



Parmeet Chaddha, ranked among the top 50 IT Executives by InfoWorld in 2001, has served as our Senior Vice President of Corio Technologies Division since Jan. 2001. He has more than 14 years of information technology and general management experience in the areas of Enterprise Applications, Internet Infrastructure, Distributed Systems and Database Management Systems. Corio's foray into Offshore was well planned with well defined objectives. Corio began by outsourcing to key service providers what was context and after some time set up its own Offshore presence so that it could build what was core to Corio. Surendra Saxena recently talked to Parmeet about Corio's strategy and experience with Offshore software development.

ABOUT PARMEET:

Parmeet came to Corio from MarketMakers, Inc. where he was the co-founder and CIO. He has also worked as the founder and President of Zanza Software, Inc., a web based Business Intelligence company. Parmeet has been instrumental in creating one of the first commercial websites' during his tenure as VP of Engineering at Intellimatch, Inc., a provider of online information services for recruitment. Prior to this, Parmeet was Director of R&D and Computer Operations at Datis Corporation, a health-care information systems company. Parmeet began his professional career at Oracle Corporation as a technical analyst in Financial and Manufacturing applications group. Here he managed and worked on the product line for Oracle CASE tools.

Parmeet has published several articles and papers. He holds a Masters of Science and a Bachelor of Science from Massachusetts Institute of Technology (MIT).

ABOUT CORIO:

Corio®, a leading enterprise application service provider, delivers best-of-breed enterprise applications over a secure global network for a fixed monthly fee. Corio's experts deploy and manage Applications on Demand from leading software vendors such as PeopleSoft, Oracle, SAP, Siebel Systems, and Ariba. Through three delivery models - Corio Full Service, Corio OnSite, Corio Transition, and Corio Infrastructure - Corio brings increased speed, reliability, visibility, control, and economics to enterprise application management.

Corio Applications on Demand is a flexible, 'pay-as-you-go,' utility-like service to deliver enterprise applications. Organizations gain the efficiency of a scalable delivery architecture and variable cost structure for IT services while maintaining the predictability of a fixed price contract. Customers are able to defer upfront procurement of expensive infrastructure assets and reduce IT costs overall. Corio

provides the expertise required to deliver reliable and secure enterprise applications so valuable in-house resources may focus on core business activity. Corio Applications on Demand is an end-to-end enterprise application management solution available for a fixed monthly fee.

OM: How has Corio's ASP business evolved from its first inception to the current state?

PC: Some of the fundamentals of Corio's ASP business have not changed since inception. These include de-leveraged balance sheet, no software rental, exclusive focus on application management excellence and core R&D investment to develop highly efficient service delivery model. Corio has certainly evolved in its customer mix and made a very successful transition from dotcoms to Fortune 1000 across multitude of industries, including the public sector. Additionally, Corio's service delivery capability (infrastructure as well as applications) has matured dramatically because of its consistent investment in automations, knowledge reuse, self-service capabilities and offshore labor arbitrage.

OM: What is On Demand Utility Computing?

PC: Corio's Applications On Demand is a utility computing service delivery model that allows customers to subscribe to Corio's services on a pay-as-you-go model. The key word is utility rather than computing. Consider the early history of the Industrial Age – large companies, such as mining companies, built their own power plants to run the mining excavation and delivery of minerals. Soon they figured out that they need to focus on their core business – excavation and delivery of minerals – and not on the contextual tasks of power generation. Such evolution in the Industrial Age businesses led to the emergence of power utility companies that focused on independent operations of building power generation plants and distribution grids. Similar questions are being asked of modern business that is highly dependent on Information Technology. They have customers, consumers, business processes and would rather focus on those than IT architectures, systems and processes. In the case of the power utilities there were two issues – one was the technology issue of the creating, preserving, routing, sharing and delivering reliable electric power; and second was the business issue of how to deliver this electric power at a price point that makes the utility economically feasible while complying with the buying capacity of the consumer. Something very similar is happening in the IT industry. We believe there has been ample IT infrastructure investment. The key evolution for IT-era businesses is to focus on their core and outsource the "context" IT infrastructure to specialized IT service providers. The key challenge for IT service providers, such as Corio, is to deliver IT services as a utility that de-emphasizes upfront investment and fixed cost for IT services and, instead, provides customers with the flexibility to choose variable and predictable cost model for highly reliable and predictable IT service. A manufacturing customer adds a second production unit – they only need to provision more power from a power utility and "provision more IT service from a IT

utility.” Once Corio service is activated, customers can purchase additional services for enhancements and customizations, such as new reports, on an event-basis.

OM: Does this co-exist with Grid Computing as is being proposed by IBM and other hardware vendors?

PC: The notion of On Demand from the likes of IBM has consistently focused on “more” technology, such as grid computing, virtualization, server farms etc. Corio believes that On Demand Computing has little to do with technology (although technology evolutions will continue to make IT utilities more efficient and compelling) and everything to do with the economic model of service delivery. Corio offers On Demand services without requiring CIOs to invest in brand new technology paradigm, such as Grid Computing.

OM: Let me look at another dimension of this whole utility based model. Consumers really do not care whether the utility is coal based, nuclear generated, hydro-electric or otherwise. Similarly in IT as long as I get my business processes enabled for my 4 quadrant applications- the Demand chain IT, the supply chain IT, the HR IT and the stakeholder IT why should I worry whether the engine is SAP or People Soft or Oracle or any other App? Do you see consumers asking for you to deliver the business process support cost effectively and really not care about the underlying technology that is being used?

PC: Yes and no. First of all we have to be a little bit careful on how far we stretch the analogy to power utilities. Power utilities have a single purpose in life, which is to deliver electricity to the consumer. There are very requirements for securing, backing up and recovering these electrons in “user friendly interfaces” (although the standardized electronic devices handle such interfaces). When it comes to IT services, there are proprietary business rules & processes involved, there are humans involved with varied skill levels and requirements, there are market dynamics involved in the adoption/utilization of IT systems, there are partners involved in the overall ecosystem of business services that leverage IT systems – fundamentally, there are complexities of information persistence, accuracy and high availability that are not requirements when you are just delivering electrons. Now coming back to your question – the business processes that are more mature and have a lower level of flux, such as payroll, the businesses will not care about the underlying technology stack within the utility. A great example of this is what ADP does for payroll. There are only so many ways you can do payroll. It is a process that is standardized and mature, why do it in-house when you can get it done at a fraction of the cost by outsourcing it to ADP – a “payroll utility”. So for the business processes that are very standardized, well understood, and very mature and not fluctuating, you will see an increasing adoption of utility type of IT service delivery. Although the interfaces will keep on evolving -- e.g., the emergence of web services – but the fundamental promise as well as the premise that these things will be delivered through the pipe, i.e. the wire, on a need-basis, i.e. on an “OnDemand” basis WILL happen. At the same time there are a class of processes that are evolving, that are in a high state of flux, where I believe it will not be feasible to deliver these in a traditional utility

based approach. Even today every decent size business needs to maintain a power generator!

PC: We have chosen to be a pure play ASP that is in the business of Application Management services. That's where we have drawn the fine line today. The actual choice of the specific application footprint is for the customers to decide. Being a young company, we are currently focused on a handful of best-of-breed ERP and CRM applications –PeopleSoft, SAP, Oracle and Seibel. We offer our Application Management Excellence around these applications. Our secret sauce is that we offer highly customized solutions on best-of-breed application footprints via highly automated delivery processes. That is what we have chosen to be as opposed to being a ISV that offers its own hosted application, such as Salesforce.com. I think the jury is still out whether an ISV can be a successful ASP. The DNA of a software publisher company is very different from the DNA of a software management company. There are issues of scalability and customizability with hosted-app ASPs – you can meet some functional needs of some customers but how this can be scaled and customized cost effectively is still to be seen. So coming back to your question that HR is standardized, Accounting is standardized and whether boundaries can be drawn on what can be outsourced and what cannot be outsourced I would like to think that differently – firstly, a business has to determined what is core that has to be retained in-house and what is context that can be outsourced; secondly, the receptiveness to outsource core applications is in a state of evolution – it is the psychology thing. The executive management of a business needs to assess what is core and what is context for their business. Context is something that is ideal candidate for outsourcing – today – and core is what they need to retain tight control over – today. So when they do consider outsourcing there are multiple models that are available and that's how people need to consider outsourcing rather than state that every one is outsourcing HR so I need to outsource HR.r In some cases, such as HR Management Companies, HR application will be core to their business. Beyond the distinction of core versus context, there is the issue of outsourcing psychology. As the time moves forward and new generation of IT managers move up, the dimension of core versus context will be replaced with an outright subscription to apps-on-tap – all apps.

OM: What were your business drivers to go offshore?

PC: While the benefits of labor arbitrage from an offshore operation are obvious, Corio does not believe that lower labor cost is the sustainable or strategic reason to build offshore operation. We are in India for highly skilled resources that deliver highly professional IT services on a global scale. Rather than simply delivering IT skilled labor at “cheap” rates, we are focused on fundamental redefinition of IT managed services economics by building an IT Factory enabled by automations, self-service and knowledge reuse. The skilled and talented professionals, onshore and offshore, are focused on building this IT Factory. Corio provides 24x7 support to its customers with “follow the sun” support coverage from Corio India at industry leading cost efficiencies and quality. We also wanted to enhance our services

business with a global outlook and in order to do that one always should go through some stepping stones.

OM: Who was (were) your Service Provider(s)?

PC: We have been working with several offshore service providers, such as Wipro, Sierra Atlantic, Hexaware and Digital Globalsoft.

OM: What was context what was core for you? What kind of work did you outsource to them?

PC: In addition to outsourcing QA and software development work, we have engaged offshore outsourcers in technical projects in the past. However, the primary model of these engagements has been labor augmentation.

OM: How was your experience with your Service Providers? What were some of the lessons learned?

PC: It certainly has helped Corio to refine its delivery processes such that we can leverage offshore resources. However, our experience with the quality of service has been mixed. Overall it has helped Corio with some valuable lessons. Number one was that we are a complex business process oriented company that needed to refine its processes such that these processes can be extended across different work cultures, language barriers, clock barriers and corporate cultures. This is still a work-in-progress.. However, we have learned some valuable lessons – our workforce in US has become more comfortable with Offshore; it has given us exposure to the class of skills available offshore. At the same time, there have been downsides to this experience. I was surprised with the level of bait and switch when it comes to the quality of resources. This has been a consistent pattern wherein the best resources are presented to win the deal and gradually these resources get reassigned by the partners on other client engagements.

A significant challenge has been the lack of stability of the team that is assembled at the start of projects. Although most of the outsourcers provided very qualified resources to win the business, there has been gradual replacement of these resources with new staff -- a bait and switch strategy that was very disturbing. In addition, there have been occasional IP protection concerns as well.

OM: What effect did this Outsourcing have on your internal staff?

PC: When outsourcing assistance has worked for Corio, it has been a relief to the tight bandwidth constraints for our internal staff. On occasions, it has posed difficult challenge for internal staff to overcome cultural, language and clock barriers.

OM: How did you address these issues?

PC: Process refinement, metrics-driven execution and increased face time between internal and offshore staff.

OM: Was there initial skepticism?

PC: Absolutely.

OM: How did you manage that?

PC: By building trust and confidence, one win at a time.

OM: Were there any concerns on Intellectual Property related issues?

PC: Yes. Since we ourselves are a Services company some of the processes we have in place are our Intellectual property so protection of that kind of IP emerged as a concern. In the duration of the 18 months or more that we have worked with our partners we have not seen a single instance of fraud. In our case, the concern was more of an IP dilution through osmosis. Which is why we decided to set up our own operation. The overall offshore experience though has been positive.

OM: How did you tackle that?

PC: By negotiating stringent contractual clauses with the US-entities for the offshore vendors.

OM: What were some of the best practices of your Service Provider that appealed to you?

PC: Level of CMM and Six Sigma process maturity achieved by our partners is very appealing. However, in certain instances we did find the ground reality of processes did not demonstrate what the providers claimed in their marketing.

OM: Where did you find them lacking?

PC: In the quality of the resources, the stability of resources. Frequent mismatch between our technical skill requirements and what was deployed by partners was always a cause of alarm.

OM: Did you have any problems with remote communications?

PC: No. Except minor language communication issues.

OM: Was the service provider's process a benefit or a hindrance to operations?

PC: Benefit mostly.

OM: At what time did you feel you should have your own remote office?

PC: Fall 2002.

OM: What drove you to setting up your own operations in India?

PC: Build a legal entity to leverage local benefits (such as STPI); build our own offshore management team; build our staff that has a stake in Corio's success; easily replicate our proprietary process and business systems IP without concerns for IP dilution; tighter control; better economics. We realized Offshore can work, did work but we felt we needed tighter control that was lacking while we exclusively relied on partners.

OM: What were the challenges of setting up your own operations?

PC: Government bureaucracy is still stifling; power and connectivity reliability is still suspect; recruitment is a challenge. The demand for talent far outstrips the supply.

OM: How easy was it to find skilled resources?

PC: Highly competitive and generally weak ethics on part of some candidates that are hired ... accept offers, negotiate with competition and join the highest bidder after having made commitments to start with multiple employers! This, I believe, is the biggest challenge facing India's IT sector.

OM: What levels were the most difficult to find?

PC: Performer staff. Quality Management has been easier to recruit and retain.

OM: What type of work is allocated to your remote office?

PC: R&D; Production Support; Technical Consulting; Remote Telemarketing.

OM: Has your experience with your service providers helped you in operating your own remote centers?

PC: Absolutely.

OM: Did you encounter a fresh set of challenges?

PC: Cannot comment yet but I am certain that it will not be a cakewalk.

OM: If Utility Computing becomes ubiquitous how do you see the role of Offshore service providers change?

PC: While repeatable best practices, zero cost automations, self-service and knowledge reuse make Utility Computing operationally feasible; offshore labor arbitrage makes it economically feasible.

OM: What advice would you give to anyone contemplating Offshore Outsourcing?

PC: Do it but not just for cheap labor. Labor cost advantage is temporary. "Follow-the-sun" and access to a vast pool of talent are more strategic reasons to leverage offshore. This is a commitment so there should be:

Management involvement. This is not something that you can build via remote control. Management has to be physically there to make it happen.

The process is complex, the cost of assembly of an offshore operation is high. Attempt to complete one goal a day.

Keep focus on PR and Press. Helps in recruitment and local brand building.

Focus heavily on branding if you want to hire good resources

Make sure that you meet Government officials and develop that network.

Make no compromise on the quality of top management

Set financial expectations correctly. Labor arbitrage advantages will not occur day one and may not last forever.

Hiring is not easy. Retention is a mighty challenge.

Finally never try to do a conference call while traveling in a train!!