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## Pot at the end of offshoring rainbow

Up for grabs but there are challenges and risks

Our Bureau / Bangalore July 12, 2005

When eggheads of an industry meet, they seldom discuss the obvious. After a cursory look at the present they inevitably look into the unclear distance and try to glean tomorrow's imperatives.

Several IT and BPO leaders as also those who provide them major services did just this while celebrating the launch of 'The Offshore Nation' by their peers, brothers Atul and Avinash Vashistha, who run neoIT, the offshoring consultancy.

If you simply add two and two you will get four but if you go beyond the sigma (aggregation) you will maybe get five or more. This is the challenge Sridhar Mitta, industry veteran and managing director of e4e Labs, threw up.

What he had in mind was the PC industry in Taiwan, where a whole range of firms formed a cluster and created a "synergy" through their interaction that went beyond the "sigma". On the other hand Indian companies were not taking enough from each other.

This getting more out of combining forces and going beyond aggregation is also present in what e4e Labs is doing. The conventional venture capitalist helps entrepreneurs start units from which it exists when they mature. On the other hand, e4e first helps new units come up with their own specialisations and then brings them together in a synergistic combination of operations that leapfrogs growth, achieving say a \$100 million topline in five years. It thus becomes an entrepreneur in its own right.

A third way in which Mitta illustrated this rapid growth and maturity of delivery was to outline the steps in offshoring. In stage one the cheaper skills create a round of cost saving. In stage two more savings are achieved by offshoring the entire process. In stage three the process is re-engineered and so further savings are achieved. Finally, in stage four, the cheaper skills and by now developed expertise are used to develop a new technology. This is the "innovation level" which creates new markets.

Doing his own bit of crystal ball gazing, Abhay Havaldar of General Atlantic Partners saw ahead re-engineering of services to deliver better and in a predictable manner. This will involve a kind of upscaling which will amount to "industrialisation of services". Also looking into the future, Nishit Desai of the eponymous Nishit Desai Associates saw India's co operation treaty with Singapore as a catalyst for new processes. He also saw a new global triad emerging—made up of US, China and India — whose consequences and opportunities had to be figured out.

If these are the new horizons which spell hope, there is a fear of the downside also and there are many who "want India to fail", warned Subroto Bagchi, chief operating officer of MindTree Consulting.

There are pitfalls in four areas – infrastructure, health, terrorism and politics. The challenge is to proof the system against these. Lest you think this is far-fetched, think what would happen to Bangalore if an epidemic hit it, considering that it is currently running more on hope than deliberate endeavour.

If this is the risk, then strength has come from what has been achieved. Sudip Banerjee, president of the enterprise business of Wipro Technologies outlined them as the commitment to quality and the ability to go up the value chain. Through the maturing that this involved, relationships had changed, with the client morphing into a strategic partner. In this scenario, costs no longer took primacy, strategic imperatives did.

B V Naidu, director STPI Karnataka, was also very optimistic because of the huge demand that the domestic market was throwing up and pointed to the promotion of secondary cities as the government's response to the twin challenges posed by the infrastructure and attrition. He downplayed pessimism over being able to get agents to these cities as 60 per cent of them came from

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