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From Managing Budgets to Driving Business



Indian IT Services folks have done a great job of explaining how the India-centric global delivery model is cheaper, faster and better for its customers. But if you look at the software product side of the industry, it's not clear to many people why the India-model offers more than lower costs. Some people will talk of the innovation leverage – and that indeed is true – but how that translates into product competitiveness is often not evident. There appears to be a pervading ignorance, particularly among product managers, about the linkage between India based product development and market competitiveness of the product.

Part of the challenge in understanding this linkage is that the notion of product competitiveness itself varies as a product moves from one stage in its lifecycle, to another. So the India advantage is different, though significant, at each stage.

Take a typical early-stage product. It will have traction with what Geoffrey Moore calls visionaries. These visionaries look at getting dramatic competitive advantage via breakthrough technologies, and are willing to put up with pre-production solutions. Since they are looking for order-of-magnitude gains, they are not very price sensitive. Often the trick of being successful at this

stage requires co-creation of the products with these early adopters. Traditionally these early adopters were in the U.S. but this is no longer the case. As wireless products have shown us, the action is in Asia-Pacific. This change in hunting grounds for early adopters is best leveraged through India based product development.

Some of the early stage products cross the “chasm” and make it to the mid-stage. A typical mid-stage product will appeal to pragmatists. Pragmatists want proven products, hence insist on references from trusted colleagues, and want solutions in production at a reference site. They are looking for sustainable productivity improvements through evolutionary change. It is at this stage where the market winners are decided. And the winning strategy is to be the quickest in bringing new customer-relevant features to market. Those companies that embrace the India based product development model have a significant competitive advantage in playing this game.

Late-stage products have to deal with conservatives. Conservatives are risk averse and take-up new features slowly. These customers are also very sensitive to not just acquisition costs but also the total cost of ownership (TCO). Therefore reducing TCO becomes an

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imperative, particularly, if there is a competitive open-source product on the horizon. This is the time to invoke India again to reduce product associated services like technical support and implementation services by over 50 percent, using the global services delivery model. Sometimes this can be supplemented by a carefully planned ‘managed services’ push into a lower-tiered segment of the market thus breathing new life into the business.

So at every stage the India-model offers the potential for seizing the competitive advantage. Yet much too often this promise is not realized and the India-model ends up being only a tactical response, by engineering managers, to tight budgets. In my opinion, this focus on saving fuel instead of winning the race is plain shortsightedness.

In my last column I had talked about choosing winners carefully. While many will embrace the India based product development model, only a few will succeed big time. Some will fail because they chose the wrong engineering model. Instead of partitioning the work across locations by product architecture (the Component Responsibility Model) they will

do it by process steps (the Job Shop Model). Others will fail for a more subtle reason. They will not seek to leverage the India-model to drive product competitiveness.

The India-model is not a management tool just for engineering managers. It is a tool that product managers need to embrace as well. Detroit gives us a contemporary lesson on what happens when we take-up a new idea only in a half-hearted fashion. In the 1980s the Japanese introduced the Big 3 automakers to kaizen – a powerful management tool for product improvement through sustained incremental innovations. Most adopted it but only on the shop floor instead of across the business. Naturally they didn’t reap the benefits. And this is one big reason why their products have fallen behind in safety and quality in every product cycle. The annual Consumer Reports rankings have charted this decline. In fact the 2006 rankings, for the first time, don’t have a single Detroit car represented in the Top 10. The lesson here is that embracing any new management approach requires clarity and conviction. This is what leadership is all about.