

SGO to drive IT companies' growth

SHOBHA MATHUR
ENS ECONOMIC BUREAU

Chennai, Aug 21: First generation 'outsourcing' is now passé, or so it seems! It's time to herald the new business model of second generation outsourcing (SGO) for IT companies.

Jaideep Billa, Chief Technology Officer Polaris Software Lab Ltd, predicted that progressive modernisation of framework and intellectual property driven SGO would drive IT companies growth for the next 10 years, particularly in consulting and technology fields. Thereafter, third generation outsourcing including sub-assemblies and complete opening up of the market place with an industry standard framework and services oriented architecture would predominate.

Meanwhile, first generation outsourcing would continue and would be gracefully phased out. Citing examples, Billa explained that the second generation outsourcing model was present in manufacturing and ultimately the manufacturing model would be adopted for software services as well. The model worked on the premise that an automobile manufacturer does not produce the entire vehicle alone but outsources components from sources and assembles them together under one roof. The complete car is then delivered to the customer, achieving cost

benefits and better efficiencies.

G B Prabhat, founder and CEO of Anantara Solutions Pvt Ltd, told Express that the new model would enable integration of consulting and technology services for the company. "Components for software solutions like Java coding, software testing services, performance management systems, and infrastructure management solutions will be outsourced by Anantara from China, Russia, India and Singapore and assembled by the company for further outsourcing to clients in nine countries," he said.

"IT companies have not adopted a uniform framework," added Billa. He predicted that the new model would lead to incremental reuse of existing software components, bringing down costs. Polaris has started working with its banking customers on the SGO while TCS made a move in that direction with its subsidiary on banking products.

Calsoft has evolved a 'differentiation' strategy through focused offerings and specialisation that allows vendors to offer increased business value to their customers. Specialisation empowers vendors to offer different engagement models and pricing mechanisms such as risk-reward engagements and value-based pricing, COO at Calsoft J K Nair said.