Previous Assignment

- Write the “business summary” portion of your business plan with your group
- Now, instead write a whole business plan, and write it for this week’s Thursday.
- Split up the task:
  1. Business summary (1 page)
  2. Origin of market need/opportunity (2 pages)
  3. Business Team
  4. Strategy Information
  5. An overview of the product/service
  6. Financial information
Lessons

• Case Study: Outsourcing
• The new trend: Offshore Outsourcing
• What has given rise to offshore outsourcing
• Outsourcing trends
• How outsourcing is affecting businesses
• Outsourcing in the future
• How Wipro Systems rode the outsourcing wave.
Outsourcing

• The practice of contracting another company to do some aspects of a company’s business.

For example:

• A computer manufacturer might contract another company to handle all its repairs and customer services.
Outsourcing trend

Due to globalization and technological advancement, a global economy is emerging and workers from all over the world can compete for jobs. This is what has given rise to the offshore outsourcing trend.

Offshore outsourcing has mainly focused on

- Outsourcing IT related work – mainly to India
- Outsourcing manufacturing operations – mainly to China
Offshore outsourcing

• A new trend is rising where companies in America and Europe contract companies in developing countries to handle some aspects of their business

• The benefit is that these Western companies can take advantage of cheaper labor rates found in the developing world

• Outsourcing has created job opportunities for many people in the developing world
Outsourcing in India

- India has grabbed the majority of the IT outsourcing industry by early entry into industry
- Has a large number of highly educated, English speaking computer programmers
- Has the necessary infrastructure for outsourcing on such a big scale
- In 2003 IT outsourcing was worth about $12 Billion to the Indian industry
Indian outsourcing companies

• India’s richest man, Azim Premji owns Wipro systems a billion dollar company that gives outsourcing services
• Other big players are InfoSys and Tata Computer Services (TCS)
• It is expected that the industry will continue to grow at about 30% per annum (Forrester)
Outsourcing in other countries

• Many countries are rushing to take advantage of the outsourcing trend.

• Countries which have are English speaking, have a large number of educated computer programmers and good communication infrastructure can take advantage of the outsourcing trend

• Eastern Europe, Israel, Ghana and South Africa are some of the countries that are keen on joining the bandwagon.
The rise of outsourcing

• Globalization means companies have to compete globally and so do workers

• Technological advancement means that it’s easy for people in different parts of the world to keep in touch cheaply and quickly

• A fast aging Europe and America means that there are less people to do some jobs in America.

• The average age of an American is way higher than for people in developing countries and a big percentage of Americans are retiring.
Rise of Offshore outsourcing

• Globalization means many people are familiar with the American and European culture and have a better understanding of it.

• Higher level of education among people in the developing world.

• Wages in the developing world are much lower but the salaries they get still go a long way in their countries due to lower cost of goods.

• So it’s a win-win for US companies and workers in developing countries.
Outsourcing trends

• IT industry – low and high paying jobs
• Low cost manufacturing
• Care of the aging populations in the US and Europe - medical, vacations, care of the elderly, entertainment etc.
• Blue collar jobs in the US are being sourced to immigrants from Mexico and other developing countries
Outsourcing in the future

• Since globalization is increasing, outsourcing is only going to increase and be more widely developed
• Entities who will benefit from this phenomenon will be those who identify opportunities quickly and get started early and consolidate their position
• You have to differentiate yourself and have a place of excellence and others will come to you for their needs
• Outsourcing is the wave of the future
Wipro Systems

• India’s largest technology company in terms of market capitalization
• In 2003 it had revenues of about $1.4 billion
• Azim Premji took over the company when he was 21
Once upon a time in ’65 …

• Azim Premji was an undergraduate in Stanford University
• His father died 1 year later and he had to go back to India to mind the family business, Western India Vegetable Product.
• The challenge was to diversify the company.
Azim Premji in charge

- He diversified the company from being a cooking oil company to:
- Manufacturing light bulbs with General Electric
- Making other products such as soap
- In 1977, he changed the name of the company to Wipro Products Ltd and then to Wipro Technologies
Wipro Technologies begins

- In 1979, the Indian govt. kicked IBM out of India and Azim saw the opportunity and started an information technology division
- He went into computer manufacturing, software development and computer maintenance services
- Many people asked him, “What are you doing?”
Wipro Technologies grows

• Wipro made software packages and sold them to US companies
• The company is based in Bangalore, India and since costs in India are less than in the US he made huge profit margins
• Mr Azim went back to Stanford in 1999 to complete his degree in computer science
Wipro growth factors

- Focus on innovation and excellence
- Hard work works – Azim is a workaholic
- Established management principles not based on caste but with on equality and human values
- He refused to give bribes and was intent on honesty from all his employees
- Azim was intent on being frugal with his money
The unlikely billionaire

- Azim Premji drives a 6 year old Ford
- He is a workaholic and lives near his company so he can check in anytime
- Always flies economy class and eats in cheap restaurants
- He didn’t promote his sons to be head of the company because he felt they were not qualified for the position
- He is a Moslem and set up the Mahatma Gandhi Foundation in India
- A great example to the third world
Wipro Systems - Founder

Mr. Azim Premji

India’s richest man with a $6 billion fortune
Resources

• Visit www.wipro.com and have a look at what the company is about.

• Read the complete story of Azim Premji
Group Assignment

- Come up with an example of outsourcing between two African countries
- Find a positive example of outsourcing in Ghana and show its benefit to Ghanaians
- Find a negative example of outsourcing in Ghana and show how it hinders Ghanaians
Personal Assignment

• Begin writing your business plan! It is due next week’s friday (10 days…)
  – Visit www.bplans.com and look at sample business plans
  – Read over the material given in the last lecture on writing business plans
  – Write one section at a time so that the final product is better and you have more time to think about your idea