

# Global outsourcing – USTC’s entry into India: HR issues

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Disclaimer. This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision making. The author/s may have disguised names; financial and other recognizable information to protect confidentiality.

## Case

Since its entry into India US-based USTC, a Fortune 100, telecom giant, had been experiencing severe recruiting challenges: telephone interviews conducted from the USA and then later in India had turned out to be full of falsehoods; the referrals given by applicants were often non-existent; and experience and skills described on applicant resumes were frequently found to be fraudulent! Todd Johns, a young Global Development Manager at USTC, had to work through these HR challenges to assure a successful USTC future in India.

## History

Todd’s company, USTC, a large US telecom, had established a subsidiary company in India for the company’s software development. The company’s top management hoped that by moving software development overseas it would be able to capitalize on the many advantages of having operations in another part of the world.

Todd had begun working at USTC right out of college and had spent seven years with the company. USTC had over 100,000 employees in the USA. In such a large company, he had grown to love the fact that there were always opportunities for growth and challenge. He had moved his way through the company with different challenges, and was recently promoted to a manager. However, being in such a large organization, he also had grown used to the common cost-cutting measures and restructuring. He was asked to hire and oversee software development teams and to transition work from USTC’s onshore operations to a new off shore facility in India. He had to hire and train the appropriate staff in India and incorporate them into USTC corporate practices and culture. When presented with the opportunity to help the organization expand in a new venture outside of the USA, he was excited to be a part of the process.

The US-based USTC had created its own subsidiary in India (USTC-I). USTC-I was run under a separate management structure as an independent company but was a wholly owned subsidiary of USTC. Todd reported to a Senior Vice President, who was in charge of developing and monitoring the entire organization. His Sr VP was a former US-based employee who had permanently relocated to India. Although outsourcing was not a new idea and many companies were doing it, there were many hurdles to overcome.

Todd was charged with setting up and staffing this new company. USTC had assigned a team of five US-based employees to assist with this staffing. Todd and his team had begun work in the USA and would later move their operations to an HR structure within India. Because this Indian subsidiary ran as an independent company, its reporting structure varied from the parent company. USTC-I had its own HR group, which developed its own

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The conversations described in the case are taken from a real-life situation

recruitment process, training center, performance evaluation system, and compensations and benefits. This HR group was responsible for hiring individuals with appropriate knowledge, skills and abilities (KSAs); forecasting HR needs as well as identifying, selecting and hiring the best applicants.

Todd's Sr VP boss had listed the potential advantages that the parent company, USTC, could expect by establishing a subsidiary in India.

As Todd recalled, these advantages were:

- *Cost reduction.* The work force in India was significantly more cost effective than the workforce in the USA. For the same cost, you could hire more employees in India than in the USA. There were also lower infrastructure costs in India than the USA.
- *Time difference/work continuity.* With the time difference to India, USTC could continue running the business operations 24 hours a day. Work efforts which started in the USA could continue into the off-hours. During the US holiday season and summer vacation season, the Indian workforce could maintain work continuity.
- *Competition.* Many other companies in the same industry were outsourcing for a cost advantage. It was a strategy that USTC had to explore to remain competitive.
- *Strategic vs tactical.* The business decision was to move the tactical maintenance work to India, while keeping a focus on the strategic business decisions in the USA. This separation of strategic and tactical decisions would allow the main resources to focus on growing the business instead of maintaining it.
- *Manpower/resources.* India had a very high resource base for technology. It was much easier to find IT resources in India than other countries[1].

From his conversation with the Sr VP, Todd also recalled several disadvantages of establishing an Indian subsidiary:

- With remote location of the subsidiary and the long distances involved, the travel logistics for managers become difficult; this is especially true of those managers who have responsibilities at headquarters locations also.
- Communication between the subsidiary and headquarters can be strained because of language barriers and different cultural nuances of how hierarchy and roles are perceived at each location. Even a difference in work ethic and attitude toward work could make for a challenging work environment.
- In USTC's case, ten to 12 hour difference between working hours could also be a challenge to smooth communication.

Setting up a subsidiary may also require a fair amount of host country regulatory burden on the company, requiring more than the usual time it would have taken if the subsidiary was being set up in the same country as the headquarter location.

## Recruitment from the USA

This was USTC's first attempt to move into an unfamiliar country. Todd was worried about whether he would have enough applicants with the types of experience and skills he needed. He was also concerned about how his team would know if the applicants were qualified. How would he manage the process of interviewing and selecting in India?

Staffing this new venture was critical. The HR staff determined that two types of employees should be hired – experienced hires and freshers. Because this was a new venture, USTC-I needed experienced hires that could help manage the projects and train new hires. Freshers were individuals directly out of college with a computer engineering degree looking to begin their careers in software development.

Initial recruitment for experienced hires and managers occurred over the phone from the USA, with US employees interviewing Indian applicants. Todd's Sr VP had partnered with a recruiting company in India to begin identifying candidates and scheduling interviews. Todd

and his staff planned to use what they termed “Rapid Fire Recruitment.” This was a process developed by USTC’s HR department, which entailed interviewing eight candidates for 30 minutes each during the morning hours, US Eastern Standard Time (EST). A conference bridge was set-up and the candidates would call in. They were asked basic questions about their education, experience, and skills. The HR staff interviewing the candidates would evaluate candidates on their ability to communicate effectively and their level of experience in software development. Several candidates would often be disqualified based on their communication abilities, as they needed to be able to understand and be understood in English in order to communicate with the parent USTC representatives on assignments. If a candidate passed this initial HR interview, they were then scheduled for a second panel interview with three to four US company technical managers. These managers would drill into the candidates’ technical competencies and management skills. After the technical interview, if the US company was interested in the candidate and wanted to extend an offer, the US interviewers filled out a candidate evaluation and HR evaluated the qualifications such as education, training, and conduct a background check to the best of their abilities. Upon satisfactory responses, HR would then make an offer of employment with USTC-I.

### **Recruitment from India**

Once experienced individuals for the new venture were hired, Todd’s recruitment team moved to India where freshers were hired. Freshers were hired by India’s HR team and assigned to various project teams. If they did not have a background in the software technology of the application they were assigned, they were trained in the new software technology prior to deployment. Freshers came from various universities throughout India and typically were hired at university recruiting events. Some were hired directly at the university without additional interviews, if their educational background was stellar. Generally, these Freshers had no previous work background, unless they had participated in an internship. The initial staffing of the new venture appeared successful. The vacancies for both experienced individuals and freshers were filled. The new venture was able to begin operations.

### **Issues with recruiting**

Although there appeared to be a clear plan in place, issues with the recruiting system began to surface. The HR team often found fraudulent resumes. Out of 100 resumes, approximately 75 of them were fraudulent. Todd knew that this was an exceptionally high level of fraud; however, he also knew that it was not just a problem for Indian recruiting. He recalled reading a report that found that 50 percent of US resumes contained untruths. Resume padding seemed to be a global problem[2]. Resume padding, or writing fraudulent resumes, occurs when a job applicant adds fake or false credentials to his/her resume; for example, the individual may give a fictitious account of receiving non-existent academic degrees or certifications. Resume padding may also take place when a job applicant makes exaggerated claims of getting a scholarship when actually not having received one; or the individual makes a claim of an exaggerated job title or work performed in a previous employment. Job seekers often make false claims to improve the chances of getting a better job. However, it should also be noted that these fraudulent claims may arise by mistakes being made by resume writers: the resume writer may include a Bachelor of Engineering degree instead of a Bachelor of Arts; or typographical error can also be made in reporting a grade point average of 3.25 instead of a 2.35. The responsibility for the accuracy still remains with the job applicant. Somehow, Todd and his team needed to verify qualifications. However, due to the lack of a sophisticated background check process in India, applicants often knew their resumes could not be verified. Many applicants lied about their educational backgrounds, prior experience, skills, and achievements.

From the US perspective, Todd and his staff found it very difficult to verify qualifications. Two of the most difficult qualifications to verify were prior experience and technical knowledge. Due to the lack of industry knowledge in India, the US company experienced a very difficult time determining whether a company referenced by the hires existed in India or not. Hence,

a candidate could claim to have worked for XYZ company, however a US national would not know if it was a legitimate company or not. One would think that something like this could be caught during an HR background check; however, it was very easy for a candidate to claim a friend or relative to be the contact in that company. When HR called the “company” to verify its existence, the friend would acknowledge that the “company” existed. In doing so, the candidate would pass the HR background check. Furthermore, in India, companies did exist where a candidate could offer a lump sum of money to use them as a reference. For example, a candidate paid a company, ABC, a fee of Rs. 5,000[3]. Then, this candidate was able to use ABC company as prior work experience and a contact from ABC would agree that the candidate did work for ABC. These were not legitimate companies; however, a US employer would not know that.

Education was also difficult to validate. Just as in the USA, there are several thousand universities in India. However, many Indian universities do not have the ability to verify requests of attendance and graduation. Instead, candidates would often have to produce their own documents of graduation from a university. These documents were often generic and could be duplicated or altered as fraudulent documents.

Technical experience was also very difficult to gauge. Because interviews were conducted via telephone, it was almost impossible to tell whether a candidate was simultaneously researching answers or if someone else was giving the interview for them. For example, an individual XYZ had a brother who worked for a software development company. In order for this XYZ to get a job, XYZ’s brother would answer all technical questions during the interview process and XYZ would pass the technical interview. However, XYZ may not have any technical knowledge or experience. The job candidate hoped that once he had the job that he could learn while on the job.

Todd was perplexed as how to address these issues. The core of the USTC-I’s business depended on recruiting and hiring capable individuals.

### **Office politics**

Office politics played a tremendous role in how the work environment in India was structured. Because USTC-I, the Indian subsidiary of the US-based USTC, had its own reporting structure and compensation programs, Indian employees were often more strongly aligned with the India office. They considered themselves employees of USTC-I, not the parent US company. The senior managers at USTC-I had their own objectives and goals that were different from that of the US company. Their objective may have appeared to be meeting USTC recruiting goals and delivery goals. However, there was also significant competition among teams and their delivery of services and products. Therefore, there was often a rush or push to fill open recruitment spots – neglecting the quality of the candidate. It was more important for the local Indian USTC-I managers to deliver products instead of developing their employees, especially freshers.

Each manager wanted to have more employees reporting to him/her than any other manager in order to be considered for a promotion. The size of the manager’s unit was often a consideration for a promotion, as the number of employees reporting to a manager demonstrated growth. Without managers and senior executives understanding business goals and managing towards them, it was very difficult to have the employees understand the importance of some of their projects and development opportunities.

### **Todd’s dilemma**

Todd thought about his current situation. Managers of the new venture wanted to rush the hiring process and were always demanding more employees. Todd understood that growth in the number of employees of the new venture should signal the success of the operation. However, he was concerned about the quality of both those recruited and those ultimately hired. The software development industry in India was booming. There were hundreds of onshore companies shifting work to India for their software development[4]. Hence, the

competition for a technically knowledgeable employee was very high. Operating in a new country sure had its challenges. Todd's dilemma, as he frequently asked himself, was: what could be done to attract quality applicants and how could he and his HR team improve the hiring process for USTC-I?

### Notes

1. [www.mapsofworld.com/world-top-ten/](http://www.mapsofworld.com/world-top-ten/) (accessed 3 June 13). Maps of World provides simple to use data that is easily accessible.
2. Resume padding Résumé padding: inconsequential or inexcusable? ([www.cnn.com/2012/05/07/living/resume-padding-scott-thompson](http://www.cnn.com/2012/05/07/living/resume-padding-scott-thompson) (accessed 3 June 2013).
3. Today about rupees (Rs.) 54 = US\$1.
4. [http://business.gov.in/outsourcing/current\\_trend.php](http://business.gov.in/outsourcing/current_trend.php) (accessed 25 March 12); [www.sourcingline.com/outsourcing-location/india](http://www.sourcingline.com/outsourcing-location/india) (accessed 25 March 12).

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