

Can Indian IT SME's Raise the Global Competitiveness of German Software Companies?

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Is working with Indian software companies a threat or an opportunity for German IT SMEs? The Indo-German Software Competence Network believes that this is an important opportunity with immense potential to transform the German IT landscape, making it more competitive and innovative. This white-paper presents arguments in favor of cultivating partnerships between German and Indian IT industry, both at industry-group levels as well as at company level, in the short term, and preparing the field for global competitiveness and innovation in the long-term.

SME's Need Help Urgently

Small & medium sized companies in both Germany and India are similar in the challenges they face to growth. In Germany the main challenges faced are those of execution of committed projects with the staff and resources available. Companies are being offered more work in the market than they have capacities to deliver.

As a corollary effect of this, in general, German SME's in the IT sector also face a shortage of man-power for developing new innovations which fit into the global market space and are able to scale across borders.

Indian SME's on the other hand face an acute deficit of knowledge of the German market and working conditions, which is a very fundamental factor that is bound to influence their success here.

Both these categories of companies are big enough that they have achieved the critical-mass and maturity to sustain sales in their established markets, but are too small yet to independently grow into the global market space at a globally competitive pace. This is where they are in vital need of assistance from industry-wide groups in their respective domains to rapidly equip themselves with know-how and resources which enable them to be active in overseas markets, either for tapping into global supply resources or for new market-entry opportunities.

The respective industry-groups in both German and India can play a vital role in this regard, both individually and also by establishing cooperations between each other.

What did not Work in the Past

Software production in India is an idea that has been floated in the German IT market several years ago. However, the meak start in the beginning only involved major players in both countries, such as TCS, Infosys, Wipro, Satyam and others from India and sporadic examples from Germany such as TUI-InfoTec, T-Systems India, Bosch India and others.

SME's from both countries however have not been able to develop methods and process for cooperation, as a result of which, much time has been lost in capitalizing on market opportunities. InDeSCoN believes this lack of development has been due to lack of know-how

and skills to bring down operative barriers, and just as importantly lack of industry support structures in both countries to help companies take bold first steps in each other's markets.

Organizing a Cooperative Future

The need of the hour for Indo-German software commerce at SME level is, firstly, identification of concrete issues that are acting as "show-stoppers" and placing them for "problem-solving" on a platform which includes all stake-holders. Problem-points such as culture, language, project-management and development processes should be individually dealt with and resolved. Industry groups in both software markets should take a cooperative and constructive approach in shaping the future of both markets in a controlled fashion.

At the same time, industry trends that have in fact changed over the last 4-5 years should be taken note of and factored into estimating the current and future potential. For example, Indian IT SME's have repeatedly proven themselves globally for their capability of working with the world's biggest IT user-organizations - across both the services and manufacturing sectors. High-end capabilities required to execute such global projects have developed at a fast pace during the last 5 or so years, thanks in most part to aggressive internal competition among Indian suppliers.

Software Exports from the Export World Champion?

The domestic market for IT services and software in Germany, according to "Invest in Germany" has been growing at 30% annually. This has on the one hand lead to a massive increase in requirement for qualified professionals, to the point that BITKOM reported in early 2007 a deficit of 20.000 IT specialists in the German IT market. On the other hand, these tight resources are focused on servicing the domestic market, leaving near to no resources available for export markets and global positioning. Indeed, Germany lies in 9th position globally for IT exports. These massive shortages have to be addressed in a proactive fashion by industry groups urgently, and the sector reverted to globally competitive stature.

Summary

In a fast paced global market for IT products, solutions and services, German small and medium sized IT companies could be more aggressive in seeking global opportunities - both for sourcing as well as marketing. Indian IT SMEs, owing to their global exposure, are in a strong position to cooperate with their German counterparts in shaping a future of global competitiveness and innovation. They need to spend significant resource in knowing the German IT market better and invest into win-win partnerships with their counterparts here. To serve these goals, industry networks in both India and Germany should put in cooperative efforts to identify areas to complement strengths and facilitate an environments which enables individual companies to achieve win-win scenarios.

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