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Seven Secrets of Successful Globalizers

Excerpt from an upcoming book by Atul Vashistha & Eugene Kublanov

Technological, social and economic advancements of the past two decades have propelled us into a global world – a world where business executives in Boise, Idaho can teleconference with business executives in Beijing, China as if they were sitting across the table from each other. With the rapid, inexpensive transmission of data available to us, businesses can leverage the time zone difference with India to achieve 24-hour workdays. And those opportunities are only the beginning of what services globalization offers.

Some organizations have leveraged those opportunities successfully. Most have not. Not surprisingly, the companies that are successful globalizers engage in similar practices – practices which other companies should be able to emulate. These seven secrets distinguish the leading adopters from the laggards.

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Secret #1: Embrace Globalization

The first secret, which pervades all of the others, is about seeing services globalization as an opportunity to do so much more than lower costs. For client organizations, embracing globalization means seeing the unique advantages of operating in different parts of the world and looking beyond cost savings to find growth and quality improvement opportunities.

Companies that have embraced globalization – including leaders such as GE, Citicorp, Texas Instruments, and Proctor & Gamble – have found large pools of productive labor in offshore destinations. But they have found something more as well: top engineering talent, attention to detail and quality, sophisticated mid-level and senior-level management, and even a level of brand identity and loyalty which rivals that of their in-house employees.

As former GE CEO Jack Welch said, “Globalization has changed us [GE] into a company that searches the world, not just to sell or to source, but to find intellectual capital – the world’s best talents and greatest ideas.”

Indeed, GE is a good example of a company that has successfully embraced globalization. Responding in part to potential clients that had expressed interest in partnering with Gecis (GE Capital and International Services) to streamline their global operations, GE commercialized Gecis in late 2004. Gecis is now Genpact, a third-party supplier of technology-enabled business processes with more than 19,000 professional staff in the United States, Mexico, Hungary, Romania, China, and India.

When GE saw an opportunity to expand its global services operations, it took it – even though that meant divesting a majority stake in Gecis (GE retained a 40 percent stake in the company). It’s that type of enduring flexibility and ability to forget all of yesterday’s rules to take advantage of today’s opportunities that continues to mark GE as a leading embracer of globalization.

The first component of the basic model for embracing globalization is embracing globalization across the business, which speaks to the idea that globalization of services should not necessarily be relegated to back-office processes or information technology.

That leads to the second component of the model: asking why each process cannot be done elsewhere. Bill Gates has said that “If we are not realistic about what we’re good at, then there is a chance of going backwards in the face of further competition.” To survive, a business must be willing to strip itself bare, down to only those processes that are truly core competencies.

That stripping down is part of the model’s third component: mandating the globalization of those processes that can be done elsewhere. Within a company, globalization will be resisted by some people. Successful globalizers neither back down from that resistance nor tolerate it.

The final component of embracing globalization is keeping an eye toward the future. Companies must be constantly vigilant and always prepared to scrap the old way of doing business to take advantage of the new opportunities that services globalization offers.

Secret #2: Welcome Globalization as a Transformation Lever

One of those opportunities is enabling business transformation. Seeing that globalization is about more than cost savings, successful globalizers ask themselves: What can

globalization do for my business in addition to reducing costs? How can we leverage it to build competitive advantage? Once they figure out the answer, they act to realize it, taking six critical steps.

Table 1: Six Steps Toward Business Transformation in Services Globalization

Steps	Activities
<p>1 Generate solid leadership commitment.</p>	<ul style="list-style-type: none"> • Executive-level buy-in and commitment is explicit and highly encouraging • All employees, from the top to the bottom offer their cooperation, buy-in, and commitment
<p>2 Develop a new organizational design and structure</p>	<ul style="list-style-type: none"> • The organization considers its future state – what its new operating structure will look like as the organization develops globally • The organization defines the new roles for the global delivery centers and redefines the roles for existing centers • The organization develops new operating models that account for new jobs and work structures, performance management systems, and governance teams • The organization creates delivery models that leverage the new offshore operations to improve the organization’s value proposition
<p>3 Collaboratively map out and execute change management</p>	<ul style="list-style-type: none"> • Change management involves helping existing team members to become resilient, enable knowledge transfer, engage resource planning, and communicate • The change management team ensures that the transformation is mapped out and executed collaboratively – with all stakeholders actively involved in the process
<p>4 Communicate effectively</p>	<ul style="list-style-type: none"> • The organization plans for the human impact of the change and identifies potential points of resistance • The organization develops a plan to accommodate that impact and deal with that resistance
<p>5 Educate and develop new competencies</p>	<ul style="list-style-type: none"> • The organization identifies the training needs and develops a training curriculum for both the existing onshore and the new global organizations • The organization defines a training approach and aligns it with a career development plan for employees that will be retrained in new competencies • The organization also provide training for its new global partner
<p>6 Redesign processes</p>	<ul style="list-style-type: none"> • Processes are redesigned to include automation, new onshore/offshore interactions, knowledge management, and other support systems

American Express is a good example of a globalizer that has embraced globalization as a business transformation lever. The company demonstrates a commitment to retraining

employees in new competencies as part of its effort to redirect resources from globally sourced processes to core competencies that the company can excel at in-house.

Secret #3: Adopt a Lifecycle Approach

Even where globalizers understand the transformative potential of services globalization, and act to realize it, many initiatives fail because the organization didn't understand the depth of understanding and preparedness required to succeed in services globalization.

Successful globalizers, in contrast, understand that services globalization is a journey and not just a destination. It requires management of the entire lifecycle and due diligence – from understanding where services globalization fits within the business to managing offshore supplier relationships. It requires a lifecycle approach, which encompasses four phases.

Knowledge

The underlying principles of the knowledge phase are: knowledge is power and preparedness is key. Ignorance is no longer a justifiable defense for failure.

One of the most important pieces of knowledge is understanding the services globalization opportunity; recognizing that services globalization is about much more than cost savings – that sourcing IT processes to India is not the be-all and end-all of services globalization.

Understanding the risks involved in services globalization is another important part of the knowledge phase – because understanding the risks is the first step in managing them.

Plan

Once an organization's knowledge-building process is underway (it should never really end), the planning phase can begin.

In this phase, an organization begins to develop its services globalization roadmap, answering the questions: Why are we globalizing? What should we globalize? When will we globalize? Where will we globalize? And, How will we globalize?

When organizations skip the planning phases – and there are plenty of cases where they have – it's usually because they're blindly jumping on the globalization bandwagon, globalizing because their competitors are and because they heard that it's the latest way to gain a competitive edge.

In reality, globalizing without having a roadmap that answers the what, where, when and how can do more harm to a company than good.

Source

In the source phase of the services globalization lifecycle an organization must decide the services globalization model that will work best given the organization's services globalization maturity, the maturity of the process it is globalizing, and the maturity of its prospective suppliers.

In addition, an organization in this phase will also choose its location and supplier or captive model. The knowledge gained in the first lifecycle phase will again come into play here as the organization considers the range of location possibilities and the competitive advantages of each.

When it's time to decide on a supplier, an organization should conduct some additional research, including visiting with suppliers and performing detailed due diligence. Even before formal due diligence, a successful globalizer will have a good feel for supplier capabilities and reputation, competitive landscape, and risk factors.

Manage

While each lifecycle stage is critical, most services globalization engagements fail not because they were improperly planned or sourced but because they were improperly managed.

Each services globalization engagement must be managed as if it were the first. Providing ongoing contract governance, establishing an on-site program management office (at the offshore and onshore location), and conducting regular health checks are all ways that successful globalizers manage their services globalization engagements.

A Fortune 500 retailer is a good example of a company that was not succeeding in globalization until it adopted a lifecycle approach. The company wanted to better leverage globalization to build lower-cost capacity for its IT organization. The company's pilot projects, however, faced internal resistance, long delays, cost overruns, and poor internal customer satisfaction.

As it turned out, an understanding of global sourcing was not diffused within the organization (knowledge), the retailer didn't make an optimal decision on what to offshore (plan) and where to offshore (source) and hadn't adopted a governance framework at all (manage).

Once the company adopted a lifecycle approach – conducting a detailed assessment of its IT application groups and using that assessment to develop a three-year roadmap for the globalization of suitable application; and creating a governance model, including defining roles and responsibilities for information processes – the company began to realize its projected gains from the globalization initiative.

Secret #4: Align Business and Globalization Objectives

But even as organizations understand the depth of knowledge and planning required to succeed in services globalization, few stop to ask: is services globalization right for this organization at this time?

It's true that any company that wishes to survive in today's global market must adopt a services globalization strategy. But not every company is ready to globalize every process today.

To determine if it is ready for globalization, the organization must first ask itself two critical questions: Is business strategy driving services globalization? What part of our business strategy does globalization help us execute?

Is business strategy driving services globalization?

While it's true that services globalization should receive due consideration from executives at every organization, it is not a one-size-fits-all proposition: the way Company A executes services globalization will not necessarily work for Company B, just as the reasons for Company B to globalize are not necessarily the same as Company A's reasons.

In other words, too often globalization initiatives are taken on with no real strategy at all. Or an organization allows its globalization strategy to drive its business strategy. Successful globalizers, in contrast, develop very clear globalization strategies before setting one foot out the door, and those strategies are driven every step of the way by their corporate strategies.

What part of your business strategy does globalization help you execute?

In addition to aligning its globalization strategy with its business strategy and ensuring that the business strategy is the driving force behind globalization, the successful globalizer has a clear idea of what part of its business strategy globalization will help execute.

A Fortune 500 computer systems company is an example of an organization that did not develop a clear idea of the part of its business strategy that globalization would help execute before beginning its globalization initiative. As a result, the organization encountered a number of (likely avoidable) problems.

After analyzing the problems that had occurred within its services globalization initiative, the organization realized that its fault lay in not fully analyzing its portfolio of processes to understand the fundamental what, when, where, and how questions that services globalization requires. Additionally, the company found that its fragmented processes needed to be aggregated and that an effective transition needed to be based on a detailed analysis of processes.

The company responded to the deficiencies it found in its services globalization roll-out and re-planned the initiatives by answering those critical what, when, where, and how questions and developing a clear picture of how globalization would help the company accomplish its business objectives. The company now has successful offshore operations.

In order to successfully leverage services globalization – to “be right” in globalization decisions – organizations must ensure that their globalization strategy is driven by and aligned with their business strategy.

Secret #5: Assign the Best People

Many of the organizations that openly pursued services globalization as a part of their overall business strategy are immediately recognizable for doing so – GE, IBM, Citigroup, among others. Some have well-known leaders guiding those strategies – GE's Jack Welch, for example.

But even where organizations don't have well-known public figures guiding their services globalization strategy, having the best people in charge is imperative. With the best people at the helm, the globalization initiatives can find strong support at all levels of the organization.

How are the "best people" defined? The people who will do best at guiding an organization's globalization initiative have several common characteristics. All too often, companies simply use the most easily accessible people to guide globalization, even when those people are not right for the job. In many of those cases, the initiatives fail.

A common example is the company that decides to source its IT processes offshore and assigns the IT managers to lead the initiative. Those IT managers are extremely well-versed in IT processes and have a lot of knowledge about the company's IT system, but may be overall more reserved, introverted types. Such managers shy away from high-profile leadership roles and generally dislike change. The initiative fails.

Why? While the IT managers played an important role in the organization's IT department, they were not the best people to lead a globalization initiative. They lacked most of the important "global people" characteristics. The "global people" stars are resilient, they embrace change, they have a global mindset, they have an affinity for different cultures, they are performance-oriented, they take initiative, they are admired by others within the company, and they are consensus builders.

Take another example of an organization that assigns a number of leaders from different departments within the organization. These people have a record of embracing – even spearheading – change within the organization. They seek out high-profile roles and enjoy leading others; they're admired and have proven their ability to build consensus among employees. The initiative succeeds.

Why? The organization assigned as leaders those people who had demonstrated the ability to be good leaders. When they needed to understand the details of IT processes, they sought out the IT managers, who were able to do what they did best and were not asked to do what they were not good at. The people who were assigned to lead the globalization initiative possessed many of the "global people" characteristics.

Secret #6: Implement a Strong Governance Model

Successful globalizers often keep those “best people” around after the roll-out of the globalization initiative to manage the program. Yet many companies forget about the initiative after roll-out – a kind of amnesia that leads many globalization initiatives to fail. To prevent the break-down of the initiative after roll-out, it’s important to implement a strong governance model, created in the shape of a pyramid.

The top tier in the pyramid reflects *organizational governance*. At this level, governance activities are primarily strategic and are engaged by the organization’s senior leaders. The organizational level is where the big picture is reconciled, where the firm’s business case for globalization is aligned with the initiative itself. This level of governance focuses on achievement of strategic objectives through services globalization and monitors that progress.

At the middle tier, the *functional level*, governance activities are more hands-on than at the organizational level, but less than at the operational level. Here, the role of the governance group is to enable coordination, communication and control among key stakeholders and functional leads. The focus is on functional synergies and coordination rather than day-to-day management.

The bottom tier – the *operational level* – is the front line of an initiative’s governance activities. This is where individual contracts and relationships are managed. The operational governance team is responsible for monitoring the day-to-day activities within the initiative as well as for reporting from-the-ground information to the functional and organizational teams.

Because the operational governance team is directly responsible for managing the initiative on a day-to-day basis, large organizations may

have several operational governance groups in place across divisions or functional areas.

Ultimately, it is the *Program Management Office* (PMO) that is accountable for the ongoing success of the services globalization initiative. The PMO is where the proverbial buck stops; it bears the ultimate responsibility for ensuring that good governance is being practiced within all three layers.

A Fortune 500 financial services firm is a good example of how an organization can resolve a global business problem through good governance. The firm’s business challenges included:

- Large size and number of different stakeholders
- Multiple suppliers
- Issues of cost, non-standardized services, and management control
- The migration of a large number of resources
- Consistency across the organization

The organization’s first step toward a solution was recognizing that there was a problem – that operations needed to be synchronized worldwide and common measurement, evaluation and escalation processes had to be created.

The second step was more difficult: figuring out how to create the solution – consistent, confluent operations and management – in such a large, diverse organization. Fortunately, the firm had some operational governance structures in place; the task was to deploy those governance frameworks throughout the organization.

In creating an organization-wide governance framework, the firm put in place program monitoring and issue escalation process standards and – at the same time – created a complete program management framework to use for its current and future globalization initiatives.

Secret #7: Embrace a Continuous Improvement Mindset

At the end of the day, though, even if the organization has followed the first six secrets of successful globalizers, how will it know if its governance model is strong enough? If its globalization initiative is successful?

To answer those questions, the organization needs to have a continuous improvement mindset. One valuable continuous improvement tool is the health check.

Just as our doctors encourage us to come in for annual exams – even if we feel perfectly healthy – so should a company regularly conduct a services globalization health check. The health check will measure output on a variety of factors and compare those measurements to established benchmarks, goals, and expectations.

The health check can benefit the organization at a number of different points in the globalization lifecycle:

- Prior to completion of the sourcing phase of the lifecycle, the organization can use the health check to assess its readiness for globalization and to assess proposed contracts.
- Post-transition, organizations can use the health check to ensure that the service management and governance arrangements are working and positioned to adapt to future changes.
- Midway through the initiative, the health check can be used to refresh the organization's relationship with the supplier, processes, pricing, and contracts.

The health check can also be useful when it comes time to renew the contract; to enable appropriate contract revisions or to terminate the agreement and set up cross- or reverse-transitioning.

A health check that is conducted objectively using proven process improvement methods (such as Six Sigma) can open the client organization to numerous opportunities, including returns on competitiveness, human capital, delivery and technology efficiencies, and investment.

A Fortune 500 computer, networking and communications products manufacturer is an example of a company that has found ongoing success in services globalization. The technology company was one of the first to seriously consider sourcing to global locations. It realized that with India's low-cost base and large availability of skilled talent, sourcing support work to India could generate significant cost savings for the company. So the company set up a captive center in India.

After successfully sourcing support work to its captive center in India, the technology company began to think about other processes it could source globally. Could it go beyond the traditionally offshored support processes to globally source higher value-added processes as well? The company's experience with highly qualified resources in India suggested that it could, indeed, benefit from sourcing higher valued-added processes.

So that's what the company did: it began globally sourcing processes such as testing, and even research and development. Now, captive centers in India and other countries play a key role in the development of the company's core technology products.

But it was only by way of its continuous improvement mindset that the company asked itself: could we be doing even better? The company continues to look for new ways that it can leverage services globalization to improve business efficiency. Currently, the company conducts almost a quarter of its research and development outside the U.S. – in countries such as India, Russia, Malaysia, and China.

Final Thoughts

Initially, globalization was about taking advantage of lower labor costs in offshore destinations. Today, successful globalizers understand that there are a number of other advantages to services globalization and embrace those other advantages where unsuccessful organizations do not.

Today, globalization can be a means for shoring up competitive advantage as organizations take advantage not only of lower labor costs but also of diverse intellectual capabilities, growth and quality enhancement opportunities, and the ability to get products to market more quickly.

Successful globalizers realize – while many unsuccessful organizations do not – that services globalization is not a one-shot deal. It is a new way of doing business, a new part of the business lifecycle. Successful services globalization requires not only diligent planning, but also ongoing management. And it requires strong commitment from the organization's leadership.

Underlying successful globalizers' seven secrets is a fundamental conviction that becoming more global and flexible organizations will be good for business. Successful globalizers that embrace a global and flexible mentality are constantly looking for opportunities to improve – whether those opportunities present themselves in Michigan, Mexico, Malaysia, or anywhere in between.

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Juliana Gidwani

Marketing Manager
San Ramon, California
juliana@neoIT.com
925-355-0557
www.neoIT.com

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neoIT Global Offices

neoIT Global Headquarters

2603 Camino Ramon
Ste. 200
San Ramon, CA 94583
Telephone: 925.355.0557
Facsimile: 925.355.0558

Asia Headquarters

No 16 & 16/1, 5th Floor
Phoenix Towers, Museum Road
Bangalore 560 025, India
Telephone: +91 80 4018 2000
Facsimile: +91 80 4018 2010

neoIT Philippines

8/F Pacific Star Building
Senator Gil Puyat Ave. cor Makati Ave.
Makati City, Metro Manila, 1200, Philippines
Telephone: +63 (2) 811-5519
Facsimile: +63 (2) 811-5545

Editors

Atul Vashistha
CEO

Eugene M. Kublanov
Managing Director &
COO

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