

Evolution of a Strategic Partnership with INDIA!

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Introduction

A July 14, 2003 press release read, "Yahoo Inc. has set up a software development center in India that will focus on the development of products and technologies to be deployed by Yahoo's Web sites worldwide. The center in Bangalore, the first research and development center set up outside the U.S. by Sunnyvale, Calif.-based Yahoo, is expected to have 150 engineers by the end of next year. Some product development work has already begun at the center."

Further, another press article published on August 2, 2006 announced, "Yahoo and Canaan Partners said Wednesday they have invested \$8.6 million in Bharat Matrimony, a leading Indian personals site. This is Yahoo's first investment in India other than in its own development center in Bangalore."

These two statements spell out two key milestones of Yahoo!'s seriousness in India. The first one showing our faith in the talent that India produces and the second on our intended push to grow rapidly as an Internet destination company in India.

In this paper, I am going to focus on how the partnership that started over 3 years back has evolved in these years and how focus on constant improvement and the returns achieved from it have made us to be as bullish or more we were on the capabilities of India's talent. The theme of the paper is around our experiences as a part of the Strategic Data Solutions division of Yahoo! I will touch upon how this in-house outsourcing model evolved keeping data-centric work in mind, which has its own nuances that are similar in some and dissimilar in many aspects to software/IT outsourcing.

I will walk through 3 major phases that our strategy of in-house outsourcing to India has progressed and the current state that we believe helps us achieve maximal efficiencies. I will also touch upon the dynamics and requirements to make these models succeed.

About Data at Yahoo! and Strategic Data Solutions

Did you know ...

Yahoo! serves nearly half a billion unique users.

Yahoo! collects over 20 Terabytes of click stream behavioral data each day, the equivalent of all the information within the Library of Congress.

Yahoo!'s user data warehouse is in the order of Petabytes – the largest in the world.

Strategic Data Solutions (SDS) is the division within Yahoo! that is responsible for collecting and monetizing this vast amount of data. SDS' mission is to create value to consumers and marketers by delivering a consumer-centric data platform and insights services that maximize user engagement and enable innovative marketing solutions.

The Start and Today

When the India Development Center (IDC) was started up in 2003, the model was to follow what every other company was going through in order to achieve the cost benefits of outsourcing to India. While many choices existed for us to outsource to other entities like partners, the decision to open an extended development center was a conscious one – keeping the longer term in mind and, importantly, knowing that the key objective was not necessarily cost savings, but talent and people that we at Yahoo! value as a major asset.

Today the IDC has nearly a 1,000 employees, out of a total of 12,000 that Yahoo! employs. After a year and a half of being in operation (at the end of 2004), the number of employees stood at 100, which grew to 600 at the end of last year. Further, we expect to grow to about 1,400 by the end of next year (2007).

Growth of Employee Base in India

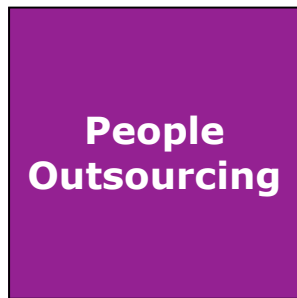
Year	2003	2004	2005	2006	2007*
Strength	0	100	600	1,000	1,400

The data side of this equation also looks similar in growth terms – just this last 6 months we have added an additional 50 employees at IDC. We have a number of tactical and strategic initiatives underway there and hope to increase our employee count significantly in the near future.

The key aspect of work with data is that we collect and process a large amount of data every day (over 20 Terabytes). This data gets transformed into actionable information about our users, which is largely performed at our India offices. A very rich skill set is required to be able to process data sizes that are arguably the largest in the world – thus India for us on the data side is a very strategic initiative.

Evolution of Outsourcing

Model 1.0



Primary Objective:
Cost

Model 2.0



Primary Objective:
Efficiency

Model 3.0



Primary Objective:
Center of Excellence



Model 1.0 - The Start

Gartner Group commented in a report published in December, 2001, "During the economic boom, demand for business transformation and scarce IT skills drove outsourcing. The present economic decline has brought cost reduction back to the top of enterprise agendas, and outsourcing can provide this benefit."

Outsourcing project work to India for cost reasons was a fad that we latched on to as well – we had to. It almost seemed that corporations were taking the plunge to satisfy Wall Street without any concerted planning or strategy. The theme was to get work done cheap and fast. The decision making entities in what was outsourced were at the lowest level who decided to push out that aspect of their job that they liked the least. This

model was bound to fail for us at Yahoo! – because it demonstrated lack of respect for people around the world, which we value utmost at Yahoo!

Another major reason for pushing work to India in this model was to achieve the 24 hour productivity aspect, given India being exactly at the opposite side of the Earth. This 24 hour model is a key advantage that we try to leverage in all successive models as well.

We quickly learned that we would not be able to attract and retain key talent if we continued to push on this model. Culturally in India it is important for people to be proud of the work they do, especially since this is a subject of discussion in social gatherings. This prestige factor will quickly gravitate a person away from taking orders from a peer in the other side of the world who is, pretty much on a daily basis, giving him left over work.

The advantage of cost that was seemingly a big advantage was soon shown to be considerably diluted due to attrition, which required retraining of new personnel that resulted in significant time and cost losses, and the inability to attract experienced and good quality talent.

We moved swiftly to fix this ...

Model 2.0 – Constant Learning

The biggest issue in 1.0 was around motivating and retaining people for the jobs. Thus, in 2.0 we moved to change the level of engagement to allow deeper and bigger impact by people. In this model, we had local managers managing projects at our Bangalore offices. These managers reported in to higher level manager at the Sunnyvale headquarters. Thus, there was a many to many mapping of managers in India to second level managers at the US.

But in 2.0 as well, communication and ownership continued to be top issues – and for both sides. Managers at Bangalore had frustration with ownership and impact their organizations had overall.

In this model, the biggest fall out came from managers in the US side that felt that they did not possess an ability to truly execute as they didn't have manageability of entities that were arguably working for them.

Lastly, another major draw back to this model was that managers in India had the right to accept or refuse a line of work. They would choose strategic projects only and would want funding of product managers that were also based in India.

Model 3.0 - Where we are today

We think that we have it right with the current model. Today many major activities are being assigned to India including Vertical Search, Community and Communication products, Mobile and many Data-centric functions. This model was set up as we now have full proof that IDC can assemble good senior talent and has shown that it can own and deliver.

The big shift in this model is best stated as 'moving the organization'. When whole organizations move, then entire products move – product managers, engineers and all. All local employees report to a manager that is local and these managers report to an executive (functional head) who is local as well. This executive reports to a higher level executive at headquarters – Sunnyvale.

Key points in this model are as follows:

- No multiple points of linking with the only connection being of the functional head to the SVP/VP of a functional area
- The functional head in India is given clear ownership of products and technologies
- The functional head has product and engineering focused people reporting into him, which makes him the single point of contact

The key advantages of this model are:

- Solves many of the previous problems with ownership
- Business Units and US Engineering organization have skin in the game
- India teams become real extensions of the US teams (not staff augmentation)

Shared Services in Model 3.0

Another aspect of why 3.0 is being executed and leading to successful project deliveries is by having a horizontal services group at IDC that is focused on making each business unit engagement successful. The strategy is to have shared services in the areas of Quality Assurance, Research, Operations, etc. Key points of note for shared services are as follows:

- Functional groups provide headcount to shared services
- Dotted line reporting into Functional heads
- Key shared functions are Research, QA, Operations, User Experience Design, Tech Writers
- Follows a process of local escalation with arbitration provided by center head

A Core-Competency Center - ... of Excellence

With the current model, we pay attention at all times to think through why getting work done in India is beneficial. An important facet of this is the realization that talent, especially experienced talent, is available in the areas that we intend to invest rapidly. For example in the area of Mobile products, since the market in India and rest of Asia is more Mobile focused, we figured that finding talent and executing projects in this advanced and futuristic growth area is better achieved in India. The theme is clearly to develop a Center of Excellence in key areas where entire projects get executed.

So, it is not really Outsourcing

It is clearly evident from Model 3.0, and the evolution that caused this model to be adopted, that the partnership with India is a strategic one. With clear goals around having the same culture and values be adopted in India as in the US, we have achieved a significant shift in how and what work is being executed out of India. One thing is for sure, it is not 'Outsourcing'. I say this as the word 'Outsourcing' has progressed to portray a master-slave relationship, which clearly is not what we have going on with IDC. The relationship is really and indeed 'Strategic'.

Conclusion – it's all about People, People, People

Investment in India and other strategic investments in China, Japan, Australia and other geographies clearly show that Yahoo! is taking great strides across the world and especially in Asia. We have the largest user base in the World, at half a billion users, and we intend to grow this base to encompass the majority of the world's Internet users irrespective of the medium that they interact with the Internet – the Computer, Mobile Handset, TV, etc. Yahoo! will also continue to innovate on all forms of media to offer the best and captive engagement for our users. We know and realize that it is our employees that allow us to deliver on these goals, therefore our employees are our most important asset.

Yahoo! is looking for key hires in India to leverage all of the data we collect and warehouse for actionable strategies and systems. Contact me at **aseth at yahoo-inc dot com** if you are interested. **Yahoo!** is one of Fortune's "100 Best Companies to Work For".