Providing the “right” framework in a world of increased competition: the role of government and industry bodies

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Director Centre for Development Informatics
Agenda

• Background
• A model for outsourcing industry development
• Lessons learned from implementation
• Some implications for Egypt
Transaction costs and control of outsourced accounting: Case evidence from India

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Embedded knowledge and offshore software development

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Some political and cultural issues in the globalisation of software development: case experience from Britain and India

Brian Nicholson a,*, Sundeep Sahay b
Role of national policy

- Tax exemptions
- Software technology parks
- Incentives for foreign direct investment
- Venture capital support for start ups
Outsourcing and Development

- India, Ireland, Israel success as software exporting nations
- India IT/ITES industry contributes 4.8% GDP, employs over 1 million, 28% growth (2005-6)
- Many aspirant small countries e.g. Iran, Jordan, Vietnam, Costa Rica.
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Software Export Success Factors and Strategies in ‘Follower’ Nations

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Outsourcing Industry Development Model

International Market Demand for Software

International Linkages
MNCs  Trust

National Software Industry
Concentration  Clusters  Competition  Collaboration

National Software-Related Inputs
People  Technology  Finance  R&D  Other

National Software Vision/Strategy
Government  Industry

National Software Demand
Constrained  Demanding

ICT Services Industry: Global Sourcing Post Crisis
Components of the model

• National Software Vision
• International Linkages: Building Trust and Mitigating Risk
• National Software Related Infrastructure
  – Technology
  – People
  – Finance and R&D
• National Software Industry
National Software Vision

• The importance of a national vision: symbolic, political, economic, brand name eg: Malaysia 2020.

• Key role of a champion, eg Jordan.

• Nature and extent of government intervention?
  – Government led : Ireland.
  – Industry led : India, Russia.

• Creating appropriate portfolio: products, IT services, IT enabled services, FDI etc.
International Linkages: Building Trust and Mitigating Risk

- Political, economic, legislative, cultural linkages
- Mitigation strategies:
  - Diaspora linkages: Example of China
  - Trade associations: NASSCOM, Fort Ross
  - Diplomatic engagement
  - WTO: China
  - Certification CMM, PCMM, ISO
The Role of NASSCOM in India

• Build customer awareness and promote “made in India” brand globally
• Forge links with key industry stakeholders nationally
• Spread market intelligence to members
• Lobby government to remove regulatory barriers, implement laws
National Software Related Infrastructure: People

• Creating appropriate pool of people: size, education levels, training, example Colombia

• Linkages between education and industry, example Israel

• Standards for uniformity of quality

• Language training, example China
Finance and R & D : the Case of Israel

• Importance of military transfer
• Yozma programme: grants to software companies require R&D links with universities
• Incubators
• Expatriates, NASDAQ listings, foreign venture capital
Building Iran’s Software Industry: An Assessment of Plans and Prospects

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ICT Services Industry: Global Sourcing Post Crisis
Concerted Action Web for Outsourcing Industry

- Infrastructure providers
- Foreign companies
- Trade associations
- Domestic demand
- Software sector
- Finance
- Education
- Government regulation and laws

ICT Services Industry: Global Sourcing Post Crisis
Costa Rica’s Software Industry 2005

• Approx 150 firms, 91% SME, only 5% have more than 100 employees
• Revenues $173m 60% to Central America and Mexico
• 48000 people employed
Process

- SWOT
- Benchmarking
- Stakeholder identification
- Task force groups
Role of national policy

Market driven

Strategy planning
Government led planning: Unwillingness of change agents

Here people will be happy to earn a good salary, have a nice car, a nice house, have their children in a good school and owning 100% of their companies. And that’s it. So there is a limited level of preference of risk taking or ambition
Market led: Foreign direct investment damaging local firms

The companies that come in here and set up shop and hire people, that doesn't mean that any local companies are part of it. That's my point. Yesterday we had news that Fujitsu is setting up a high tech call centre with 500 people, $5 million. And we hear some of that every month
The only way for these local companies to compete is to be able to make similar offers. And the only way to do that is if they do work for clients that also pay them well. And that won't happen with local companies working with local customers.
Implications for Egypt

• The menu:
  – Positioning “Brand Egypt” as a global outsourcing venue
  – benchmarking, SWOT

• The meal:
  – “Rational alignment” will not work, wrongly assumes unitary goals
  – Where can strategy planning help? Where should the market prevail? How much planning is feasible or appropriate to align the organisations, rules that support the Egyptian outsourcing industry?
Further information

Centre for development informatics
http://www.sed.manchester.ac.uk/research/cdi/

Home page
http://www.php.portals.mbs.ac.uk/Default.aspx?TabId=1045

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