

Chapter 25: Future Potential

In 1942, the economist Joseph Schumpeter first used the phrase 'Creative Destruction' to describe the constant evolution of a free-market economy.

Schumpeter described how new and better ways of doing business will be created and old methods will be discarded¹. During the 1990s dot com bonanza years the term bordered on cliché as Internet evangelists and dot com Chief Executives insisted the only good business was an e-business. Hindsight allows us to see the error of their predictions; however no commentator can deny that the creation of the Internet is one of the most important technological developments of the twentieth century.

Creative destruction is now being applied more frequently to descriptions of the very structure of organisations in the twenty-first century. Academics have long debated the potential for outsourcing as a business tool and for several decades outsourcing has been used by manufacturers seeking particular expertise and service companies sub-contracting non-core tasks to trusted partners.

The change in focus over the millennium period has been the possibility to outsource skilled service-sector tasks to offshore locations such as India, all made possible by the tumbling costs of international communication and the Internet.

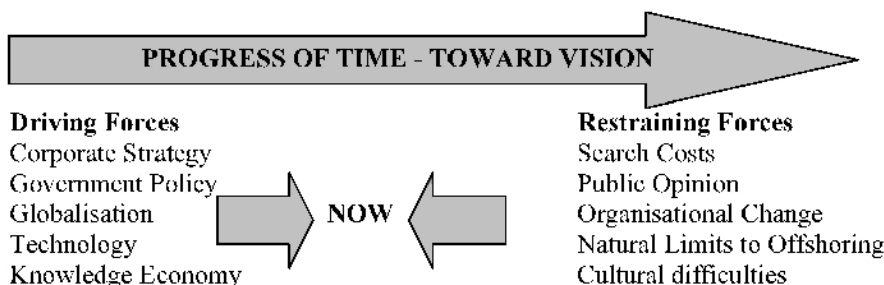
While many companies have rushed to utilise skilled services in lower-cost environments some have resisted, for reasons of patriotism or just inability to manage the offshore process. Much of the negative media coverage of this topic fails to acknowledge that it is not simple to transfer knowledge across the globe and smoothly continue to deliver services.

This chapter lists the drivers that have created the present situation leading on to examine the future drivers and inhibitors of offshore outsourcing. I have then listed some of the present trends and issues affecting India. I would state that there is such a myriad of variable influences driving the use of offshore outsourcing that future predictions can only be qualified as educated guessing.

Force Field Methodology

Perhaps the best way to examine where we are today and how offshore outsourcing may develop in future is through the use of force field analysis.² This tool allows change to be described as a state of imbalance between driving and restraining forces.

Although force field analysis is usually used for change management where there is a definite vision of the future, rather than future-gazing, some important observations about the influences on offshore outsourcing can be inferred - even if the future remains unclear. For the sake of this analysis I shall assume that a desirable vision is for companies to be able to determine their own global strategy, allowing the use of offshoring when and where appropriate for their business.



The Lewin model demonstrates that for any situation, there is a state of equilibrium because driving forces and restraining forces are pushing in opposite directions. Where an organisation wants to use this for controlled change, the model allows the restraining forces to be identified and relaxed or the driving forces to be increased. In the case of this overview it is enough to identify the areas. The industry players need to decide where best to push and pull.

I focused chapter 7 on the outsourcing drivers and the previous chapter highlighted some of the issues and risks that are holding back the industry in India. I will therefore briefly list the constituents of the Lewin model and use comments from interviews I conducted in 2004 to illustrate the points further.

Driving Forces

Corporate Strategy

Offshoring is rapidly moving from an exotic and risky option to an orthodox choice for any organisation seeking specialist skills on a global basis. It is even lampooned by Scott Adams in his Dilbert cartoon series and the fictional Financial Times columnist Martin Lukes is a supposed director of offshoring. It has become normal for organisations to be thinking of and planning their strategy along global considerations.

Although the cartoonists still joke as if it were a new phenomenon, outsourcing has been with organisations for centuries. One only has to read the political musings of Machiavelli to realise that mercenary forces used to prowl Europe in search of "business" - outsourced armies. More recently, EDS was providing IT management services to other companies in the 1960s. The recent wave of interest in offshoring of services has developed as communications technology has matured. The world experienced a similar wave of offshoring in the 1970s as Asia