

Offshoring in Bangalore

Offshoring stands for the relocation by some organisation of one or more of its business processes or activity systems from one country to another. Offshoring might involve an operational process, such as manufacturing, or a supporting process, such as some aspect of informatics infrastructure. In recent years much of informatics outsourcing has occurred through offshoring to geographical areas such as Bangalore on the Indian sub-continent.


Bangalore is the capital of the Indian state of Karnataka. In 1951 it had a population of only 800,000. This had grown to 5.6 million in 2001 and is estimated to be around seven million now, making it India's third most populous city. Nowadays, Bangalore is well known as a hub for India's ICT sector; many local companies are involved in research and development and the production of electronics and software. Because of this, Bangalore is sometimes referred to as the silicon valley of India – since it is the base for the country's three largest ICT companies: Tata consultancy services, Wipro and Infosys. These three firms are now amongst the top ten companies in the world in terms of stock market capitalisation. Not surprisingly, some of the most well-recognised colleges and research institutions in India are located in this growing city. Bangalore alone accounts for approximately one third of India's software exports and some quarter of a million people are employed in ICT within the city boundaries.

One of the most significant companies working from Bangalore is Infosys Ltd, formerly Infosys technologies. Infosys is a global company which provides business consulting, technology, engineering and outsourcing services. Infosys was founded in

1981 by seven young Indian entrepreneurs. It moved to Bangalore in 1983 and got its first foreign client, the US-based Data Basics Corporation, in 1987. The first Indian company to be listed on the US stock exchange, it now has offices in dozens of countries worldwide and development centres based in India, the US, China, Australia, the UK, Canada and Japan, amongst others.

ICT is key to enabling the offshoring of many business processes such as finance, sales, marketing and human resources to India. This is process is the result of the increased availability of reliable and affordable worldwide communications during the late 1990s. This development has made possible the movement of service provision to low cost countries in a manner which is invisible (at least in principle) to the user of the service. For instance, many UK companies offshore their telephone marketing and after-sales service functions to Indian companies.

India benefited from the offshoring trend for a number of reasons. The country has a large pool of young people who speak English to a high standard and are technically proficient. Infosys, for instance, receives 1.4 million job applications per year. India's offshoring industry was originally rooted in low-end ICT functions in the early 1990s. Since that time Indian companies have moved to provide back-office functions such as call centres and transaction processing. In the late 1990s, India's abundant pool of software engineers enabled companies to cope with increased demand caused by the millennium bug problem. This enabled companies such as Infosys to attract large-scale software development projects from Western companies, particularly those based in the US.



Currently, India is the offshoring destination for global firms like HP, IBM, Accenture, Intel, AMD, Microsoft, Oracle Corporation, Cisco and SAP.

In recent times robust economic growth and rising inflation have caused growth in wage

costs for Indian firms. Indian firms are starting to worry that they may become too expensive in comparison with other destinations. They have therefore attempted to diversify into other high-end sectors beyond software and hardware engineering – for example, aerospace.

Points for reflection

- Many large Western banks have moved a considerable proportion of their back-office processes to India in general and Bangalore in particular. What management challenges arise from this form of remote operation through ICT?
- There have been a small number of instances of lapses in data security such as loss of personal data from customer databases held by Indian companies and some instances of Indian employees engaging in identity fraud. How might such instances affect strategic decisions to offshore for Western companies?