



Patrick Yvon is the Senior Director Operations of Wind River a market leader in Real Time Software. Patrick recently talked with Surendra Saxena on the challenges of outsourcing Systems Software and acquiring IP. There are no cookie cutter solutions - it takes an enormous amount of effort to make any outsourcing program successful - even with the best providers

OM : How did this journey to Outsource begin for WindRiver?

PY : As many companies, Wind River has done ad-hoc contracting and outsourcing in the past on a project basis. Early 2002, in the midst of the economic downturn, Wind River decided to integrate Outsourcing into its Strategy and to launch a Corporate Program.

OM : Which projects did you identify as ideal candidates for Offshore Outsourcing?

PY : Maintenance and testing projects, which require understanding of the current products, in order to free up internal resources for IP creation. This has then moved to product design, for projects which had a very clear specification.

OM : As you started out on this journey did you encounter internal skepticism or lack of enthusiasm?

PY : Yes, a lot. The spectrum was from simple skepticism on how this could work efficiently to engineers scared about losing their jobs.

OM: How did you bring the skeptics around?

PY: Communication, communication and....communication. Explaining to people why the company needed to make this decision.

OM: Do you use rewards and sanctions as a mechanism to govern the relationship?

PY: We have both ways: rewards and penalties.

OM: Do you reward your staff also if they participate in the success of this program?

PY: Yes. At Wind River we have a reward program called the Compass Reward program We reward special behaviors on the spot.

OM: What are you outsourcing now?

PY : Maintenance, Testing and Product Design.

OM: How much of your outsourcing is offshore?

PY: 100%.

OM: Who are some of your outsourcing partners/providers?

PY: Wipro Technologies is our sole provider at this point.

OM: Today when you look at your Wipro relationship how many consultants work for you?

PY : Right now it's about 30, we are going to grow as budget allows. It is a several year partnership, but there's a limit we don't want to go beyond.. What we are embarking upon is a strategic partnership. I think the ceiling we don't want to go beyond is 20%- 30% of our R&D budget offshore and the main reason is that we still want to keep in-house a number of core competencies. We are confident that we can define work for up to 20- 30% of our R&D budget

OM: What is the engineering strength at Wind River?

PY : We have in Wind River about 400 engineers right now.

OM: So you are looking at about 80-100 people Offshore

PY: Actually more than that. When you equate that in funding and budget that results in more engineers. People can do the math to figure how much that translates to offshore resources.

OM : Sure as a safe measure you can double up the resources 2 offshore resources for the budget of one local

PY: You are probably right

OM : And you said that your initial business driver was cutting costs and you are now moving to more strategic directions.

PY: There is a whole mindset here at Wind River that this is another R&D center . We are involving more and more teams within the R&D teams. We started with the groups that had done some outsourcing; to get some early success. Now I think the strategy is working out; it has started snowballing because people have started to see the value.

So the angle I have taken is: let's show the people how its works and let's show the people how to do it. We have a lot of people saying: I want to do it but I have no clue how you go about this. This meansso you have to have a process and a structure which helps to do that

OM: In what ways has outsourcing worked well?

PY : Outsourcing has had an impact on our internal processes. It has forced Wind River Engineering (and Marketing teams) to clearly define what was expected.

OM: Outsourcing has had its share of failures whether in performance, scope, effort or cost over-runs In fact a leading Outsourcer works with all Tier 1 providers in the US and most Tier 1 CMM Level 5 providers from India. With each some projects work, some fail. Have you seen failure?

PY: We are fairly early in the process so we haven't seen failure; but we have seen difficulties and the difficulties are in 2 areas: the first one is that some skillsets that you feel the vendor have may not be as developed as you may think.; . or that very few people have that kind of skills set, so we will have a team with a couple of people very knowledgeable in that area and then there are 10 others who are just learning on the job . The other one is understanding what a product is. Therefore the approach we have taken so far is to give some parts of products or modules but not the entire enchilada.

OM: Did you have the right to pick the people that would be involved with you?

PY: Absolutely . We did it in 2 steps: we first selected the leads so we talked to each individual. Three people from Wind River were involved, the Director of Outsourcing Programs, the Director in charge of Quality and Processes for Wind River and myself, myself and . So the three of us interviewed these leads. For the team members we haven't interviewed every one but we cherry picked and talked to these people. We did this during our first visit to India, which was 6 weeks after the sign off. It was difficult to assess someone's exact capabilities in the half an hour or one hour but we got a good feel for what these people could do and it actually helped us to decide maybe this project is a good candidate (to outsource) or not.. Definitely there is some stuff that requires lots of expertise in that domain. In our area things which are close from hardware (we are in the embedded world) finding good embedded engineers is difficult even in the United States and second there are a number of things that these companies are not exposed to like CPUs or silicon that they have never played with. To intellectually figure how to work with these is fairly simple for an experienced engineer. What is difficult is to have the experience in the particular area, which is the tribal knowledge that the engineers bring, things which are not there in the manual , which you know because you worked 3 years on that particular stuff

OM: When you say that there is a thin layer of experienced people and a large core of inexperienced people mostly learning on the job that has an inherent issue. Attrition usually happens at the top with the more experienced people moving out. What happens when this happens?

PY: What we have defined with Wipro is a set of metrics that we will measure on a quarterly basis and attrition is one of them. If it goes beyond a certain threshold that we have defined it's not an issue of just replacing them but Wipro will be penalized. From previous experiences, turnover is just a nightmare Also we want to ensure that our vendors are taking good care of these people. That won't avoid attrition, although in the last 6 months we haven't seen any. We have put measures to try and avoid it. Now, when it happens, we are going to go through the same process as we did when we hired the team. We will have a say in who replaces whom We have means to force the replacement at certain levels and we also have means to enforce even if they have no one in house to replace at that level. All that has been captured and is contractual.

OM: What have been the more challenging aspects of outsourcing?

PY: The Operations set up in India (hardware, configuration management), as well as the process around leveraging our supplier's IP

OM: What kinds of problems have you had with IP?

PY: Usually what vendors mean when they say they have IP is that they have part of the IP. Our belief, when we started, was that this is almost a product The challenge was then that that we made assumptions that we can leverage that IP as is.

OM : Yes we hear that too often IP is sold and then there is a lot of work to be done after the IP is sold to make it usable or useful.

PY: Yes that's right. Though the good thing is that the vendor is also a competitor from an IP perspective . That means that a lot of IP will have to be created for us that's not there and the other aspect we have to deal with is because of our business models the vendors have difficulty really understanding how they could position their IP in terms of pricing or business models because we sell products to vendors who sell products. That was a total challenge in itself.

OM: Where or how do you think that outsourcing, in general, could use improvement?

PY: By changing the approach usually people have of outsourcing; there is a lot of "us against them" at the working level, and things could be made much smoother if the approach was simply to consider the outsourcing partner as part of the customer's own R&D.

OM: What are some of the cultural issues that have come up?

PY: Indian engineers have difficulty saying "no"; US engineers are much more blunt. This may create some expectation gaps.

OM: Do you think that the service providers are overtly defensive or less transparent when it comes to their delivery or their approach to the relationship?

PY: No. Actually it has been the very opposite in my case. I have been happily surprised, when we came in and said that we wanted to measure everything, they agreed to it.

OM: So you have seen a very transparent methodology and you can have a good visibility into what is happening out there?

PY: Yes, definitely. We are very happy that we are very rapidly going towards the path where they feel part of our team and our people feel more and more part of theirs; it's like a remote site. We're not there because it takes a while but the mindset is in the right direction

OM: Do you use bicultural members on your team

PY: None of the people, except one who is based in Bangalore. The two other members of the Program team are American and French,. In the project teams, only one project manager is Indian.

OM: From a governance perspective do you have to proactively manage it or is it managed by exception?

PY: It is very proactive. Outsourcing is a lot of work; it increases your bandwidth, does a lot of projects for you but it is a lot of work; if you don't monitor the Program on a very regular basis, if you are not crystal clear on what you want, if you don't specify everything, it will fall thru the cracks

OM: What are the measures or metrics that you have set for your vendor?

PY : I won't give you details but metrics like product quality, on time - on schedule delivery, attrition, customer satisfaction..

OM: Do you also ensure they have a similar employee satisfaction done which is measured ?

PY: They have an internal process thru their P-CMM Level 5 - which was also one of the criteria for our vendor selection.. They are very sophisticated now in the way they manage their resources, from an employee satisfaction, assignment and training standpoints.

OM: When you have the service level defined and you have these metrics defined have you also agreed on a year on year improvement on these metrics or service level performance?

PY: Yes. Except the customer satisfaction which is measured on a yearly basis the others are reviewed on a quarterly basis

OM: And how did you set the baseline for these?

PY: Well - we have been very aggressive Companies like our vendor are CMM Level 5 and have a lot of metrics they can collect on a regular basis.

OM: What's your estimate of how much you save by going offshore?

PY: Between 30 and 50%.

OM: Are you planning to get more strategic work outsourced? If so what kind of work do you think would be ideal?

PY: In the case of Wind River, the work outsourced is necessary for the product portfolio, but never strategic. Any project, involving non-core competencies of Wind River personnel, is a candidate for outsourcing.

OM: How much of your time goes into managing the relationship?

PY: There is a team dedicated within Wind River to manage the full relationship. Today, it is composed of 2 people full time.

OM: What is your level of interest in formal software development processes, such as ISO 9001, CMM, Six Sigma or your own proprietary process? Do you think they improve software quality or reduce costs?

PY: Very high. Actually, Wind River is ISO9001 certified. The company is also embarked in a CMM roadmap. These programs are key to software quality improvements and cost reductions. Wipro is a good model to follow as they are CMM Level 5 and have a number of Six Sigma driven initiatives.

OM: If you have adopted a process, have you seen any tangible benefits yet?

PY: Wind River has focused primarily on Market requirements and Supplier Management. The results, after a few months effort, have shown significant progress in these 2 areas.

OM: If you look at Offshore Outsourcing as an Investment where is it that you have seen the biggest ROI?

PY: Resource bandwidth.

OM: Are you ready to expand your Outsourcing Relationship? If so what will you look for in the new partner?

PY: We'll expand the relationship as budget allows. We're always open to other partnership opportunities in line with our Outsourcing strategy.

OM: Have you borrowed some best practices from your partners and introduced them in your own work practices?

PY: This is currently in the works.

OM: How would you address concerns on Intellectual Property protection?

PY: Be as crisp as possible at the contract level.

OM: What would be your advice to a System Software vendor considering a major Outsourcing initiative?

PY: Go for it, but ensure you select the right partner and have clear goals on what you want to achieve by leveraging outsourcing.