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MINDING YOUR BUSINESS

For starters, firms turn to India

Companies find edge by using full-time outsourced workers

By Ann Meyer
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Entrepreneur Bill Lederer is no stranger to dot-coms, but his latest venture has taken him to a new place--India.

Lederer, the founder of Art.com a decade ago and an investor in several other early dot-coms, is rolling out CompleteLandlord.com and RentSlicer.com, two niche sites that aim to deliver comprehensive listings, legal forms and other information for landlords, property investors and renters. Both are part of Lederer's Socrates Media, financed by Lederer and other local investors.

But this time Lederer is relying on a wholly owned subsidiary in India to keep costs low and service high. The strategy will help make the company profitable sooner, he said.

"If we had gone to do this in only Chicago, it would have cost us considerably more," Lederer said. "We are able to do it faster, cheaper, better."

While outsourcing information technology work to India is nothing new, Lederer is among a growing number of entrepreneurs basing their business plans on hiring full-time employees from India for a fraction of what their U.S. counterparts would command.

"These are our employees," he said. "We work together."

The company's subsidiary in Hyderabad is doing more than IT work. It's involved in accounting, marketing support, editorial, creative services and a customer call center, Lederer said.

"Everything we do in Chicago, they do in India," he said, though strategic decisions and

new-product development are concentrated in Chicago.

Lederer started Socrates after acquiring a paper-legal-forms company, Made E-Z, in 2003. He brought it online in 2005 in a brick-to-click model, where landlords' in-store purchases of legal forms were supplemented with services from Socrates.

In December, CompleteLandlord.com launched as a separate Web site. And Lederer is taking a similar approach with RentSlicer.com, which will offer comprehensive listings and information for renters when it is launched next month.

Lederer sold the paper-forms part of the business in December to a printing company, making Socrates an entirely digital company that, in turn, licenses its brand and content to the printing company. With no inventory, Socrates requires less capital and fewer personnel, Lederer said.

Socrates employs 50 workers in India and 15 in Chicago. It started setting up its India team by hiring managers with experience working with American companies, said Bruce Masterson, Socrates' chief operating officer, who formerly ran Reuters North America.

Its manager in India has a master's degree in business administration and spent six years working for General Electric Co., he said. The customer-service manager worked for American Express Inc.; the software development manager for Microsoft Corp.; and the accounting head for Deloitte & Touche, he said.

By hiring its own team instead of outsourcing, the company knows its workers are dedicated to serving its needs.

"We have complete control of the quality," Masterson said. "Whenever you work with outsourcing, to a degree you are pushing on a string. When they're your employees, you can change things."

CVM Solutions, an Oakbrook Terrace-based provider of supplier diversity data and technology, first outsourced its IT work to a provider in India but later formed a wholly owned subsidiary as its needs grew, said Rajesh Voddiraju, president, technology solutions. Now the company employs 36 people in India, while 46 work in Oakbrook Terrace, he said.

"Having a low-cost arm has helped us grow," he said, noting that the company saves about 70 percent in costs from the India operation.

Legal-services firm Mindcrest, with a headquarters of four in Chicago, wouldn't be in business without a wholly owned subsidiary operating in Mumbai and Pune, India, which employs about 150 Indian workers, most of them lawyers with knowledge of American law, said Ganesh Natarajan, the Chicago attorney who founded the company six years ago with three partners.

Natarajan, who is from Mumbai, saw legal services in India as a natural fit because India is a common-law country and its lawyers are used to researching case law, he said.

"The basic legal concepts are the same," he said.

Plus, India produces a large number of lawyers who generally work for much less than their U.S. counterparts.

"We have the luxury of cherry-picking the best," he said, noting the company assesses job candidates for decision-making and cultural fit besides competence in law.

While convincing companies to give Mindcrest a try was "tough going initially," Natarajan said, that has changed.

"Today, people understand the concept," he said. With demand growing, the company plans to open a 400-seat office in Pune in March, he said.

Mindcrest does not give legal advice but provides basic legal services, such as reviewing documents, drafting contracts and doing research, at savings of 50 percent to 90 percent from U.S. rates, Natarajan said. Most of the firm's clients are law firms, consulting firms and corporations with their own in-house counsel who use Mindcrest to save time and money, he said.

A positive experience using a similar legal services firm, QuisLex, based in New York but with 100 employees in India, gave Socrates the confidence to pursue Indian labor for other aspects of the start-up, Masterson said.

Still, operating on two continents can pose challenges, particularly involving communication, Masterson said.

"We have to be careful we communicate clearly," especially when using real estate terms, he said. "In India, they don't know what a condo is. We forgot that we had to explain some basic terminology."

Natarajan of Mindcrest has learned to document everything in writing.

"We draft up what clients want and what we will deliver. That's the way you bridge the geographical distance," he said. "We often do a pilot project as well, so we're clear and the client is clear on expectations."

The time difference also can take some getting used to, said Ram Vasudevan, chief executive of QuisLex, who conducted a phone interview at 1:30 a.m. in India.

"We work both in India and U.S. time," he said, generally communicating either in the morning here, when it is night in India, or late at night here, when it is morning there.

But Lederer sees an upside to the time difference: Socrates can operate around the clock, compressing the time it takes to do a task, he said.

"We can run long hours every day between two companies in two continents," Lederer said. "While we sleep, they are working."

And despite the communication challenges, Lederer believes, "We're better for the diversity, for the insights that come from working with people from a different culture. It gives us the ability to decide by whom and when things can be done best."

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