



How Technology Managed From India Is Changing the Complexion of Outsourcing

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It is a weekday, and Srinivasa Raju, 26, is at work at his high-security Electronic City office in Bangalore. He is in a large, cool, bright hall, surrounded by neatly arranged banks of computers, with biometric sensors and closed-circuit cameras recording every movement. Six clocks show the time in Sydney, Tokyo, Bangalore, London, New York and San Francisco. In front of him, projected on a giant screen, are a bunch of changing numbers, dials and graphs. The scene looks like NASA's space shuttle launch center; only a video monitor showing magnificent fuel plumes is missing. With Raju are a couple of other colleagues, roughly his age. It is 9 in the morning, but it appears as if not everyone has arrived for work. Despite the bright, tropical sunshine outside, you could be fooled into believing this is the graveyard shift. In many ways, it is.

Raju is at work in the global command center of a large technology company in India. He is monitoring the health of the computer network of a utility service in Europe, roughly 5,000 miles from where he is located. It is only 3:30 a.m. in the host country where the network is located, so it is accurate to say Raju is part of the graveyard shift. The next shift, which begins at 2 p.m. in India, will be buzzing as people filter into the utility company's European offices.

Such scenarios are being repeated at several high-tech companies in India that remotely manage IT infrastructure around the world, from computer networks of transportation hubs in Europe, to the world's largest private e-mail service for a global Fortune 100 organization, to ATM networks for Middle East banks, to storage devices for U.S. pharmaceutical companies. Engineers in India are monitoring, upgrading, healing and rebooting systems across the world to ensure that it's business as usual for end users of the IT infrastructure.

This relatively young high-tech business addresses architecture, design, engineering and maintenance of servers, storage devices, voice and data networks, desktops and mainframes, and services such as security, procurement, vendor management and database administration. The business goes by the unromantic name of remote infrastructure management services (RIMS).

The business has been driven by the rapid evolution in technology: virtualization, cloud computing, standardization of IT infrastructure, and the availability of sophisticated tool sets. It has also been driven by changes in customer demands and a mature offshore supply environment. Industries including telecom and banking, financial services and insurance have become early adopters. "The RIM industry is at a watershed in its

development," according to a study by McKinsey that was released in March by the National Association of Software and Services Companies (NASSCOM). And as was the case with business process outsourcing (BPO), signs exist that India may be poised to gain a large share of this fast-growing market.

Raju is part of a new breed of engineers who will be coveted, just as the front-runners in verticals such as application development once were. The reason? People like Raju keep businesses running. And, especially important in these cost-conscious times, they contribute to bottom lines by shaving away inefficiencies.

How India Could Gain

India is seen as a major player in the global RIMS market because of three critical factors: experience in and reputation as an offshore destination; well-honed business processes; and the availability of low-cost talent. According to the McKinsey study, titled *The Rising Remote Infrastructure Management Opportunity: Establishing India's Leadership*, the market for RIMS is an estimated \$96 billion to \$104 billion, of which \$26 billion to \$28 billion is likely to be realized by 2013. Of this, the report says, India is positioned to capture \$13 billion to \$15 billion by 2013. Currently, India accounts for \$3 billion to \$4 billion of the total services offshored, according to the report.

A Gartner study in May noted that the top six India-based offshore service providers (TCS, Infosys, Wipro, Cognizant, Satyam and HCL) accounted for 2.4% of the total worldwide IT-services market in 2007, compared with 1.9% in 2006. While application development and management services account for most of their revenue stream, RIMS has demonstrated the most significant growth. According to G. K. Prasanna, senior vice president of technology infrastructure services at Wipro, where infrastructure services accounted for \$684 million in revenues in 2007-08, "Around 17.2% of our business is RIMS-based. It is the fastest-growing business across Wipro, and it is the largest practice after application development."

Prasanna is bullish about the future. He says Wipro has the opportunity to claim undisputed RIMS leadership in India. In September, to back its bets, Wipro acquired Infocrossing, a U.S.-based data center management provider, to enhance its ability to provide remote management of IT infrastructure. Similarly, Satyam has acquired U.S.-based Nitor Solutions and Cognizant has acquired U.S.-based AimNet Solutions to fill gaps in their offerings and reach. Ed Nalbandian, who was AimNet's CEO and now is a practice leader for Cognizant, notes: "AimNet's onshore consultants help give Cognizant the strongest onshore presence among offshore players." Another key area is AimNet's approach to pricing. "Cognizant has been able to leverage that quite a bit as clients are asking to move away from FTE-based pricing to a unitized, pay-for-what-you-use

approach," Nalbandian says. Cognizant's experience is not isolated. Everyone in the business is racing to close service gaps.

The growing interest in RIMS is posing several challenges in India. Among them: The ability to improve the supply of skilled talent in new technologies and create strategic alliances with technology firms to provide better service delivery and operational process compliance, and to provide innovative pricing models. **"It's clear that RIMS cannot be delivered by everyone," says Pradeep Kar, founder and managing director of Microland, a Bangalore-based pure-play RIMS provider with customers in Europe, the United States, the Middle East and India. "An Indian RIMS vendor specializing in this area would be able to provide enhanced quality of service as a result of aligning tools, processes and skill sets to industry needs."**

The NASSCOM-McKinsey report uses Microland as an example of an offshore vendor with proprietary tools that help simplify IT management, improve governance, reduce costs and, significantly, create transparency. Among its customers is U.K.-based Serco Solutions, for whom Microland has created two dedicated RIMS centers. For RIMS users, the combination of cost control, improved service quality and the ability to scale (or de-scale, as the case may be) are key considerations.

The Role of Recession

Industry analysts believe that one of the most immediate drivers for RIMS adoption could be the threat of a severe economic downturn in the U.S., forcing a greater amount of outsourcing to control costs. But a U.S. recession may not necessarily be a boon. "Cost pressure on my customer is always good news since it increases risk propensity and forces a decision," Prasanna says, but this in turn means greater competition and immediate pricing pressure.

While an economic downturn could improve the climate for outsourcing infrastructure management -- "even make it socially more acceptable," in Prasanna's words -- the value proposition does not change. The decision to outsource will therefore depend on flexible pricing models and short-term deals.

While pricing and deal duration form the core of the decision, outsourcers may still be wary of depending on external RIMS providers. This is largely because of the psychological discomfort of working with a team located thousands of miles away. While compliance-related risks are coming down thanks to SOX (Sarbanes-Oxley Act of 2002) and SAS 70 (Statement on Auditing Standards No. 70), the RIMS business lacks mature

governance models. The challenge is to develop these models and take them through their paces in a joint effort between vendor and customer.

Over the last eight years, as the RIMS business has spread globally, various pricing models have emerged. Microland, which acquired its first infrastructure management customer in 1999, has built a model that separates assets and management. Today, a variety of pricing models continues to be available, from the more traditional time-and-material-based model to element, or device-based, pricing, outcome-based pricing, and a shared-risk-and-reward-based model. **"We pioneered the concept of device-based, or transaction-based, pricing," says K.S. Ganesan, Microland's chief technology officer. "What it does for the client is it fixes cost and reduces them year on year, putting pressure back on vendors like Microland to innovate newer ways of delivering the same set of services. Of late, we see many players adopting this model."**

Competitive pricing will be just one factor in determining which companies will emerge as the most successful RIMS providers. Firms are sweating it out over creating tangible differentiators. Also important, says Prasanna, are game-changing alliances with global technology companies. Original equipment manufacturers (OEMs) such as Cisco, Dell, Hitachi, Hewlett-Packard, Microsoft and Red Hat are investing in Indian partners at the forefront of the RIMS business, helping them improve the size and capability of the talent pool to support the products and services they provide. While there are no monogamous relationships in the RIMS world, some service providers are more equal than others in the eyes of the OEMs. RIMS players understand the importance of such alliances, which give them early access to changes and enhancements in technology, quick access to technical assistance, and critical access to training facilities and materials.

Not surprisingly, RIMS providers often trumpet their alliances with technology majors. The emergence of RIMS has fostered joint go-to-market strategies by technology players and has driven the emergence of joint products, resulting in greater value propositions and lowered total cost of ownership for RIMS adopters. Cognizant's Nalbandian reflects a popular industry opinion: "We think this go-to-market model is going to be successful for us."

On the other side of the business, who are the most likely candidates to aggressively adopt RIMS? The McKinsey study says that Fortune 3000 companies are driving growth and are signing more -- and in several cases larger -- deals than their Fortune 250 counterparts. This is in striking contrast to the trend established by application development and business process outsourcing in the past, which was led by Fortune 250 companies. This shift is likely to have a major impact on the marketing strategies

adopted by RIMS vendors. Among the many things on the cusp of change, the future of marketing in the high-end technology space is set for an interesting makeover.