

Arkin Software Technologies' Whitepaper Series

Global Delivery Model – IT Services and Solutions for Maximum Efficiency



ARKIN SOFTWARE
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Abstract

In the past decade, technological innovations such as internet, supply chain, VOIP, etc. have radically transformed the business landscape. Together these innovations enabled seamless communication across geographic boundaries and created a shrunken global village – enabling organizations to tap into global resources easily, efficiently and cost-effectively. This phenomenon has paved the way for global outsourcing.

Companies quickly embraced the global outsourcing as a tactical strategy to cut costs by outsourcing non-core activities such as Information Technology. A few years ago, IT global outsourcing was a non-existent industry, now it is a US\$300 billion industry, and is on rapid further rise.

While global outsourcing presents a lot of rewards, it also presents a lot of challenges with geographically distributed teams, cultural and language barriers, security issues and demands a Global Delivery Model—one based on sound project and program management principles and is flexible enough to deliver ever changing customer needs.

This paper presents:

- Changing role of the global outsourcing
- Risks and rewards of the global outsourcing
- Arkin Software Technologies' Global Delivery Model



Introduction

The term outsourcing refers to the practice of paying an outside organization to do some of the work that is done in-house. Outsourcing has been an integral part of industrialization from the very beginning, changing its form and scope with time.

In 1980s, companies from the industrialized nations began to look for cheaper foreign labor to stay competitive and to survive, thus establishing the stage for global sourcing. From 1990s, global sourcing has expanded horizontally to every other sector of the economy and geographically across the world. Information Technology Services is one sector that has witnessed profound impact of the global sourcing trend, particularly from mid 1990s. The IT service providers have rapidly evolved into global service providers, with operations across the globe, to provide quality and cost-effective solutions to their customers, by availing labor from low cost countries.

What started as a trickle has soon gained momentum with its spectacular success and scale to a point that it is now viewed as an integral part of any corporate IT strategy. The current market studies point to continued increase of global outsourcing as a percentage of market share in the overall IT outsourcing market. This whitepaper aims to highlight major benefits from global outsourcing while managing its downside, and the needed framework (building blocks) on the part of service providers to make it a success. This paper also elaborates Arkin Software Technologies' Global Delivery Model and its core components.

Global Outsourcing Explained

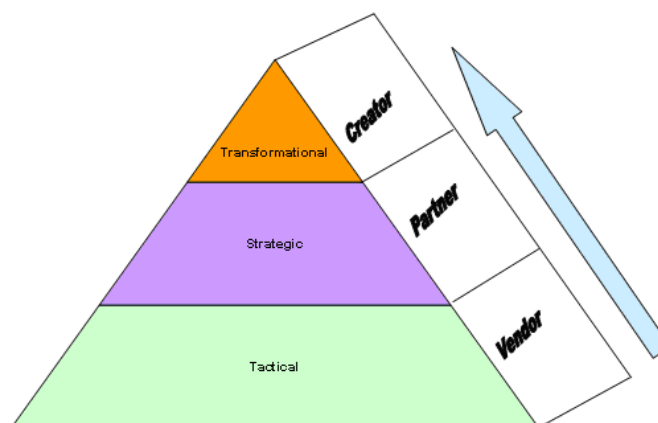
Global outsourcing is not just pure offshore delivery from cheaper locations. Global outsourcing is rather a broader strategy that blends local, off-site, and offshore capabilities into a seamless delivery model managed through an on-site interface supported by common framework of best practices, mature program and project management, and dependable quality assurance. Essentially, the seamless Global Delivery Model combines complete range of on-site, local off-site, and offshore capabilities under one common management structure.

Because of the inherent flexibility of the global delivery model, it enables organizations to determine and pursue any portion of any project to be implemented at the most optimal location to achieve corporate objectives – essentially by managing work distribution to balance cost, resource, and risk requirements for each specific task. Work distribution is dynamic, allowing clients to shift any portion of a project between on-site teams and other global resources, whenever and however, in order to meet the current objectives.

Organizations that embrace global outsourcing need to set up framework of governance, accountability and metrics tracking so as to be able to support, guide and extract maximum value from the outsourcing relationships. It is essential to agree on Key performance indicators (KPIs) and Service Level Agreements (SLAs) between organizations and their service providers, which are typically captured and presented in web-based tools for immediate attention.

Changing Role of Global Outsourcing

In last ten years, management perception of outsourcing has also evolved in three stages: tactical, strategic, and transformational. With it, the role of a service provider changed from a contractor to a partner to a creator/transformer. Figure 1 below depicts the three stages of outsourcing.



Tactical Outsourcing:

Many organizations get their feet wet in global outsourcing by deriving value primarily from cost reductions obtained through labor rate arbitrage. Some organizations approach global outsourcing when skills they seek are not available locally. Whatever may be the driver, such initiatives promise immediate noticeable gains to the organizations, and prepare organizations for deep dive in global outsourcing for sustained business benefits.

Strategic Outsourcing:

At about the time companies began to witness the initial success from their early efforts in IT global outsourcing, there were dramatic changes in the business landscape - advent and unprecedented adoption of internet; rapid digitization of business processes; and, availability of vast and less-expensive global talent. This allows companies to take long-term view of outsourcing to focus on the company core competencies and outsource non-core activities.

The theme to “outsource non-core activities” widens the scope of services offered by the service provider, and extends duration of the outsourcing relationships. Most importantly, the working relationships with service providers evolve from adversarial vendor-supplier relationships to long-term partnerships between equals for mutual benefit.

Strategic outsourcing leads to the redefinition of the organization around its core competencies and setting up strategic and long-term relationships with the service providers.

Transformational Outsourcing:

The first stage of outsourcing was about doing the work with the existing rules, and then the second stage was about using outsourcing as the corporation is redefined. The third stage is using global outsourcing to redefine the business.

With the availability of the talent around the globe, and easy access to it, successful companies discovered that they must transform themselves and their markets to redefine the world before it redefines them. And outsourcing has, once again, emerged as the single most powerful tool available to executives seeking this level of business change.

With early successes in and rapid evolution of global outsourcing, organizations are realizing that the real power of outsourcing is in the innovations that outside specialists bring to their business - to radically change the definition of the business, such as creating new business processes, co-creating new products, risk-reward sharing, etc. Transformation outsourcing is not about creating dependence, it's about actively creating interdependencies that serve the interests of all parties. The service providers are not mere tools for getting more efficient or better focused, they are rather forces for change—allies in the battle for market-share and mind-share.

Global Outsourcing Benefits

Global outsourcing has become a key organization initiative across the globe in short time, due to its immense success in delivering business value for varied situations. The following direct business benefits can be attributed to global outsourcing.

Cost reduction

Cost reduction is still a primary motive for global outsourcing. Global outsourcing lets companies tap into the best talent at an affordable cost. Further, companies also optimize their cost structure – converting their fixed cost elements into variable costs - to achieve more predictable cost structures.

Technology & time-to market

For most of the companies, technology is a means to an end. Their continued success depends upon their timely investments technological initiatives to sharpen the business processes. But, technology changes rapidly. It is difficult for organizations to keep up with vast array of technologies – as they will have to invest significant amount of time and money to train, and build centers of excellence internally. Countries such as India produce enormous number of qualified engineers every year, enabling global service providers to tap into talent to offer wide range IT services at an attractive cost.

Global outsourcing allows organizations to implement technological initiatives, by providing cost-effective access to skills.

Center of Excellence

In the last decade, global IT service providers catering to many companies across various industries have built considerable domain expertise, both in business and in technology. In time-to-market scenarios, a company can benefit enormously by leveraging expertise of a global service provider instead of re-inventing the wheel.

24x7 work cycle

Internet, VoIP, and rapid digitization of processes have enabled companies to take advantage of virtual non-stop working model. Global service providers, with delivery centers in different geographies, are able to extend working hours and provide faster delivery times. For example, IT technical glitch reported during the daytime in North America is now being resolved and put in operation by staff in India while America is sleeping. This continued operation delivers cost savings, increased customer satisfaction, and productivity for a company.

Flexibility in Resource Alignment

In any economic cycle, global outsourcing provides an excellent vehicle for resource alignment without its associated fixed cost overhead or legal consequences. In many countries, labor laws can be rigid enough inhibiting organizations easy realignment with the economic cycle (via expansion or contraction of staff). Further, if there is a decline in business, staff reductions will cause organizations to loose all the training and investments they made in training. If the business is on rise, organizations will have to hire and reinvest time and resources to train again. With global outsourcing, organizations have access to readily available resource pool, and they can ramp up or down with no associated overhead or legal consequences.

Quality Improvements

Repeatable processes and automated tools are critical to delivering a quality product. Process improvement is as important as the original process database itself. Over the years the global service providers have improved their processes while catering to a wide variety of industries around the world. Global service providers have invested significant time and effort in building the processes that are certified to be compliant with ISO 9000 and Capability Maturity Model (CMM), etc. It is this refined and proven processes that organizations can harvest and leverage to their advantage by working with global outsourcing providers.

Global Outsourcing Risks

As beneficial as global outsourcing may be, it can bring some challenges to the organizations. Most importantly, organizations that took the view of doing the same things in the same way with cheaper labor from distant shores met with unpleasant results. Global outsourcing is not to be approached the same way as the domestic staff augmentation, if the goal is to derive maximum advantage from the relationship.

Communication

Communication impediment and management of teams dispersed around the globe in different time zones can, if not planned, spell trouble to an outsourcing arrangement. When a project is outsourced, time spent on communication will increase considerably. Language and cultural differences and the resulting difficulty to articulate customer requirements can develop into serious communication impediments. A good and proven program management needs to be put in place, to ensure that bi-directional communication stays smooth all through.

Project Management

An organization will have to spend some additional amount of time on management and monitoring of the project in conjunction with service provider's management team. Some irritants may arise from geographic separation, time zone differences, difficulty to synchronize teams and pay attention to a particular team and individual needs. If not planned properly, an organization can quickly loose control of the project.

Intellectual Property Protection and Security

Intellectual Property Protection (IPP) is critical for competitive advantage of a corporation and it must be enforced all times. Physical security and access control must be strictly enforced – to ensure adequate protection. Most global services providers employ security cards used to access the premises and 24 hour guard monitoring the building. Network Security is typically enforced with hardware and software firewalls, virus protection, redundant networks, regular data backups, etc. Both physical security and network security can be controlled by a service provider and must be scrutinized before outsourcing to a service provider.



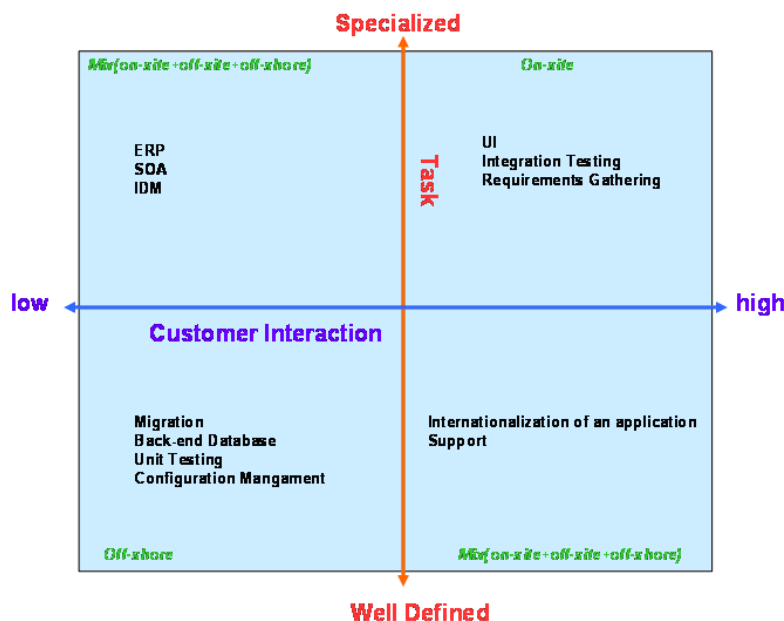
Staff Turnover

While outsourcing allows organizations to hire and fire a service provider at will, it does not have to result in total loss control over the people working on the project. Skilled resources are important for the success of the outsourcing arrangement. It is prudent for organizations to retain some flexibility to have a say in the recruitment process into the engagement contract.

Arkin Software Technologies' Global Delivery Model

Arkin Software Technologies recognizes that a key driver for a global delivery model is to benefit from the differential labor rates and skill levels across various geographies. Arkin Software Technologies' Global Delivery Model uses mix of on-site, off-site, and off-shore teams to optimize cost and to deliver quality solution to the customer. All teams use the same processes and interface with the same project management team. The model allows distribution of the work to the locations that most effectively meet the risk/cost/performance requirements of a given assignment, managed through a local, onsite program management office (PMO). And, our model lends enough flexibility to redistribute the resources geographically, with the changing business or technology needs.

Software engagements range from simple well-defined to complex and constantly evolving in scope and shape, which can be categorized as in the Figure 2. Arkin Software Technologies identifies each specific work for its best suitability for location of execution and mix of resources between onsite and offsite or offshore. Irrespective of the location of resources, all of them work under the same PMO office located onsite at client's location.

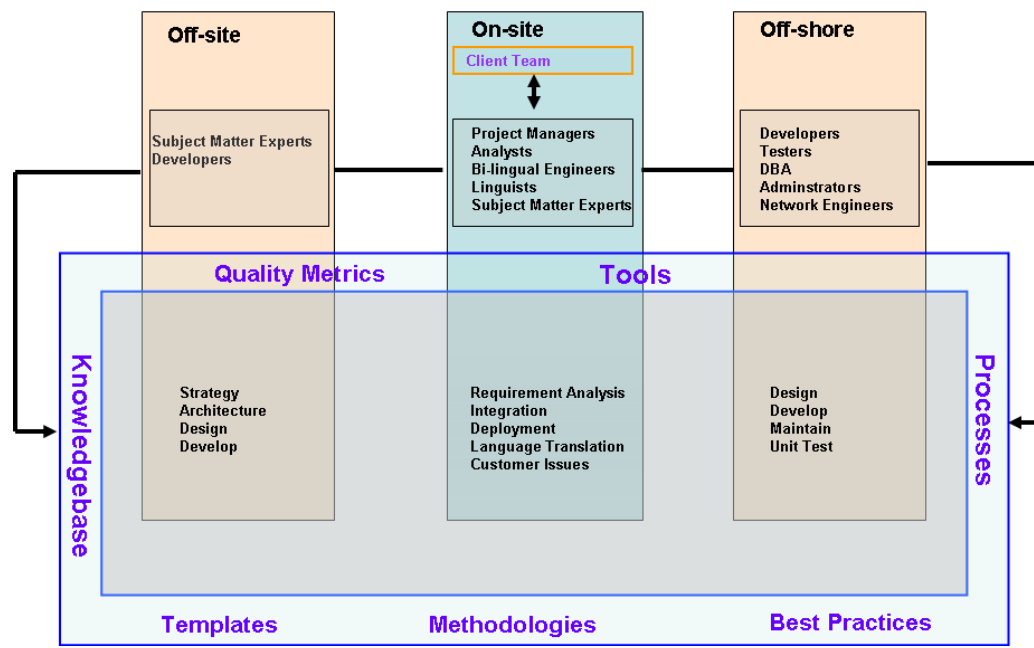


Arkin Software Technologies' Global delivery model is a well-oiled machine with investments made in several of its core components, as follows:

Project Management Office (PMO)

Being co-located in client's facility, Goldstone's PMO team manages all the customer interaction and requirements gathering, and disseminates the same to all teams in a consistent manner, while bridging the language and cultural gaps between the teams, if any.

Project Management Office consists of bi-lingual engineers, project managers, and language translators. Project Managers are at the center of orchestration, they collaborate with all involved. Bi-lingual engineers are critical to capture and convey technical requirements of the customer, if the clients are from non-English speaking countries. In such cases, language translators also form a core part of the team to take care of translating documents and meeting minutes between the teams.



Quality Management Systems

Arkin Software Technologies uses independently verified, world-class quality processes and continuous process improvement and knowledge management initiatives to ensure the quality of its deliverables and project performance. Our processes are compliant with international standards such as ISO and CMMi, supported by an elaborate, comprehensive, and continually evolving quality management system.

Knowledge Management

Arkin Software Technologies believes in capturing the knowledge from ongoing engagements for future reuse and reference. Through continuous knowledge acquisition, retention and augmentation, we ensure that on an ongoing basis best practices are institutionalized and leveraged to deliver value to the customer. Further, we consolidate knowledge – of technologies, industries and processes – into tools that enhance our ability to delivery great solutions faster and cheaper. We have been investing heavily in creating a Knowledge Management infrastructure, with the belief that efficient knowledge exploitation leads to faster response times; builds a competent organization; identifies areas for expansion; and leads to greater customer satisfaction.

Competency Centers

Arkin Software Technologies invested in multiple competency centers, each of which is focused to identify and refine tools and methodologies for specific solutions. The competency centers collaborate with various ongoing projects, as well as technology vendors.

Methodologies

Methodologies are central to consistent delivery of software services. Goldstone developed and follows a mature implementation methodology for each of the service offerings. Arkin Software Technologies' methodologies incorporate considerable level of clients' team involvement and place significant emphasis on active collaboration of the teams.

Tools

Arkin Software Technologies follows extensive tools-based delivery for high throughput, accuracy, tracking and reputability. Tools usage covers not only project implementation, but also project management tasks such as change, issue, and configuration management processes; and issue and bug-tracking activities. At Arkin Software Technologies, it is a standard practice to provide each customer a web-based dashboard to provider deeper visibility into their respective projects' progress – that covers resources, tasks, and project artifacts.

Infrastructure, Security and Protection

Arkin Software Technologies made investments to connect its global delivery centers with high-speed data and voice links via satellite, to be able to provide easy and secure access to remote teams – no matter where they are located. The centers are equipped with latest collaboration tools (data, audio and video) to

diminish the distance factor between the teams. Global delivery centers are provided 24x7 physical security, in addition to strict access control mechanism to all systems and facilities.

Recruitment, On-boarding and Career Development

Arkin Software Technologies views its people as the core assets of the organization. There are strict processes to recruit people with desired skills and right attitude; provide elaborate on-boarding before each engagement to make them successful in the engagement; provide continuous training in technical, managerial and soft skills to groom their careers; and most importantly empower them to develop their leadership skills.

Customer Relationship Management

The “customer satisfaction and success” is paramount to Arkin Software Technologies. To that end, Arkin Software Technologies engages with the customer as a partner and a transformer in envisioning the strategy for its client to build a lasting relationship, based on mutual trust. Arkin Software Technologies wins the trust of the customer by protecting customer’s intellectual property, securing the data, delivering projects on time with quality, and responding to the customer’s business challenges as a long-term partner rather than a mere supplier.

Conclusion

Globalization is here to stay. Organizations need to embrace it for their continued success. For delivering IT services and solutions, global outsourcing has come to be accepted not just a credible alternative, but as an important integral part of strategy. Global outsourcing is very rewarding and can be risky too. When applied correctly and implemented meticulously, global IT outsourcing brings tremendous power to improve the efficiency of IT operations.

Arkin Software Technologies developed a seamless Global Delivery Model to mitigate risks and enhance rewards. On-site project management office is at the core of our model to ensure effective communication with clients and geographically distributed delivery teams. Our methodologies, tools, knowledge base, templates, and quality management systems are the pillars of our model that mitigate the global outsourcing risk. Arkin Software Technologies Global Delivery Model with on-site, off-site and off-shore resource combination delivers optimal solution(s) and is scalable to organizations of all sizes and all sectors in realizing their vision.



Arkin Software Technologies – the right partner

Arkin Software Technologies, formerly known as Goldstone Info Systems, a CMMi Level 3 appraised & ISO 9001:2008 certified company, established in the year 2004, is an integrated service provider specializing in large enterprise Information Technology solutions serving global clients with delivery teams in several continents. With business and technology specialists across various domains, supported by mature implementation methodologies and Metrics driven project management, we offer comprehensive solutions to help clients maximize value from their IT investments. Be it a custom development, or supporting your complex IT infrastructure or implementation of new IT initiatives, we have right solution to offer. Our highest quality standards and best practices earned us some of the most demanding global companies as our steady clients.

