

“Green IT will top the technology disruption”

Jun 15, 2009 1340 hrs IST



In an email interaction with **Abhinna Shreshtha, GH Rao**, corporate VP and head (engineering and R&D services) of HCL Technologies, talks about R&D outsourcing, the post-recession scenario, and the domestic market.

Countries like South Africa, Brazil, etc. are starting to compete with India as preferred destinations for IT off shoring. Will outsourcing of R&D activities also feel the heat?

R&D outsourcing services differs from IT offshoring Key essentials are maturity of service offering & prior experience in product development. For R&D outsourcing, cost is no longer the overriding factor; competency is the key factor.

Low cost solution or cost arbitrage has ceased to drive engineering offshoring services. Customers are increasingly evaluating the fitment of services vendor within their development ecosystem ability to collaborate & work seamlessly between the 2 teams, as the main criteria to select their strategic sourcing partner.

We believe that there is potential in emerging markets like South Africa, Brazil, Eastern European countries for building near-shore engineering services operations and hence our investment in these countries to service our customer better. However, from a geographic competition view, these markets need to focus on gaining maturity in scale operations before they can be considered as competing against the efforts made in India over the last 20 years in R&D sourcing services.

What has been the effect on engineering offshoring services that HCL has noticed due to the global economic downturn?

In the last 5 years leading up to the current economic situation, we witnessed a lot of investment in India & low cost country operations by our customers & market players. In the current economic downturn, customers are facing pressure from their markets and are re-examining their outsourcing strategy. We find that customers are not looking for lower cost solution but for value provided by their sourcing partner in addressing the needs of the end-user market. So, we see a lot more focus on value management rather than on cost.

The customer of today is looking at:

- * Adding capacity and flexibility to enter adjacent markets
- * Striking right balance between maintaining existing products and launching new products
- * Increasing the chances of success for new product launches, as cost of failure increases.
- * Innovating faster and taking more innovations to market than we currently can and do this without increasing our R&D intensity

How is the domestic market for business-aligned R&D shaping up?

HCL regards India as an emerging destination for R&D services. Over the last 5 years, HCL has seen an increase in customer programs targeting the customization of their product to Indian environment. In addition, HCL believes the Defense offset program will lead to increased local engineering services requirements. HCL also sees a lot of opportunity in infrastructure rail, road, power and utilities where India's current technology adoption is low and needs upgrade in the next decade.

Are there any specific industry verticals that you are focusing on? Why?

HCL's DNA is product engineering. From the time HCL decided to focus on services market in the early 1990s, HCL has built its Hi-tech practice cutting edge product development in computing, servers, storage, networking gear, and convergence products in telecom and personal electronics space.

In the mid-1990s, we decided to diversify our domain focus and leveraged our strengths to address the transport vertical automotive and aerospace.

HCL sees green technology at the forefront of forthcoming technology disruption. We expect the following verticals to see a transformational change over the next decade: renewable energy design of next generation solar, wind equipment; automotive hybrid vehicles, fuel efficiency improvement, fuel cell research; aerospace composite material usage; are some areas where we have customers focus on and have started offering services in these areas to our customers.

Could you share with us HCL's business plans for the future? Which areas are you likely to increase focus on?

Apart from strengthening our position in our traditional markets US UK & Japan, we are also looking towards increasing our penetration in continental Europe. HCL is looking at Latin America as engineering services destination as well as for near shore operations.

We also have plans to increase focus in energy & utilities and heavy industries practices and add them to our current vertical practices aero, automotive, hi-tech, and manufacturing.