

**Why India May Not Be the Outsourcing Destination  
of Choice**

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*ENABLING STRATEGIC IMPACT*

**Agenda**

- **Why India May Not Be The Outsourcing Destination of Choice –  
A Global Perspective on Global Outsourcing**
- **Can You Afford Not To Be In India?**
- **Framework For Dealing With Unique Challenges in India**
- **Maturity Model for a Low Cost Country Arbitrage Plan**
- **Talent Management**

## Globalization, Crisis and Supply Chain Risks



- Bankruptcies (suppliers, customers, nations)
- Talent Management challenges
- Internal political / social unrest growing
- Increased protectionism
- New areas of concern re: social responsibility
- Carbon footprints

- Geo-political impact globally
- Currency destabilization
- Have / Have Not split growing
- Desire for energy independence

## There Are Many Challenges to Operating in a Global Economy. Some Are Clear, Others Are Not.

<b>Strategy</b>	<ul style="list-style-type: none"> <li>• A clear strategy on how to approach the market, structure the deal, and plan to make it all happen.</li> </ul>
<b>Organizational Alignment</b>	<ul style="list-style-type: none"> <li>• Making sure the organization is aligned with the desired outcome of global expansion.</li> </ul>
<b>Economic Conditions</b>	<ul style="list-style-type: none"> <li>• Contingency plans to address economic, social, and political conditions and events in a foreign country that might adversely affect buyer and seller operations.</li> </ul>
<b>Capturing Value</b>	<ul style="list-style-type: none"> <li>• Managing the proper balance between the need to reduce cost and become more efficient.</li> </ul>
<b>The Cost</b>	<ul style="list-style-type: none"> <li>• What it will cost to outsource or buy offshore - is this a divestiture, joint venture, new buyer/seller relationship, etc.</li> </ul>
<b>Managing Relationships</b>	<ul style="list-style-type: none"> <li>• Making sure the right supplier is chosen and understand what is expected of them and then managing the relationships.</li> </ul>

**Fiscal Woes**

**Existing deficit (6.2% of GDP in 2009 / 10% with sub-national debt included) limits funding options to address major issues:**

- Infrastructure
- Health Care
- Employment
- Education

**Fueling high inflation (13.73% in June, 2010)**

- Reduced buying power, especially for masses
- Impacting costs in all sectors

**Commitment to lower National Debt (80% of GDP in 2010)**

- Raise taxes / fees
- Generate revenue through privatization
- Slow growth

**In Addition...**

**Labor regulations most restrictive and complex in developing world**

- Slows growth in labor-intensive industries
- Impacts unemployment (10.7% est. for 2010) and underemployment

**Human Development Index (purchasing power of income, literacy rate and longevity) = .607 (Rank 128<sup>th</sup> in world)**

**Significant income inequality between classes and regions**

**Continuing population pressure**



**Pros – Rapidly Growing Economy**



**Population: 1.17 billion (Aug 2010 est.)**

**Comparative Area slightly more than 1/3<sup>rd</sup> the size of U.S.**

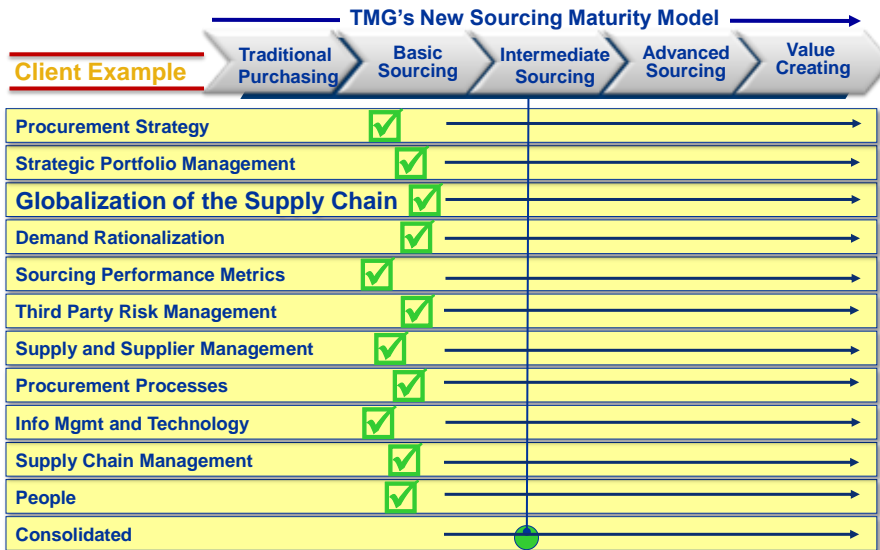
**Middle Class will grow 14X in next 10 years**

**Language: While Hindi is the national language, English is the language of commerce**

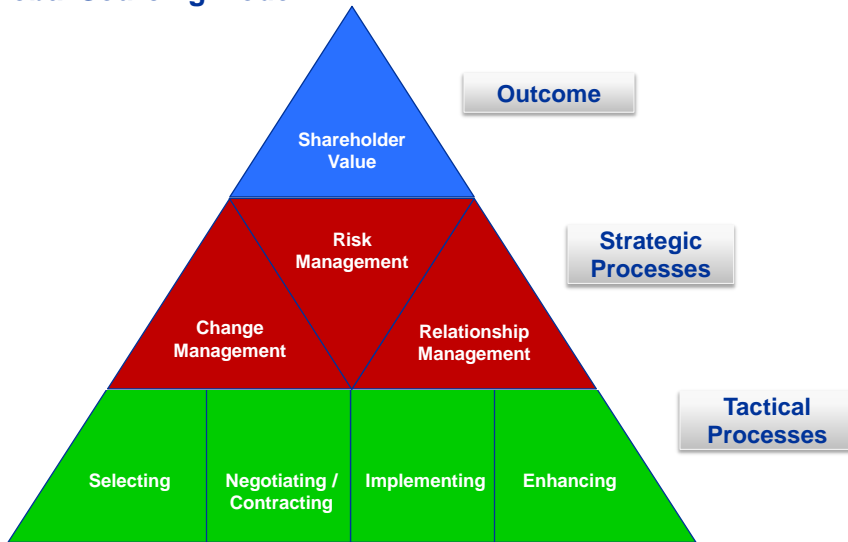
**Manufacturing Sector growing at 9.4%**

**GDP real growth rate: 8.6% (April, 2010 est.)**

**Getting Started - Considerations**



Global Sourcing Model



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