



By Atul Vashistha



Adopting lifecycle approach to globalisation journey

This is the third in a series of excerpts from the newly published book by Atul Vashistha – ‘Globalisation Wisdom: The Seven Secrets of Great Globalisers.’

SERVICES globalisation is a journey and not just a destination; it requires management of the entire lifecycle – from the knowledge phase (understanding the true services globalisation opportunity) to the planning phase (developing a services globalisation roadmap) and on to the sourcing and management phases.

The third secret of successful globalisers is: Adopt a lifecycle approach. Successful globalisers understand that this requires management of the entire lifecycle and due diligence from the first step of understanding where services globalisation fits within the business to managing offshore supplier relationships.

Many services globalisation initiatives fail due to lack of understanding of services globalisation, picking wrong processes and the drop-off of oversight once a supplier is selected and the process is transferred offshore. In reality, the sourcing step is only the third in a crucial four-step process that involves knowledge, planning, sourcing and managing.

In order to successfully engage the lifecycle process, an organisation must:

- 1.** Share a belief that planning and lifecycle management is important to long-term success.
- 2.** Believe that a rigorous process, models, and data should drive decision-making.
- 3.** Develop a long-term roadmap and governance procedures to ensure adherence to the plan.

The first phase of the services globalisation lifecycle is knowledge. An organisation must understand why it is globalising services; understand the different supply markets; understand the different services globalisation models (third-party, captive centre, BOT, joint venture); and understand the risks associated with services globalisation. It's been said before that ignorance is not a justifiable excuse and that knowledge is power. In services globalisation, those adages are law.

The kind of knowledge an organisation may gain in this phase of the services globalisation lifecycle concerns supplier locations generally: What are the competitive advantages of each location? What

are the centres of excellence? What are the risks? Sourcing to India is no longer the across-the-board best decision. The Philippines, for example, may be the optimal location for call centre operations, while Russia may be optimal for high-level actuarial analysis.

An effective understanding of supplier locations will involve knowledge of exogenous factors, catalyst factors and business environments. How organisations manage risk can determine the success or failure of their engagements.

For example, Steve Bandrowczak, former Lenovo CIO, says that the lifecycle approach is particularly important in that company because of the importance of reducing risk. "We've adopted the lifecycle approach because we're trying to radically reduce our risk. We focus a lot on strategy, on being in the right markets for us, and then making sure that there's good governance to minimise risk."

But an organisation does not have to embark on the knowledge-gaining process alone (indeed, if an organisation tried it would spend years trying to get to the manage phase of the lifecycle). Instead, successful globalisers enlist established, experienced, knowledgeable third-party advisors to help educate them about supply locations and suppliers, offshore models and the risks associated with poorly planned globalisation initiatives.

The second phase of the services globalisation lifecycle is planning – developing a services globalisation roadmap. An organisation must determine if it is ready for services globalisation then determine if the process it plans to globalise is ready for globalisation. The organisation must also determine when each process will go global and understand, articulate and account for the total cost of offshoring.

The goal of the planning phase is to answer the questions: Why will the organisation globalise? Should it globalise? What will it globalise? When will it globalise? In answering those questions, an organisation

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creates a blueprint for its services globalisation strategy. The key tasks involved in accomplishing those goals are:

- Assessing the global readiness of current processes within the portfolio
- Conducting a base-case cost analysis
- Defining outsourcing and globalisation objectives
- Conducting a strategic evaluation of offshoring options
- Identifying candidate suppliers and locations
- Defining a timeframe

First, the company must analyse its services globalisation maturity. Ron Kifer at Applied Materials explains: "The lifecycle is on various axes. One axis is based on the idea of globalising the simple functions first, the more complex ones next, etc. Another axis is doing things that we know how to do – in this particular case, IT, first. BPO might be easier to do, but we don't know how to do that as an organisation, so we are getting there next. What comes first, what comes next is based on maturity of the processes,

maturity of the organisation and sponsorship in the organisation."

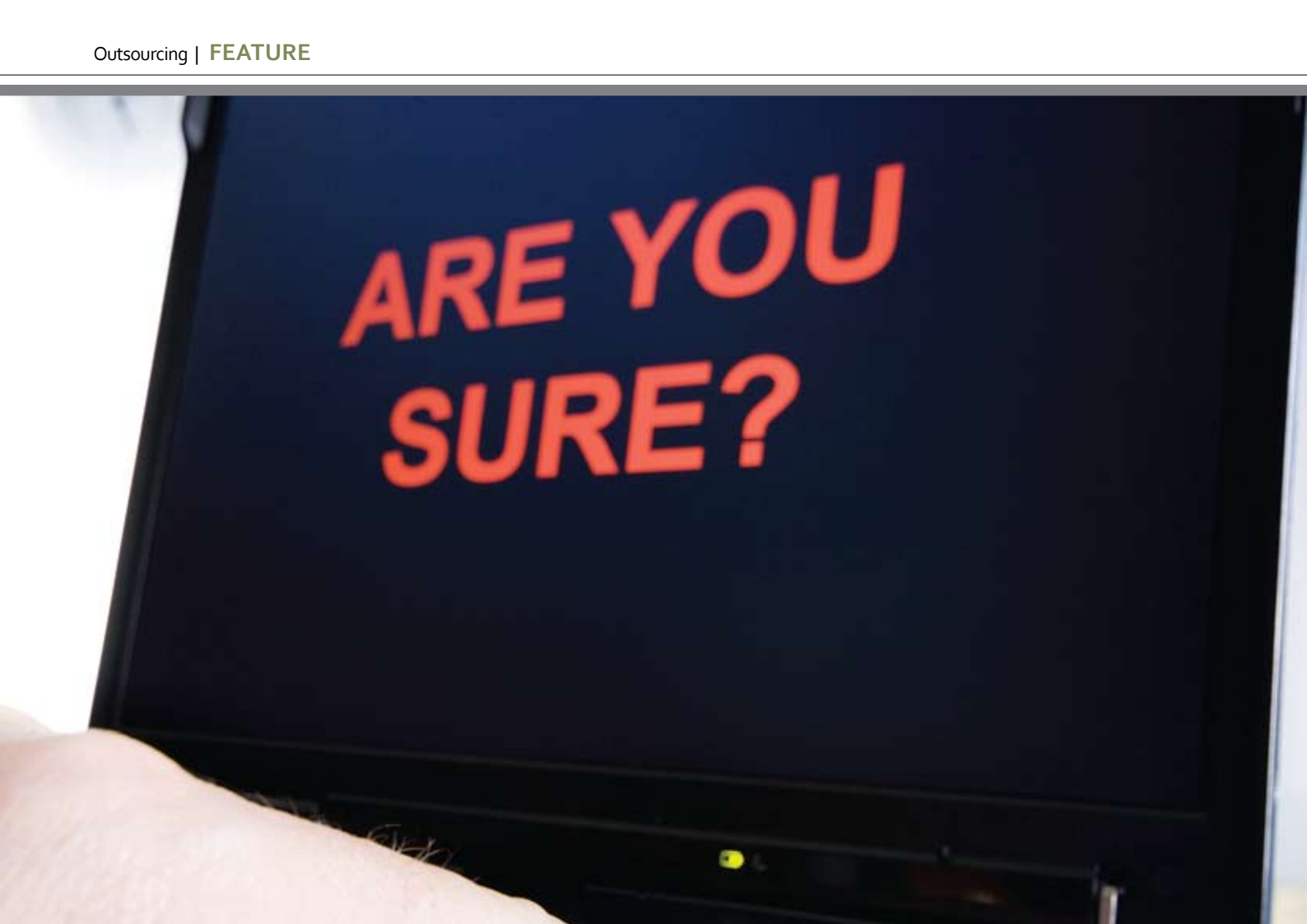
Sometimes even when an organisation is ready for services globalisation, its processes are not. The third step in the planning phase – a portfolio assessment and analysis – involves determining the readiness of the processes an organisation wants to offshore.

When deciding if a particular process is suitable for globalisation, an organisation must consider four factors: scale, domain knowledge, maturity and complexity.

Rolling out globalisation initiatives in waves is critical, according to Ron Kifer, Group VP and CIO of Applied Materials. "The various components that have the potential for globalisation are at varying levels of maturity and they take varying levels of time in order to put into place. In some areas it takes more time, for example, to convince the larger organisation to globalise," he explains.

Bandrowczak, adds that it's not a one-shot deal. "It's not just one wave. Or one wave of waves. As soon as you're done with the first wave, you start all over again." ▶





ARE YOU SURE?

▶ The third phase of the services globalisation lifecycle is sourcing. An organisation must decide the services globalisation model that will work best given its services globalisation maturity, the maturity of its prospective suppliers and the maturity of the process it is globalising. The organisation must consider the implications of sourcing to third-party service providers as well as the implications of building a captive centre.

The goals of the sourcing phase are also to select a vendor and negotiate a contract that specifies rules of engagement. The key tasks involved in accomplishing the source phase goals are:

- Creating requirements documents
- Conducting a solutioning process with prospective suppliers
- Enabling suppliers to better understand the clients business
- Reviewing and evaluating each supplier's solution and proposal
- Conducting due diligence and supporting reverse due diligence
- Negotiating a contract with the right terms and conditions

For successful globalisers, the sourcing phase is not just about selecting a supplier. "For FedEx, it's about flexible global resourcing

–how you integrate flexible capacity from the supply-side or the offshore operations into your organisation," says FedEx's CIO, Rob Carter.

The fourth phase of the services globalisation lifecycle is management. This is a phase that is applicable to not just post-contract but plays a role in strategy and sourcing too. While each lifecycle stage is critical, most services globalisation engagements fail not because they were improperly sourced or planned but because they were improperly managed.

The goals of the management phase include:

- 1) providing ongoing contract governance;
- 2) providing ongoing programme management;
- 3) ensuring that performance is in line with quality expectations; and
- 4) realising the strategy and projected benefits. The key tasks involved in accomplishing those goals are:
 - a) Determining the performance impact of the transition
 - b) Defining and implementing processes for issue and risk management
 - c) Effecting transition
 - d) Managing performance, relationships, contracts, resources and finances

Decide wisely ... Sometimes even when an organisation is ready for services globalisation, its processes are not.

“**An organisation must understand the risks associated with services globalisation too.**”

- 3) Conducting a health check

Successful globalisers also realise that the knowledge, plan, manage and source phases of the lifecycle are not discrete, one-off projects. As Kifer explains: "One important aspect of the lifecycle approach to globalisation is the idea that the core competency of today is the contextual activity of tomorrow.

"So we're constantly evaluating our internal organisation and deciding over time what is still core, what is still value-added, what still provides a competitive differentiation and re-focus our resources on that and move those things that have evolved and matured into contextual activities to our managed services partners. And we know that's a continual, evolving process, and you have to have a model that recognises that and accommodates for it." □

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