Keane Focuses on Quality Initiatives for Halifax Center

On 26 June 2003, Keane announced that its Halifax, Nova Scotia Applications Development Center (ADC) was certified to be Software Engineering Institute (SEI) Capability Maturity Model (CMM) Level 5-quality-compliant by an independent third-party assessor, Global Systems Technology. Keane’s Halifax operations were supported by Keane Indian consultants to implement SEI CMM Level 5 processes and management practices and to prepare for the formal testing.

With this announcement, Keane’s near-shore facility in Halifax and its two offshore facilities in India (Hyderabad and Delhi/Noida) are formally assessed as CMM Level 5 facilities. In April 2001, Keane’s India facilities were assessed as CMM Level 5. In the United States, Keane’s goal is to attain CMM certification at the client-specific project level. At this time, Keane has 44 client engagements independently assessed at SEI CMM Level 3 or 4.

Update on Keane’s Global Delivery Model

In evolving its global delivery infrastructure, Keane employs a practice of developing applications skills and capabilities in its global ADCs to match client needs, and it replicates skills in its multiple facilities to ensure redundancy in the event of any unplanned outage or disaster. Keane has had a presence in India for more than 20 years (in Delhi and Hyderabad), and was among the first U.S.-based IT services companies to advance and promote a near-shore service delivery strategy for applications outsourcing via its Halifax facility, which it established in 1996. Keane recognized the advantages of a near-shore Canadian facility: labor cost advantages and currency exchange benefits; an educated labor pool that possesses language and cultural similarities to the United States and high-technology skills; and it is well-suited to clients who wished physical proximity to a vendor's applications centers (time zone and accessibility) or had applications development/management needs requiring high interaction with users.

More recently, Keane has publicly stated that it will have at least 1,000 employees in India by the end of 2003, with an additional new facility planned in Delhi (in Gurgaon) by November 2003. Keane’s plans also include building its Indian resources to approximately 3,000 employees in India by 2006. To date, its Indian operations have grown at an annualized run rate of about 80 percent. Table 1 shows Keane’s present and planned facilities for its global ADCs.
Table 1
Keane's Global Application Development Centers

<table>
<thead>
<tr>
<th>Location</th>
<th>CMM-Level Certification</th>
<th>Resources/FTEs</th>
<th>Client Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halifax, Nova Scotia</td>
<td>CMM Level 5</td>
<td>300</td>
<td>Ease of interaction for U.S. clients (time zone, physical proximity, culture, language); Canada poses lowered perceived geopolitical risk; skilled technical labor base; advantage of lower labor rates and Canada/U.S. currency exchange</td>
</tr>
<tr>
<td>Hyderabad, India</td>
<td>CMM Level 5</td>
<td>425</td>
<td>Labor cost savings, access to broad applications/technical labor pool; optimized quality levels</td>
</tr>
<tr>
<td>Delhi (Noida), India</td>
<td>CMM Level 5</td>
<td>425</td>
<td>Labor cost savings, access to broad applications/technical labor pool; optimized quality levels; ERP application outsourcing competency center</td>
</tr>
<tr>
<td>Delhi (Gurgaon), India</td>
<td>NA</td>
<td>Up to 750</td>
<td>TBD</td>
</tr>
</tbody>
</table>

ERP = Enterprise resource planning  
FTE = Full-time equivalent  
NA = Not applicable  
TBD = To be determined  
Source: Gartner Dataquest (July 2003)

Gartner Dataquest Perspective

Since its founding in 1965, Keane has had a long history of developing formalized processes and methodologies and corporate quality initiatives to support client engagements. This announcement of achieving CMM Level 5 certification in Halifax supports basic tenets of Keane’s overall applications outsourcing strategy, which emphasizes the following:

- Develop consistent practices, methodologies and quality initiatives across the entirety of its pipeline
- Bring seamless, synchronized global delivery options — on-site, near-shore and offshore — to its applications outsourcing clients (and provide risk mitigation for clients seeking global labor arbitrage)
- Combine quality initiatives and global delivery options to raise performance within its client accounts (along with other Keane-developed project management and quality disciplines) and contractually commit to performance levels
- Pass on savings to its applications outsourcing clients that result from greater efficiencies and process improvements from a quality-focused, global delivery model

Keane has also differentiated itself by establishing strong client relationships with "little or no churn" in its client base — a testament of its quality customer service, well understood by its client base.
But it must be noted that on a broader scale, CMM Level 5 certification is now viewed as the “price to play” for companies seeking a leadership position in the global delivery of applications services. From a competitive standpoint, industry focus for SEI CMM certification has been widely adopted by Indian offshore companies to establish a baseline of performance and recognition for their technical excellence and industry standards of Indian centers and resources. Not surprisingly, many companies have followed suit to adopt this certification.

So what is unique about this announcement? And how is this achievement potentially important to Keane’s market position and differentiation? While Keane acknowledges that CMM certification is not an end in itself (but rather an integral element infused in its overall value proposition), there are some compelling reasons why this is important:

- First, Keane believes that achieving CMM Level 5 certification at its Halifax ADC is an industry first for any Canadian applications services facility. (Gartner Dataquest is not aware of any other CMM Level 5 certified Canadian facilities, though potentially some facilities are certified but have not promoted this fact.) However, this differentiation may be short-lived; Keane’s announcement may actually spur other CMM certification for U.S.-near-shore applications centers. Indian companies are already moving quickly to build Canadian facilities, and Keane’s announcement may actually accelerate competitors to act similarly and certify their operations.

- Second, as part of Keane’s SEI CMM initiative, it contractually commits that all of its major applications outsourcing engagements operate at a minimum of SEI CMM Level 3 or 4 one year after transition. Achieving CMM Level 5 certification in Halifax is one more step for Keane in advancing a highly integrated global application outsourcing delivery model. With its Indian centers certified at CMM Level 5, it was imperative for Keane to adopt similar standards in Halifax to ensure consistent internal practices for the benefit of clients who elect a multilocation outsourcing strategy with Keane.

- Third, Keane’s contractual commitment to customers to achieve specified CMM certification levels, as well as its ability to deliver to service-level agreements (SLAs) and provide year-over-year savings, is dependent on formalized steps, such as CMM certification adopted globally, to deliver these results. In Gartner Dataquest’s view, this is one area more difficult for competitors to imitate. Will they be willing, as Keane is, to contractually commit to bringing individual client engagements to SEI CMM certifications (for example, Level 3, 4 and 5)?

Keane’s Challenge: Translating Differentiated Delivery Capability for CMM Level 5 Into Increased Market Awareness

In today’s competitive applications outsourcing market, CMM Level 5 certification may indeed be viewed as merely the price to play, or a routine but necessary step toward competitive parity vs. competitive differentiation.

However, in Keane’s case, there is great potential for differentiation if Keane can take this technical differentiator and translate it into increased market awareness — in other words, reinforce the benefit of CMM Level certification with a more personalized, customer experience-oriented value proposition. To gain any true competitive advantage/differentiation with CMM certification in the broad applications services and outsourcing marketplace is unlikely.
However, the greatest opportunity is for Keane to strongly position this attribute within and for a specific market segment; for example, a horizontal application competency, a specific vertical solution, or a geographic or business process-centric applications services. Currently, the specificity of a targeted market is missing. And while Keane’s value of tying CMM certification with quality of process and cost is important, if the messages are too broad-based — or addressed to the market as a whole — the relevancy of this recent accomplishment will likely be lost or viewed as "table stakes."

Gartner Dataquest believes that Keane’s opportunity to parlay this announcement into even greater competitiveness and enhanced name recognition is first and foremost a marketing challenge. Keane would be well-served to increase its market presence and awareness within a few specific market segments with the goal of becoming recognized as one of the "best in class" applications outsourcing vendors in that specific segment or market niche. Then, the CMM Level 5 can become a differentiator and a key building block for strengthening the Keane value proposition in that market segment.

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