

# GOING GLOBAL

BY STAN GIBSON

GLOBALIZATION IS ACCELERATING—  
HERE'S HOW SEVERAL COMPANIES  
ARE HITTING THE GAS PEDAL

**T**HE U.S. COMPANY IS GOING EXTINCT. INCREASINGLY, all companies are global, and those that succeed will glean every bit of business advantage they can from every corner of the globe.

But the big question: How does your company get there? At the annual Gartner Outsourcing Summit April 3-5 in Orlando, Fla., globalization and how to make it work was a topic front and center. The consensus: Going global is imperative but fraught with risks.

Technology executives interviewed by eWEEK likened the effort to go global to a high-stakes game. Spend too much time and money trying to manage companies across different time zones and cultures and you lose the advantage of low-cost labor and specialized expertise. Ignore the potential gains of globalization and your company will fall hopelessly behind its competitors.

Meanwhile, going global means executives have to standardize their internal operations across IT infrastructure, application development and BPO (business process outsourcing) for functions such as accounting and human resources. "You can't operate globally without standardized contracts and standardized work," said Lisa Gage, director of corporate planning and strategy at General Motors. "You need standard operating data and processes, managed by accountable people."

Indeed, those who are leading the way say they've discovered certain best practices: Start with a high-level mandate; build a cross-functional team of business leaders; simplify your processes; standardize your contracts; use

an established management framework such as ITIL (IT Infrastructure Library)—see sidebar on Page 27; and then work overtime to build and maintain successful relationships.

General Motors, under the leadership of CIO Ralph Szygenda, has a mandate to work with the world's top technology providers as it expands its outsourcing partners beyond Electronic Data Systems. To make sure the company addressed global outsourcing in an organized way, the auto giant pulled together a "basket weave" of executives from several disciplines, said Gage. "We called together purchasing, contract management, finance and legal."

Wells Fargo, a relative neophyte at global sourcing, took a similar approach. The bank made global sourcing

STEPHEN ANDERSON

a priority and, in 2003, formed “an offshore outsourcing council consisting of people specializing in HR, legal, contracts, audit and security,” said Pamela Carreon, technology manager for the offshore outsourcing office at Wells Fargo, in a Gartner conference presentation.

GM’s Gage said that standardization has to be in writing. It’s best to write a global service contract with all terms and conditions included. That way, it’s not necessary to include terms and conditions in each IT service request, a practice that can multiply the number of different contracts beyond what’s manageable, she said. “Making it standard and signing it once took 20 percent to 30 percent out of supplier costs,” said Gage. GM has cut its contract tally from 650 to 40.

After getting executive buy-in for a global strategy, Jim Nanton, CIO of Sara Lee, in Winston-Salem, N.C., eliminated stray processes as the company prepares to spin off its Hanes Brands unit this summer. “Process maturity has been a weakness. We have lacked standards and consistent, repeatable processes,” Nanton told a Gartner audience. “You need to develop a road map to transition [from the] current to [the] future state. Global delivery is a fundamental part of our IT strategy.”

Analysts said such a disciplined approach is an essential first step. Gartner analyst Linda Cohen advised companies to develop comprehensive global sourcing strategies

rather than relying on a piecemeal approach that has characterized much global outsourcing so far. Forrester Research analyst Julie Giera said, “You establish a framework with a sourcing strategy. It’s based on what’s core and what you should give to a third party. It’s an IT ecosystem of internal capabilities and external providers.”

Once the early legwork is done, the real fun begins. Here’s a look at how companies are playing the global game.

### ABN AMRO: Create an ‘internal market’

ABN AMRO BANK WENT INTO global outsourcing with its eyes

open last fall, when it signed a \$2.24 billion, five-year deal with several providers for its retail bank operations. The bank signed a deal with EDS in 2002 to handle IT infrastructure for its wholesale banking operations. In the deals signed last fall, the bank divvied up its needs and then sought partners, said Louis Rosenthal, ABN AMRO’s managing director for group shared services for IT. The goal: to create internal competition to keep costs down.

IBM Global Services, at \$1.87 billion, got the bank’s infrastructure, including data center and desktop management and the company’s help desk. Indian companies Tata Consultancy Services, Infosys and Patni

Computer Systems, along with U.S.-based Accenture, won ABN AMRO’s application development business. Each outsourcer, in turn, will call on its own global development localities to serve ABN AMRO. For instance, TCS will put developers to work for ABN AMRO in India, Brazil and Hungary. ABN AMRO has selected four telecommunications providers. The bank also runs its own BPO operations in India.

Rosenthal’s job is to keep tabs on the choreography of global work and ensure work is meeting ABN AMRO’s specifications. “We know specifically where every bit of work is being done on our behalf. Outside of risk

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## Iron Age flattens earth

NOT ALL COMPANIES HAVE THE RESOURCES TO EXPLORE worldwide technology sourcing on their own. For them, it makes sense to sign up with a partner that knows the global terrain.

Iron Age, a retailer of industrial footwear, is drawing on a global playbook to execute a corporate turnaround. Facing bankruptcy, the 180-year-old company was bought by GSC Partners, a New York investment company, which moved Iron Age’s headquarters from Pittsburgh to Westborough, Mass., as it sought to execute a global makeover of the venerable shoemaker.

“What we are trying to accomplish is a streamlined company,” said Drew Farris, CIO at the \$100 million company. “I can’t manage offshore providers myself, and I can’t sustain the infrastructure management required,” he added. A search for help led him to Apps Associates, a specialist in Oracle ERP (enterprise resource planning) deployments that also provides systems support, network support, application development and database administration support. So far, Iron Age has paid Apps Associates about \$750,000, Farris said.

“[Apps Associates has] a presence stateside as well as a presence in India,” said Farris. The India presence enables Farris to benefit from 24-

hour coverage in database administration. With remote database administrator costs only \$20 per hour in India versus \$250 per hour in the United States for comparable service, it makes sense, Farris said.

Iron Age sells its OSHA (Occupational Safety and Health Administration)-compliant footwear from trucks, which serve as mobile retail stores, parked near factories. Its point-of-sale system integrates with the Oracle ERP applications, said Farris. Companies contract with Iron Age for the footwear and generally purchase it for their employees. Providing their employees with the right shoes helps manufacturing companies avoid lawsuits over worker safety, said Farris.

Going with Apps Associates has enabled Farris to avoid hiring a permanent staff. “A company this size should have somebody here to keep the plug in. It should not be spending vast amounts of money supporting infrastructure.” Farris isn’t stopping there, though. “My job here is to put myself out of a job.” Iron Age’s global strategy enables it to carry out its IT tasks with a very light staff and yet maintain a technological edge. “There’s not a single competitor in this market that can match us for technology,” said Farris. —Stan Gibson

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issues, work is work," Rosenthal said. He said he is in the process of consolidating several different portfolio management tools to a single platform.

Bruce Jacobs, CIO of LaSalle Bank Corp., a unit of ABN AMRO, said diversifying its suppliers creates an "internal market" by establishing a set of approved global vendors. Savings are to be spent on developing new applications in the bank's "fuel for growth" strategy (see chart, right). "We'll buy more work at a lower hourly cost. We'll get a heck of a lot more applications that will be fuel for growth," said Jacobs, in Chicago.

### Genworth: Low-cost regions get pricey

WHILE ABN AMRO IS JUST EMBARKING on a global strategy, Genworth Financial has been at it for more than a decade. Genworth, a consumer financial services company in Richmond, Va., was part of General Electric until it spun out in 2004. As a unit of GE, it started working with offshore providers in 1994 to tackle such tasks as Y2K remediation. Now, much of Genworth's work is done by Genpact, the India-based former GE IT services unit, although Genworth calls on other outsourcers including TCS, Satyam Computer Services and Patni.

Scott McKay, senior vice president and CIO of Genworth Financial, said he considers his approach to be "process globalization," rather than outsourcing. Genworth, he said, has advanced through several stages of working with global partners. Companies just getting their feet wet with outsourcing will typically seek the advantages of low-cost labor. That was Genworth's goal at first, but now, he said, Genworth has a higher-level view.

"Business processes are

competitive weapons, and globalization is the strategy, not outsourcing. Global intellectual capital is very important," McKay said. "In business process globalization, organizations that move beyond a regional footprint to globalization should cover every zone where they have customers. Globalization is integrating people and expertise."

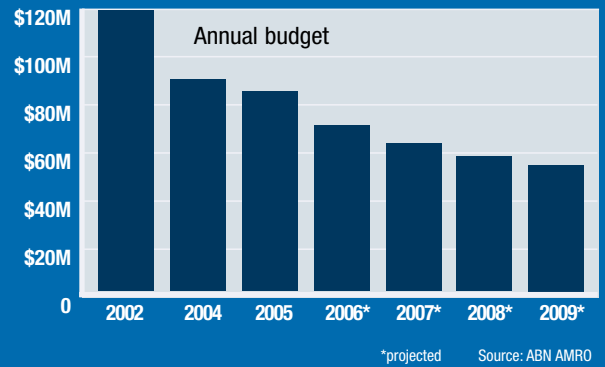
Why focus on expertise and not costs? McKay said countries that start out at rock-bottom cost inevitably become more expensive. Nine years ago, when Genworth started sending work to a captive operation in Shannon, Ireland, the Emerald Isle was among the world's low-cost leaders. That's not true anymore. India will be no different, said McKay. "The cost structure in India 10 years ago was quite enviable compared with today. Our costs there were probably 25 percent to 50 percent of what they are today. It's pretty significant. Looking at globalization, you have to ask, 'Would you do this deal if there were no labor arbitrage?'" said McKay.

Now, Genworth's global IT



### Global savings

ABN AMRO is saving a significant amount of money on application development through the use of global partners



and business process locations are in Richmond; Shannon; and Hyderabad, Gurgaon and Mumbai, India. Genworth also works with partners Genpact, Patni and TCS for application development in Mexico, China and Hungary. Putting Genworth's eggs in a variety of global baskets gives the company plenty of choices when local conditions change. "We are continuing to take processes and balance them out globally across our existing hubs," said McKay.

### Nissan: Split the difference

NISSAN NORTH AMERICA FOUND that going global means hedging bets. Splitting its IT infrastructure work between IBM Global Services and India's Satyam was its best approach. In the final lap of a major corporate turnaround, Nissan North America had outsourced all its technology to IBM Global Services but decided another partner for application development would be better than sticking with IBM, said Robert Greenberg, CIO for Nissan North America, in Gardena, Calif.

IBM bid against Satyam, TCS and Infosys for work that included maintenance and enhancement of the automaker's entire application portfolio, including financial appli-

cations, human resources, supply chain and logistics. Most applications are from SAP, although the HR applications are from Oracle-PeopleSoft, while logistics applications are mainly homegrown. All the bidders intended to handle the work offshore, said Greenberg.

During its darkest corporate days, Nissan North America had little flexibility to explore new options and was beholden to IBM Global Services as a single outsourcing partner. With its turnaround—known inside the company as "Project 180"—creating a healthier bottom line, Nissan North America has added staff to manage the offshore relationship with Satyam, Greenberg said. By balancing the increase in management against what he hopes will be superior execution, Greenberg aims to have Nissan North America come out ahead. Still in the early stages of the transition to Satyam, Greenberg said his experiences so far have been "extremely positive and professional," although, he added, "we will know more in six to nine months."

### Indymac: Banking on India

INDYMAC BANK SOUGHT TO REAP the benefits of short-term application development without hiring additional staff. "We didn't

want to hire the people and lay them off if the work was only going to take 18 months," said Mark Nelson, executive vice president of global resources for Indymac Bank, in Los Angeles. Indymac's project: to build the bank's next-generation loan origination platform, drawing on the bank's expertise in risk-based pricing for mortgages.

"We identified nine different vendors. Two were global consulting firms—Accenture and IBM Global Services. The other seven were based in India," said Nelson. "We went over and visited everybody in India. We



narrowed it down to four, then sent our IT managers to tour the final four: Wipro, Infosys, Cognizant and Accenture. All were really good—CMMI Level 5."

Cognizant won the deal, which was signed in June 2004. Some 300 Cognizant employees now work for Indymac.

## Building the team

WHILE ALL THESE COMPANIES have taken different approaches to globalization, executives agreed that building a team is

necessary to make outsourcing work, and that means ironing out cultural and communications issues early.

"We spend a lot of time with Cognizant on governance structure," said Indymac's Nelson, describing how he formed a team in Los Angeles of 10 Cognizant people and 20 Indymac employees. That group is broken up into smaller teams to manage specific projects, Nelson said. In addition, about 100 Cognizant workers came from India to work in the Indymac building.

Nelson sent a native Indian who had worked for eight years in IT at Indymac to India as the bank's liaison to Cognizant. "He's our country manager there. He works with the vendors in India. He's our primary point of contact," said Nelson.

ABN AMRO's Rosenthal recognized early that his vendors—all of which are rivals—had to work together.

Soon after the bank's deals were signed, Rosenthal called a meeting that brought together all ABN AMRO's sourcing providers in one room, even though it was a bit awkward. "The first one we had was like a junior high school dance," he said. "We've had a couple since then. These are companies that compete aggressively with each other. They know the secret to our being successful is them being successful," Rosenthal said. "They understand that their polite cooperation is critical."

But Jacobs said that the bank needs more than a handshake. ABN AMRO drew up so-called operation-level agreements that set out ground rules for how the different contractors will work together. "Getting the vendors to work together on operation-level agreements was a big challenge," said Jacobs. But, he added, such a measure was necessary. "The suppliers work for us; if they don't get it done, we can change them." 

## ITIL maps outsourcing

WHEN EXPLORING GLOBAL OUTSOURCING, IT HELPS TO HAVE A GOOD map. Many technology pros are turning to the IT Infrastructure Library, a collection of eight manuals for sound service management created by the Office of Government Commerce in the United Kingdom. Using the manuals can ensure that both customers and service providers are on the same page.

"Choose a framework that is pretty well-known, like ITIL," said Nancy Markle, former CIO at Arthur Andersen and now president of I4T, a consultancy in Sarasota, Fla. "It helps you understand expectations. In the U.S., we're not always clear what expectations are. We tend to be sloppy around that."

Louis Rosenthal, managing director for group shared services for IT at ABN AMRO, said the Dutch bank adopted ITIL-based practices to manage a bevy of services companies operating its infrastructure and application development.

"We pick and choose the parts of ITIL that apply to us," said Scott McKay, senior vice president and CIO of Genworth Financial, in Richmond, Va. "We take best practices from that and from our heritage of having done the work."

Working from a manual, both provider and customer can have a common understanding of problems as they arise. "It has to do with how a customer requests things and how the provider delivers them, so that we understand this term means this," said Rosenthal, in Chicago.

"When an application fails, a problem escalates into a more serious issue. When you declare 'level one,' [you both understand] it means the following," said Rosenthal. "That's just one example. You can think about what it means when you go up the value chain through all the control environments of a bank. We've studied deals around the world. We have an operations manual for each application, including a level of services."

IT pros who have not adopted ITIL said that they intend to. "ITIL is something that we will move towards. We don't have those processes in place today, but we will move towards those for managing IBM from an infrastructure point of view," said Robert Greenberg, CIO of Nissan North America, in Gardena, Calif.

Greenberg said he plans to implement the ITIL framework in managing his relationship with IBM for IT infrastructure services by next year. "The changes will bring much more structure. It's the rigor that goes with that and the lessening of dependency on tribal knowledge, as opposed to what's documented."

ITIL frameworks are only one set of standards for dealing with providers, however. "We're looking at quality things beyond ITIL, like CMMI," said Rosenthal. CMMI, or Capability Maturity Model Integration, has levels one through five, each designating a different level of competence. It helps both providers and customers understand at which CMMI level they operate. It is not always optimal or realistic to shoot for Level 5, when, say, Level 3 is more relevant for a given endeavor, such as application development. Further, both provider and customer need to have organizations operating at the same CMMI level. If one organization is at a lower level than the other, the work will be done only in conformance with lower-level standards, both customers and providers said. —Stan Gibson

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