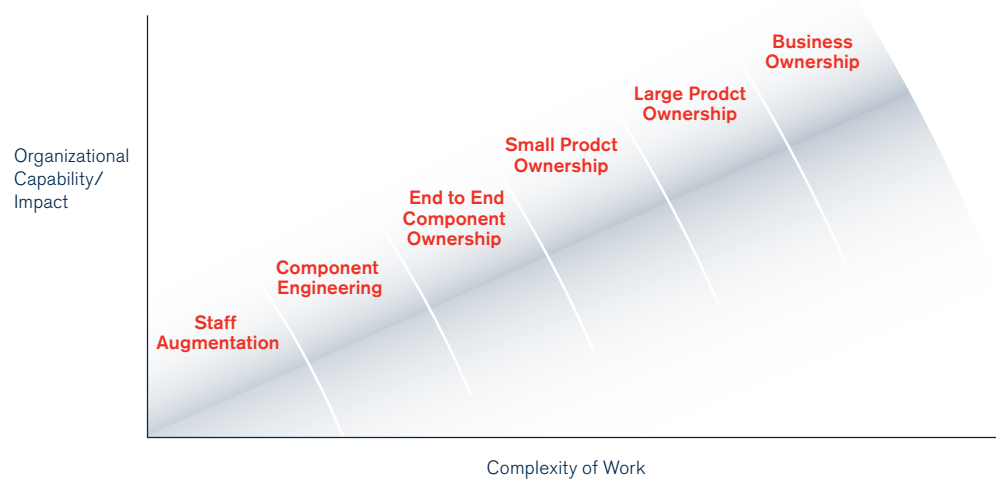


Transitioning to True Offshore Product Ownership

Forward thinking product companies that successfully transition to a truly global multi-site engineering organization understand a powerful principle: moving product ownership to new offshore centers is not a single event in time, but an evolutionary process that must be approached comprehensively.

Increasingly, there is broad acceptance among product companies that new offshore centers, in locations like India or China, evolve over time. Typically, these centers go from merely playing a staff augmentation role to handling increasingly complex activities with greater focus on business impact and high-end capabilities. Success requires that leaders, both in headquarters and in the centers, simultaneously address a variety of complex challenges. To help understand those challenges, we undertook a series of in-depth conversations with seasoned engineering leaders whose organizations are at various stages of the continuum. From those candid discussions, we have distilled the best practices that are emerging in the critical process of transitioning product ownership:

Figure1: Evolution of offshore product ownership



Prepare to manage increasing levels of risk

Successfully managing the transition of product ownership entails preparing the offshore team to take on increasing levels of risk. This preparation is a fundamental aspect of an effective framework for capability development. These increasing levels of risk include:

Execution Risk. At initial stages of transfer, this will primarily focus on whether or not the offshore center is following instructions correctly and meeting the required parameters of quality, cost, and time.

Concept Risk. As the capability of the center increases and execution risk reduces, an increasing amount of design begins to be driven from the center. The key risk at this stage will become whether or not the product design is optimal both for the needs of the market and the capabilities of the organization.

Business Risk. At higher levels of evolution, as the product design team matures and takes on truly global responsibilities the center exposes the organization to the risk of the entire business being affected by the design and execution capabilities of the offshore center. Arriving at this stage is possible only if high-quality delivery has been achieved at each stage of the evolutionary process in the first place. In the absence of high-quality delivery, the level of trust among global stakeholders will remain low, typically resulting in lower value-added work being done from the offshore center.

Seek higher-impact work

While carefully managing risk, offshore center leaders should focus on taking on higher-impact work, and perhaps pushing back on lower value-added development work that is being transitioned—especially as the center’s capabilities evolve and grow. Taking the initiative to drive innovation globally and building capabilities in the team that allow this to flourish goes a long way in this regard. To ensure that such innovation is relevant and timely for the market as the organization moves along the continuum, center leaders should find ways to forge higher levels of connectedness to customers and markets for the offshore team.

Integrate the center with the global team

Building engineering teams that are not empowered with end-to-end product ownership is possible only in the early stages of evolution. If the organization persists with this model beyond early stages, it runs the risk of creating a disengaged and demotivated workforce in the offshore center.

Core business knowledge should also be brought into the offshore team. Having center leaders remain merely people managers without content ownership prevents the migration of true ownership of the product. Offshore leaders must own the development agenda—scaling up the capabilities of the workforce and addressing systemic retention challenges.

Successful models also enable more effective working relationships and an integrated global leadership team. Global leadership at headquarters should provide the offshore engineering team with legitimacy throughout the wider organization right from the inception of an offshore center. It is imperative for the offshore team to be a genuine part of a global team, with reporting lines that reflect this at various levels of the organization. Typically, this involves offshore managers reporting to global leaders in different geographies (including HQ), as well as managers from other locations reporting to leaders in offshore locations. These reporting relationships create a set of interlocked working relationships that increase the reliance and dependence of each geography upon others, leading to a more tightly integrated global team.

To drive toward true offshore product ownership—a business-critical function in any product organization—best-in-class businesses ensure that the offshore team is, in essence, as effective as HQ, which means that every function represented at HQ is represented locally.

Greater international job mobility as well as job rotation across lines of business can be effective tools for creating those relationships. While accepting that there are hurdles that must be overcome, greater international mobility creates better alignment, a deeper understanding of the global culture of the organization, and strong relationships across geographies—all of which enable global leaders to move more comfortably towards true product ownership for offshore centers.

Establish the full spectrum of functions


Sometimes due to perceived cost pressures, companies ignore the important factor of the offshore team's composition. To drive toward true product ownership—a business-critical function in any product organization—best-in-class businesses ensure that the offshore team is, in essence, as effective as HQ, which means that every function represented at HQ is represented locally. This applies not only in support functions, but also in product-related functions such as Product Strategy, Product Marketing, Architecture, Implementation, Support, and so on. In early stages, some of these functions may need to be physically based overseas; but over time and as scale increases, these functions should be moved to the offshore center. The offshore operations are therefore built and managed as an extension and mirror image of the global operations, with consistent processes, project management systems, and quality benchmarks.

As organizations undertake the journey toward true product ownership in their global centers, pursuing a comprehensive talent strategy can make the difference between success and failure.

An important element of the ownership model is where the product conception function is located. For complete product ownership, this function must reside in the offshore center—which of course implies closeness to customers, support, sales, and the like. Ultimate ownership is achieved when the product P&L is run from outside headquarters, and, in fact, 'offshore' is no longer seen as offshore.

Champion specialist skills

In addition, successful organizations also typically create a meritocratic culture in the offshore center. Individual contributors are valued as highly as people managers. This value is determined based on the impact, durability, and complexity of the work done by the individual, not just by the size and scale of the team managed.



The offshore organization should therefore create and champion career development paths and opportunities for the specialists that a product organization critically needs—architects, design engineers, domain experts, product marketers, and so on. Otherwise, the lack of growth opportunities in these functional areas will result in talented contributors wanting to move to the management stream, causing the organization to lose valuable functional capability

Act as an ambassador for the center

The offshore engineering leader should take on the additional role of acting as ambassador for the expertise and capability embodied in the offshore center. By successfully representing the center, the leader makes it far more likely that the company will seize opportunities to more fully leverage that offshore center. Such leaders strongly position the offshore center in the global organization and promote a culture of working *with* the various business units rather than *for* them. Over time, the leader should evangelize for creating globally integrated teams that are led and managed from a variety of locations, including the center.

Develop a comprehensive talent and leadership strategy

As organizations undertake the journey toward true product ownership in their global centers, pursuing a comprehensive talent strategy can make the difference between success and failure. At one level, such a strategy allows for the building up of the skills and capabilities of the local team—skills that often are not prevalent in the local market—such as product marketing, competitive intelligence, product architecture, risk assessment and management, and many others. At another level, an enlightened strategy allows the senior leadership team at the offshore center not only to ensure that capabilities are in lock-step with aspirations, but also to ensure that the leaders themselves stay on top of emerging requirements and needs in their own evolving roles. Through this comprehensive talent and leadership strategy, including the creation of development, succession, and hiring plans, the leader can be confident that the center will remain at the forefront of the company's operations.



The core of a comprehensive talent and leadership strategy rests on a deep understanding of the competitive environment, detailed knowledge of the critical competencies required for successful business strategy implementation, and the adroit use of sound assessment methodologies. At Egon Zehnder International, we have decades of experience in assessing capabilities and building leadership strategies across a variety of industries and geographies, allowing us to provide powerful insights into the critical competencies that successful leaders display in a variety of business and market situations.

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