



:infosun:

# Our View Point

## An Integrated Approach to Offshore Outsourcing Solution

### Introduction

As organizations begin to focus on generating long term value from offshore outsourcing - emphasis has shifted from tactical cost reduction to long term sustainable extension of an organization's IT resources. This has triggered a number of discussions about the merits of customer owned Dedicated Development Centers (DDC) versus outsourcing to various vendors . This document will outline the relative merits of an integrated customer owned DDC and INFOSUN's approach to managing them to achieve optimal results Roll International.

What is a Dedicated Development Centre?

A DDC is a client owned and vendor operated dedicated offshore centre that provides client the access to the skills they need, and allows them to fully control a team working solely for them. DDC is a virtual extension of their staff and facilities. It is a solution for companies who need to extend their in-house software development capacity without losing control over their processes & IP, and do not want to manage the overheads of additional direct manpower and infrastructure resources.

The Vendor provides dedicated office space, hardware, software, communication infrastructure, professional staff and project managers with required skills and experience to ensure professional project management and timely completion. In addition to major cost savings, INFOSUN offers a highly flexible approach to customers in controlling their own Dedicated Centers.

### Benefits

The benefits of a dedicated offshore center are clear: sustained knowledge retention, better rate negotiation, speedier ramp-up times for new projects and increased productivity. Additionally, foreign workers even halfway around the world can feel more connected to the client company, as they are located in a private building with the client company's logo adorning the wall. The feeling of being part of the customer's company translates into reduced turnover and better quality. Additionally;

1. Completely flexible and transparent approach to setting-up an offshore operation that is completely aligned with customer needs
2. No need for establishing foreign legal entities and the red tape associated with them
3. Access to teambuilding framework of the vendor
4. Better and faster recruitment with help of the vendor
5. Taking advantage of the Vendors economy of scale and lowering infrastructure and administrative costs

6. Benefit from the Vendors established processes and Quality Management Practices
7. A unified and integrated view of entire IT department working along the same principles, processes, business drivers which than provides the ability to quickly respond to changes in the business environment
8. Reduces multiple vendor management responsibilities by reducing inefficiencies, decreasing coordination costs, and significant operational risks as multiple vendors of differing maturities and capabilities own components of a single process.
9. Knowledge retention and improved management innovation

The need for integrated offshore outsourcing solution in form of a DDC is based on the argument that managers have to re-assess the scope of activities performed by external vendors to leverage synergies by consolidation of outsourced services. Such a re-alignment will enable organizations like Roll to make IT accountable to its contribution to the overall corporate profitability, while reducing hand-offs and eliminating disconnects between departments and external service providers. Adopting “Integrated offshore outsourcing” by use of DDCs will enable organizations like Roll to make agile course corrections, improve quality, and reduce costs while improving productivity across the value chain.

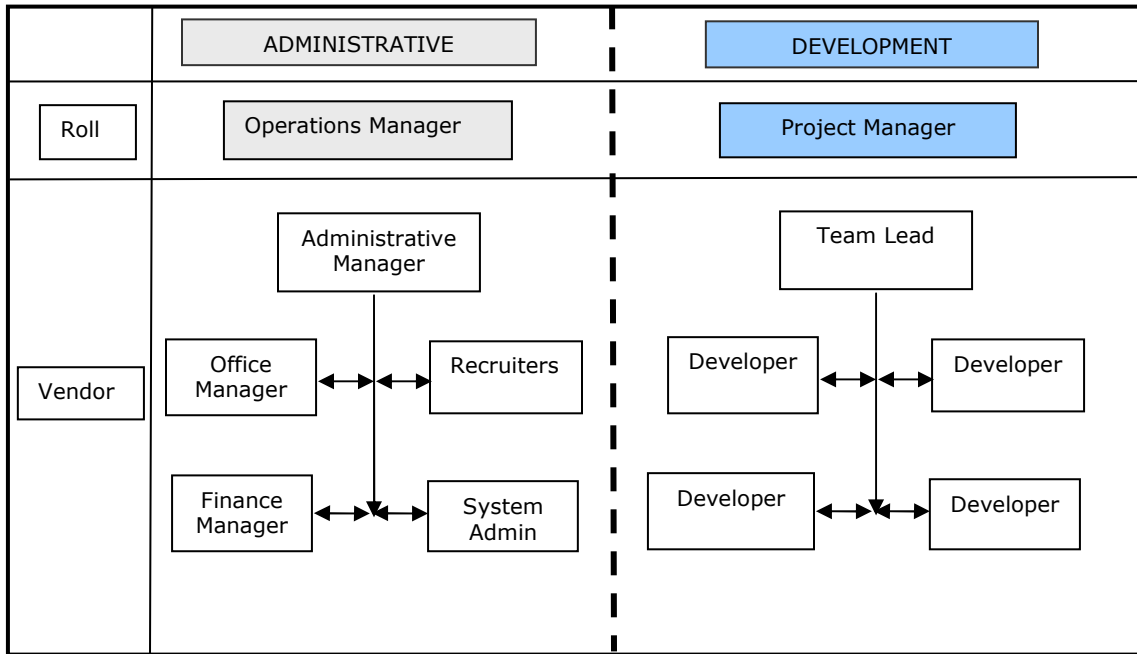
### Set-Up Procedures for a DDC

#### Structure of a DDC

Generally a DDC requires the following roles:

- DDC Administrative Manager (Infosun Support Team) - responsible for DDC organization, smooth extension and effective operation.
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- DDC Office Manager (INFOSUN Support Team) - responsible for daily office management, communications with suppliers, visitors and guests accommodations, business trip logistics, etc.
- DDC Recruiter ( Infosun Support Team) DDC Recruiter (INFOSUN Support Team) - responsible for new candidates searching regarding Customer’s job description, pre-selection interviewing and further interviews with Customer’s development managers organization, maintaining HR database, etc.
- DDC Finance Manager (Infosun Support Team) - responsible for financial planning and reporting, invoicing, managing payments, new employee legalization, accounting, tax reporting, etc.
- DDC System Administrator (INFOSUN Support Team) - responsible for network and telecommunication infrastructure organization and maintenance, new hardware purchasing and install, users support, etc.
- DDC Operation Manager (Customer) - authorized person responsible for cooperation with Administrative Manager regarding all DDC-related issues.
- DDC Project Manager (Customer) - development line manager who is responsible or organization development projects within DDC.

Typically a DDC can be organized in the following way:



### Communications and Procedures

Fear about loss of control can be a serious barrier to turning to an outsourcer for assistance. Change is difficult for many people, and handing over business processes to external providers can create a lot of concern and anxiety among insurance executives. This can become even more problematic if the leader of the business operation feels that his or her position is being threatened. The best way of addressing this issue is to set up a formal governance and communication structure to ensure that the relationship remains productive and positive during the planning and implementation stages. It is also important to maintain regular interaction and communication with the vendor after the project is implemented. To ensure that this happens, there must be a communication plan stipulating how often meetings will occur and who is going to participate. A governance structure should also include dispute resolution clauses and a metrics tracking system to regularly evaluate performance and service-level agreements (SLAs).

Support Team management (Infosun employee) and Production Team Management (Customer's employee) should work in very tight collaboration. Support Team should understand that product or software development is main goal of DDC. Both teams communicate horizontally unless authorization of Operation and/or Administration Manager is required.

A special Handbook should be developed to simplify DDC establishment and day to day operation. This Handbook should be process-oriented and describes what services and in what way Vendor provides to the Customer. It should contain all contact information, description of roles and responsibilities, description of procurement and recruitment procedures etc.

A formal communication protocol and schedule should be setup to provide an optimal level of communication between the offshore team and the offshore which shall include the following;

- Weekly status meetings
- Weekly Status updates
- Daily meetings before start and end of each day
- Meeting minutes
- Request tracker
- Escalation procedures
- Recruitment updates
- Quarterly SLA reviews

### **Establishment Procedures**

A joint team of executives from Roll and Infosun will be setup to define the goals, milestones and acceptance criteria for the DDC. This will dictate the size, type and constitution of the team, infrastructure requirements, software & hardware needs, security etc.

DDC start up procedures should use the following steps;

1. Setting up of the infrastructure planning team
2. Setting up the core team formation team
3. Legal support of ODC set-up including SLAs and other Agreements
4. Search of suitable location for rent or buy
5. Office renovation if needed and supply with furniture and equipment;
6. Implementation of office infrastructure (phone lines, Internet, servers, etc);
7. Start of recruitment campaign in line with predefined plan and job descriptions.

### **Facilities and Infrastructure**

Suitable facilities regarding Roll's requirements after consultations will be leased by Infosun. A dedicated office will be organized, well-secured and fully equipped with high-speed communication links and the workstations.

### **Intellectual Property Protection**

INFOSUN provides its Customers both with the physical and legal security of Intellectual Property. Physical security includes all possible modern technologies and principles to eliminate any possibility of data loss or leakage such as: firewalls, antivirus, regular back-ups, dedicated users' domains etc. Also INFOSUN has a proper process of confidential information security, NDA, instructions and procedures and to adherence by all staff is mandatory.

### **Non Solicitation Agreement**

The Customer will not directly or indirectly solicit, recruit for employment or contract INFOSUN employees, former employees of INFOSUN and INFOSUN independent contractors, provided such persons are directly involved in the project for the Customer during collaboration with INFOSUN and are presented to the Customer, without prior written authorization of INFOSUN, for as long as 36 months after the date of contract completion

## ROLES AND RESPONSIBILITIES

In order to avoid any confusion over where responsibility lies with any particular role, INFOSUN agrees with each Customer who is responsible for every aspect of team building and management.

The table below illustrates a typical scenario:

ROLES	ROLL	INFOSUN
		X
Facility Management		X
Office infrastructure		X
Physical security		X
Communications infrastructure	X	X
Technology equipment	X	
Operations Support	X	
Data security and back-up	X	X
Computer maintenance		X
Accounting support		X
Legal support	X	
Government liaison		X
Office administrative support		X
Staffing, HR and Training	X	X
Formulating job descriptions	X	
Recruiting and hiring		X
Orientation and training		X
Corporate culture assimilation		X
Retention program		X
Taxation and legal compliance		X
Employee benefits		X
Process and Project Management	X	
Aligning Process	X	
Project management	X	
Process management	X	
Regular quality assurance	X	
Development methodology	X	

## **Recruitment Procedures**

The recruitment of the most suitable available programmers, analysts and project managers is probably the most important process in the establishment of a dedicated team. Therefore Infosun begins by recruiting the best professional human resource management with information technology experience in Ukraine to lead and manage this process

Given the expansion of the Indian Technology industry, even though there is a large pool of skilled personnel there are increasingly difficult to find, attract and retain. INFOSUN adds considerable value in its expertise in this function. The company uses a variety of methods to find potential employees, and attracts them by offering challenging work, an excellent working environment, above average terms and conditions, and with the career prospects that only companies like Infosun can offer through its world-class products and services.

The Customer is the key part in the recruitment process, assisting in the development of job descriptions and will be involved fully in the resume selection and interviewing processes. Infosun policy is to recruit the best people available, challenge them with interesting work and develop them through their careers with the company.

Under Infosun DDC model, the Customer has direct control over the day to day management and establishment of its dedicated team. This approach is favorable for companies like Roll who have their own staff experienced in managing remote software development teams.

## **Management Control**

In spite of the fact that the Customer should allocate additional resources for the direct management of the team there are number of benefits:

- Complete control over the software development and production process;
- Easy knowledge migration from subject experts to the new team;
- Straight forward planning, control and review cycle for each operation/phase.

The Customer's project manager may be physically located with the dedicated team or at the Customer's office. In the latter case Infosun uses all modern forms of communications (emails, phone calls, instant messaging, web cams, WebEX and conference calls to facilitate management. The project manager may be 5,000 miles away but only in one phone call.

Using the "direct management" model Roll will be responsible for managing the software development process (including tasks planning, resources assignment, quality assurance, results review, etc.), but all supplementary tasks not related with software development will be handled by the DDC management team.

## **Risk Management**

It addresses various types of risks mitigation strategies that encompass provision of integrated services.

- Risks are categorized as disruption risks, loss of control risks and vendor lock-in risks
- A shared risk mitigation infrastructure between INFOSUN and Roll is a critical element of the "Integrated offshore outsourcing" and helps address the risk of disruption

- The client's involvement in the process execution and monitoring, both onshore and offshore, well documented process maps, defined financial models for exit, knowledge / resource transition plans and well defined end of term agreements help address the risks of loss of control and vendor lock-in

### **SLA Management**

It presents a combined face of Infosun & Roll services and helps achieve the unified business owner's view.

- SLA management for steady state operations can be viewed as operating at three different platform levels - Operational level agreement, IT service level, and business process level
- SLA management in integrated offshore outsourcing focuses on much more selective set of metrics rather than inundating the business owner with plethora of performance data, thus giving a highly targeted visibility into the performance of the processes
- The same applies to Process/Systems development activities. By combining all the elements of the Process Development Life Cycle, Infosun & Roll offer streamlined project management and consolidated accountability to Roll's customers

### **FINANCIAL MODEL**

In essence, INFOSUN provides recruitment, team building and management, office resource and infrastructure service for Customers seeking lower software development expenses.

Our financial model is simple. It is based on a Cost Plus model with dedicated team expenses being transparent to the Customer. The Customer pays costs associated with actual expenses for its dedicated team. These cover:

- Salary of team members and taxes associated with those salaries;
- Rent of the office facilities including air conditioning, lighting, electricity, office insurance and both physical and electronic security;
- Infrastructure including work stations, telecom equipment and furniture;
- Telecommunication traffic expenses associated with the activities of the dedicated team;
- Office supplies and day by day expenses in correspondence with financial report;
- Dedicated administrative team expenses depending of production team size.

Customer also pays a monthly fee which includes INFOSUN management/administrative overheads directly related to the team. This payment covers:

- Administrative and logistical support by shared resource;
- Financial and legal management and support in India;
- Recruiting and human resource support using corporate resources;
- Customer relationship management expenses and regular senior management reviews.

## Executive Summary

INFOSUN is committed to building successful Dedicated Development Center inline with Roll requirements, and will work closely with Roll and its management to ensure that all realistic opportunities to minimize cost are taken, and that only unavoidable cost increases are incurred

Over the duration of the project. It should be born in mind that India is a rapidly evolving nation where cost increases can occur that are above the level of inflation. All such increases advised, justified and discussed with the Roll in order to reach a fair and acceptable solution. The DDC set-up procedure will be totally transparent for Roll and will include all necessary steps including: Customer requirement analysis, identification of the support team, definition of roles and responsibilities, establishment of facilities and infrastructure, recruiting and HR management, operation management organization, process implementation and customization, and the protection of the intellectual property rights.

INFOSUN is going to provide number of services to the Roll: office and facilities management, human resource management, financial management, legal operation, network and communication systems management, ad-hoc problems solving where it is possible. INFOSUN will be providing information, legal, and physical security to the Customer's facilities and intellectual property.

Our goal is to form a strategic partnership with Roll which is sustainable, transparent and mutually beneficial.