



Talent Sourcing in India

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Talking Points

India Context

The Deloitte Journey

Operational Considerations

Understanding the Workforce

Questions and Answers

India – it's happening...here and now

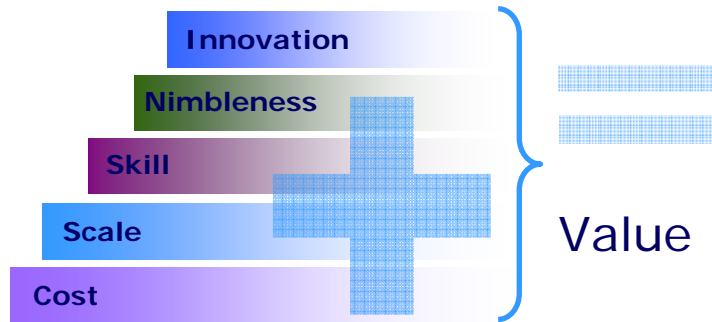
- Over 1 billion people and the largest democracy in the world
- Less than a third in size of US - almost four times the population
- Largest English speaking workforce after USA ... nearly 25% with higher secondary education
- Average age: 26 (China-36 years). 67% people are below 35 years
- Add 2m graduates and 460,000 engineers every year ... 1.5x China and 2x of US
- World renowned higher education institutes, e.g. IITs, IIMs
- GDP growth 2x of US and UK
- 1m IT and IT Enabled Services (ITES) jobs and the forecast is 2m by 2008
- Cost arbitrage & ability to scale provide a unique value proposition
- Other factors:
 - Process quality & integrity
 - Pool of skilled management resources
 - Work ethic

India is a democracy with a young & large English speaking middle class, with strong technical and mathematical aptitude and good work ethic.

Doing What Makes Sense..... For Our Organization and Our Clients

- The Deloitte U.S. Firms have had resources in India since 2000, when overseas teams first began providing Consulting services. Today we have nearly 5,000 people supporting the Deloitte U.S. Firms from India.
- Today, robust groups from across all four of our businesses--Tax, Financial Advisory Services, and Audit and Enterprise Risk Services ("AERS")--are operational in what we call "Region 10." Today, groups in Hyderabad and Mumbai represent virtually every service line offered in the United States.
- We are finding innovative ways to leverage the skills, the scale and the nimbleness of the "Region 10 Subsidiaries" to improve processes; to allow professionals to work faster and smarter; and to create demonstrable advantages in efficiency for clients.
- In the arena of remote service delivery, the Deloitte U.S. Firms are leading the profession. None of the other Big Four firms in the U.S. has nearly the scope or scale of the infrastructure overseas we do.

Our value proposition is very clear!



Cost is just one part of the story.

The Value Across the Businesses...A Few Examples

Consulting

- Revenue Cycle Services and HR Operations & Technology service lines are only viable due to "Region 10." RCS has 95% of its total resources in India.
- Tools developed offshore are now in standard use throughout the U.S. organization, e.g. CMM, quality tools, etc.

Audit and ERS

- "Region 10" has expanded the business's capacity to provide services in Vulnerability Testing, Identity Management, Data Analysis and Application Integration
- Follow the Sun!—When the U.S. sleeps, India works, creating a nearly round-the-clock workday. By leveraging the time zone difference, we are able to decrease the calendar time needed for audit projects by up to 60%.
- Offshore resources were instrumental in the development of RACK (Risk & Controls Knowledge Base)

The Value Across the Businesses...A Few Examples

Tax

- To comply with the change management demands of the IRS's e-filing mandate, India became the Center of excellence for the paperless tax return. Because the process was done in one location, we were able to put the daunting learning curve all in one place, saving innumerable hours.
- Our US Tax professionals helped to "create a new profession" in India

Financial Advisory Services

- India has allowed expanded services in Valuation, including the Real Estate Valuation team (lease abstraction services). This new service offering is expected to experience high growth, facilitated by the ability to mobilize large teams quickly in India
- Numerous engagements would have been turned down if not for the specialized skill of R10 resources.
- The AFT (Analytic & Forensic Technology) Lab is second in scale only to Northeast, and allows for the transmission of very large amounts of data with secure connectivity.

One of the key growth areas for us has been in our "shared services"

R&D

- R10's R&D Center of Excellence is enabling a broad menu of services to everyone across the U.S.—services that previously were available only to a limited set of very large accounts.
- The expanded scope of, and access to, Market and Competitive Intelligence us creating a distinct—possibly game-changing—advantage.

Marketing

- R10 has increased capability to support business development activities.
- The plan is for round-the-clock processing of proposals and marketing collateral—to a much larger number of internal clients than ever before.
- Formalized proofreading capacity mitigates risk.

Operations

- R10 has allowed for expanded hours of the CallCenter.
- Increased capability for T/E Policy Compliance group is creating a higher standard of scrutiny.
- Centralization creates greater standardization of processes for Document & Creative Services, furthering the Deloitte brand.

Getting it done ...

- Facilities:
 - Building & fit-outs can be either owned or leased
 - Ready-to-move-in facilities are also available, or facilities can be built to spec
 - Construction takes 10-18 months. Refurbishing takes about 90 days
 - Adequate expertise exists
- Facilities Management:
 - Third parties are readily available to provide outsourced services
 - Services include: housekeeping, security & access, electricity & lighting, water & sewage treatment, air conditioning, elevator maintenance etc.
- Power
 - 100% captive power generation set-up is essential
 - Battery-based UPS (until generators take over) also essential
- Vendor management
 - Labor intensive
 - Procurement can involve unusual processes

Technology is world-class

- Desktops/Laptops
 - All major vendors are present
 - Typical lead time is about 2 weeks
- Network/Connectivity:
 - Connectivity easily available from Indian and non-Indian carriers
 - Link quality is stable & alternate service providers exist
 - Both IPLC & MPLS options exist
 - Multiple fiber links up to doorstep
 - Prices are rapidly declining
 - Both TDM & VoIP are available for voice connectivity

Infrastructure Constraints and Our Response

Issues

- Continued global focus has led to significant pressure on India's limited infrastructure.
 - Saturation in major cities: Growth in the IT and BPO service industries has increased cost of living and commute times in key cities.
 - Infrastructure bottlenecks: rent, power, transportation, water and internal-communications problems adding to service delivery costs
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Our Response

- Stayed away from the "hot cities" in India or those with serious infrastructure problems
- Established an attractive re-location program
- Now considering alternative cities in India

Privacy/Security Constraints and Our Response

Issues

- Security and privacy concerns are complex. Challenges exist in synthesizing laws from multiple countries.
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Our Response

R10 has adopted/implemented many of the U.S. Firms' standards...thereby mitigating many security concerns. We have undergone a SAS 70 audits.

- Independence ... training and reporting same as the U.S.
- Ethics ... training and compliance same as the U.S.
- Business continuity planning ... procedures based on U.S. standards
- Data Privacy ... aligned with the U.S. and compliant with Safe Harbor protocols

MNCs that view India as a promising and viable market for investment need to understand the dynamics of the Indian workforce

- Hugely educated workforce but still a skills shortage
 - High attrition (20-40%)--Demand for India's qualified workforce has spurred high employee turnover and salary inflation. MNC turnover is higher than Indian companies; key reason is that there are obstacles (real or perceived) to upward mobility.
 - 75% of India's children leave school before 8th grade
- Mid- and Top-Level Managerial Talent in Short Supply
 - Demand for Indian-based managers is likely to exceed supply by 2008.
- Labor rates in India continue to rise at potentially unsustainable rates
 - Indian salaries have increased at an average of 14% a year

Industry Attrition Data – Fact or Fiction?

- Average Attrition in IT Industry is 22%
- Average Attrition in BPO Industry is 40 to 60%

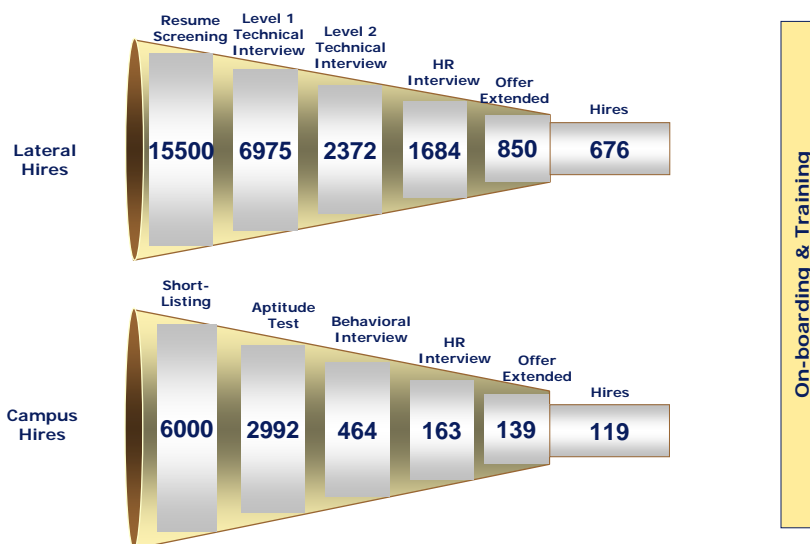
However.....

It depends on how you calculate it!

- Assume an opening base of 2000, a fiscal year end closing base of 3500 and a total of 550 separations through the year

Calculation Model	Average Base (2000+3500)/2
All Separations (550)	20.0%
W/O Involuntary Terminations (55)	18.0%
W/O New hires Leaving within 3 months (90)	16.7%
W/O Freshers leaving for higher studies (40)	18.5%
W/O All above	13.3%

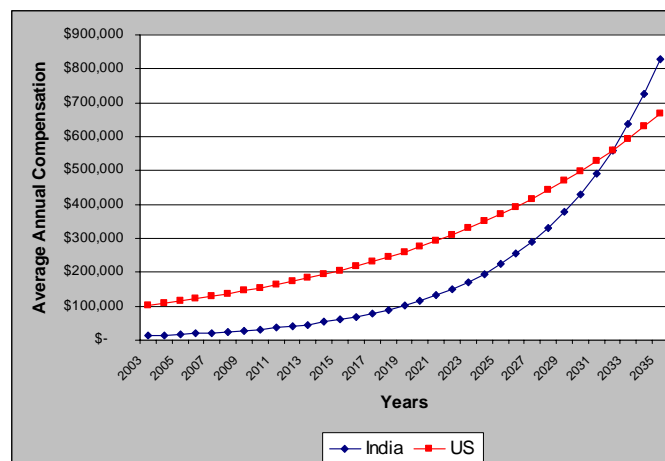
A Challenging Labor Environment



Opportunity of a lifetime!

- Indian MBA salaries are now in the same range as those offered to graduates of the top US B-schools.
- It's spring, and at the Indian Institute of Management (IIM) -a premier management school - the campuses are abuzz with company recruiters offering fat pay packages to new graduates
 - Bagging a \$185,000 per year offer, Manan Ahuja, an affable 26-year-old lad, coyly notes that his salary package offered by Barclays Capital, a British investment bank, is far more than his father, a Delhi government bureaucrat, earned in his entire lifetime.
- In five days of recruiting, 235 students at IIM Ahmedabad were offered 510 jobs -90 of which are overseas. A young man from IIM Bangalore was offered \$193,000 (Stanford and Harvard offered \$155,000 - \$175,000)

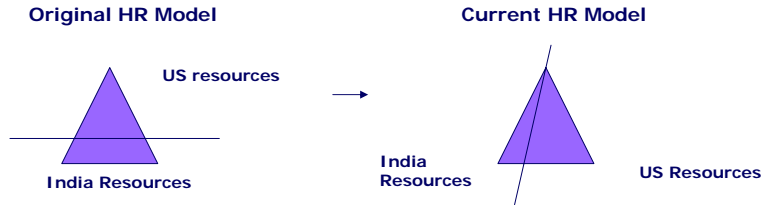
Growth in compensation is not sustainable



India increase @ 14%, US Increase @ 6%, 1USD = 43 INR

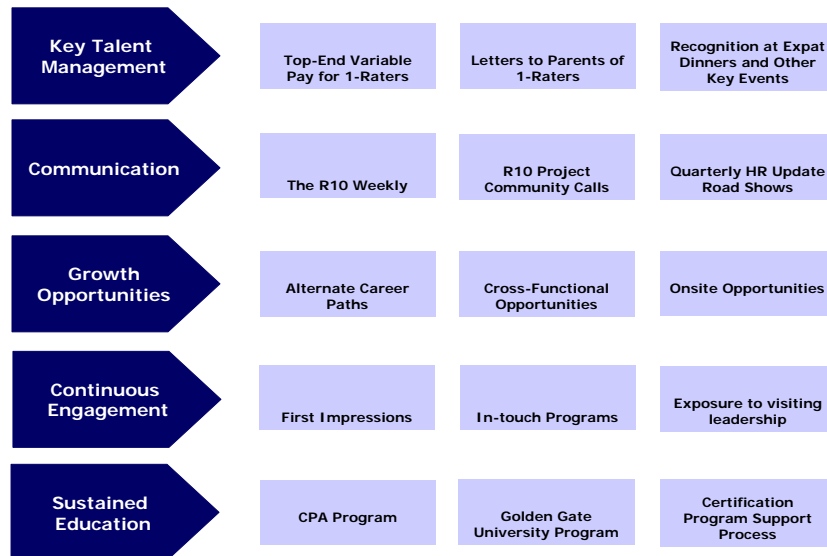
What are we doing differently in India?

- When we moved from a labor arbitrage model to a model of building significant value (“up the value chain”), we shifted our approach to HR.



- Along with this model shift comes a comprehensive approach to retention

We also deploy a variety of unique techniques to retain the talent



Our Lessons Learned

- India only makes sense if it is seen as a value play; not simply a cost play
- India allows us to build scale, skill and implement change with lower risk
- Migration should not be confined only to low-end work; vertical slices work better from an HR perspective
- Planning for migration cannot be underestimated
- Resistance to adoption cannot be underestimated
- It is easier to institute a new project or service overseas than to move an already-established one
- Find the quick wins, start smaller, get things working, then scale up.
- Commitment from the CEO and core management is crucial

Come for the cost and stay for the value

Questions

Deloitte.

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