Outsourcing in the WEB 2.0 World

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Area/Category | Web 2.0
Keyword | Web 2.0, Outsourcing 2.0
Abstract

What is new is what is transforming today’s IT space. Web 2.0 norms have changed the very essence of business on the internet. Businesses are sitting up and taking interest on how to exploit this phenomenon called Web 2.0. And, they are changing, albeit for reasons like “keeping up with the Joshis/Joneses” who have already added wikis or podcasts to get the collaborative edge. These changing business needs are addressed by a new wave of the outsourcing business called Outsourcing 2.0.

This transformation concept could be extended to address a new wave in the outsourcing world thereby building a collaborative ecosystem and could be related to outsourcing (2.0)

This paper aims at capturing the essence of Web 2.0 and Outsourcing 2.0. This paper also comes up with business models that would optimize the benefits of this new wave of technological transformation. At the center of these new models are newer tools that enable collaborative development.

This paper places its focus on application of principles of web 2.0 which would enable outsourcing to be the next level thereby increasing the capabilities and efficiencies of organizations. Global companies in addition to cost benefits could realize greater value.
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Introduction

Web 2.0 is the next generation transformation of the World Wide Web, It is neither a new technology nor a technique; but it is a new way of thinking. Web 2.0 are a set of principles and practices that when applied would bring in the change. This concept is more an ‘evolution’ and has ‘revolutionized’ the world of web. The web is now being viewed more as a participative medium with greater collaboration among Internet user’s content providers, and enterprises. Using the 2.0 principles of network effects, this eco system has now a greater beneficial value. This concept could be extended to build a collaborative outsourcing ecosystem and could be related to Outsourcing (2.0)

While cost is one of the factors for deriving outsourcing benefits, it is no longer a competitive edge. Hence, companies need to adopt newer principles like the global network effect to gain the first mover advantage. In order to gain maximum benefit it is important that the firms effectively harness innovation from a multiprovider services delivery network.

Web 2.0 capabilities will bring in an entirely new mindset to the outsourcing community. It is not a product or a strategy, it is not owned by any market segment an intersection of this new and evolving outsourcing demographics and the power and capabilities of Web 2.0

Outsourcing and Web 2.0 - The Mirrored Effect

Web 2.0, is a new way of thinking, whereas Outsourcing 2.0 is an innovative state of mind in which customers could seamlessly weave services, internally and externally, by applying the web 2.0 principles of network effects. By this means they would be able to harness the collective intelligence within the network to optimize the profitability of their products, services, and business models.

The concept of Web 2.0 is important as it embodies ideas like software as a service and open development, and wraps it in the bigger notion that the value of the Internet is in the "long tail". It is all about social networking and community collaboration which has revolutionised the Web. Mirroring this concept with Global outsourcing we would set a stage for a change that would enable collaboration to take place across the globe. This in turn will open up floodgates for more and more people to participate thereby increasing the network value.

Applying the principles of Web 2.0 will take outsourcing to the next level and increase the capabilities and efficiencies of organizations. Globalization combined with the Web 2.0 principles can be a good intersection point for future outsourcing models. With this model companies can leverage varied infrastructure, best practices, IP and benefit from the best brainpower in the world thereby creating for themselves a competitive advantage.
Outsourcing 1.0 and 2.0 - The Difference

A major success factor for 'outsourcing 1.0' was excellence in taking on prescribed tasks, defining good contracts and delivering repeatable, predictable results to customers. Doing this "too well" will actually limit the ability of outsourcing partners to achieve excellence. Outsourcing 2.0 is collaborative relationship, one that often requires taking the initiative, delivering surprising, non-repeatable, unpredictable results.

Outsourcing 1.0 was all about negotiating complex, multi-party contracts which was very time consuming. While in 1.0, one of the main objectives of outsourcing is to articulate or isolate a specific business function behind an interface (i.e. payroll processing, etc.) where each partner has a business model that is their own concern. For 2.0, it is really important for both parties to have business models that are fundamentally aligned, i.e. working with a software design partner. That is to say, the outsourcer needs to have a business model that will provide a career path for the individual contributors, one that will result in the kinds of people that are valued in the customer organizations.

In outsourcing 1.0, we're told that location doesn't matter, that skills and people are (essentially) fungible. This is actually NOT true in the inverted world of 2.0. Because to achieve the goals of 2.0, you need to take advantage of the strengths, and accommodate the weaknesses of specific geographies, countries and markets.

The Key drivers for outsourcing 2.0:

1) 3C (Customers, Competition and Compliance) innovation imperatives

2) Changes in "What", "How", and "Who" in outsourcing 1.0

3) Post Scarcity Competencies--a lot of software is either free or otherwise abundant, so you don’t need to 'buy' it, in fact you cannot buy it. However, to be effective as a service provider/outsourcer, you cannot 'buy' your way in via training and simple certification; you have to earn your way in to the community through participation and good faith efforts to enrich the ecosystem.

4) There are much lower technical and physical barriers to entry for many outsourcers, as the infrastructure and logistical barriers fall away or are otherwise conquered. The hard part is actually the stuff that is fundamentally non-technical and cannot be simply engineered away--team chemistry, cross-pollination, good relationships, etc.

5) The Evolution of Web 2.0 where the principles are based on collaboration and community sharing
The Transformation- Road Map

Outsourcing (2.0) calls for a Paradigm shift in the operating model. Using the principles of network effects, strategic and innovative collaborative models can be derived thereby realizing increased value. This paper discusses few of the 2.0 models that can be derived

**Global Network Collaboration Model**

This Model uses the Web 2.0 principle of network effect combined with Metcalfe’s law for adapting to the paradigm shift and hence realizing higher value.

**Customer – Vendor(s) Partnership Ecosystem**
Wikipedia defines **Network Effect** as a characteristic that causes a service to have a value to all customers which depends on the number of other customers who own or are the users of the service and **Metcalfe's law** states that the value of the network is proportional to the square of the number of users.

The Network Effect is the result of Metcalfe’s Law; it states that, “the adoption rate of the network increases in proportion to the utility”.

Applying this principle to the global collaborative network which consist of ‘n(N)’ nodes each of which are connected by one or more specific types of relations or integrations with the customer node being at the center and each of the other specialized nodes act as individual actors within the networks. This tightly coupled ecosystem would enable information flow between various nodes and hence each of nodes will now have a higher value thereby increasing the overall network value (V). When a network effect’s value becomes pronounced and hence widespread, it begins to attract those who will try to exploit its power.

The relationship between the clients and vendors are maturing from a mere buyer seller relationship to a partner(s) relationship. An important factor for achieving a tightly coupled relationship between various partners is the different levels of integration for smoother communication and control.

The success of this model depends on adapting to this shift by the customer node, who is the core of the network from a control to collaboration (Smoother Control) environment. The integration with various nodes needs to be done at various levels for achieving higher yield, better ROI for all nodes and hence the best results. The strategic level integration would involve shared vision and goals definition. The Tactical integration needs to be defined for that particular event in the network with clear start and stop points. Operational level aspects like common steering committee members, SLA definition groups need to be defined. The interpersonal integration is the most important factor in this model as trust and relationships form the basic foundation, this is an ongoing process and can be achieved by continuous learning and partner understanding. Finally the implementation of this model can be achieved through a newer service paradigm.
Basis of the model

- Transparency
- Trust
- Shared Risk and Reward
- Clear definitions of SLA’s and monitoring performance
- Shared Vision and Goals

Benefits of this model

1. Greater Value realization

The increased network value may be “Direct” or “Indirect”. Direct Value is an achievement by the knowledge sharing and learning with members within the network. Indirect value may be due to contribution from the members outside the network who are part of one of the current member network.

2. Highly Scalable

- Shared Vision would enable common processes, methods and tools to solve a problem. This can be extended to add more members and also these processes can be replicated and applied to other networks
- Leveraging Knowledge and IP (Both direct and Indirect)
- Greater overall value realisation
Conclusion

Outsourcing is here to stay. Which makes it imperative for us to come out with business models and strategies that would better suit today’s business environments. The synergies between the various drivers of outsourcing 2.0 have to be captured well to derive maximum benefits from it. It can be said that collaborative partnerships, which have become the need-of-the-hour in the web 2.0 world, should not be seen as the only means for achieving short-term cost benefits, but instead have to be viewed and pursued with a long-term goal of attaining knowledge leadership that spells success in a global platform called the world wide web! In the end, it’s not just about keeping up with the Joneses/Joshis of the world, but to create networks for fruitful collaboration.

The paper also dwells extensively on the *Global Network Collaboration Model* which could hold the key towards better leveraging of the newer outsourcing trends, which are apt to the web 2.0 world.

References

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About the Author

Sujatha has been in the IT field for the last 17 years, and has been associated with Wipro Technologies for the last 9 years.

She is currently a General Manager at Wipro Technologies and heads the Portals and Content Management group which is a core competent technology group at Wipro technologies with a business size of over 40mn USD.

Sujatha holds a Master degree in engineering (M.Tech) from JNTU

In the course of her professional work experience of over Seventeen years, she has built a number of Centers of Excellences (CoE), and built several cross-functional experiences, both in areas of technology as well as management.

Sujatha has also presented various papers at the international level, and has also been an active participant in various conferences world-wide.
About Wipro Technologies

Wipro is the first PCMM Level 5 and SEI CMMi Level 5 certified IT Services Company globally. Wipro provides comprehensive IT solutions and services (including systems integration, IS outsourcing, package implementation, software application development and maintenance) and Research & Development services (hardware and software design, development and implementation) to corporations globally.

Wipro's unique value proposition is further delivered through our pioneering Offshore Outsourcing Model and stringent Quality Processes of SEI and Six Sigma.

Wipro in Portals and Content Management

The Portals and Content Management Practice in Wipro is a dedicated practice which offers solutions that address the complete ‘information management’ needs of an organization by integrating business processes and rules that can identify, collect, categorize and publish contents by effective use of technology. Wipro’s unique value proposition is delivered through our pioneering Offshore Development Model and stringent Quality Processes including ISO 9000, SEI CMM Level 5 and Six Sigma.

Wipro in Web 2.0 Initiatives

Wipro’s Portals and Content Management (PCM) has developed a Web 2.0 framework called Wipro’s W2W (Web 2 Works) framework – a new way of developing software in this new world of doing business. W2W is a software development catalyst that enables rapid development of Rich Internet Applications.

The W2W Framework facilitates on-demand, drag-and-drop synthesis of portal applications based on content fragments from multiple data sources, making it a perfect ally for the Insurance, Finance and Telecommunication industries.

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