

How Indian Offshoring has changed the product development industry

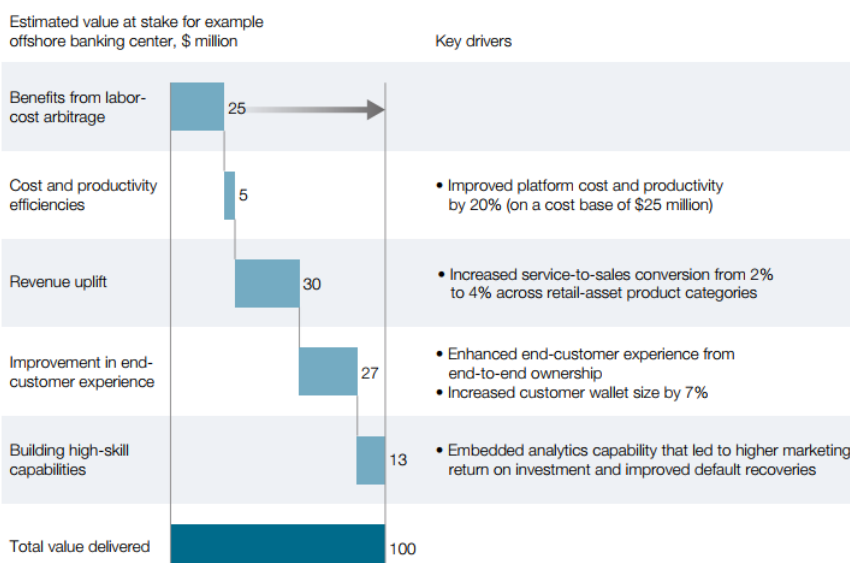
Indian offshoring or outsourcing has changed the way the Indian economy runs. We have become a knowledge based economy based on IT and Finance consulting. Offshoring in India has come of age. A research by McKinsey India showed that over the last 6 years the different performances of productivity and cost of delivery in different captive Offshore centres in low cost locations like India had made a Remarkable difference to the companies. Among the companies surveyed, there were around 250 such centres that were checked on the basis of performance across India and Philippines and around 1200 business leaders and managers expressed their level of satisfaction and delight regarding the quality of services and skills that they found in the centres.

Offshoring has come far away from being just a cost effective structure to being more of an asset building strategy. Offshoring has increased at a compounded annual growth rate of 13% since 2013. More than ten million people are employed with these offshoring centres across India in shared business services, IT, engineering and Finance. The important factor found in the survey was that more than 70% of the managers felt that the increase in the skill levels would entail moving a lot more services and functions to the captive units.

Factors Working in Favour of Offshoring

There have been various factors why these centres have become the buzzword for international organisations. A trend of greater collaboration, office operations and Technology team convert the data into insights and actions. There has been a 30% productivity increase with a 90% reduction of backlog of work and projects ever since offshoring has come into play.

The potential value at stake is three to five times that of labor-cost arbitrage.



Due to its efficiency and structure, the offshoring unit has contributed significantly to new product development process across the world. India has become the hub for small and medium

enterprises, offshoring and also helps in significant development of portions of a manufacturing product or a software and technology related new process development.

There are various reasons why offshoring - a new product development process actually make sense in today's world. Let us look at some of the benefits that a company can achieve by offshoring certain processes of a new product. Offshoring unit focuses not just on the development but also on expanded services such as extensive research on the downstream and upstream of the product, required features, the market survey and market demand. The consumer's demand and the performances of the competitors helps developing a feasibility analysis. Offshoring unit also help in research based planning to build a course of action for the product and develop the methodology for the new product development. There are various reasons to Offshore a new product development.

1) Reduced Time to Market - search and offshoring units in the right location with the right skill sets can give a faster access to the market and reduce the time to the market and meeting the deadline of the product development

2) Low Investment - the reduced time and the product development services reduce the overall cost of the new product development process and the cost of maintenance is lowered as well

3) Reduced Risk - this offshoring adheres to international standards of quality and service the best proven industry standards and methodology can be expected for a new development cycle. It does help in reducing the overall risk in a product development phase.

4) Reduced Management Overhead - Since the management bit mainly out of the core location and the offshoring unit managers project teams rather than having an expensive management structure in place. The overall overhead are reduced to a minimum and also the best project management practices and software for product development phases are reduced.

5) Access to the best skill set - The concept of an offshoring unit is like a pool of talent. It can collect different skill set of various necessities up together for the offshoring requirement and gives an easy access to an organisation for building the new product.

6) Assured quality - where a captive unit is in place and third party units are expected to follow rigorous testing and quality analysis method for the product development, the various phases of testing under every module of the product development is thoroughly done so that the deliverables can be accepted.

7) Flexible Resources - just a product development process is a project in itself. The resources required at different stages will be different and the offering unit has the capability and the flexibility to keep changing the required skill sets accordingly for each project without any extra cost be involved.

8) In house resources - As already stated, being a talent pool of different skill set and offshoring unit can provide on demand requirements of specific kind as might be required from time to time.

India has been especially successful in creating new products with reverse engineering. Emerging economy is a lucrative and strong target market for businesses to establish a stronghold for new

product which are affordable yet provide a luxurious bent. New product development examples have been successful in the manufacturing industry as follows –

- Tata Nano which was the first Rs 1 lakh rupee car in India was introduced after and innovation with Indian materials. It was later introduced in a new version as Tata Europa in other countries. The new product of Tata Nano was developed in India with Indian materials, processes and creativity.
- Another example was General Electric's electrocardiogram device which was \$1,000 unit and far cheaper than its foreign counterparts. It was developed in Bangalore and is a classic example of reverse innovation.

Reverse innovation has become in tandem with new product development in India and has led to newer disruptive innovations and helped companies grow rapidly by creating and finding new solutions for emerging economies like India. Apart from the original equipment manufacturing, there has been a support eco-system of Tier 1 and Tier 2 suppliers, technology vendors, educational institutions which support the investments and RR&D facilities.

Indian offshoring units have also led the revolution in the generic drug development industry.

Thus, innovation and new product development have had a great start in India but have a lot of ground to cover on account of Intellectual Property rights.