

Minds yield no matter for IT cos

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MUMBAI: Though Indian brain power is supposed to be a major competitive advantage but Indian software companies have not generated much by way of intellectual property.

The Indian geek may get paid handsomely, but are they frittering away their intellectual capital, while the world's software biggies make money on their intellectual efforts?

Writing lines and lines of mathematical formulas which help machines talk to each other may not look very creative. But in fact the army of programmers in India is creating truckloads of intellectual property.

Some of the most profitable and richest companies in the world are software product companies. Their products are just lines of codes, much of it now being written in India.

Over the past 10 years and more, every software product company in the world has outsourced to Indian companies or set up their own captive development centres in India. Indian software services companies, from the biggies such as TCS, Infosys, Wipro Technologies, to smaller ones like Cognizant Hexaware, Sonata Software, Jamcracker, Zensar and Geometric Software work on developing products for US companies.

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Some of the companies which are doing core product development work in India through vendors are Microsoft, SAP, Cisco, Nortel Networks, Lucent Technologies, Flextronics, Dell Computers, Hewlett Packard, Xerox, Samsung, LG Electronics, Dassault Systems, GE electronics and medical divisions, Siemens, Delphi Automotive Systems, Visteon and several more.

Besides these well known product companies, the small and mid-sized US companies are far more dependent on India. In some cases after the basic architecture almost the entire product development, testing and enhancement is done by Indian vendors.

If you consider any product from small and medium sized US companies, the

Indian vendors' contribution to IP may vary anywhere between 30% and 60%. For large vendors it's a much smaller percentage of the total product development as they have captive centres in India, which contribute a much higher level.

Innovation and development of products from India have become mainstream, so much so that at the recent Software 2005 conference in the heart of the Silicon Valley in the US, there were only Indian software services vendors exhibiting.

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M R Rangaswami, a Silicon Valley-based venture capitalists, says: "The total market for such development services is more than \$ 10 bn, and Indian companies are the only vendors in the space." However there could be problems with regard to the competitiveness of the Indian industry and the country in the long-run because of lack of ownership of IP.

It has become a commonplace to say that the Indian software industry should move up the value chain. The much abused cliché-value chain-means moving up towards consulting services or building software products. Some of the larger IT companies are trying to move into IT Consulting, though with mixed results so far.

The software product game is a capital intensive game and Indian companies with limited cash and almost nil appetite for risk have so far refused to play this game. But they can still participate in the game as they are biggest factories for developing these products.

Jonathan Schwartz, COO of the \$ 12 bn Sun Microsystem, says, "If Indian companies are not leveraging their intellectual efforts then its a bleak outlook. The arbitrage opportunities of offshore services will decrease over time and their profitability will slow. This also affects the country's competitive strengths on a macro basis when companies don't leverage their IP for capital and wealth creation."