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Expanding beyond IT, India U.S. firms looking overseas for help in diverse fields, countries

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Alliance Architecture's not-so-secret weapon works out of a yellow house in southern Delhi.

There, Jaya Chakravarty and her six-woman staff turn the Durham firm's ideas into three-dimensional digital images.

In addition to giving Alliance's clients cutting-edge computer models at affordable prices, Chakravarty's staff allows the company's 20 Bull City employees to concentrate on higher-value services such as design, quality control and site management, said principal John Warasila.

"The reality of it is, we're doing much better work today than we were five years ago, and I think it's completely because of the way we're organized," he said. "We're a tiny firm and we're competing against firms with 100, 200 people and we're getting the projects."

At Chakravarty's small office and a number of locations around India and the world, the future of offshoring is expanding beyond call centers and information technology.

As three local examples show, American firms are now looking overseas for help in fields as diverse as architecture and biotechnology. And with competition for labor growing heated within India, employers are turning to other low-cost locations such as Latin America, Eastern Europe and Southeast Asia.

Alliance Architecture

The current debate surrounding offshoring and the potential for lost jobs rings hollow to Warasila, who says some of Alliance's clients are concerned about the practice but others understand the advantages.

"This whole idea of thinking about 'this is our job, this is your job' ... is crazy," he said.

According to a survey conducted by the American Institute of Architects, about 11 percent of architecture firms have outsourced work overseas, and another 14 percent said they've seriously considered doing so.

Alliance's Indian designers' skills have evolved from making draft sketches to developing two-dimensional presentations, then three-dimensional presentations. The next step for the firm is virtual walk-throughs, which the Delhi workers are currently developing.

"We have huge, huge hopes," Chakravarty said. "There are an endless number of permutations, and with every project we want to grow."

Most of the Delhi office's work begins with instructions from Alliance regarding how a commercial interior should look and what materials should be used. The Delhi staff then creates digital images based on those guidelines, adding colors, furniture and lighting. Within one or two days, they can create a full 3-D digital presentation for the client to review.

The 10 1/2-hour time difference means the Delhi office effectively doubles Alliance's work day while providing high-quality, innovative products, Warasila said. Chakravarty and her six staff members are all trained as architects.

"They're very savvy, very engaged, and they'll do virtually anything we ask of them," Warasila said. "They're great."

When Alliance decided to turn a former furniture store at 204 Rigsbee Ave. into its office last year, it involved the Indian firm from the beginning.

"It was almost like we were building our own office," Chakravarty said.

Warasila feels the same way, describing her as part of Alliance's family.

"Here's someone we have a personal connection with, and while we perform business with her, it's beyond that," he said.

The partnership began four years ago with Chakravarty working out of her bedroom as Alliance's only Indian worker. The Durham firm was a client of her previous employer, and when she left that company, Warasila helped her set up her own studio.

Two years later, she was able to move upstairs and start hiring and training her staff in American standards.

"Now they can depend on us," she said. "Now we are Alliance."

Nobex

Durham-based Nobex's announcement in October that it would partner with Indian biotechnology giant Biocon for the development of an oral insulin product only scratched the surface of its CEO's hopes for India.

Working together on the insulin product will give Nobex the same kind of strategic advantage that its competitors receive by working with Indian contract research organizations, said Nobex CEO Christopher Price.

What's more, Price has already spoken with Biocon's clinical services arm about contracting out work for Nobex's second drug in development.

"There's no question that we've opened a door with them that will be very useful for both parties as we go forward," he said.

Nobex already was outsourcing some of its clinical and regulatory requirements to companies operating in the United States, Price said. But with a potential clinical trials population of more than 1 billion and capital and labor expenses that can slice 50 percent from the cost of clinical trials, India offers some distinct advantages, he said.

And executives don't have to go halfway around the world to harness them. CiVentiChem, a Pittsboro contract research organization, offers its clients the option of having their work completed in North Carolina or in the Indian city of Hyderabad. CiVentiChem opened its Indus Biosciences subsidiary, which has about 25 employees, three years ago.

The company helps its customers weigh factors including time, cost and availability of chemicals when making their decision, said Vice President Vasu Chittineni.

"If we can do it in India, we tell them up front," he said. "They decide whether they want to go inside or outside."

Offshoring of pharmaceutical research and biomanufacturing has received little public attention because drug development is a slow, deliberate process that occurs over years, Price said. Thus, while a call center could pop up quickly in India, displacing hundreds of American workers in a few months, the same wouldn't be possible for a pharmaceutical facility, he said.

Even so, the offshoring of high-paying biotechnology jobs threatens to undermine what state officials have touted as the miracle tonic for North Carolina's economy.

A star-studded panel led by former Gov. Jim Hunt in February presented current Gov. Mike Easley with a plan to create 100,000 new jobs in biotechnology and biomanufacturing by 2023. Meanwhile, the Golden LEAF Foundation is implementing a \$64.5 million project aimed at attracting more biotech companies to the state and training thousands of workers each year.

While India is becoming increasingly attractive to pharmaceutical companies for research and development, clinical trials and manufacturing, the proportion of work happening overseas is still small compared with the entire U.S. pharmaceutical industry, said Andrea Bierce, who leads management consulting firm A.T. Kearney's offshore-outsourcing practice.

"It's not an either-or decision by a company," she said. "There are going to be jobs here and there, and everybody will benefit."

Price agrees. Pre-clinical and early-stage clinical development may be ripe for offshoring, but "by the time you get to late Phase II and Phase III trials, you really need to be in your home territory where you intend to market the drug," he said. "There will be a proportionally greater shift to India and other places in Asia in the earlier stages, but I think the later stages will still focus on domestic sourcing."

For Nobex specifically, the deal with Biocon allows Price to increase his company's headcount in existing areas, rather than having to invest in new and expensive capabilities such as manufacturing, he said.

"India is a force to be reckoned with, but it's also a force to be partners with," Price said.

DataArt

While the furor over offshoring may have focused on India, customers need look no farther than DataArt to see that South Asia doesn't have a monopoly on IT outsourcing.

The New York-based company, which opened an office in Chapel Hill about a year ago, sells custom software developed by a stable of 160 programmers in St. Petersburg, Russia. About 10 U.S. managers serve as the face of the company, managing the projects locally for American clients.

While cost is always a factor in offshoring decisions, DataArt also offers programmers with a broad education in math and science rather than specific training in software engineering, said Michael Nabadrik, a regional project manager for the company.

"In today's global economy, cost savings is probably the driving force," Nabadrik said. "But definitely the diversity is what brings people to DataArt rather than other outsourcing companies."

The market for skilled talent is still young in Russia, he said.

"In countries with a developed IT industry, the brilliant people are already employed by big companies," Nabedrik said. "In Russia, the pool of innovative people is huge. With DataArt, we're just touching the tip of the iceberg."

And Russia isn't the only non-Indian location offering American firms low costs and talented labor.

A.T. Kearney has developed an attractiveness index to rank locations around the world that weighs 40 factors, including education level, worker availability, risks, security, infrastructure, telecommunications costs and labor costs.

India still held the 2004 index's top ranking, but China, Malaysia, the Czech Republic and Singapore also had high scores.

"There are a lot of other countries and locations around the world that are picking up speed," said Rudy Puryear, cohead of outsourcing strategy at consulting firm Bain & Co.

Indian outsourcing firms recognize other locations' attractiveness, as well, and are setting up offshore locations in lower-cost countries themselves, he said, describing an Indian CEO he had encountered on a recruiting trip to the United States.

"He's in the States convincing them to offshore with him, then out the back door he's outsourcing to China to get an even better rate," he said.

But China still has some limitations for American companies when compared with India, Bierce said. While both countries offer a bright, highly motivated work force, India's infrastructure -- both high-tech and low-tech -- is slightly better, and its people are more likely to speak English, she said.

That's not to say China isn't securing a share of the offshoring wins. IBM opened three new IT/business process outsourcing data centers in China last year, according to a report accompanying A.T. Kearney's 2004 attractiveness index.

Cisco Systems, for its part, will maintain a presence in China to support its regional customers, but it has no plans to move its internal IT functions there, said Lisa Hall, an information technology director based in Research Triangle Park.

"We have to go through a cultural fit, and India is closer to the U.S. culture right now," she said.

IMPORTANT TERMS

Offshoring: Hiring workers outside the United States to perform jobs such as accounting or computer programming. Includes both within-company hiring and outsourcing.

Outsourcing: Contracting with an outside firm for services, from product development to payroll.

Business processes: Internal business tasks and services such as human resources and information technology.

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