

TIME FOR A RE-THINK

# Visa Issues Require New Approach to Transition Plans

Temporary work visas are an established and central component of the offshore outsourced service delivery model. Service providers have traditionally relied on visas to quickly bring skilled resources on board to staff a project during the critical transition phase of a new initiative.



**Domestic political and economic pressures have placed visa programs under intense scrutiny. These delays have placed transition plans at risk.**

In recent years, domestic political and economic pressures have placed visa programs under intense scrutiny, resulting in significant processing delays and frequent rejections of visa applications. These delays, in turn, have placed transition plans at risk. Specifically, the aggressive timelines and ambitious agendas for transition phases enabled by rapid visa approvals are no longer viable. However, neither clients nor service providers have acknowledged that the rules of the game are changing. As a result, transition schedules are becoming increasingly unrealistic, and transition plans are increasingly failing to address critical objectives. Ultimately, this sets a foundation for a relationship characterized by long-term dysfunction.

This ISG white paper examines recent trends and data around visa policies, application and rejection rates, service provider strategies and the implications of these trends for transition plans. The author also outlines steps that both client organizations and service providers need to take to adjust to ongoing changes in the sourcing environment, specifically with respect to the transition phase of new initiatives.

## THE EVOLVING VISA LANDSCAPE

Awareness and understanding of visa dynamics is critical for organizations to successfully execute a global service delivery model. Traditionally, the H1-B visa has been the vehicle of choice for service providers seeking to bring resources on to a project — and has been featured most prominently in media coverage and debates over economic policy.

The H1 or H1B visa allows a recipient to work in the United States for a maximum of six years; typically, approvals are given for two to three years, after which the holder is required to apply for an extension. An important feature of the H1-B visa is a requirement that holders must be paid the prevailing wage rate of the area in which they are working.



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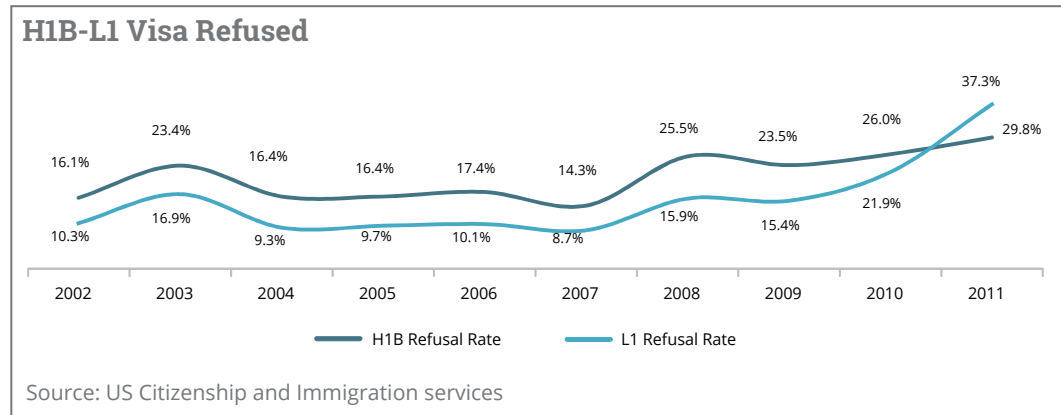
In recent years, the L1B – an intra-company transfer visa – has emerged as a viable alternative to the H1B for India-heritage providers. L1B recipients are required to be an employee of their company for at least two years. As a result, L1B holders tend to be more experienced and often better equipped to handle the multidimensional challenges of being on the client site. The maximum stay in the United States under the L1B is five years, with annual extensions required. An important distinction of the L1B visa is that it does not require that recipients be paid the prevailing wage rate. This has caused controversy, as some have argued that a skilled Indian programmer with an L1B visa could conceivably work in a city like New York and earn ten times less than his or her American counterpart.

## CONTINGENCY PLANS

The traditional offshore model, characterized by ready access to temporary visas to fill resource requirements, faces significant pressure today. The primary driver has been political pressure fueled by U.S. unemployment, and the argument that visa holders are taking jobs from Americans. Indeed, over the past 24 months, the rejection rate for L1 visa applications has more than doubled (see graphic below). (While the rejection rate was lower for H1 visas, the volume of applications has declined significantly in recent years.) Moreover, ongoing attrition among service providers impacts the available universe of L1 qualified resources, so that even approved visa slots are hard to fill. An additional challenge is that new employees being brought on by providers to fill delivery roles face a significant time delay before they qualify for L1 status.

At present, service providers are taking a number of steps to address the new environment. Large players have managed to mitigate risk by distributing visa applications throughout the year to adjust for delays and backlogs in processing and approvals. Small to mid-sized players, however, face higher rejection rates and have struggled. Some firms have tweaked the ratio between on-site and offshore workers; U.S.-based companies in particular are hiring more locals rather than relying on visas. Yet another approach is to target delivery centers in countries such as the Philippines, Mexico and Canada that have more preferential visa processing agreements than exist with India.

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## NEW APPROACH

While adjustments to visa application and hiring strategies have allowed providers to fill some gaps in service delivery requirements, these measures are insufficient.

Indeed, over the past two years, we've observed an increasingly disturbing trend, whereby service providers have aggressively stepped up efforts to collapse or reduce transition phases in order to more quickly achieve "service commencement." At the same time, however, providers face mounting difficulties getting resources to the client site.



**ISG believes a fundamental re-assessment of the approach to transition is needed.**

This dynamic immediately places the service provider delivery team in a severely challenged position, and typically means that the client's first experience will be disappointment. Service providers appear resistant to acknowledge that the L1 visa challenge exists – almost as if doing so will reflect poorly on their organization. And given the competitive nature of the business, service providers that admit to staffing challenges risk being eliminated from a pursuit. Under the circumstances, many yield to the temptation to win the deal and then worry about breaking the bad news.

While L1 visas will continue to play a central role in transition plans, ISG believes a fundamental re-assessment of the approach to transition is needed. Specifically, both clients and service providers need to recognize that the traditional rules of the game are changing with regard to timing of visa approvals and the ability to rapidly bring critical resources to a project. Put simply, both parties have to accept the reality that it will take longer to get resources in place, and that in some cases those resources will be difficult to find. This new reality requires adjustments to existing expectations and models around transition schedules, as well as new approaches to managing L1 resources and the overall transition process.

Service providers need to work with their clients to develop new methodologies and frameworks that take into account current challenges with onsite staff positions. But it can't be just a service provider problem. Clients need to get involved and understand the role they can play in achieving productivity and service excellence.

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## ISG RECOMMENDATIONS

Elements of a transition plan that accounts for the realities of today's marketplace include the following:

**Start planning transition upon finalization of the agreement.** Knowledge acquisition (KA) can start in earnest three to four weeks before transition. Clients need to accept the responsibility to prepare a comprehensive transition plan that covers key priorities, rather than assume the service provider will do so. Clients are rarely prepared, however. Service providers typically focus on developing a technical checklist, rather than guiding the client through all the broader issues that need to be addressed.

**Begin transition activities even if resources aren't on site.** Introduce web-based tools such as Live Meeting forums for the first two weeks of transition KA. This enables critical transition activities to get under way even without all anticipated resources onsite. Moreover, providing overall business and functional area context in a structured manner enables more productive KA when the resources do clear the L1 visa process. Clients should ensure that this period of computer-based training is well planned and taps every possible organizational resource, including HR and any employee on-boarding materials. This effort will be captured by the provider and form the basis for future resource on-boarding.

**Focus on transparency.** Once transition has been completed and the sourced services have entered steady state or "go-live" status, the service provider needs to make the client aware of an on-site resource's visa status. Failure to do so causes a great deal of anxiety across the service delivery organization and fuels a perception that the service provider cannot hold the team together.



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Many service providers resist providing clients transparency on the timing of onsite resources. An "operational assessment" of a client's global delivery capability is often characterized by a high degree of attrition, lack of any formal notice of a change and a continual list of excuses that forces the client to mistrust the information.

Clients need to understand that attrition and staff movement due to personal issues are a fact of life. Service providers should avoid excuses as a cover for visa issues. Full transparency is best practice.

**Acknowledge the achievements of L1 resources and ensure a role for them on the offshore team to maintain continuity.** This enables client service delivery managers to align internal expectations and minimize talk of lost knowledge.

**Work with the service provider to have a member of the global delivery center come over and take the open position.** This presents an opportunity to provide service continuity and a positive team influence for the offshore resources, and demonstrates that the client understands the importance and valuable contribution of the offshore team.

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## CONCLUSION

L1 and H1 visas are an established and longstanding component of offshore service delivery. While that will continue to be the case, the dynamics around visa approvals and resource availability have changed substantially. An understanding of these changes, how they impact onshore and offshore resources, and appropriate adjustments to transition strategies are therefore essential. Proper management of L1 visas on the part of service providers and their clients leads to increased productivity, a strong and open relationship and a global delivery center with positive morale.

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