

# IT outsourcing has become a big casualty as GICs bloom

General Electric (GE) once used to be the lifeblood of many Indian IT services companies. The maker of aircraft engines, locomotives, electric motors and wind turbines, was one of the earliest and biggest outsourcers of IT. But GE's chief information officer Jim Fowler is now working to dramatically change the way the \$122-billion company spends its massive IT budget.

In late 2016, about 74% of the company's IT functions was outsourced and a majority of that was offshored. Fowler at the time told TOI that he was working to bring it down to 50% by the end of 2017. "...the problem was that we had given up a lot of our intellectual property. We didn't understand our own business processes and one of the things was to rebuild that talent base," he said on a visit to Bengaluru to launch a brand new and mas-

sive centre to do digital work. GE is no exception. MNC after MNC is bringing previously outsourced work inhouse, which some say is a big reason for Indian IT services companies witnessing a sharp slowdown in their growth rates. "The first thing an MNC does when it sets up a GIC in India is to take work out from these partners, not bring work from their overseas centres," says Pari Natarajan, co-founder of GIC and R&D consulting firm Zinnov.

He says the trend is particularly visible in the banking, financial services & insurance (BFSI) MNCs, and this explains why the BFSI segment has slowed so much for IT services firms. Deutsche Bank's COO Kim Hammonds told TOI late last year that she had reduced the extent of outsourced tech from 80% in 2013, to about 50% and that this downward trend might con-



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**—KIM HAMMONDS,**  
COO, DEUTSCHE BANK

tinue a little more.

Lalit Ahuja, CEO of Ansr Consulting, which has helped bring a slew of GICs to India, says that with insourcing, GICs see a 20% cost benefit, and 30% to 50% productivity improvement. "1,000 outsourcing people become 600 GIC people. Outsourcing companies hire freshers, hire from tier-3 institutions. GICs hire high quality people, those people have unhindered

access to intra-company resources, and are driven by a mission – they are working to do a job, not a project," he says. GE's Fowler made the same point: "Where they (the IT vendor) had a team of 30, it ended up being a team of 10 here. And the 10 people are producing code that's of a higher quality than that we were getting of the 30."

Therace Risch, CIO of JCPenney, believes their in-house centre would lead to lower turnover of people, and the company would have "people who really understand our systems, people who are passionate."

Nitin Prasad, chairman of Shell India, which too is insourcing rapidly, said the company finds it "can create greater value and synergy when our people talk to our own people."

So is this part of a cycle where, when the new technologies cease to be competitive differentiators, the MNCs would sell off the GICs, or turn more to outsourcers, like it happened a decade ago? Natarajan thinks that will happen. On the contrary, Ahuja is convinced a fundamental shift has occurred, where technology will remain core to enterprises. The casualty, he believes, will be outsourcing.



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