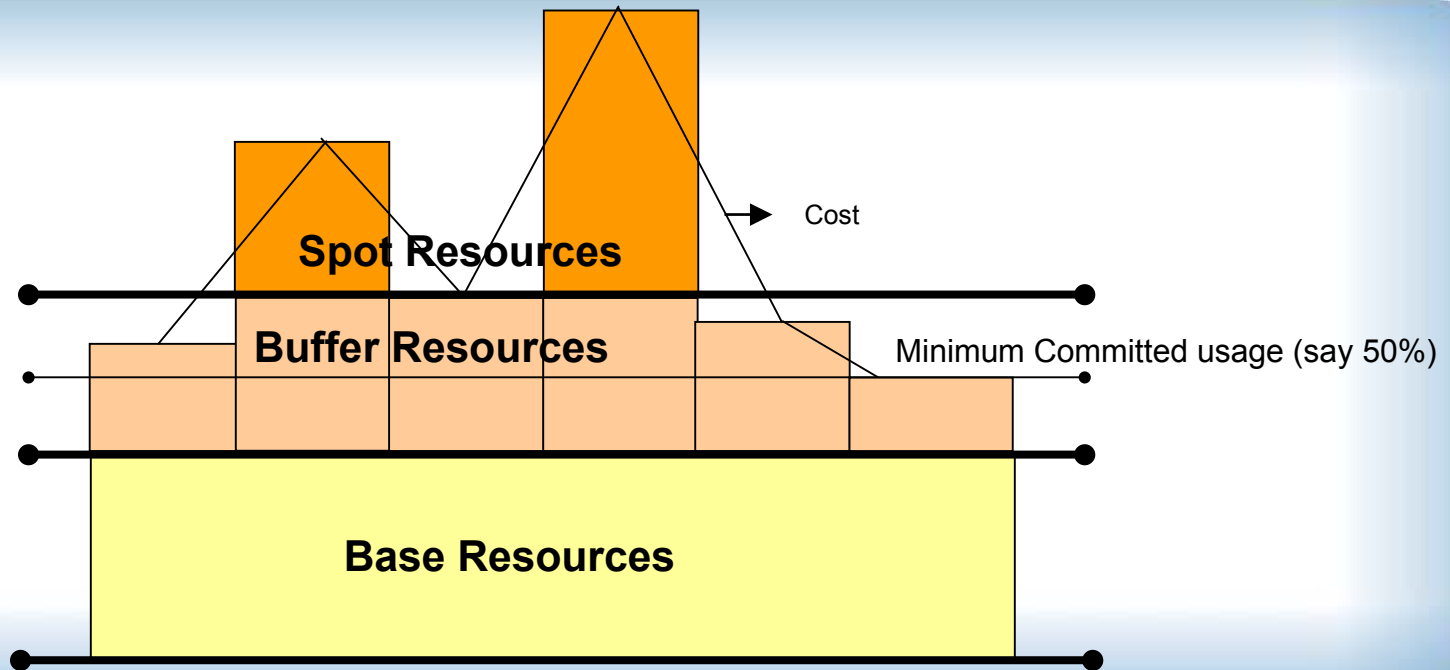
AMS – Phase 3

Post Transition Management

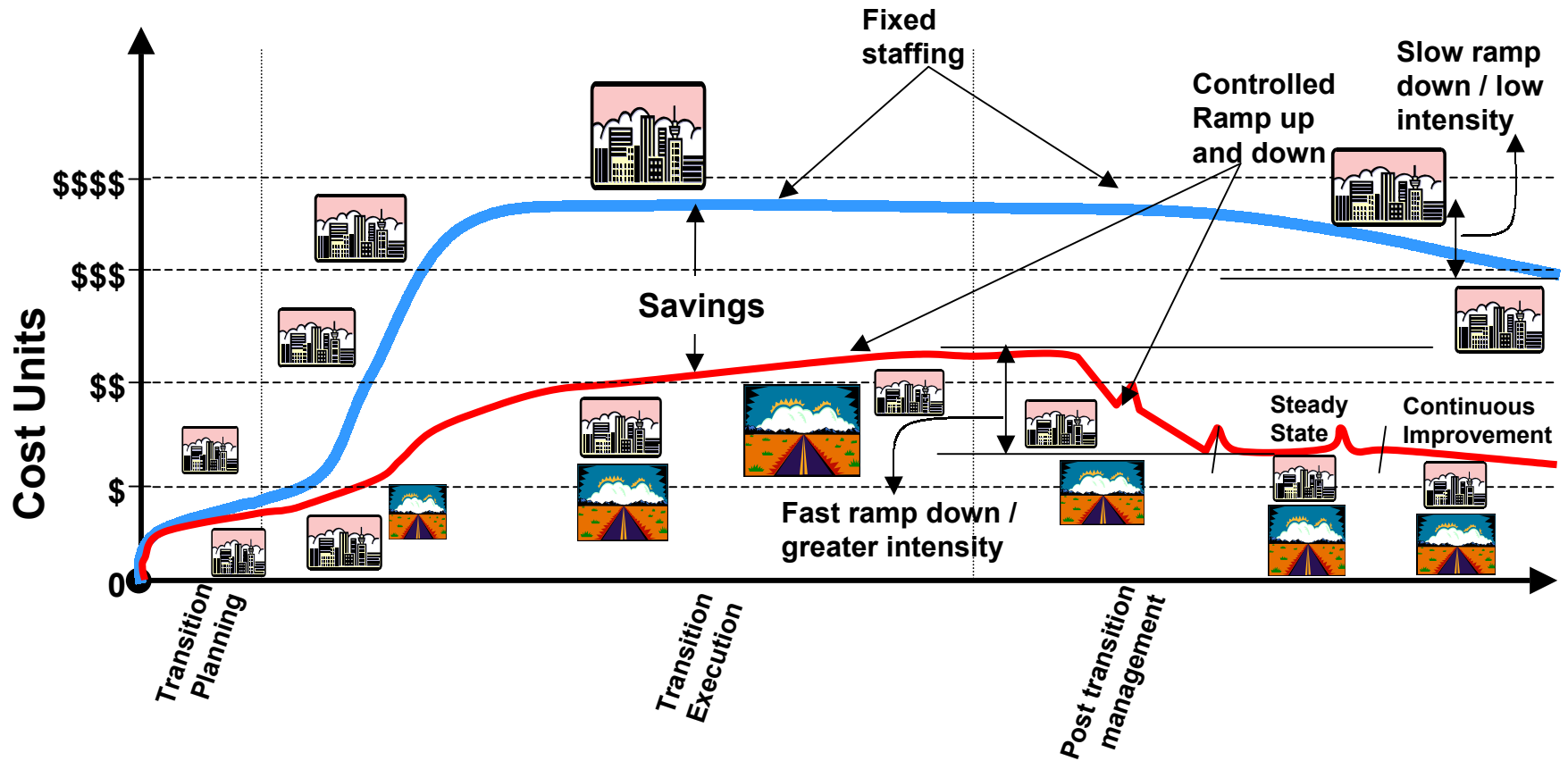
- SLA based tracking
- Metrics monitoring
- Knowledge base
- Continuous improvement
 - Team cross training and learning curve
 - Process Improvement Projects (PIP's)
 - Defect Prevention
 - Root Cause Analysis
- End user satisfaction surveys

Resource Pool Model

- The pool concept provides for fixed cost (base resources) & variable cost (buffer/spot resources)
- Periodic monitoring & evaluation of the number of base and buffer resources to help optimize resource utilization





Cost Analysis – Outsourcing New AMS



Support Phases

Legend

Onsite Resources 

Offshore Resources 

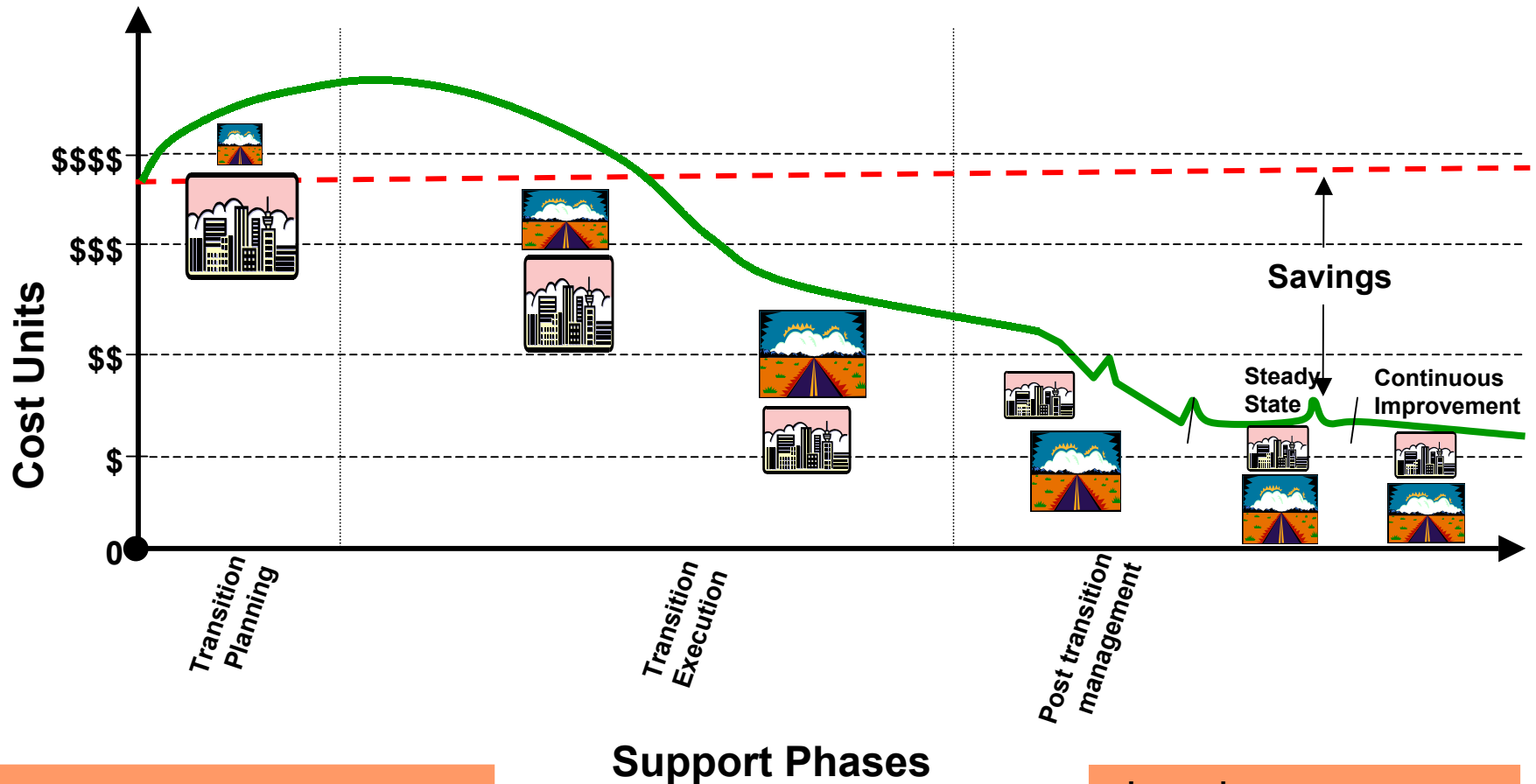
Size is representative of numbers

Legend


Onsite 


Onsite-Offshore 

Cost Analysis – Outsourcing Existing AMS




Legend

Onsite Resources 

Offshore Resources 

Size is representative of numbers

Legend

Existing customer support organization to offshore 

Metrics Reporting - Some Samples

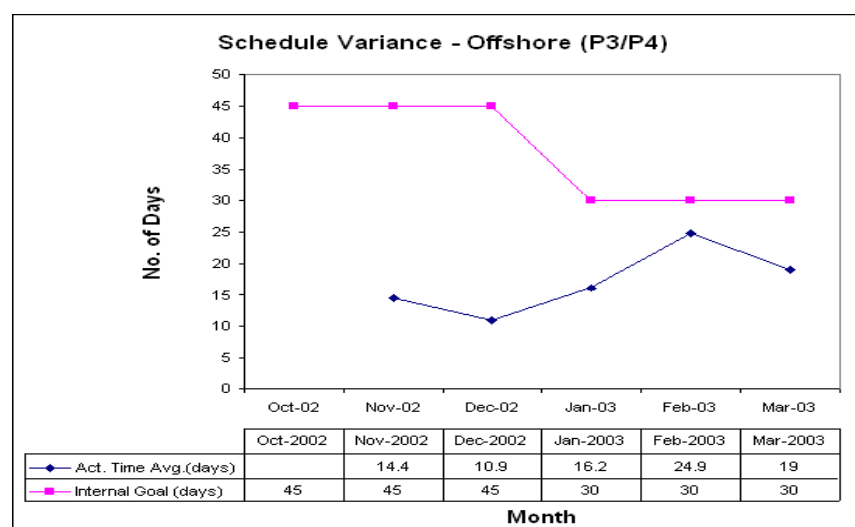
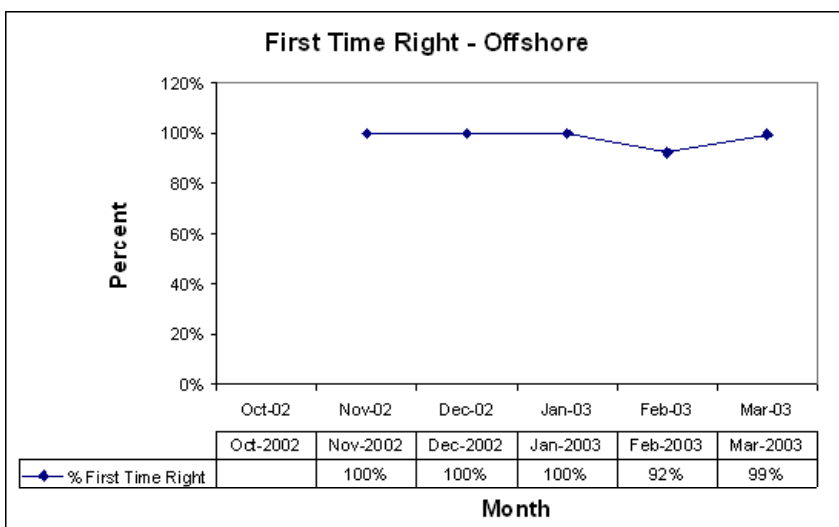
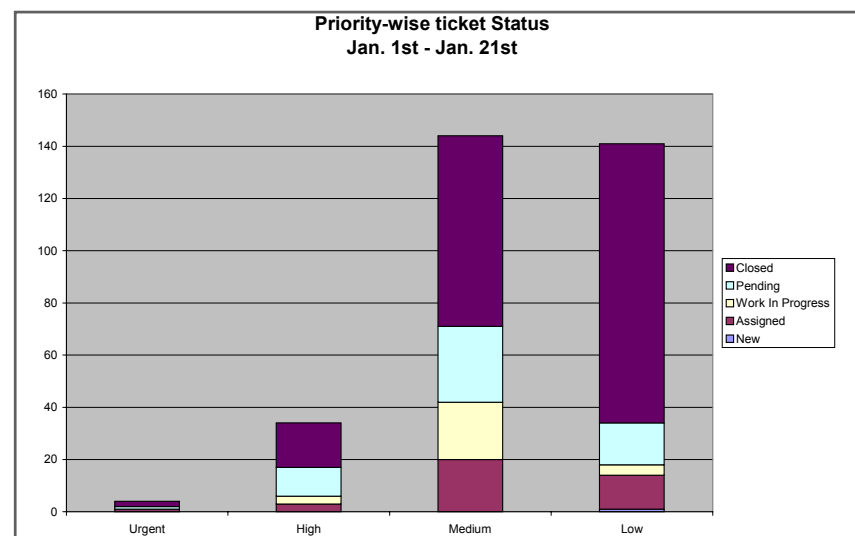
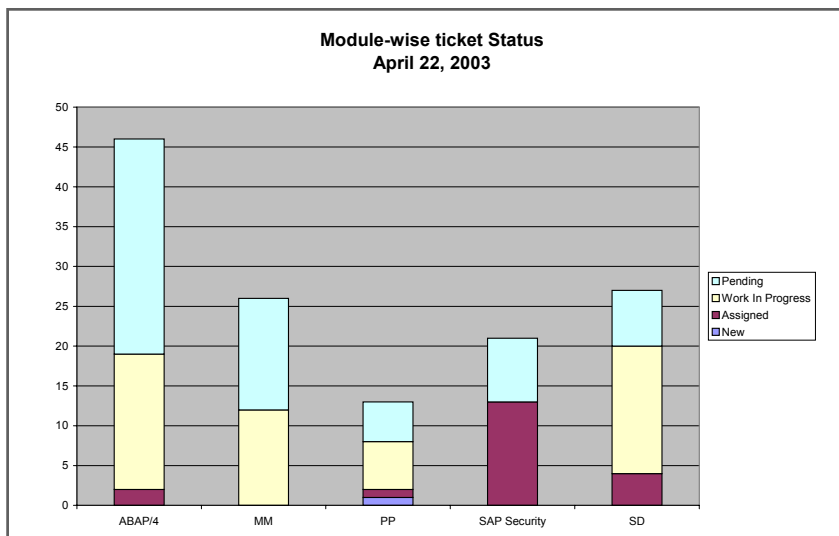


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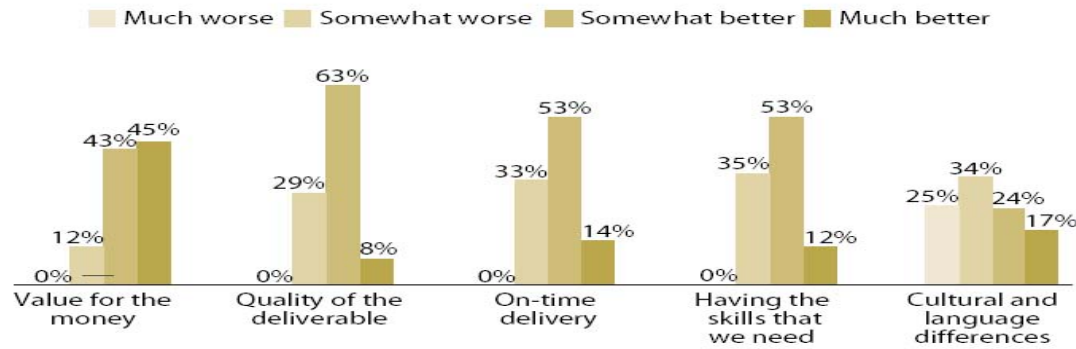
Forrester Facts

Issue	Description	Problems	Telltale signs
Smaller is not better	Firms pick one or more small applications (fewer than 5 people and less than \$100,000) to pilot offshore initiative.	Small scale negates savings, and transition takes forever.	No one can find the savings to justify the expense and oversight overhead.
1,000 points of offshore light	Each business unit does its own thing with a separate vendor.	No best practices or governance model established; for every success, there is a cost or on-time delivery failure.	People struggle to validate offshore savings.
Bargain shopper	Firms become obsessed with getting the lowest rates.	Vendors put junior people on the project; they miss second-level benefits because contract lacks productivity incentives.	Firms use reverse auctions to get lowest rates.
Infrastructure detour	Firms overlook all logistics details for security procedures, setting up network links, and software licensing.	Projects delayed by months as client addresses security issues and attains correct licenses from software vendors.	Staff in India is idle waiting for access to development tools.
Absentee landlords	Companies abdicate responsibility for project to the vendor and don't manage project on an ongoing basis.	Projects late because vendor lacks feedback on specifications, requests for clarification, or acceptance criteria.	No weekly check-in meetings.

Source: Forrester Research, Inc.

Forrester Facts

“How would you compare offshore providers with large US services firms on each of the following attributes?”



Base: 44 firms using offshore providers

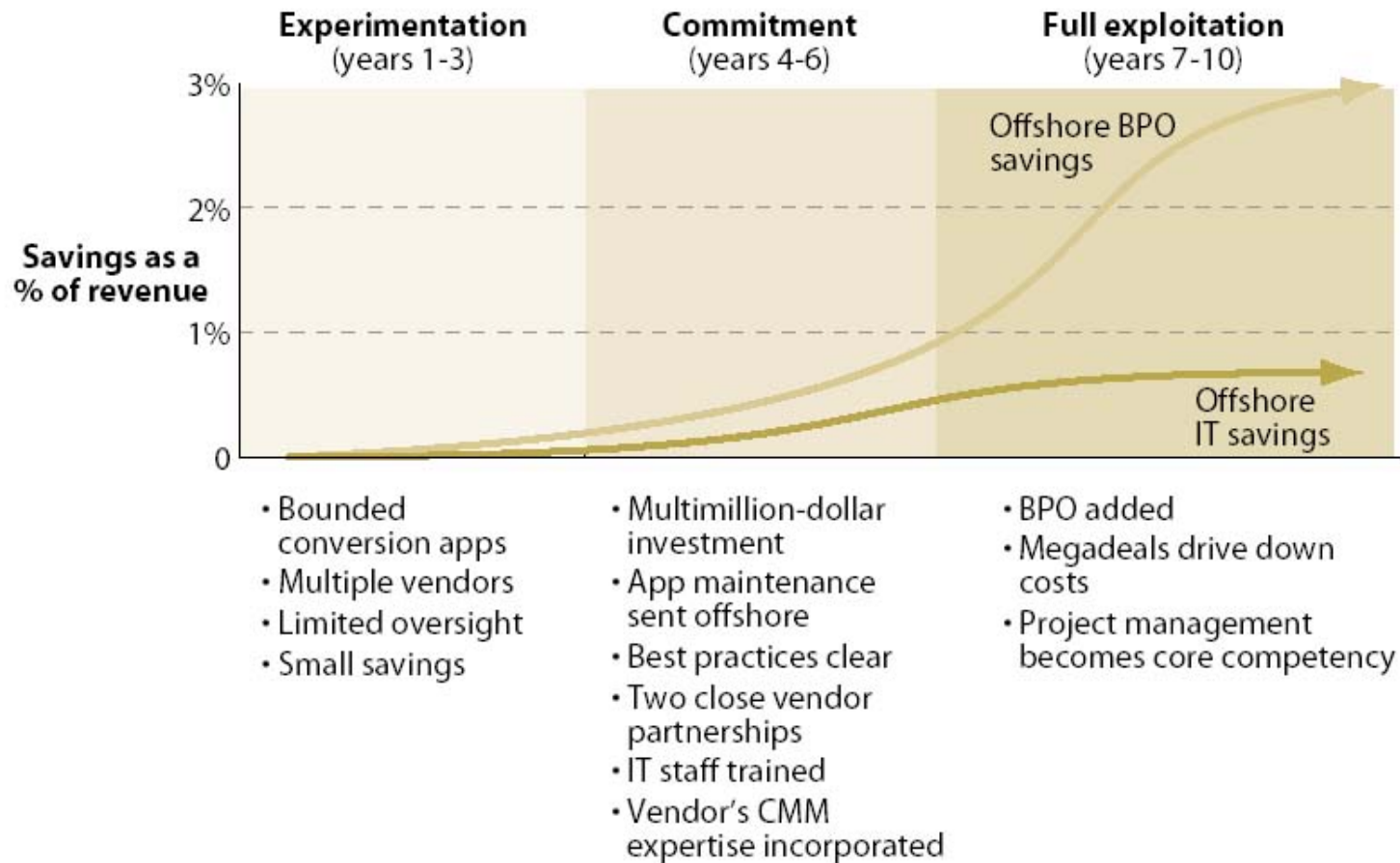
“Based on your experience, how challenging are the following when working with offshore providers?”



Base: 44 firms using offshore providers

Source: Forrester Research, Inc.

Forrester Facts



Source: Forrester Research, Inc.

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