# Alternative Outsourcing

**– Custodian Model**

# Executive summary

**Outsourcing is no longer a simple matter of shifting labour from expensive locations to less costly ones. Over the years outsourcing community and the objectives that companies want to achieve from outsourcing have matured.**

In today's business environment with its frantic and urgent pace made more challenging in the digital environment it has become imperative for companies to leverage the outsourcing model to stay on the cutting edge of technology, vastly improve the operating model with faster turnaround and better customer services and keeping it within reasonable costs.

Cost savings still exist, of course, and most CFOs are convinced by the 'Make your budget do more' business model.

One star of the show is Systems Plus, an outsourcing business whose model is about as far from the traditional vanilla resource as it's possible to get. They prefer to act as an extended brand with the same customer culture, just located in India. A new breed of outsourcing providers like Systems Plus have very innovative models to offer to customers which provides them the best of in-house and outsourcing.

This white paper examines today's scene, how it's different, and how it can benefit your business in ways you might not expect. Welcome to an innovative model that can assist you to achieve more:

+ Talent Management
+ Measuring Output
+ Sustained Value through Efficiencies
+ Business Alignment
+ Establish Functional Capabilities
+ Establish Capabilities and Newer Technologies
+ Research & Development
+ IP Creation

## Fresh thinking on outsourcing to India

India has been at the heart of the outsourcing revolution for over 25 years, since the Indian government, adopted policies that made it easy for foreign companies to outsource work to Indian firms. At the same time the nation invested in education to ensure their graduate resource had the right level of skills and expertise to provide a talent pool of affordable software engineers.

The outsourcing model was originally based around shifting manufacturing to countries where cheap labour meant low production costs. Now the model focuses on the client business outsourcing part of its work and giving the outsourcing resource a higher level of responsibility for the design and implementation of the business process.

Working to direct and clear guidelines regarding requirements and specifications from the client company, delegating important work to Indian partners couldn't be more different from the way it was a quarter of a century ago. It's a brave new world, and one that increasing numbers of British companies feel confident about tapping into.

> *"What we do really matters because it drives our clients' businesses and creates a better user experience resulting in more sales for our customers and helps us develop deeper customer relationships."*
>
> Systems Plus CEO Vivek Desai

# The Challenges with old-school outsourcing

Old-school outsourcing had cultural clashes marred relationships, and there were fears that the developers were running loose, not always doing what they were meant to be doing.

Many clients felt outsourced companies hadn't invested enough in their interests. Those expected to handle outsourced tasks often either didn't understand or were not told why the project mattered. The part outsourcing staff would play in the business wasn't clear, leadership of development teams was seen as poor, and training was sometimes non-existent. The developers didn't always share their knowledge adequately, and when costs escalated – and projects went wrong – relationships soon soured.

All this was happening against a landscape where highly qualified, intelligent, ambitious, dedicated and enthusiastic Indian graduates were keen to do an excellent job and make their way in the world of business. In short, there was a serious disconnect between what both parties wanted, and neither was fully satisfied.

Like all new sectors and disciplines, things have changed and moved on. Today's outsourcing experts in India offer a dramatically better fit with what British businesses want, illustrated by the latest trends in the sector.

# Outsourcing Trends

So what's been happening in the outsourcing world in recent times? There's been a rapid and dramatic sea-change in response to traditional sticky issues, the needs of clients and those of the people delivering the service. The resulting changes have changed the face of the sector for the better, for everyone concerned.

Key outsourcing trends include:

+ We're seeing standardised outsourcing relationships driven by processes and people rather than price, creating a more appropriate focus in outsourcing transactions and levelling the playing field for today's service providers
+ Cost pressures are paving the way for flexible custom outsourcing contracts, SLAs (Service Level Agreements) and delivery scope
+ More small businesses, start-ups and SOHOs (small offices/home offices) are adopting outsourcing to reduce operational inefficiencies and improve their time to market

+ Rising costs mean it's increasingly important for companies to engage with outsourcing to keep their operating costs down
+ More high-end critical business functions are being outsourced, and the outsourcing of low-end services is stabilising
+ As businesses move towards cloud outsourcing, support and development is set to increase even more
+ As newer technologies evolve; Indian outsourcing is being leveraged for R&D and IP creation engagements
+ Cost effective technologies like tele-presence and video conferencing supports these interactions very effectively.

Indian outsourcing is experiencing a powerful and dramatic renaissance, and the face of the sector is changing fast in response to today's needs.

# Brave new world – An introduction to the "Custodian Model"

You might or might not have past experience in outsourcing business projects to India. Either way things have changed a great deal from the early days. Today's Indian outsourcing services are an entirely different animal, and the service they provide has come along in leaps and bounds.

Not too long ago you'd simply shove a basic project overseas, pay peanuts and hope for the best. These days' Indian outsourcing partners are focusing on reducing business risk through a deep understanding of the risks their client businesses face, and are engaging in solving client business needs.

Sustained business growth is the name of the game, with outsourced staff seen as actually working for the client business, not just cheap offshore labour with no stake in success. These people are often highly qualified as well as having a deep pride in their work and a keen desire to belong. It isn't about cheap labour any more. It's about a healthy, mutually beneficial business partnership, seen as a serious career for Indian graduates rather than simply a job.

Systems Plus employs a Custodian Model which ensures that the customer has control and can prioritise workloads without the worry of running the centre. Systems Plus is the custodian and their job is to ensure the customer's objectives are met by enabling and ensuring the smooth operation of the customer's IRC.

Technological developments like the cloud and new comms technology mean the tech used by British companies and their Indian outsourcing partners is the same, as is the working environment. This means overseas support staff have a much better sense of belonging, essential for truly effective business partnerships.

# Contemporary Solutions from Systems Plus

Systems Plus is a great example of new-style India-based outsourcing. They operate in the US, Europe and APAC. Providing software services as a multi technology company, they work across a range of technologies and services like ADM, Big Data and Digital Solutions. Of Indian origin, the management team work in different geographies like UK, US, Singapore, Germany and India for years so genuinely understand what it takes to outsource successfully and understand the needs of the British clients.

Their new service, **'International Resource Centre' (IRC)**, provides outsourcing clients with an end-to-end service designed to minimise business risk and rule out potentially expensive mistakes. Systems Plus puts a strong emphasis on the cultural, people management and development aspects of outsourcing. Their Indian staff work for the client company in question rather than for a vanilla project where they have no ownership, no responsibility, no long term prospects and no proper training. The resulting three stage approach sets up and matures highly effective teams to integrate closely with long term business strategy and ongoing development.

The IRC commercial model is open and transparent and has definite cost savings of 30%+ even over the traditional outsourcing model, Systems Plus insist on much more than simply economic savings. Their innovative operating model drives full transparency, intelligent prioritisation and greater levels of control as well as faster turnaround and implementation of projects and ideas. Extended teams creating a seamless offshore IT partnership and, vitally, provide a genuine opportunity for client businesses to grow the culture and values of their organisations globally.

Like all growth strategies, outsourcing works best when it's part of a long term business strategy, not just an ad hoc add-on. Having a robust knowledge transfer plan in place from the offset means the time and resources spent developing the team genuinely benefit client companies in the long term.

International Resource Center

- Talent management
- Workload management & prioritisation
- Cost benefit
- Governance & reporting
- Customer standard tools & technologies
- Customer HR policies & KRA
- Overall transparency
- Research & development
- Customer ownership (BOT) possibility

# The benefits to organisations

- Client businesses enjoy full control – Selection and prioritisation
- Clients commit to a collaborative partnership with improved visibility, accountability and transparency
- Clients benefit from dedicated management attention, with a dedicated account manager

- Seamless "One" IT Organisation for client through adoption of their Values and Culture, processes, Business focus and alignment
- Outsource team contributing to improve business beyond delivering on SLAs

- Establish R&D – Faster, secure and cost efficient innovation and IP creation
- Access to highest level of talent which might be challenging in Europe

- Excellence in engagement and operational transparency, including financials through flexible approach
- Systems Plus invests in building relationships and delivers integral value-adds

Systems Plus is located in Pune, nicknamed as "The Oxford of the East" due to its nine universities and over 100 educational institutions. The city of Pune has been thriving because of its proximity to Mumbai, urban infrastructure facilities and large availability of skilled resources every year with 100,000 plus graduates emerge from the city, including 32,000 management and engineering graduates.

# Summary

**Most companies already understand the benefits of outsourcing. The Indian outsourcing sector has matured to meet the real needs of client businesses, and businesses all over the world are benefiting from the new-style offerings available. The most successful contemporary partnerships are built by clients and outsourcing providers who understand how important it is to approach outsourcing as you would any other element of business growth.**

# Case Study
## – International Resource Centre for US Customer in the Financial Security and Fraud Prevention Domain

Customer wanted to develop an 'effective' compliance program with 'adequate and more procedures' as required by global regulators. Product would assist global organizations to navigate the complex world of legal, regulatory and anti-fraud compliance while reducing the time spent on in-house monitoring and investigations.

The customer wanted a product that would be the best of the best and would have more innovative features than the competitive products that were available in the market. Hence there was a lot of research work to be done alongside the product development. This involved comparative analysis, explorations of ideas, feasibility including the technology stack, the most appropriate architecture, processing large volumes of structured and unstructured data, launch platforms, data analytics & reporting requirements was to be decided. The customer wanted to ensure that all these were nailed down before the project started.

As this was not a clear cut project where the requirement specifications were clearly defined and a lot of ideas were evolving and the customers had a long term vision and roadmap for the product and knew that this would be a long term relationship with Systems Plus, decided that the IRC would be best suited for the engagement.

The IRC team, initially started with some key roles on-board and as the ideas matured, team was ramped up with required team members on timely basis. This helped the customer manage the evolving process of the product development, allowed them to do technology R & D to determine the best way forward on the technology stack.

The IRC team has been successfully in operation for over 2 years.

The IRC team has taken 'One Team' approach and has worked with the customer business team for:

1. Evolving the technology stack
2. Testing the customer's product ideas with the technology available and the best way to integrate the same
3. Developing of the initial and the advanced versions of the product
4. Supporting and Maintenance of the product
5. Conducting product demonstrations and show & tell sessions
6. Understand the unique requirements of the customers in different industries to incorporate those features in the product
7. Participating in pre-sales opportunities

Currently the IRC team is delivering the following services to the customer:

- Incubation, Research & Development of Ideas
- Product Development and Testing
- Product Support & Maintenance
- Infrastructure Management on AWS
- Pre-sales customer support and demonstrations
- Reviewing open source tools that can be integrated for the product development

With the IRC the customer gets a lot of flexibility, for e.g. when the team were working on the product features and in between the customer got a prospect who wanted a demonstration of the product and then specifically for the demonstration some enhancements needed to be done, as it was an IRC the people could easily be juggled to now look at a customer priority before going back to developing the features. ▶

The value that the customer continues to get from the IRC are:

- Quickly able to get the right talent and realise their vision
- Talent management and a say in the people who are part of the IRC

- Defining and agreeing the priorities, which Systems Plus implements
- Getting Systems Plus to manage the workload & improve productivity
- Sustained values through efficiencies in various areas e.g. keep evaluating technologies that can be better suited for the product

- The IRC teams focus is on business results i.e. how do they help the customer to win new business. Therefore the mind set of the IRC team is how do I contribute to the customer's business and when the customer's business increases so does our business

- Agility and Flexibility to turnaround things fast. The IRC teams works very closely with the customer and therefore there is quicker turnaround and faster implementation of ideas that are discussed
- Flexible and Cost effective model

Overall the decision to go for an IRC business model has proved to be of great value to the customer's business. Not only as a cost saving option but adding real value to the customer business.

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