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## CEO Spotlight

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## Going beyond Outsourcing

While the success stories for both India and Philippines appear to be great achievements, it is time to ponder over the imperative question “What next?”

India, followed by the Philippines, initiated the culture of globalization in the 1990s by showcasing themselves as a location of choice, after the onset of outsourcing; this was preceded by UK near shoring to Ireland and US to Canada. Evolving and constantly upgrading the inherent country skills to suit the dynamics of the outsourcing industries and the rapid maturity over the last two decades has been interesting to say the least. While India with its better equipped engineering talent mastered ITO, Philippines with a sizable English speaking talent became the destination of choice for BPO.

Indian firms have shown that they can be efficient and can become the source of competitive advantage and differentiation for their clients. They have clearly demonstrated that they can be highly successful at playing the role of a catalyst in the business processes of their clients. The “Big 3” of Indian outsourcing market TCS, Infosys and Wipro have played a huge role in these developments. They have shown that they can provide World-class services and have effectively utilized the talent pool available in India, for the delivery of these services. Philippines on the other hand has become a force to reckon with due to the establishment of large captive centers for voice-based processes. The influence of Philippines in the services outsourcing arena has been such that every major client has a significant BPO presence in the country.

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The level of commitment, innovation and depth that these indigenous firms bring towards expanding their services offering portfolio will define what lies ahead for the Indian and Filipino outsourcing industry. In the past, these countries have successfully positioned themselves as transactional partners; now the thrust is changing towards positioning themselves as transformational partners.

We have all witnessed the lucrative software products market and its growth over the years. However, even after more than two decades of software services and world class talent pool of software engineers, India is yet to boast of a product development firm! A minimal number of best-in-class products have been developed/ manufactured by Indian companies, noteworthy examples including Finacle by Infosys and BaNCS by TCS. An observation of the core product development activity in India shows that most of it belongs to captive development centers of predominantly product based companies like Adobe, Microsoft, Oracle, SAP, Amdocs, and Sunguard.

We see an opportunity for the Indian software firms to enhance and extend their focus from service-based capabilities towards a hybrid model - chances of this resulting in an orbital shift for the growth of these companies are high! If this shift is successful, these companies would be able to share a pie of the lucrative product market. Case in point is that Philippines has struggled to mature beyond the captive model with very few companies such as TeleTech, Global Sky and People Support (now merged with Aegis) becoming successful and sustainable. They have been unable to replicate their success in other domains of services outsourcing apart from voice-based English contact centers.

Lack of innovation and a lower risk appetite should not result in these countries stagnating – a considerable and consistent effort by the leadership in upsetting the status quo should enable these countries to bring in disruptive capabilities. The challenge of getting out of comfort zones and identifying new growth horizons is testing but achievable. This requires building skills/ capacity and moving towards higher-value and sustainable business models. These companies also have to ensure that they truly understand what it takes to build world-class products/services and have appropriate processes in place.

It is time for Indian and Filipino services companies to re-assess their core strengths re-evaluate their capabilities and identify the next growth segment to drive future growth.

Going beyond pure outsourcing services? Why not!

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If you have any questions or comments about this article please contact at [avi@tholons.com](mailto:avi@tholons.com)

