

View Point



Organizational Change Management and Global Sourcing - A Winning Combination

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Among the largest hurdles companies face when establishing and institutionalizing global sourcing programs are employee fears of the unknown and, in some cases, outright resistance. This is especially true with relationships involving vendors in other geographies that speak different languages, operate in other time zones, and, most importantly, belong to a different set of social norms and values. Recognizing these challenges, sourcing decision-makers are seeking partners capable of delivering solutions to address these concerns. Infosys' Organizational Change Management (OCM) competency provides such solutions.

Introduction

With the growing acceptance and maturity of global sourcing, business and IT executives are increasingly realizing the need for effective change management. They recognize that if left unaddressed, employee concerns and fears about working with foreign business partners over extended geographies could cause stress and operating pressures. These challenges may be difficult to identify and could result in problematic transitions and productivity losses. In extreme cases employees may even resort to unconventional practices such as interfering with program efforts or even sabotage.

Although decision-makers often overlooked these challenges in the past, many are now planning for specific programs designed to address such concerns. To support this need, Infosys offers strategic and tactical solutions to help clients effectively manage change by addressing employee-related issues that arise during the multiple stages of a global sourcing initiative.

Organizational Change Management

In the context of strategic sourcing, Infosys' Organizational Change Management framework is a people-centric process that is deployed during the planning and execution of complex sourcing initiatives. It recognizes the uncertainties of transition and the emotions experienced by client personnel.

Over the years, Infosys has designed, developed, tested and successfully deployed this modularized OCM solution, which can be customized to meet the needs of each of our client's unique sourcing requirements. Inherent in its design are tools and techniques to help clients successfully navigate through the most critical period of change, the transition period. This period of time between the current-state and the future-state is when new people, processes and technologies are introduced to the client environment for the first time. If the introduction of these elements and the resulting changes are not managed well, lower productivity, a dip in service levels and/or a higher level of employee turnover can result.

As the initiative progresses, employees will begin to ask difficult questions such as: "Is my involvement on this initiative a means-to-an-end?" or "Will I lose my job upon completion of transition?" These questions, if left unanswered by management, will create an implicit resistance and an employee communication vacuum. The resistance, once started, will be difficult to stop. The communication vacuum will help to fuel rumors and innuendo, which will be quickly spread by e-mails, phone calls and other communication mechanisms.

To address this challenge and to answer such questions, Infosys recommends that the following best practices be deployed and wherever possible, maintained throughout the lifecycle of the initiative:

- Establish a Change Team that is supported by senior leadership and consists of representatives from each of the key business and IT areas impacted by the change;
- Integrate the Change Team with other program teams such as the Transition Management Team and the HR Team;
- Proactively reach out to employees and ensure that their concerns are heard and addressed;
- Develop and implement specific risk mitigation strategies relating to employee retention;
- Develop communication and training programs that are comprehensive and consistently delivered across the organization; and
- Communicate, communicate, communicate!

From a strategic sourcing perspective, engagements will typically affect a client's IT organization and the interrelationships that exist between the IT groups and their business partners. For both parties, role adaptation will be a key hurdle and will be one of the greatest challenges that affected personnel will face. These individuals will need to move from their stable local environment, to an unstable transition environment, and then eventually to a new global steady-state environment.



Change Management Challenges for the IT Organization

For the IT organization, other challenges associated with distance, time and culture will exist and will be further complicated by global sourcing requirements. Such key challenges include:

- **IT counterparts operating in different time zones and geographies.** For example, an onsite client team in Chicago operating in Central Time (GMT – 6 hrs) will have to regularly interact with the offsite vendor team in India operating in Indian Standard Time (GMT + 5.5 hrs). While one partner is engaged and at work, the other partner will be disengaged and enjoying time away from work. These differences will require employees to learn new ways of partnering and interacting.
- **IT counterparts having differing communication styles and cultural norms.** One culture may favor high-context communication and the other, low-context communication. Individuals in the high-context culture will use more implicit or tacit ways of sharing information (more indirect), while those in the low-context culture will favor more explicit or precise (more direct) ways of communicating. Without each culture understanding the other, communication differences will exist and will cause misunderstandings and challenge the ongoing relationship.
- **Retaining critical skills and knowledge in the client's IT organization.** Clients launching a global sourcing strategy may experience a dramatic rise in attrition as employees anticipate potential staff reductions. Excessive attrition may cripple the client's ability to transfer mission-critical knowledge to the external partner, and/or to maintain business continuity through the transition period. Specific strategies must be put in place to mitigate attrition risk, including:
 - Identification of mission-critical skills (and employees) at the start of the program
 - Execution of retention tactics including retention bonuses for mission-critical staff, early notification of continued employment for retained employees (including notice of specific positions wherever possible), and severance payments linked to specific exit dates for
- **Morale problems relating to staff reductions.** Retained employees in the client's IT organization may suffer a variety of morale and motivational problems if staff reductions accompany the global sourcing program. Critical mitigations include:
 - Ensure that released employees are treated with respect and are offered significant separation assistance. Retained employees will closely watch how released employees are treated.
 - Ensure that a clear business rationale exists, and is communicated, for undertaking the global sourcing program. Make it clear that staff reductions are not the result of poor performance at an employee level.
 - Ensure that a rigorous process is used for selecting retained vs. released employees. Employees must not perceive the selection process as either random or capricious.
- **New managerial skills requirements.** Global sourcing typically introduces a range of operational changes such as moving the client from a "Project Management" way of operating to a "Program Management" way of operating. Because development resources operate in a different country, onsite managers must learn to trust their offsite counterparts. They will also need to learn to focus on managing outcomes instead of managing the resources responsible for creating outcomes.

Module	Description	
Module 1	Organizational Readiness	This module is deployed during the Due Diligence Phase of a global sourcing engagement and enables the client to better understand how well they're positioned for the initiative and what, if any, are the gaps that need to be addressed before the Transition effort commences.
Module 2	Stakeholder Analysis	This module is deployed during the early stages of the Transition Phase and consists of tools, templates and techniques to enable the team to identify who will be impacted by the change and what the key changes will be from a process, policy, system and roles and responsibilities perspective.
Module 3	Readiness Preparation	This module builds on gaps identified in the Organizational Readiness Assessment and Stakeholder Analysis Modules. It enables the team to design and deliver changes to business processes, policies and practices, including any changes to systems that will be needed to support the global sourcing model. Changes are documented as inputs to the Training Module.
Module 4	Communications Plan	Output from the preceding modules will serve as input to the development of the Communications Plan. The Plan will outline the formal communication efforts for the initiative and will contain details on: What is the purpose of the initiative; What the key communication messages will be; What are acceptable client communication channels / protocols; Who should the messages be targeted to; Who should deliver the messages; and, when should the messages be deployed?
Module 5	Training Plan	Output of the Stakeholder Analysis exercise will serve as input to the development of the Training Plan. The Training Plan will define who will need to be trained on what processes, technologies, and tools. The Plan will also include details on how to execute a cross-cultural collaboration exercise. This exercise will help both the client and vendor party to better understand one another's cultural differences and how to work effectively in a business environment that caters to more than one culture.
Module 6	Human Resources	This module identifies and mitigates Human Resource-related challenges associated with the release, retention, or rebadging of employees during the transition and steady-state periods. It also leads broader people and organizational change topics including job and organization design, leadership development, career path development and Human Resource policy and practice alignment. This module is jointly designed and delivered by the OCM and HR Teams.

Change Management Challenges for the rest of the Organization

The business and service groups served by the client's IT organization will also experience changes as a result of global sourcing. Like their IT co-workers, they will also need to learn to communicate and to work across physical distances, time zones, and differences in cultural and communication norms. The successful change management program will address the needs of these populations as well.

Additionally, business stakeholders are likely to experience several specific challenges as a result of the global sourcing initiative:

- **Increased rigor in requirements definition.** End users in the business are often not skilled at defining their IT service requirements, nor at defining specifications for new IT development work. The more rigorous management processes introduced as part of the global sourcing initiative may pose significant challenges for them in this regard; the change management program should consider additional training requirements for these groups.
- **Concern over “loss of control”.** Business end-users may be accustomed to having their IT service providers located close at hand, and/or to having long-standing business relationships with internal IT providers whom they know and trust. As the service delivery model changes, they may have fears about the quality of service, and about their ability to get their unique needs met and addressed. The communication program needs to invest considerable attention to preparing these groups for the new service delivery model. The external business partner should also devote considerable attention to establishing new trusted business relationships that reassure end-users about the provider's understanding of their business, responsiveness to their needs, and overall concern with their success.

Infosys Change Management Capability

The preceding suite of cultural and operating challenges must be identified, addressed and mitigated in order for the global sourcing program to succeed. Managing people and their ability to work remotely across geographies and cultures is critical to the success of any global sourcing initiative. Towards this end, Infosys has a modular change management framework that addresses the full spectrum of change management needs.

Due to its modular design, the Infosys change management solution can be deployed to assist clients in one or more change areas. Based on the unique needs of the client, a customized approach will be defined and one or more of the six solution modules will be selected for implementation.

Conclusion

The transformation of a client's IT organization and its ability to move from the current-state to its future-state is highly dependent on its most important asset: its people. As such, the end goal of Infosys' Organizational Change Management competency is to help our clients secure stakeholder commitment upfront, invest in their ability to move forward and to manage their concerns, whether local or global, on an ongoing basis from conception through to the realization of actual business benefits.

About the Authors

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