



Bringing Offshore Talent into the Corporate Fold

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By Bridget Mintz Testa

When companies first decided to offshore manufacturing and IT operations, cheap labor was the draw. In the last few years, though, market entry and now talent itself have become bigger magnets for some corporate offshoring. The business model is changing as well. When companies today find top talent abroad, they often bring it into the corporate fold instead of outsourcing work to it. The goal is to create globally diverse, collaborative teams of the best and the brightest employees to enhance long-term competitiveness in the world market.

It's a bold strategy, and its success depends on how clearly managers can articulate an organization's global growth plans and determine the right engagement level. It depends on how skilled a company is at locating the right talent and whether or not it possesses the management skills to build cohesive teams made up of individuals from different cultures. Not every company succeeds in such efforts, but those that do reap manifold benefits, such as the abilities to work with clients, close deals in multiple languages and countries and draw on pockets of expertise from different parts of the world.

Teradata, a global company that specializes in data warehousing and analysis, such as finding out which customers are the most valuable to a business, chose a direct-hire offshore model when it saw that its corporate success lay in developing the best products, and that such development required the best people. Teradata selected an approach that places at least a few dozen employees in a few specific locations, rather than scattering a handful of them across many sites. This "hub" approach to siting talent works not just for emerging nations, but in North America as well.

Establishing multiple company sites and handing everyone the same corporate badge is not enough, though. A company must also overcome an "us versus them" mentality among its far-flung employees. In this article, Vijay Swaminathan and Lawrence Gelburd explain how companies can create teams out of geographically and culturally diverse employees. As the struggle to find human resources intensifies, every company can use these methods.

Swaminathan is co-founder and managing principal of Zinnov Research and Consulting, a company with North American headquarters in Houston and Asian headquarters in Bangalore that specializes in advising companies on offshoring. Gelburd is a Wharton Business School lecturer and expert in entrepreneurship.

Company growth strategies and levels of engagement. Any company contemplating offshoring must understand the right level of engagement.

"You have several options," says Gelburd, who, besides his current Wharton position, also was a partner in an IT systems firm in the 1980s that worked extensively with clients in Europe and Asia. "One is a straight contract relationship. The next step up is a strategic alliance, then a joint venture, then a partially owned subsidiary and then a wholly owned subsidiary."

If a company just wants to get a project done, then a straight contract relationship is the way to go. "If [a function] isn't very critical or strategic, it makes a lot of sense to outsource to India," Swaminathan says.

Today, more and more companies have goals beyond simply getting one project done.

"Some organizations are looking to get into a market," says Stan LePeak, managing director of research for EquaTerra, a global management consulting firm specializing in outsourcing and business process change. "Access to talent is increasing in importance, so there's a new desire to get access to talent they can't get locally."

Such goals change the strategic value of an offshore engagement. Swaminathan says managers should ask themselves whether the function to be offshored is crucial to the business. When a company needs a long-term presence, when it must develop in-house talent and if it accepts that it will take time to scale up, then they would want to go to the direct-hire or "captive" workforce model, Swaminathan says.

For all of these reasons, Teradata chose a direct-hire approach for research and product development.

"Our philosophy of offshoring is that we must build the best and most innovative products to compete, and our success in that is measured by the level and quality of our staff," says Scott Gnau, chief development officer for Teradata. "Thus our staffing is global. Long-term relationships with very smart and talented engineers define success. We have used our offshore reach to find a larger pool of talent and to draw from such people."

Finding global talent every country has "Tier 1" cities, defined by 40-year-old Boston-based econometric forecasting company Global Insight (formerly known as Wharton Econometric Forecasting Associates) as those with populations greater than 5.1 million and a per capita GDP of more than \$5,900. Although these are the obvious first choices for finding corporate talent and establishing facilities, sitting a new company location isn't just a matter of sticking pins into a map of every emerging nation's Tier 1 cities.

Swaminathan cites a host of factors that play a role in these decisions: the presence of other, similar companies that have found success; the presence of important vendors; culture; political landscape; languages spoken; the state of the infrastructure and development plans; transportation capabilities; and environmental and weather conditions.

"You look for all of this, depending on the scale of the company," he says.

Gnau points out that good universities are also a key element in the siting decision. They're crucial in graduating young talent, but companies like Teradata also want to foster ongoing university relationships for research and development, and for the development of curricula that teach critical job skills to the future workforce.

Workforce size in each corporate location matters, too. A staff of two, three or a half-dozen just won't work, because of attrition. "To do a captive hire, you must have a proper critical mass,"

Swaminathan says. As a rule of thumb, the minimum staff size for an offshore employee team in software and product development should be 35 to 50 people, he says.

Gnau also acknowledges the importance of workforce size. "It's important to have scale in this," he says. "We found key locations that would be rich with the talent. We have four or five key locations rather than a bunch of smaller ones."

Teradata selected its six global talent hubs based on such factors. Of the six hubs, five are in Tier 1 cities: Beijing; Toronto; Hyderabad, India; San Diego; and Los Angeles. The sixth is Raleigh, North Carolina. Even though it's a Tier 2 city, it had a lot going for it.

"Raleigh has the Research Triangle Park and top-tier universities," Gnau says. "Many R&D organizations are based there, due to demographics and skills. The pool of talent is pretty big, so it was fertile ground."

The hub approach is becoming a common model for research and product development, according to Swaminathan. With hubs, "you don't view offshore [as the place] for all your boring jobs," he says. "It's collaborative, with equal talent. There's joint ownership of the work. 'Offshore' is just another company location."

Direct hire has a host of advantages and few disadvantages. Employees will be dedicated and enthusiastic, willing to adapt to change and open to the corporate culture. "It's truly your enterprise, just in a different city," Swaminathan says. The main disadvantages are the ongoing costs of hiring, training and maintaining that critical minimum staffing number, along with establishing career development paths and the management complexities of a long-term commitment. But any large company has plenty of experience with these HR realities.

All for one
When members of the same team are literally separated by night and day, management faces substantial challenges in helping them establish and maintain personal connections—and in keeping them focused on the same goals. Both Gelburd and Swaminathan say that communication is the key in addressing all of these challenges.

Communication with employees must start as soon as a company decides on an offshore engagement, whether it's for the long or the short term. "On-site employees will wonder if their jobs are being threatened," Swaminathan says. "You must explain the reasons before people draw their own conclusions. Senior management should communicate a vision of why they're going offshore." Otherwise, rumors fly and people leave.

When one or more offshore groups make up a permanent part of a collaborative global team, nothing beats spending time together in person. "Each team should go to the other location at least once," Gelburd says. "This way, each side gets to see the conditions at the other end, and they get to know each other as people."

One of the best times for these meet-and-greets is during the requirements-gathering phase of a customer engagement, Swaminathan says. If management can't bring the entire offshore team over, it should at least bring over the team leaders so they can understand the customer's problems and needs. "There is nothing like talking to the customer," Swaminathan says.

Once a project is under way, communication still remains the key. "There must be some communication overlap between the offshore and the on-site team during working hours, even if it's only two or three hours," Swaminathan says. "It's a lot easier to have communications over the phone than by the Web or e-mail." Gelburd suggests that some projects may even require 24-hour shift work "so that some people are available when the other people are asleep."

Many online tools and techniques are available to help with long-term team bonding and communications. There's e-mail, of course, but in addition, the Web offers cheap Internet phone, virtual chat rooms with text instant messaging, live online meetings and screen sharing. When team members must see a room or an electrical conduit as part of a project, nothing beats online live video. Group Web-based games keep the team spirit going. If travel complements these methods, that's even better. "Constant interaction is the key," Swaminathan says.

And when a team has to work through a thorny problem? "An ad hoc, 'We didn't think of that' approach is fine," Gelburd says. "But if it's a really big project, you need a process with procedures, people to sign off and a log. Keep management involved, and work out the procedures for communication beforehand."

As an example, Gelburd cites his own company's experience in implementing commercial and industrial environmental monitoring, control and security systems.

"When we were initially putting in systems, it was mostly in the U.S. with support out of Pittsburgh," he says. "[While that was the case,] we did the testing procedures for software upgrades in the U.S. informally and in-house. Then the company began installing and testing software in the United Kingdom, where customers were using a number of new and different functions. Not only that, but some of the scheduled functions weren't working properly." At first, Gelburd and his colleagues had to fly to the U.K. to address the problems, but then they developed a set of formal procedures for doing the testing before installation. "After that, there were no more operations failures," he says. "[The procedures] helped us head off the problems."

Having a workforce made up of people from different cultures and continents is a tremendous management challenge. But if done properly, it can lead to unanticipated benefits. "A diversity of locations, like a diversity of people, strengthens us and gives us a competitive advantage," Gnaou says. "People think about solving problems differently. We can learn from each other."

Software and hardware testing and certification specialists AppLabs, with headquarters in Philadelphia and offices in Lindon, Utah, and Preston in the U.K., provides an example of such collaboration. The company tests both hardware and software for a wide variety of clients, including many in the Fortune 500. The hardware and network configuration expertise is mainly located in the U.S., while the software expertise is primarily in India. Software testing is performed by establishing a real-time connection between the client's facilities in the U.S. or U.K and AppLabs' offices in India.

For one Manhattan-based financial services client, the link to India was too slow. That caused the connection to drop frequently. As a result, the automated testing scripts, which must run uninterrupted from start to finish, kept failing, requiring them to be run again and again.

To solve the problem, the team in India contacted the Utah group and asked for their help. The Utah office set up a link between computers in Lindon and the client's office in Manhattan, which was very stable and was then used for running the tests. A separate link between the computers in Lindon and AppLabs' India offices allowed the software experts in India to monitor and control the tests. The two links were separate, and it didn't matter whether the link between Utah and the India location occasionally failed.

"We can take advantage of our global resources—hardware, software and people—to do more work and be more efficient," says Alex Whittaker, vice president of the performance and certification systems unit, who is based in Lindon, Utah. "This is routine, because we've built up this relationship between our teams. We have the same goals, we travel back and forth, and we work together to figure out what each group can contribute."