

# How ODC Mitigates HR Issues in Outsourcing?



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# INTRODUCTION

**Offshore** development is currently in its maturity stage in terms of offshoring volumes and complexity. A lot of global innovators have managed and scaled their businesses with the help of offshore development. With this developmental rise, you can be assured of an exponential rise in the number of offshore development centers.

In outsourcing, generally either process or jobs or both are outsourced. This helps reduce the cost while ensuring impeccable quality and enhanced productivity. The speed and performance of resources match the requirement you have. Businesses are known to grow at a rapid speed with the enhanced support of software solutions provided by this offshore development center. Best practices are adopted by offshore development centers, which is why you get maximum transparency and productivity at your disposal.

Outsourcing definitely enjoys a lot of advantages. But, it is also true that no process or setup can be done without facing certain challenges. In case of outsourcing, human resource management can be portrayed as one of the definitive challenges that all parties involved should take into consideration. The HR strategy defined for an offshore development center needs to be different from the strategy that you would normally use for a captive development center. There are disparate work forces involved and cultural and communication differences between the two countries involved, and the strategy defined for HR should take into consideration all these differences. You will need to detail out the legal and regulatory procedures too along with the organizational structure so as to build long lasting relations.

You should always opt for outsourcing organizations that take into account all the hurdles and challenges before planning or executing a dedicated software establishment. The organization should understand the challenges, address the risks involved in case these challenges are not looked into, and finally find ways to resolve the challenges. This e-book will study the HR issues and risks in depth. It will also show how ODC can help remove all HR issues.

# KEY HR FUNCTIONAL AREAS YOU SHOULD CONSIDER

When you are planning a human resource strategy for your offshore development center, you should ideally take into consideration seven important areas. You should also consider the risks that are involved when your strategy does not include these functional areas. This way you will be able to mitigate the risks, and boost your business with the help of this offshore dedicated center.

Cultural Differences: Very often, when you are dealing with offshore development, you tend to give cultural differences less importance. Most organizations believe that a strong plan can override the cultural issues without affecting the delivery or quality of the processes. You tend to strategize the cultural dimensions of your offshore HR strategy similar to your organization strategy, which can add to excess costs and cause unnecessary delays.

You don't get to make the seamless transfer of processes as well as knowledge to the offshore location if you plan on ignoring the cultural differences. This simply means your senior executives need to visit the offshore center once too often, and this means adding to the cost and exceeding the timeline thus resulting in poor quality and lowered productivity.

Organizational Structure: A centralized organization structure may seem to be the perfect idea when you are dealing with an captive development center. But, that is not how you would want to structure your offshore development center. If only a few functional heads are responsible for making the required decisions, related to HR strategies and implementation, then you can sense a time delay in the information transfer between the two countries thus causing further delay.

A thing as small as buying a new computer can be delayed owing to the lack of proper organizational structure in place. You will firstly need to deploy transparency

across the different verticals of the organization. You will need to identify top performers, and create power centers which will speed up the deployment and other processes involved in setting up the offshore centers. You need more empowered people, who can make quick decisions.

**Recruiting:** You need to identify both educational and psychological differences underlying the two cultures when you are recruiting man power for your organization. It is important to map the profile and the kind of qualification you require for the profile in order to mark the right recruitments for your organization.

The same profile would require different educational qualifications in US and Asian countries respectively, and this needs to be accounted for when mapping the profile and country. Recruiting strategy should be mapped with the requirement sketched for the particular organization type. You will have skills marked in the strategy, but what you might miss out on is attitude and probably cultural differences. A clear strategy will help avoid the risks involved in hiring the wrong manpower.

**Market Positioning:** How are you planning on positioning your organization is very important when you are recruiting manpower for the offshore development centre? You will need to utilize local positioning strategies to help drive your recruiting efforts to achieve the target. Very often positioning is done in terms of profit or salaries. But, your potential employee would be looking for something a little more than that. There should be a value factor, other than monetary, associated with your development center. This is why positioning is very important for HR strategies.

**Training and Development:** Training programs should be more localized when you are outsourcing your requirements and creating a development center in some other country. Mirroring the training programs of the parent organization will bring little value to your development center. The reason being the manpower profile at both the centers is obviously different in terms of education, skills, experience and culture. The centers should aim at offering managers the cross functional roles and provide them with challenging roles in the organization so that they can utilize their skills in the right way.

Incentives & More: The incentive structure for the captive centers cannot be replicated into your offshore centers. The compensation structure, tax structures and other payment structures differ for offshore centers when compared to the captive centers. Your incentive and compensation structure should be more or less flexible and should be aligned to the needs of the offshore center. It should be more in line with the local operating structure.

Employee Retention: It is very important to retain the middle and lower level executives of the offshore center, and you should include methods and techniques to achieve this in your HR strategy. In case your offshore center does not offer growth, or offers monotony to the employees, retention will become difficult. Such centers are also incapable of offering global exposure to their key employees. If you keep changing your key employees, the face of the offshore center, then you are losing out on the quality and standards promised by your center. Strategies should ideally involve retention methods, to keep the employees happy and engaged.

# IGNORING THE KEY AREAS: THE RISKS INVOLVED

When you are planning a human resource strategy for your offshore development center, you should ideally take into consideration seven important areas. You should also consider the risks that are involved when your strategy does not include these functional areas. This way you will be able to mitigate the risks, and boost your business with the help of this offshore dedicated center.

Cultural Differences: Most strategies ignore to involve cultural sensitivity or the need for cultural training programs to help cope with the underlying differences.

Risks Involved:

In such circumstances, you are bound to face certain risks

- Increased costs.
- Increased involvement of your seniors to resolve the different issues that you might face.
- Integration of the various activities require a long time to process which takes a toll on the quality and productivity.

Organizational Structure: Most often, the parent company organization structure is replicated into the offshore development center. There a definite lack of transparency in such structures.

Risks Involved:

- This parent centric structure can cause delays in decision making which eventually delays the whole process.
- These centers are unable to identify the key decision makers, leaders and influencers which will, as a result, get them working on the wrong foot.
- The major risk involved is that of disruption of services.

Recruiting: Most companies fail to map the profile requirement when planning their recruitment strategies. In some cases, the strategies don't even exist which can become a problem at a later stage.

Risks Involved:

- Increased recruitment costs.
- Reduced conversion rates in terms of actual hiring.
- Hiring the right talent requires a lot of a time and involvement.

Market Positioning: Positioning of the offshore center is not done keeping the recruitment goal in mind. There is a scarcity of properly initiated social programs.

Risks Involved:

- You will not be able to attract and hire the right talent for the position you have marketed.
- Company's reputation is at stake owing to incorrect positioning.

Training and Development: Many times, organizations tend to ignore the importance of having a training and development program in place. This program should be aligned to the business needs and the goals set by the business. This area is most times ignored as unimportant.

Risks Involved:

- Corporate values that need to be established within the employees take longer time than normal.
- Internal growth becomes restricted.
- Training cycles go on for longer durations than planned.
- Lack of depth and articulated systems within the organization.

Incentives & More: Most often businesses ignore the importance of pay structure and necessity to make it more flexible and localized. Employee friendly benefits tend to be overlooked in most cases.

Risks Involved:

- Increased cost to company.
- Lack of commitment, passion and enthusiasm amidst the employees.

Employee Retention: In case your organization fails to offer proper global exposure or rings in monotony to the work environment, employee retention becomes an issue. Your key employees leaving the organization are certainly not a good sign for the growth of your company offshores.

Risks Involved:

- You will not be able to keep your key work force in place
- Retaining middle and executive level management becomes difficult
- Strains the reputation of your company

# ADVANTAGES OF A DEDICATED OFFSHORE DEVELOPMENT CENTER

A dedicated offshore development center is indeed a boon for HR issues that arise when outsourcing. With strategically lowered cost, you can also consider offering good vision and directed resources to your company.

Along with fulfillment of goals, long term growth and desired outputs are also the favorable results of having a dedicated offshore development center. Human resources lay the foundation for the growth and development of your offshore centers. In most cases, ODC are deployed in places where labour is available in abundance at a low cost.

Having a dedicated offshore development center can mitigate all the HR issues as well as the risks associated with them. Here are some of the reasons why offshore development center should be preferred by organizations, especially from HR perspective.

Building the Team: You, as the company, will be responsible for building your own team. The facilitator company will help you setup and manage the team. But, at the end of the day the team will be yours. You will contribute to building the team.

Recruitments: You will be responsible for the recruitment of the resources. The managing company will create a list of candidates, based on the requirements stated by you. This list will be sent to you, post which you will need to shortlist the candidates and select the ones that will be appropriate for your company's work. At this point, you can determine the resource strength and eligibility for your team

**Selecting the Team:** You will be the one responsible for selecting the team. You know what resources you need to for the dedicated team. With the help of tools like personal interviews, you can select the team.

**Employee-Employer Relation:** The ODC transforms the outsourcing vendor-supplier relation into an employee-employer relation. You will be the employer, and the team you have selected will work for you. You will be responsible for the tasks like salary negotiations, salary terms, increment terms, incentive terms as well as the leave policies. The new team will join on your payroll, and you can dictate the different monetary terms.

**Flexi HR Policies:** The HR policies binding the new recruits of your team are flexible, and depend on your company. You can dictate the HR rules pertaining to your company on the ODC team. You can decide the leave policies, the attire, the different working rules, as well as the culture. You can even dictate the organization structure for the new team. The managing company will have no role to play in here.

The new team will undergo a basic training from your company to understand the new policies and rules, so that you two are on the same page. This will benefit both the dedicated team and the company in understanding each other, and in bringing the benefits.

**Data Security:** When you go for outsourcing, the data centers would belong to the company to which you have outsourced your work. The threat over data security will continue to hassle you. Also, in outsourcing, the data would still belong to the company you have outsourced the work to.

That is not the case with ODC. Here the data as well as the data center belongs to you. In fact, you can have your own data center in your country, and connect with the offshore development center via the cloud. You can specify the privileges for the computers used by your resources. This way the data security would be managed by you. This way HR need not worry about handling data security.

**Note: A minimum 10 member team is required to setup dedicated offshore development center.**

HR challenges can restrict the growth of your offshore development center. During the initial phase of the offshore development center setup, the build phase, you need to employ the right resources. A well planned HR strategy will help you recruit the manpower required by your organization, and empower you with growth.

There are seven key areas, which if you tend to ignore, can risk productivity, quality and overall costs of your organization. This unit needs to strengthen your captive center and provide your business the much desired boost. With ODC, you build your own team, and cultivate your own HR policies. This will help you improve productivity and reduce the risks associated with ODC. With dedicated employees, the work will enhance, and outputs will be better.

# THANKS FOR READING

To learn more, Visit us on the web at

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