

Establishing the Noida Office

Company Info

McKinley & Rice, Inc. is a Tech Consulting firm that has offices in Seoul, South Korea and in Delaware, U.S.A.

After closely working with Indian Software Development companies for the past couple of years, this month we will be launching a new business entity ourselves in Noida, so as to facilitate easier cooperation between ourselves and our Indian partners. The new Noida Office will be directly managed by the CEO, as it will have great importance as the backend center for McKinley & Rice's operations.

Currently our main clients are: mostly Korean-Americans in the U.S., and Korean companies in South Korea. Our head office is located in Seoul, and we have an office in San Francisco, which is currently managed by our CTO, David Janghoon Lee. Our U.S. office is incorporated in the State of Delaware.

Radical Honesty

McKinley & Rice believes that trust and honesty is the foundation of all strong partnerships, and that in the modern world it is impossible to do international business alone. That is why we believe it is important to disclose all relevant information to our partners and employees, because we believe that we are all working not only to make more money, but to also do good in this world. So we believe in acting transparently and ethically in conducting business.

This is the main reason why we have prepared this document for you, so as to give you a clear picture of (1) what the situation in the software development market situation is in South Korea, (2) what we have learnt over the past 3 years, and (3) how we are planning to overcome the identified hurdles with our partners.

Identified Common Themes in the Korean Market

During the past year we have done trial runs with 14 different development firms, and we have come to the following conclusions:

1) Market demand is not a problem. Interest in the product is not an issue. Trial marketing runs at Incubators and Accelerators such as Google Campus have netted us a conversion rate of about 35%, and we have lined up Venture Capital Firms that want to help their

portfolio companies grow by decreasing software development costs.

2) Two factors have largely contributed to this:

a) Government spending

The government is giving out \$1.6 billion annually in grants to new entrepreneurs in an effort to spur economic growth. Now, the government isn't giving out "a lot of money to a few people", rather, they're giving out "measly sums; from \$5,000 to \$20,000 to many people" - roughly around 7,000 people every trimester. Around 90% of the grants are given to tech entrepreneurs. (FYI, about 5% of these grant receivers go on to receive 2nd rounds of grants from the government, at that time around \$20,000 to \$100,000.)

But here's the interesting part: The grants are given out so freely that most of the people who receive the grants don't have a S/W development plan yet - they just have a half-baked idea (i.e. an app like Tinder where people sing to each other rather than send photos) and have a deadline to spend the money.

So we are having a weird phenomenon in Seoul right now, where you have Tech Entrepreneurs running with around \$5,000 - \$20,000 in cash, with no detailed development plan, but with a deadline until which they have to spend the money, or else they will lose the grant. We are getting 10 calls a day from such entrepreneurs. But we can't help them because their ideas are so abstract that it's impossible for us to outsource it on a 'project' basis, as they have no scope, no designs, and only an idea. Thus we have come to the conclusion that a 'Project based outsourcing model' will simple not work on a massive scale.

b) Samsung & LG Electronics have increased hiring S/W talent

Since 2015 Samsung & LG Electronics have drastically increased their recruiting policies, and thus Small to Middle size Enterprises (SMEs) are being dealt heavy blows in staffing, as there is no supply of software developers outside of the aforementioned conglomerates.

3) The market is 2-tiered

On the 1st tier we have a few established conglomerates that are not really desperate for development talent but will consider software outsourcing as a means to minimize costs, on the contingency that it will be foolproof. On the 2nd tier we have numerous fledgling startups that, as stated above, have already received government grants but do not have a developer to spend that money on.

Identified Common Hurdles in the Korean Market

However, we have identified the following problems that have made it difficult to take on large scale projects as of yet:

a) Traditional Culture

Most business is still conducted face to face in South Korea, and thus outsourcing has not been a viable option until 2 years ago, when South Korean labor laws went through an abrupt change.

b) Design

Different tastes in aesthetics have discouraged people from outsourcing. This is largely due to the fact that the CEOs of most Korean S/W companies (including Samsung) are not from engineering backgrounds, thus the only way for them to judge project quality is by looking at aesthetics.

c) Fear of No Recourse

Most of our large scale clients fear that no one they know will be held accountable if things go wrong. Every single one of our larger clients have expressed their wishes for there to be a Korean presence in India.

d) Communications

Some of our clients have stated that they have worked with Indian Outsourcing firms in the past, but they 'felt' that the projects failed because of a lack of face to face communication. While we actually believe that this is a cultural difference in the manner of conducting business, in short, they said that they wanted to talk to many people, quite often. They stated that they are uncomfortable with sending feedback mostly on paper.

Our Proposed Plans to Overcome these Hurdles

1. Project based outsourcing model

As stated above, we have tried the Project Based Approach, but it simply will not work on a massive scale. As most companies want to be hands on, and are extremely wary of outsourcing entire projects, it is extremely difficult to get clients on board. While we still offer these services in our brochures, for the most part this business model will have to wait until Development Outsourcing becomes more common in the Korean market.

2. Dedicated teams

However, dedicated teams, that is, the ‘lease an Overseas Developer’ service has met fantastic response. Our research shows this has a conversion rate of around 35% as opposed to 2% for ‘Project based development outsourcing’. We believe the reason for this is the extremely specific price point for all managers in South Korea, that is, the legal minimum monthly wage which is \$1680. In short, while managers have no frame of reference for Project Based Outsourcing, managers are quick to respond to the pricing of Dedicated Teams.

We feel that we are in a great position to take over this \$1.2 billion new market for the following reasons: (1) There is no other large competitor, (2) As many in our team are fairly prominent lawyers and professors in their respective fields, we have great access to VCs, Investors, and Universities, all of whom are the gatekeepers to Incubators and Accelerators. (3) Regarding large scale corporations like Samsung Electronics, AfreecaTV, SBS, and Naver, thanks to our Board of Directors we do have a foot in the door, but they want proof that the business model works perfectly before they decide on outsourcing.

However, we believe that our window of opportunity is short. Our main goal for 2019 is to win as much market share as possible. Therefore, in order to make the deal impossible to resist for all entrepreneurs, after testing we have come to the conclusion that setting the starting consumer price at \$1,330 per month would be optimal (The specifics are discussed in detail below). The reason for this is as follows. (1) The cost translates to 1,500,000 KRW, which is a nice round number and is under the \$1,680 line. (2) Money wiring transaction costs will be quite significant, especially for small purchases. (2) During the pilot phase we have tested Facebook, Instagram, YouTube, billboards, and flyers as means of advertising, and we now have enough data to push mass market advertisements.

All in all, we estimate that if our firm spends around \$900 per developer in Noida, we can just barely make the consumer price of \$1,330 per month without losing too much money. We do know that this is not enough to make a large profit, - it will merely be cents to the dollar, but this price point will give us enough momentum to quickly expand in 2019. Thus, while big profit will not be made in this area, once we establish that outsourcing is a viable option to Korean industries, we can then focus more on higher end clients, and increase prices later on. Once we establish the viability of the idea, we estimate that starting consumer prices can go up to \$2,250 per month.

To note: while starting developer costs should be kept low, there is no problem with the middle to higher end of the spectrum. Established SMEs know that good technical knowledge comes with a price, thus clients will be willing to pay roughly on average between \$2200 to \$4500 per month.

Of course, this is the optimal pricing point that we have arrived at after research, and we will have to discuss how to proceed on from there. Needless to say, we believe that this will be the most important topic of discussion during our meetings.

Quality control will be the second decisive factor. We don't have much concern with higher end developers, but deciding how to improve customer satisfaction for the lower end developers will be important. We have reached the following conclusion:

(1) Code quality is something that will be very difficult to manage at this cost. Up until now, our San Francisco branch has been in charge of Quality control, as our CTO resides there with his development team. We do realize that as we scale it will be difficult for him to control all aspects of quality. However, we believe this is not such a critical problem, as (if we go with the 'Dedicated team' approach) most fledgling Startups in Seoul are much less concerned with code quality than the following: (a) Design, and (b) Communications.

(a) Design. We have discovered that design is one of the largest turning off points in the outsourcing process; as the CEOs of most Korean software companies are not developers, they have no other way of judging the quality of work than by looking at the design. We have identified during projects in the past year that Korean firms usually are dissatisfied with design criteria in the following sections: (a-1) color schemes, (a-2) font selection, (a-3) line spacing, (a-4) object alignment, and (a-5) margins/ padding. We are planning to recruit and train personnel in these aspects.

(b) Communications. The following would be imperative. (b-1) When connecting on Skype, Video chat will be required. South Koreans are very sensitive about this, as Videochatting is extremely common, even in daily life. (b-2) Upon the start of every contract, Github + Slack connection will be the first agenda to be executed. (b-3) Each day before leaving the office, pushing the day's work to Github will be necessary. We believe that just following these procedures would be enough to assuage client concerns. The reason that we are not so much concerned with code quality is that for smaller startups, the main factor impacting Customer Satisfaction is 'knowing that work is being completed', in other words, 'trust'. As long as the above procedures are adhered to, other Customer Service criteria such as deadlines will not be that much of a problem.

Additionally, on our part (b-4) we will recruit and train Client-facing staff to in a manner that is more culturally recognizable to Korean firms, and (b-5) we have started a YouTube channel with which we will document and show clients a summary of how their work is being treated, as almost all Koreans, even the elderly, spend most of their leisure time on YouTube. Yet these are matters that will be our burden.

3. Build an Online S/W Outsourcing Store

Since in the short run we will be taking a cost-competitive approach, we are aware that even small wire transfer costs will greatly impact our profitability. We would also wish for most revenue from our South Korean and U.S. operations to be sent directly to India, as recent increases in South Korean taxes are putting a burden on our operations. The legal

way to do this would be to set up an online store such as Etsy or Amazon to sell S/W Outsourcing services in the future.

4. Decrease our number of partners

We now know that there is a vast difference amongst the capabilities of S/W firms in India, and thus have already terminated partnerships with 9 other partners, who were apt to disappear for weeks at a time. We are now down to 5 partners, most of which are located near Gurugram and Noida. This is the reason why we have decided to locate our offices there. To be completely frank, we have not yet decided how we will distribute business between our partners, nor how many partners would be the optimal number. This is one of the important reasons that we are dispatching a permanent team to India, as we have too little information about our partners to make an informed decision. We are aware of the pros and cons of each approach, as a lone partnership will help us build more trust with a single partner, yet that will mean that we will be completely dependent on them to come through with all client projects. This would be very worrisome when dealing with large scale projects. The vice versa would also be true.

These are our thoughts, and we wish to discuss these matters in much detail. We are happy to address any additional concerns that you may have, and will assuage those concerns by any means necessary (by means of contracts etc.).

What We Seek to Accomplish with our Indian Offices

1. Develop stronger alliances with partners

2. Deploy a Backend Office to analyze client requirements faster and finish projects in case of emergencies

What We Will Be Doing During Our Stay

1. Recruit

We are initially planning to hire between 4 to 10 people (the exact number will be dependent on the number of qualified candidates available), which will form the backbone of our future operations and keep the office running until December, at which time I will permanently relocate to Noida with a few of our employees. We wish to have a small, lean team that will (a) work with our partners on Client projects, (b) act faster on inquiries, (c) take care of small scale tasks, (d) and in case things go wrong, deal with emergency projects.

2. Lease commercial office space

Preferably the location will be somewhere close to our partners, so as to facilitate daily communication.

3. Incorporate

We have cold-called several local law firms, and have also spoken with some law firms that were recommended by a couple of South Korean companies that are in India, but we are still unsure of what to do, as little information is available for us to make an informed decision.

4. Identify additional resources

Many clients have also asked about other services such as SEO optimization, Social Media (YouTube, Twitter, Facebook, Instagram etc.) marketing. However, until now it has been nearly impossible to identify good partners by means of the Internet. We would like to find partners that excel in these aspects and extend these services to our clients as well.

Recruitment Requirements

The following are the requirements in HR that we have prepared for while searching for suitable HR firms. Note that the salaries are reflective of the input that Indian HR recruiters have told us during some preliminary cold calls, thus they may not be precise.

Read Me

- All internal communication between McKinley & Rice's branches is conducted in English. Thus all employees must be able to speak good English.
- This will be McKinley & Rice's first expansion into India. There are advantages and disadvantages to this. Advantages: (1) The CEO will be extremely hands-on at the branch and will be investing heavily into employees that can mature alongside the company. (2) Employees will be able to largely create their own

work environment. (3) There will be ample room for promotion as the office grows and expands. Disadvantages: Operations may not be systemized, and thus work may be hectic during the first couple of months.

- McKinley & Rice practices Radical Honesty. Employees will not be lied to, and managers will be expected to keep promises to all employees.
- McKinley & Rice emphasizes learning. All managers and employees will be encouraged and incentivized to learn and grow their skills.
- McKinley & Rice deals with clients from all over the world, therefore employees must be able to be open-minded about other cultures.
- Employees must be able to work under strict deadlines.

Full Stack Software Developer (Full-time)

No. of Hires: 1 to 3

Salary: ₹580,928.00 to ₹640,000.00 /year

- The developer will be expected to: configure servers according to client specifications, be fluent in the MERN stack (MongoDB, Express, React, Nodejs), be able to develop, modify, and work with REST APIs, and have knowledge of the fundamentals of security (SSL certificates, salted hash encryption, etc.).
- Other preferred languages (Framework || Library) {DB}
 - Python (Django) {PostgreSQL + MySQL + MariaDB}
 - Javascript (Express + React + Angular + Vue) {MySQL + MongoDB + PostgreSQL + MariaDB}
 - Knowledge of cross platform mobile application development languages such as React Native and Xamarin will be reflected in negotiations.
- A fundamental knowledge of software coupled with a willingness to learn will be rated highly even though the candidate is not fluent in MERN per se. Thus professionals in other software fields are welcome to apply. University education or previous work experience is preferred, but not mandatory, as developers will be hired based on what they can accomplish in the future rather than what they have done in the past. A short video interview will be conducted by McKinley & Rice's CTO at our U.S. branch.

Wordpress CMS Developer (Full-time)

No. of Hires: 2 to 3

Salary: ₹270,000.00 to ₹330,000.00 /year

- The developer will be expected to configure servers according to Wordpress specifications.
- The developer will be expected to: be fluent in Html/ Css/ Javascript, be able to publish completed design files into Wordpress parent themes, and be able to manipulate child themes.
- The developer will be expected to: know PHP and be able to create/ modify Wordpress plugins.
- A fundamental knowledge of software coupled with a willingness to learn will be rated highly even though the candidate is not fluent in Wordpress per se. Thus professionals in other software fields are welcome to apply. University education or previous work experience is preferred, but not mandatory, as developers will be hired based on what they can accomplish in the future rather than what they have done in the past. A short video interview will be conducted by McKinley & Rice's CTO at our U.S. branch.

Web Designer (Full-time)

No. of Hires: 1 to 2

Salary: ₹24,000.00 to ₹30,000.00 /month

- The designer will be expected to know how to create good aesthetics. This is the most important criteria, as being able to identify and understand what makes an interface visually appealing, such as choosing the right font, aligning text, adjusting paragraph spacing, and balancing margins and padding is crucial to the software development process.
- The designer will be expected to: be accustomed to working with Illustrator and Photoshop. Knowledge of additional programs such as InDesign, Adobe XD, Premiere Pro will be reflected in negotiations.
- The designer will be able to publish design files (.AI or .PSD format) into Html/ Css/ Javascript code. Knowledge of front end languages such as Angular, React, or React Native will be reflected in negotiations.
- A fundamental knowledge of the software development process coupled with a willingness to learn will be rated highly even though the candidate is not fluent in publishing Html code per se. University education or previous

work experience is preferred, but not mandatory, as designers will be hired based on what they can accomplish in the future rather than what they have done in the past. A short video interview will be conducted by McKinley & Rice's CDO at our Seoul branch.

North America

McKinley & Rice, Inc.
16192 Coastal Highway
Lewes, Delaware 19958 USA
Phone (+1) 302.608.9040
Fax (+1) 302.608.9040

Website <https://mckinleyrice.com>
Email careers@mckinleyrice.com

Asia Pacific

Intercler Corp.
21-2 Sajik-ro 8-gil
Jongno-gu, Seoul 03169 Rep. of Korea
Phone (+82) 070.8095.4586
Fax (+82) 02.6209.7783