

Can Small and Medium Businesses also innovate like market leaders, while keeping their operational cost low and without compromising the quality?

Small and medium engineering businesses are undergoing a dramatic, fundamental change. The forces which are driving this change in all engineering companies across the globe are: rapid technological change, shorter project life cycles, increasing customer expectations, reduced costs, and the changing character of the human resource pool. Businesses are changing in response to these drivers. The attributes which successful companies are acquiring include: quality as an enterprise issue, a global/distributed enterprise, shorter lead times, and most importantly - increased collaboration with independent service providers for faster and cost effective project cycles.

In today's era of rapid market growth, collaboration provides a company with a significant competitive advantage by dramatically improving its operations and processes. It lets organizations to focus on their core business operations (corporate strategy, business development, and marketing) and transfer the non-core tasks (design, development, maintenance) to their partner companies, distributed around the globe and hence provide them long term growth.

The Global Delivery Model (GDM), or outsourcing business processes, pioneered by companies like Infosys Technologies Limited, Wipro Technologies etc in the early 1980s has led to the rise of collaboration with partners with global outsourcing capability. A low-cost GDM relies on using onshore or offshore facilities to remotely service clients in other geographies. Though the adaptation of GDM highly depends upon the organizational culture, managements' risk appetite, and business priorities but studies show that the early adapters of the model have much faster growth rate than the ones who are followers or not ready for a change.

Collaboration help a company in delivering more projects without adding more resources (human, software, hardware, office space). With the number of US students graduating from college each year with degrees in engineering have started to lag far behind foreign nations, finding a qualified engineering and right professional can take months, followed by weeks of training. Also, large organizations can afford to hire full time professionals since they can move them around in different departments after the project is over. But small and medium size businesses are forced to keep them in payroll even if there are no projects since they do not want to go through the hassle of finding the right talent. Also, if the company is unable to assign them a new project, the employees tend to move with other employers and the time and money spent in training them is wasted. In view of the cost of benefits (health insurances etc), training, utilities and other overheads increasing, more and more small and medium size businesses are adapting the GDM and outsourcing their non-core tasks to their partner companies. These partner companies can help protect the core mission-critical workforce from the inevitable ups and downs of project cycles, allowing the overall organization to build trust and loyalty with its core employees.

As Tom Friedman, a famous New York Times columnist, said in his recent book, the world is flat, “the world is moving to create the global, Web-enabled playing field that allows multiple forms of collaboration, the sharing of knowledge and work, without regard to distance or geography”. No company should lose this opportunity to join this playing field -- otherwise they’ll always be just audience and never get a chance to win.

India is emerging as a powerhouse of engineering design and an important destination for US companies, who want to innovate while cutting their operational cost. While India’s past success was largely built on its low cost labor and Information Technology prowess, the country is making a remarkable shift toward higher-value, knowledge-driven, innovative services. India, an innovator of the technology that is driving the next phase of the global economy, is well positioned to ride the value chain and capture the complete range of engineering services.

Overall, there are several reasons for small and medium size businesses to adapt GDM for their non-core work. These range from cost savings, greater financial and operational flexibility, shorter cycle times, better performance, focus on core-capabilities to access to a pool of readily available engineers. Outsourcing is becoming an integral part of a strategy to achieve high performance. Over the long term, it allows an organization to continuously drive down costs, improve performance and, hence, gain global competitive advantages.