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] GE even managed to sell 60 per cent of its Indian back office for over $500 million to General Atlantic Partners and Oak Hill Capital Partners in November 2004.

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 if 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.