

## How outsourcers manage human capital

- Written by  
  
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Thanks to the recession, most organisations have changed the way they hire, resisting permanent hiring, fearing commitments may be rescinded if the economy fails to cooperate.

Outsourcers, however, have continued to hire and build their organisations by moving into additional markets and making acquisitions. With a few minor dips, most of these nimble companies have successfully pushed through the recession, taking hits when their clients ask but making deals to get more work as budgets unfreeze.

The outsourcers learned to show up in a big way for their clients, in a fashion that few corporations will soon forget. In a few years we will look back on this time as being the start of a major change: the emergence of multi-national outsourcers with processes and talent to compete across the globe. All the while Western firms relied on them to deliver talent, processes, and products for less, causing outsourcers to get creative and serious.

The question remains: How do they do it?

I spent the last month interviewing five outsourcers - most of who are in highly competitive markets - focusing on how they manage human capital inside worldwide talent forces. The outsourcers were very different from each other: some were founded in the US, others in India and some in South America. But all of them operate in several countries.

To sum up what I found, Shami Khorana, President HCL America said it best: “Our product is talent. Period.”

### **Employee selection: getting access to talent in competitive markets**

By design, outsourcers operate in markets with cheaper talent pools. These pools are shallow and are filled with competitors trying to snare the same talent.

Som Sarma, Head of 3i Infotech's Global IT Services Division, said the flattening world creates a new challenge for employers: highly skilled talents can work for themselves engaging with technologies like Apple's App Store and Facebook Applications to turn profits.

"Freelancers can contribute in amazing ways," he said. "This is good for them but makes competition fiercer in markets like India. This is an emerging challenge. We want these same entrepreneurial-minded workers to help us grow."

With some outsourcers, recruiting starts while potential candidates are still in high school.

"We help with costs for books, study programs, and exam fees for local individuals we want to recruit, connecting with them very early in their development," reports Vishal Gauri, President North America & Head of Customer Solutions at Nagarro. Targeting 25-30 universities in India, Nagarro builds its brand through these efforts, messaging students and their communities about what they do and how they can prepare to be part of that type of organisation.

HCL takes a different approach, focusing on attracting young talent through brand-advancing community campaigns, such as "Making a Difference," a contest for college and high school students. HCL receives thousands of entries and holds an awards ceremony for the best ideas.

Some outsourcers present themselves differently across the globe, pitching themselves as locals.

"Our pitch in Germany looks different than the UK and different than India. The benefits and underlying offering may be the same, but we market in each region with different considerations," says Sarma.

Others take a more unified approach.

"Because we are a Western firm that believes competition breeds employee growth, we look for people with like-minded thinking inside China," says Jim Reesing, EVP from Freeboarders. Reesing says finding potential employees with the inclination to work under Western management is key in their hiring process. "In China, finding talented developers is easy. The hard part is finding developers who are prepared to engage in a different business culture and can speak English."

Outsourcers are also fluid in the ways and means of using government initiatives to assist in attracting employees. Reesing told me that the Chinese government has been extremely helpful to Freeboarders in its endeavours.

"China is looking to attract firms offering professional jobs. They have helped us build our brand in China because we are doing just that," he says.

### **Performance management: growing the talent**

Outsourcers applaud their ability to quickly develop talent. The need to speed development

combined with competitive talent pools caused all of them to create specific methods. They all mentioned that their training programs are among the most demanding and efficient in the world. One outsourcer hired over 10,000 people in the past two years. Everyone commented on the need to develop skills over the course of months rather than years and many commented that this speed weeds; employees who can't keep up are identified early.

Beyond a few details, I was kept from learning the secrets of these processes. I did, however, find out that many were using best practices from India.

“In India, we learned how to build to scale, manage with metrics, develop governance,” says Reesing, who adds that these methodologies are leveraged inside China by Freeborders.

It's not surprising that talent needs to be groomed quickly. Most outsourcers target Gen Y talent pools in markets other than Western Europe and the US. In addition to learning how to work with Western clients, these newbies need to learn their job from a competency perspective. Most candidates, or “freshers” as they are called in India, have little to no work experience. Hiring them may be an investment, but the outsourcers say they have no choice; they need to put employees to work fast.

A few organisations focus on feedback, implementing mechanisms such as monthly reviews to build and guide talent. It takes time but, according to Vishal Gauri from Nagarro, it's worth the effort: “Delivering constant feedback aids in the development of each employee. Employees are aware of what is working and what is not, allowing for mid-stream corrections.”

In addition to lack of skills, outsourcers face language barriers. Reesing said that English in China became an obstacle to growth. To overcome it, Freeborders offers team members a full spectrum of English courses: “This allows us to get the technical talent we want without the barrier of poor English skills,” he says.

### **Performance management: engaging cultures**

“Our goal when we send someone abroad to engage with the client is two-fold,” says Reesing. “First, we want the employee to learn from the client culture to understand what the client wants within their own context. Second, we want the client to ‘see us’ in the flesh.” Reesing said a side benefit to this process is that employees return, being vocal spokesmen for client causes. Employees form greater connections with clients and can help back home when other team members have questions. This also gives outsource employees an immersion in the business culture of the client.

Many outsourcers said that onsite visits are part of employee growth. This is easy to imagine: living in a culture for a while begins to shape your understanding of what is important and how things work. Nagarro mentioned that they continually learn from their clients as they increase their spread across verticals. For example, an onsite visit to one manufacturing client caused the team to understand the need for large font.

“When we saw the implementation plan, it was clear employees would need to read screens from

far away,” he says. “Onsite visits are key to really understanding our clients needs.”

Outsourcers, as a group, have training courses in client cultures. The training is engaged at different points depending on the needs of the situation. One outsourcer had short courses for employees traveling to client sites to prepare them on business cultures. The highest goal, which was consistently mentioned, was training employees to be in the best position to engage clients, whether it was meeting them in person or working with them virtually.

What none of the outsourcers talked about were efforts to train their clients on their own culture. This continues to surprise me, although perhaps it’s in an effort to present services as being easy to engage, where cultures don’t matter.

Beyond training, outsourcers focus on developing the best talent by identifying and retaining them. Most of them instill the value of work hard as a means to climb the internal ladder. Most have merit-based pay and rewards for performance metrics. And all of them talked about this in the context of employee retention.

### **Employee retention**

But will all of this training pay off? Khorana from HCL said he is often asked if he is worried that his highly trained talent will leave. His response: “We focus on training them so well we will need to keep them.”

Keeping talent is an ongoing challenge. Employee retention in these markets is incredibly high with some facing a 50% or higher turnover rate. Vishal Gauri from Nagarro was very explicit about the cost of losing talent:

- Project delays for customer
- Loss of employee-generated profits
- Retraining new employees
- Rehiring costs

The list went on. Gauri estimates that cost of losing one employee is equivalent to two years of salary. This incites Nagarro, as well as others, to focus on talent in two ways: by identifying pivot groups and by keeping a door open to alumni.

### **Employee retention: pivot groups**

Pivot is a term coined by John W. Boudreau. It’s not surprising that most outsourcers think the same way as Boudreau: organisations should focus development efforts specifically on the talent that positively impacts the organisation. Boudreau talks about Disney as being a classic example. Instead of spending all of its efforts on executives, Disney instead selects pivot groups of employees who have a direct impact on customer experience while in the park. These efforts are designed to enhance customer satisfaction, which is key in keeping customers returning to the theme park. Surprisingly, one pivot group is the people who pick up trash in the park, who often interact with guests, helping them in a variety of ways such as identifying possible heatstroke in

children.

All of the outsourcers use a similar line of thinking about which employees receive the most attention. For most of them the answer is middle management. This group requires training to deliver a positive client experience. The client must be satisfied in order to generate quarter-after-quarter growth for the firm. And frankly, this group is new. Most emerging markets where outsourcers employ must train middle managers because few arrive with the right skill set.

Middle managers are vitally important to outsourcer growth. This employee level is often a project leader with potential to grow into a business development leader or people manager. Nagarro told me they conduct ongoing high performance mapping to identify which employees - typically 10-15% - to groom for leadership roles. Nagarro assigns mentors to each of these individuals to ensure they have consistent touch with leaders of the organisation.

One of the strategies used by Som Sarma is developing an entrepreneurial structure inside 3i Infotech to retain high-growth candidates. All employees at 3i Infotech have the ability to move to new regions to grow its portfolio. Sarma told me: "When we want to expand the verticals we service, we send rising leaders to new locations to engage and grow our business in creative ways by allowing them to construct what the local client needs based on existing capabilities."

The result is compelling: employees stay at 3i Infotech an average of eight years. Not bad for an outsourcer who is a mere 12 years old ... or young, as Sarma corrects. He said simply: "Our firm believes 90% of the challenge is people."

With the exception of one outsourcer, most have an average employee stay of five years. This is long when compared to Western firms, but it can be easily argued that these outsourcers do much more training to accelerate an employee through an organisational ladder.

### **Employee Retention: "Alumni: See you later! No REALLY, see you later..."**

Not surprisingly, after these investments end with an employee departure, outsourcers keep in contact with their alumni. The goal is an open-door policy for alumni who may decide to return in the future.

"We invested in their growth and believe in them as employees. By keeping up relationships, we continue our link to them and their future. We message them about our strategy and how they can be part of it. Many alumni have returned," says Nagarro.

Some of these companies have formal programs for alumni, including social functions and virtual communities. Others seem to rely on managers to keep up relationships. Shami Khorana, from HCL, said employees continue to engage with alums after their departure, keeping personal relationships and tracking their growth: "We have had thousands of employees return to HCL." (Which sounds like a strong argument that program is working.)

The most fascinating thing that almost everyone mentioned is that a retention challenge is directly tied into growth patterns. If the outsourcer remains flat, not expanding into new markets

and building up additional teams, the best talent may leave because there are fewer opportunities. In short, talent is ready to accelerate through the organisation and expects to do so. This is great ... if you have the slots. Lack of slots is a common complaint, especially for these outsourcers' Gen Y workforce .

### **What we can learn**

As the world flattens, people remain different. Outsource firms gained their global strength through processes. This is their business. But they have invested a tremendous amount of effort in considering how the people running the processes work, investing in their training to ensure success. Human capital is a focus because it has to be.

*Next time: The second part of this article will be published next month focusing on how outsourcers manage across cultures.*

Thank you to the outsourcers who took time to speak with me for this article:

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Som Sarma, Head of 3i Infotech's Global IT Services Division

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