

Chapter 14: Destination India

"If India was a stock, I would buy the hell out of it. I see beauty everywhere in India - even in her chaos." Saira Mohan - Author and Model.

You are probably reading this book because you are considering offshore outsourcing and you heard that India has some outsourcing expertise. However, you are not sure how India is ranked against other nations. You might have read an article in a newspaper about how the investment bank JP Morgan is researching global equity markets from Mumbai or UK supermarket group Somerfield is saving £1 million (\$1.5m) by developing software in India, rather than in the UK.¹ The aim of this chapter is to show you how India can help your business more than any other offshore location.

By reading this, it is clear that you have outsourcing on your agenda. Offshore outsourcing to India can make you look great because India combines the best quality with low cost. How else could you reduce cost by 40 per cent or more, increase service quality to your customers and improve the strategic vision of your company? This is not about the hype of globalisation or inflated claims of the dot com era. This is the modern reality of the knowledge economy and you can harness it to create a genuine advantage that separates you from your competitors.

But why outsource to India? India is a very long way from Europe or the United States and right now, bhaji, Bollywood and Bangalore may mean nothing to you. Why should it be the first choice for any manager considering an outsourcing partnership?

To begin the case for India, just look at some of the big names investing in India. British Airways and Lufthansa manage ticket reservations from India. General Electric, American Express and BP all manage their accounting in India. HSBC, General Electric and Lufthansa run their call centres in India. Microsoft, Dell and SAP use Indian specialists for their research work. Oracle and BT perform software development in India. Citibank and General Electric perform basic data entry in India whilst Standard Chartered runs back office work for their entire global banking operation.²

All these companies are leaders in their respective industries and all of them are investing in India. But this is just the tip of a very large iceberg. These firms are busy creating a strong competitive advantage for their shareholders and they know it. Their management has realised that India can offer world-class expertise at a more attractive price than the specialists back home in Seattle or London. Typical salaries for well-qualified professionals with market experience are just 25-30 per cent of the European equivalent.³ These companies are not just investing in low-

risk call centre services or legacy software systems maintenance. They know that their partners in India are adding value to their business by contributing knowledge and experience to every possible service.

This is great news for shareholders and fantastic news for customers; it is also good news for the management team who takes their business into India. The manager who champions offshore outsourcing, and then makes it work, is guaranteed to be future CEO material. You have a far better chance of making it work if you partner with India because there are success stories in every industry and at every project size. Those years of experience with US and European firms mean that Indian outsourcing partners know what your concerns will be and they are ready to reassure you before problems occur.

Framework for Comparison

It is useful to list the companies investing in India; however it does not give you, the reader interested in offshore outsourcing, much objective information to base a decision on other than reminding you that others are already there. The fact that you have started considering India as a destination for your offshore activities means that you are already in good company. The legendary former CEO of General Electric, Jack Welch, devised a useful formula to describe his own confident views on outsourcing. Welch insisted on outsourcing 70 per cent of all GE business processes. Out of this, he outsourced 70 per cent of the processes offshore and 70 per cent of that offshore outsourcing would be destined for India. Welch used the formula 70:70:70 to remind his management team of his views on outsourcing.

Not many Chief Executives publish such easy to remember aphorisms to guide their managers. In most cases you will need to convince your own management team that India is the right destination for your own company. Many of those managers will be concerned about outsourcing to India for a variety of reasons and some may be unsure about outsourcing anywhere. You need a framework of capabilities to show that India can help you to achieve far more than just a reduction on the bottom line.

The management consultants McKinsey & Co. look at two broad variables when comparing offshore outsourcing destinations; location attractiveness and people attractiveness. The attractiveness of the local people can be measured by examining the size and quality of the labour pool. Factors such as the labour cost, quality and English language skills are key considerations when comparing one workforce with another. The attractiveness of the location is measured by examining the local Government and infrastructure. The quality of basic infrastructure such as roads, telecommunications and electricity as well as political stability and investment incentives all contribute to location attractiveness.

Location Attractiveness

India and Pakistan continue their occasional sabre-rattling arguments over the rule of Kashmir however the Government has been stable and open to business innovation since 1991, when a wave of reform swept away much of the old bureaucratic legislation in a process the writer Gurcharan Das named 'the golden summer of 1991'.⁴ Now many infrastructure improvements such as the creation of technology parks and the liberalisation of the telecoms sector combined with generous tax breaks are making India a very attractive destination for investment.

The Indian Government has repeatedly made it clear that they see Information Technology as a key strength and they are keen to promote new policies that are of benefit to the technology and ITES industries. The IT bill passed in 2000 has provided a framework for electronic contracts and the prevention of computer crime, essential for the outsourcing industry. The Indian Government is extremely proactive in its support of the various industries supporting offshore outsourcing and this strong knowledge industry growth may become the greatest legacy of Prime Minister Atal Bihari Vajpayee.⁵

The Government has created a variety of tax breaks and other incentives for investors in India ranging from concessions for scientific research to full ten year tax breaks for new companies within industrial parks or special economic zones.

Telecommunications

Telecoms bandwidth in India is easily available. Since the opening of the first Indian private undersea cable in April 2002, bandwidth leapt from 0.002 Tbps in 2001 to 8.4 Tbps. This level of bandwidth is 10 times the present requirement and investment is ongoing to ensure that capacity is increased further.

The increase of bandwidth and the privatisation of the industry have helped the turnover of the Indian telecom sector to reach an estimated \$9 billion in 2002. The market has grown by over 20 per cent year-on-year since 1996. International Long Distance, National Long Distance and Basic Telephone services have been opened up for free competition. Examples of recent price cuts include a 62 per cent reduction in the cost of national long distance rates between January and March 2002. Internet Service Providers have been granted licenses freely and been allowed to set up their own international gateways and submarine cable landing stations. The cellular market is growing at almost 100 per cent, with the number of subscribers reaching 11.3 million during 2003.

Power

Power availability and reliability has also dramatically improved. All the Software Technology Parks in India have 100 per cent power backup through their own sub-station and generators and most State Governments are planning power reform - if they have not already launched their reform programme. The State Gov-

Michael F. Corbett, President & CEO of Michael F. Corbett & Associates, echoes the sentiment of B.V. Naidu when he states: "I believe that there is a proven value proposition in outsourcing to India. I can't see any reason why you shouldn't be doing this. Companies that are working on studies to prove why they should be outsourcing ought to turn around the argument and ask why can't we be outsourcing?"¹⁷ Corbett believes that the pioneers have made India a more comfortable place for new entrants. He said: "I do think there is a level of comfort with India. When you look at India there is a feeling of stability. Business decisions on outsourcing are driven forward because GE is doing it, Dell is doing it. People should ask if it is good enough for these guys then why can't India be good enough for us?"

Supriyo Sanyal, Chief Marketing Officer of ICICloneSource, summarised the feeling within India when he told me about the positive effects of so many young people feeling positive about the future. He said: "It is a challenge to focus the entire nation, but we can invoke a sense of pride in the nation, much like our support of cricket. There is definitely a buzz in India now. Just look at some of the new industrial projects and real estate developments that are taking off. There is a huge amount of expansion in this country. Go to the pubs and coffee shops and the graduates are all there with a large amount of disposable income; you meet a lot of younger people with far more confidence than they had a few years back."¹⁸

India offers a cost advantage that is hard to beat. The large talent pool and low costs ensure that you can achieve success by saving money and improving quality. Gartner and McKinsey analysis verifies that on both counts of people and location attractiveness, India is the most attractive location for offshore outsourcing.

The Indian track record in outsourcing is hard to beat. Even as other countries catch up in terms of labour force and infrastructure, it will be many years before they can claim the same level of experience making India the place for you to invest in offshore outsourcing.

Chapter Checklist

- People attractiveness is the measure of how attractive the local people are and includes variables such as English language skills, workforce size and education.
- Location attractiveness is the measure of how attractive the location is and includes variables such as Government support and incentives for investment, telecommunications quality and ease of travel.
- Gartner research highlights India as the premier destination for offshore outsourcing now and several years into the future, based on both people and location attractiveness.
- China and the Philippines are the only major rivals to India; however both nations require several years to resolve language and infrastructure barriers to success.

- In terms of quality and overall outsourcing service without considering cost, Ireland is the strongest rival to India.
- More than 2 million graduates a year enter the labour market in India. In comparison, Ireland produces only 43,000 graduates each year. Nowhere else can match the levels of experience, credibility and intelligence found in Indian companies because of this steady flow of university-educated talent.