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Why outsource designs?

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Outsourcing, ever since its deployment since the 1980s has become a rage in today's business ecosystem.

Businesses have begun to thrive on outsourcing. Others have grown manifold because of it. Just about everybody: from entrepreneurs in the SOHO (small office home office) segment to small and medium enterprises (SME), to large businesses and empires with diversified interests and varied business processes can benefit from outsourcing.

A number of factors have contributed to the stupendous success in outsourcing. It is a beneficial working model for both the product company and the servicing company. The economy of countries in the developing world, such as India, has received a surge with the widespread adoption of outsourcing. Owing to its expertise and talent pool in technology, India has captured the maximum semiconductor and embedded design services related outsourcing opportunities.

Essentially, outsourcing is now the new business order, and is here to stay.

It is estimated that up to two-thirds of Fortune 500 firms currently outsource some part of their operations overseas and that outsourcing levels are expected to increase rapidly as companies strive to improve performance and increase efficiency levels.

Progressive IP, networking and IT laws has lead to offshoring replacing onshoring. Offshoring has relieved outsourcers from expensive software development program and labor costs – which are often the most expensive overheads for a small but successful business. Increasingly, start-up businesses are opting to outsource areas of their operations enabling optimal utilization of capital and potential saving and reductions in development costs. Besides, outsourcing also helps firms to focus on core competencies and product roadmap strategies instead of having to oversee and supervise mundane tasks. Establishing fixed costs for many outsourced business practices also means that companies are better placed to anticipate future costs and set realistic budgets.

Advantages of outsourcing to India

· Rich talent pool

With the basic education system geared toward mathematics and science at early levels, Indians possess rich technical expertise. Young Indians are groomed to be industrious and innovative from a very young age. In addition, India also has a large number of educational and training institutes of international repute, like the IITs and IIMs, offering some of the best educational and entrepreneurial programs in the world. The presence of renowned technical and business schools in the country ensures the availability of professionals proficient in diverse domains.

· English language proficiency

The century long British colonial rule and current education system (based on British standards) have played a major role of Indians being proficient in the English language. One of the most critical aspects in offshore project execution is proper communication. English, which is the lingua franca of the world, is

also the business language of India. The country alone produces 2 million English-speaking college graduates and 300,000 post-graduates annually.

· Government incentives for IT

The Indian government has established a National IT Task Force to promote IT in the country. In addition, a separate Ministry of Information Technology was set up to expedite swift approval and implementation of IT projects and to streamline the regulatory process. Some of the measures taken by the Indian government include:

o The Information Technology Act of 2000 (an IT bill passed in the Indian Parliament in May 2000) brings e-commerce within the purview of law and accords stringent punishments to "cyber criminals". With this, India joins a select band of 12 nations that have cyber laws.

o Software Technology Parks of India (established in 1990) offer state-of-the-art infrastructure and various fiscal incentives and concessions to encourage foreign investment and promote software development in India.

· Technologies for total solutions

Offshore assignments have moved up the value chain - from data entry and call centers to large and complex turnkey projects of 200 to 300 person years. Furthermore, India is now a favored destination for product design engineering and chip design projects.

· Expertise in international processes and Systems

Indian professionals have cultivated expertise in global methodologies. In addition, the presence of large global corporations (in diverse fields ranging from IT, hospitality, manufacturing, finance, education to healthcare) such as Microsoft, GE, Dell, etc. have enriched and augmented Indian skill sets, thereby providing Indian professionals with a global outlook and expertise in diverse domains and international methodologies and processes.

· International standards of quality

The concept of quality is undergoing a sea of change at Indian IT facilities. Now companies outsource for quality and not merely for labor arbitrage. Indian firms are rapidly deploying cutting edge technologies and methodologies in their engagements. Outsourcing companies are now dependent on the engineering expertise of the services company to realize their innovations.

· Stable democracy and economic growth

India has been a stable parliamentary democracy since independence in 1947 and is one of the world's 10 fastest-growing economies. The country's service sector contributes a massive 51% to its GDP. Within this category, the most promising is IT development, which grew at an amazing rate of between 40 and 50% every year during the 1990s. India's consumer market growth has spurred the creation of India-specific products, leading to an increased focus on the country as a market for design services companies

· Other advantages that contribute to outsourcing to India are:

o Lower cost

o Enhanced performance

o A better-managed e-business infrastructure

o Reliability

o Security

In summary, the Indian outsourcing industry's advantages as an outsourcing destination include overall quality, value addition, increasing domain expertise and increasingly sophisticated performance metrics and program management skills. Other countries may challenge India's outsourcing lead, but India stands ready to maintain its position as the top outsourcing destination for many years to come.

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