

Talk by Aditya Jha at the Sangam Conference at Schulich School of Business for the Technology Panel

Prof. Steve Weiss, Organizers of this event, distinguished guests and the MBA students of Schulich Business School. It is my privilege to have this opportunity to share my views with you. The two topics that have been assigned to me are:

- The gap between what Canadian companies could do and are currently doing in India (in Technology Industry context) and
- Possible ways in which Canadian companies can pursue opportunities in India.

I am going to talk about the six areas of opportunities for the Canadian Companies and possible ways in which Canadian Companies can pursue opportunities in India.

- Technical Solutions for the local Indian Market;
- Retooling the Manpower;
- Participate in building and operating IT infrastructure;
- Offshoring for SME's and small Technology Companies;
- Rationale for building direct presence in India for large Canadian companies;
- Commercialization of Canadian technology (Lab to Land) in India.

1) Technical solutions for the local Indian Market

To most people, IT and ITes in India means opportunity for cost arbitrage. What is missing in the general perception is the opportunity that India presents in its local market for the Canadian technology companies. The Revenue from IT and ITes in 2007 is expected to be \$48 billion. Out of this, the IT services export is expected to reach \$18 Billion in 2007. The remaining magic number of \$ 30 Billion in 2007 is the IT opportunity in India for likes of Canadian companies to get a slice of this revenue. This revenue opportunity is nothing compared to what the National eGovernance plan presents for its twenty six Mission Mode projects and eight Support Components delivered through 100,000 Common Services Centers (CSC) for 600,000 villages. This plan provides for Fiber optic connectivity to the Block level. What is staggering is that this is billed to be done for a total cost of \$5 Trillion of expenditure over the next 5 years. This opportunity in India is the enormity of revenue, and also the fact that the government budget doesn't cover all the expenses. The bulk of the projects are planned to be implemented on a self-financing model through levy of service fee adopting a Public Private Partnership (PPP).

2) Retooling the Manpower

India projects to have shortfall of 500,000 trained professionals by 2010 for the technology sector alone. India has a major challenge to get the quality aspects of talent right. For India, it is not that the shortfall in numbers of people coming out of technology institutions the real issue. It is staggering when almost sixty percent of graduating population is unemployable within the Indian industry. The bigger companies are able to provide 3-6 months of training but not all the companies have the wherewithal to do that. Another major issue is the teachers training and improving linkages between industry and the academia. All of this presents an enormous opportunity for the Canadian companies to provide retooling educational services to Indian companies. Canadian companies could also work with the individual provinces in India to create employable opportunity for not so well trained new graduates and also in helping these provinces as destination of choice for establishing technology business in their province. Canadian companies should focus on provinces, such as Uttar Pradesh, Orissa and Bihar, which are not riding the IT bandwagon yet and are very eager to roll the red carpets for any qualified companies and foreign partners.

3) Participate in building and operating IT infrastructure

Over the next 18 months India plans to set up 100,000 Common Services Centers at the cost of \$1.3 Trillion. Out of this, the government outlay is only for \$ 358 Million. The balance amount, which is \$ 890 Million, is to come from private sector through Public Private Partnerships. What is critical and a great opportunity for Canadian companies as how creatively do we package financing and bring to bear our deep expertise in implementing and running large infrastructure project? CSC is one of the three infrastructure pillars of eGovernance. The other two pillars are State Wide Area Network (SWAN) connectivity for \$ 725 million and State Data Centers, which the Indian Government has already approved. The CSC in 100, 000 villages must be broadband internet enabled and government would offer a basket of services labeled Government to Citizen (G2C) and Government to Business (G2B). The PPP model of CSC envisages a 3-tier structure consisting of CSC operator (VLE- Village level Entrepreneur); the Service Center Agency that will be responsible for a Block of 200-500 CSC and the State Designated Agency identified by the state government responsible for managing the implementation over the entire state. Here we have a possible play for large technology services infrastructure Canadian Companies like Bell Canada, Telus and Rogers.

4) Off- shoring for SMEs and Small Tech Companies

There is a lesson for technology companies in what was learnt in hard way by consumer companies which initially thought the poorer segment of the market is not their buyer and you can't make money by selling products to them. Subsequently, it has been proven that smart companies through packaging their product and offering properly can have a very profitable business by catering to poor segments of the market. The Nirma Soap (Indian company) case study conveys this point very eloquently— when they started coming up with Shampoo pouches for domestic helpers and poorer people who could not otherwise afford to buy a full bottle of Shampoo or other hygiene products, but would buy the rupees two plus pouches every week from their weekly allowance. This put Hindustan Lever and likes at a losing end which they only recognized at a later stage by that time they already had a competitor who had created foothold in the market. What I am trying to say is that Canadian companies should also 'pouch' our technology products and services in the SME market in Canada and worldwide and use India as the base to provide offshored services to this segment and thus create a place for a niche market segment. One could easily create a stack of offshore services (maybe a sectoral one) that needs to be developed for this segment and marketed and sourced in a unique way. It should not be confused with large company outsourcing and offshoring services rather it must address the issue that are pertinent to the absence of organizational fat and inefficiency and nimbleness of large companies but otherwise would be fearful of losing control in having such distributed operation. One can easily draw a parallel to my software company Osellus Inc. which has an offshore software development operation in Thailand for the last five years and has proven to be most cost effective operation for us; which has not only saved tremendous amount of money but has also given us organizational flexibility and easy bandwidth scalability with much lesser efforts.

5) Building of Direct presence for large Companies

Large companies are entering India for cost arbitrage and mostly through large Indian IT companies. In their current mode of engagement their foot-print will not lead to gaining foot-hold in India. Their destination should be India and they need not get confused about being in India through a BPO or outsourcing Company in India that is growing at 30 percent annually and has a fat margin in the way they price their offshore and outsourced services these large Canadian companies. In the current mode of engagement with India, these Canadian companies are getting their job done in transactional mode but leaving their transformational Intellectual Property with Indian Companies or mostly it gets lost as even the Indian companies may not have any institutionalized way of capturing such Intellectual Property within their organization. These contract employees of Indian companies working on outsourced projects will have different motivation and will be able to make a heightened contribution if they work with such foreign companies directly than being a faceless contract worker. Having a direct presence for these Canadian companies in India will not only further reduce cost, give better control on their project and have more loyalty and productivity from their offshore employees but it could be the launching pad for providing similar services to Indian customer when they grow like Singapore, Malaysia and Korea, which is an inevitable situation and just matter of few years down the road.

6) Commercialization of Technology-

Canada has a very healthy way of supporting research and development in universities and small companies. Government and Canada can act like an Angel Investor and use its CIDA type developmental money to see how the Canadian innovation and technologies can be commercialized in country like India at a much lower cost and thus India becomes the test-bed for launching the technology for the Lab-to-Land project.

The top technology companies from India are primarily westward and are only scaled to succeed by engaging with only large enterprises abroad or in India. They operate and profit with the inefficiencies of a large company. There is a great opportunity in India to cater to this neglected segment of smaller companies or even large government organizations that are very backward with the adoption of technology in their various organizations. Build, Operate and Transfer is a major opportunity for Canadian companies in India. One can have a separate session on the role of Indo-Canadians in this entire equation.

Thanks and I am ready for question and answer session.