Design Management implications as an Indian outsourcing consultancy shifts from commodity contracting to high-value design services

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Aims and Purpose

Explore what best practices, opportunities and challenges face design management as a profession with the growth of design outsourcing to India.

Using the case of Xerox Corporation outsourcing of design and development to India's HCL Technologies to explore the impact on design management for both organisations.

Business context

- 1906 – Haloid company founded
- 1936 – First xerographic image
- 1948 – Xerox patent granted
- 1959 – First commercial copier 914
- 1970 – Xerox PARC open
- 1973 – 1st PC, GUI, mouse, word processor
- 1975 – Xerox patents broken
- 1979 – Steve visit to PARC
- 1980's – Xerox focus on quality and operability

- 1976 – HCL Enterprises founded
- 1978 – 1st Indian indigenous micro computer

ACS founded to provide BPO to financial sector

1988

ACS 4th largest outsource company in USA

1996

ACS acquired by Xerox for US$6.4bn

2009

PARCPad and PARCTab

1988

New brand launch

2008

HCL largest IT services company in India

1986

HCL Technology formed as contract R&D provider

1991

HCL produce 100,000th computer

2003

HCL acquires AXON in Europe for US$0.6bn

2008

HCL acquires Xerox product development

2011

Key business issues

xerox

- Shift from technology provider to service provider.
- Increased pressure to deliver innovation leadership with reduced spending through outsourcing.
- Risk of losing control when outsourcing R&D.

- Greater emphasis on full brand experience.
- Priority given to quality of design brief.
- Increased openness of information share.
- Explicit roles and responsibilities and new methods of communication.

HCL

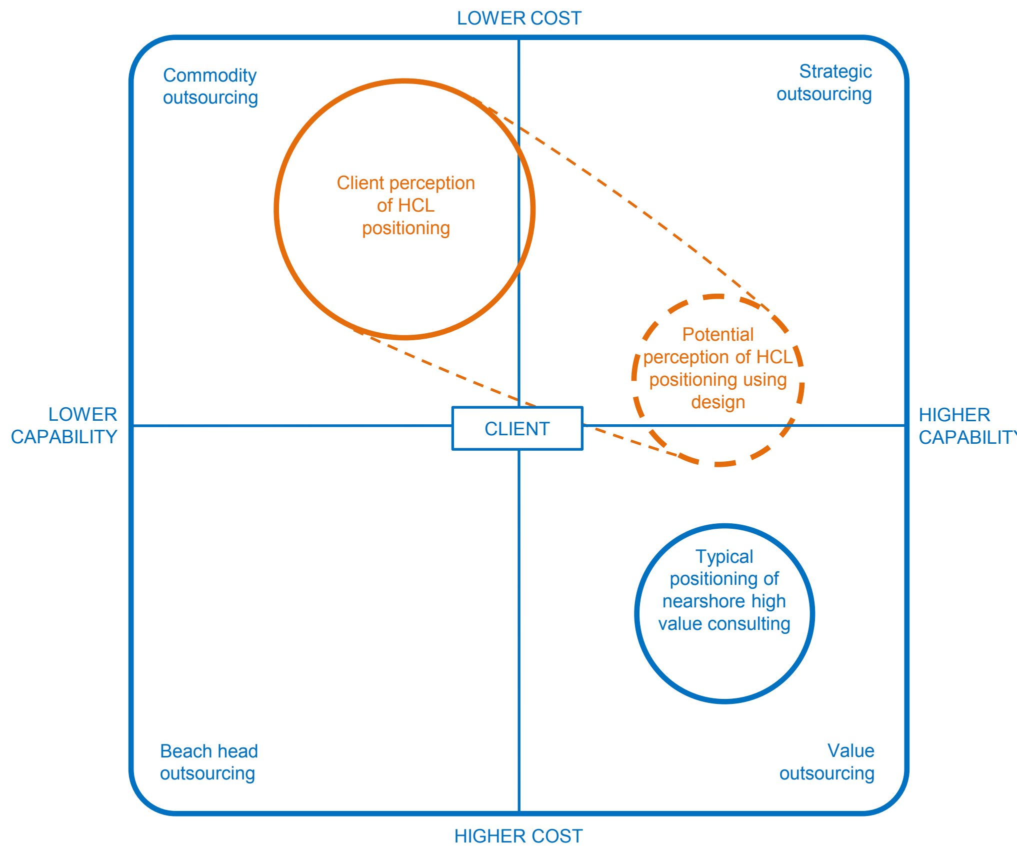
- Shift from commodity service provider to value innovation provider.
- Increased competition from other outsourcing firms.
- Pressure to grow revenue
- Late involvement in NPD.
- Silo nature of organisation.

- Need to gain credibility as design leaders.
- Increase involvement in sales and bid preparation.
- Develop alternative revenue streams.
- Increased pre-brief capability.
- Create cross boundary design team

Outsourcing context

- Slowdown of outsourcing to 2020.
- Major growth for HCL in commodity quadrant.
- Wage inflation in India.

- HCL perceived as commodity provider
- Need to reposition in value quadrant
- Creative thinking and design identified as route to value quadrant



Situation at the start of partnership

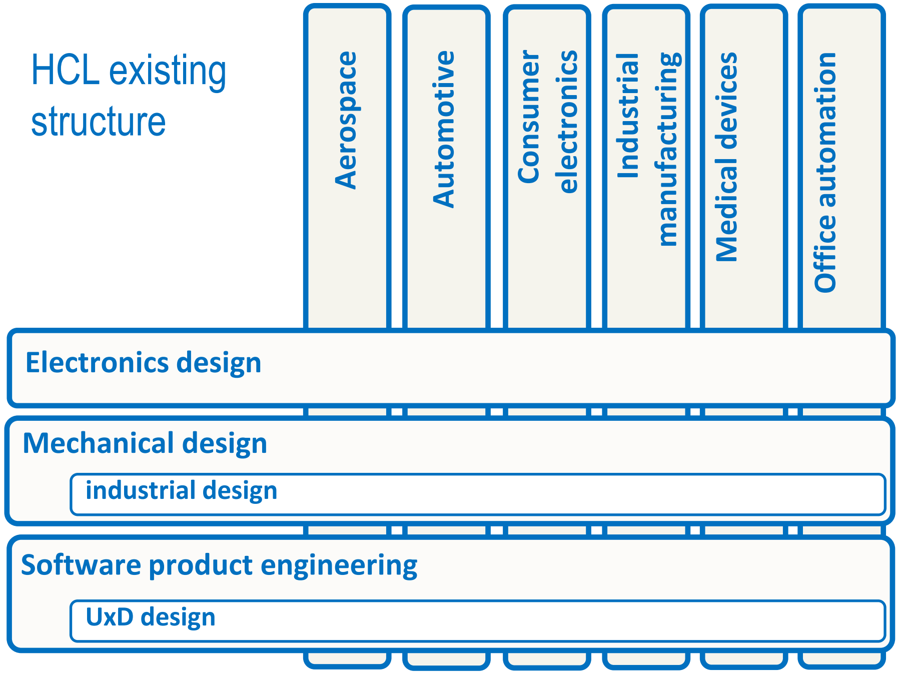
XEROX

- Innovation still considered core to business.
- Need to transition specialist knowledge if outsourcing to work.
- Need to protect brand equity.

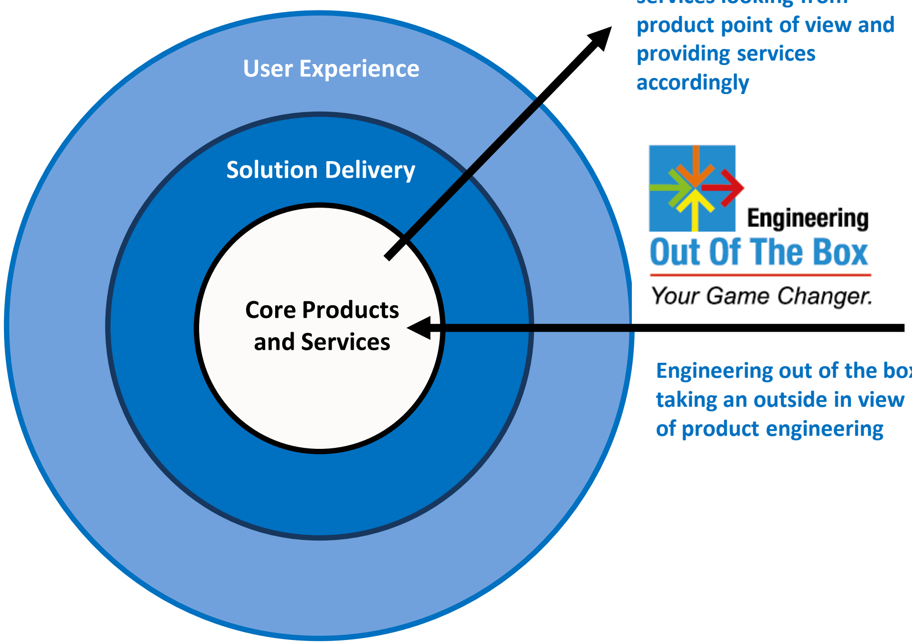
HCL

- Design fragmented and positioned as support activity.
- No design facilities outside India.
- Design group growing (25 to 200 in 8 yrs).
- Experience design becoming central to proposition and marketing initiatives.

HCL existing structure



HCL initiatives – opportunity for design



Engineering Out Of The Box
Your Game Changer.

e) 2 Engineering experiences

Increased convergence and customisation have created a technology market, driven by end user experience. Success in the Engineering Services business is no longer limited to the range of services provided or the skill of the engineers. The new imperatives are – a deep understanding of end user demands and an 'outside in' view to product and service development.

Understanding the customer's customers and delivering services attuned to enable a better end user experience will create an ecosystem which will help product companies and engineering services retain their competitive advantage.

At HCL ERS, we understand this new reality of the technology market and are geared to offer 'Engineering Out of the Box' to our customers.

- The product is still the core of the end user experience and we can enable our customers develop better products.
- The solution delivery of the core product is determined by the solution accelerators, product components and service accelerators. We can partner with our customers to design an effective solution delivery mechanism.
- The user experience is determined by the form factor, real time experience and role based experience. Our services will enable customers to address these factors and deliver an impressive user experience.
- HCL ERS does not look at the product, solution delivery or user experience in isolation. In fact, we are the only Engineering Services partner who can collaborate with you on delivering all three layers of the end user experience together.

Re-positioning Design

Design group proposition - MOST

Mission: Re-position HCL design as a value proposition creating a front end organisation recognised for innovation and insight.

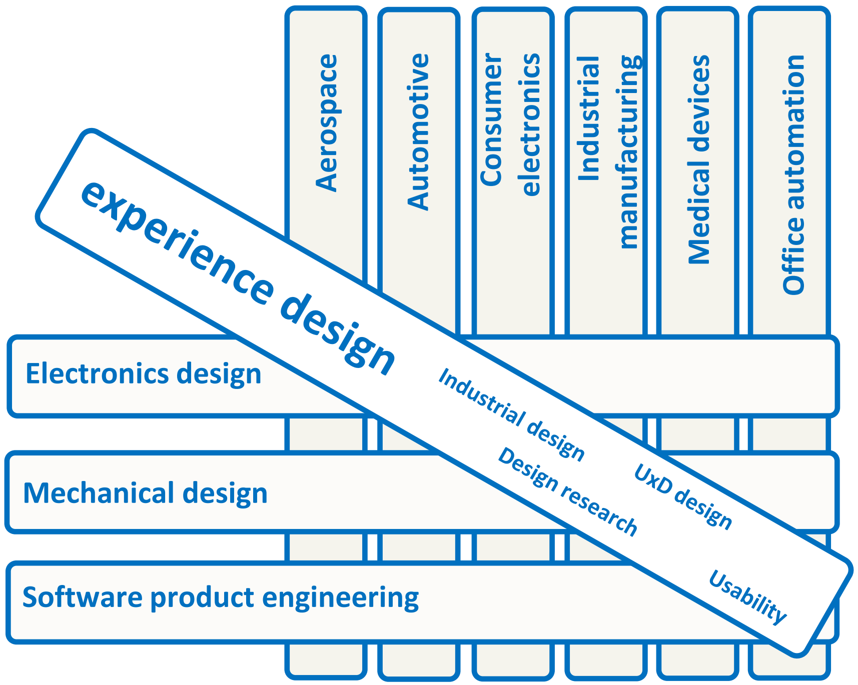
Objectives: a) Achieve a position in the top 10 design consultancies within 5yrs. b) Grow design into a US$50million business within 5yrs. c) Grow organisation in India by 10 people for every 1 in the design group.

Strategy: a) Create stand alone single point design group. b) Raise profile of HCL as design leader outside India. c) Engage in varied partnership structures.

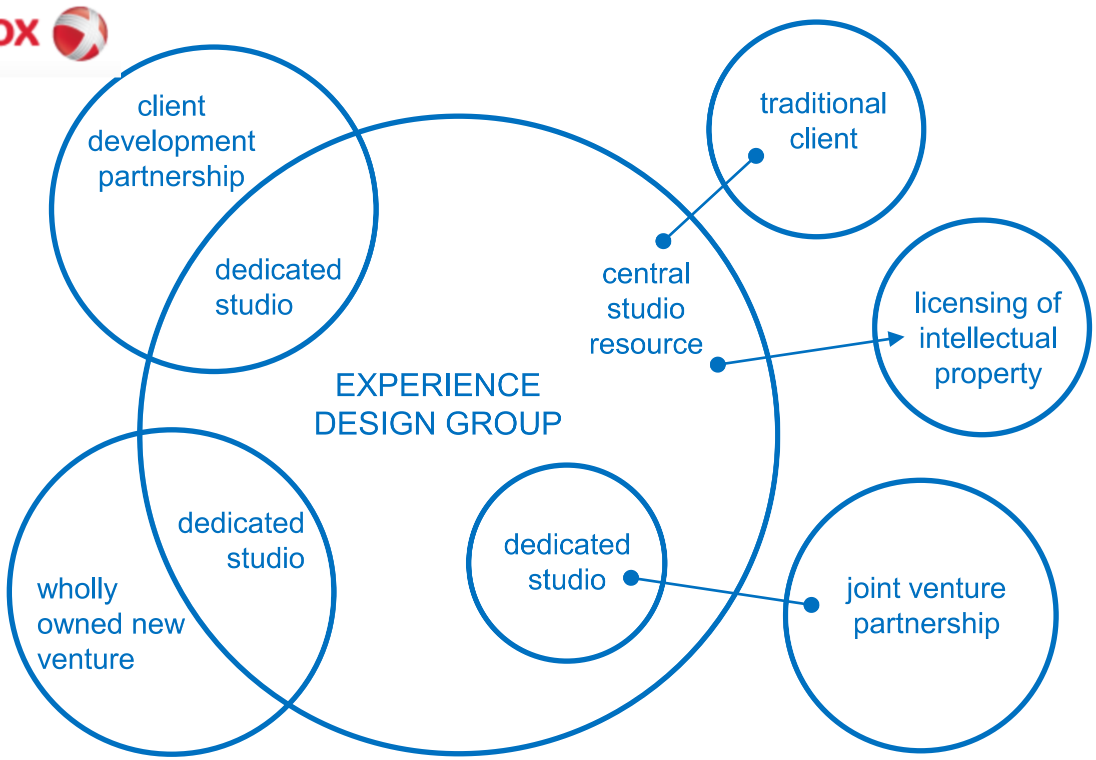
Tactics: a) Open client facing studios in 6 locations. b) Co-location of skills c) World class facilities. d) Establish links with academia.

Design group proposition – organisational structure

- New design organisation across functional boundaries, lines of business and geographical areas.
- Own client contact and contracts.
- Sub-contract to engineering.



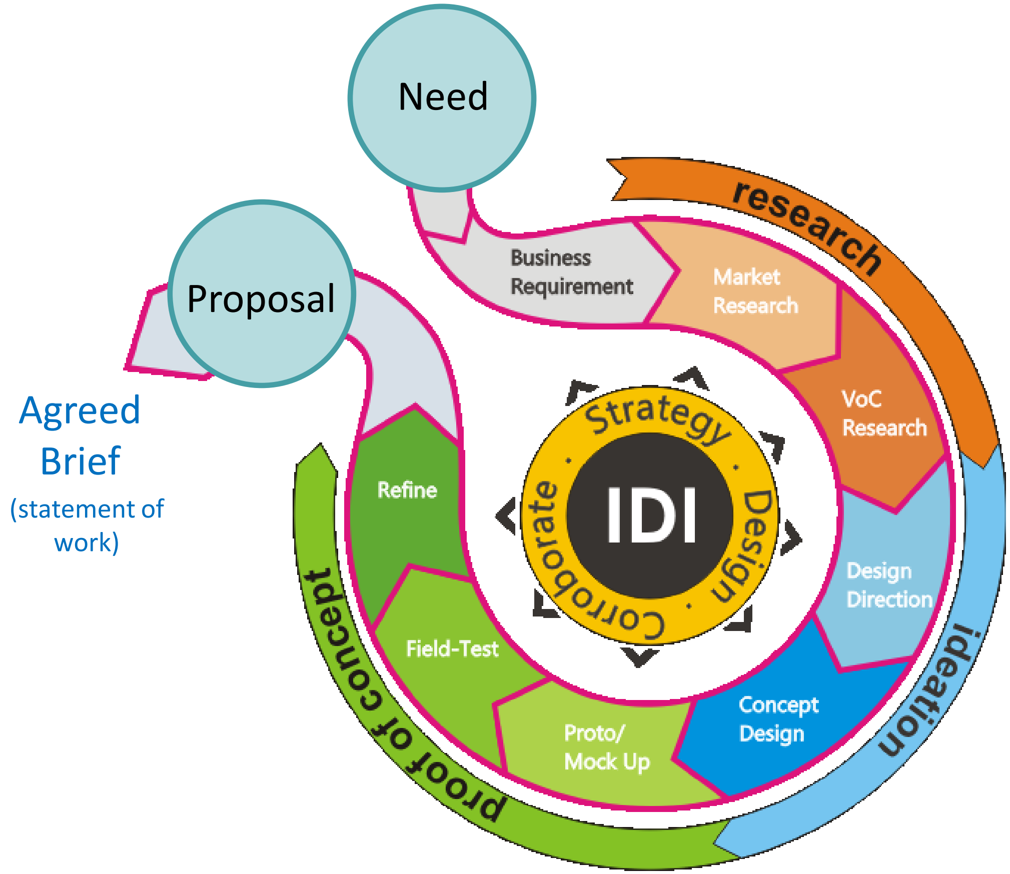
Design group proposition – new business models



New business models suggesting alternative relationship structures and new opportunities.

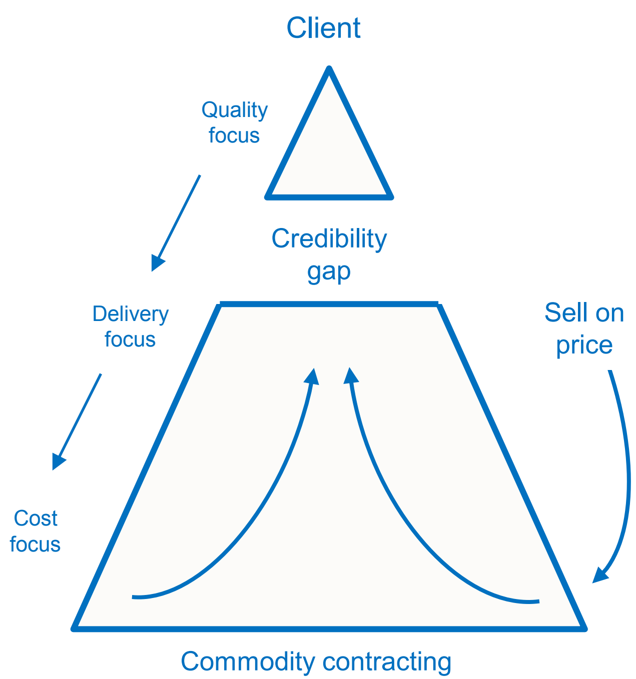
Design group proposition – front end

- Establish processes to position design pre-brief.

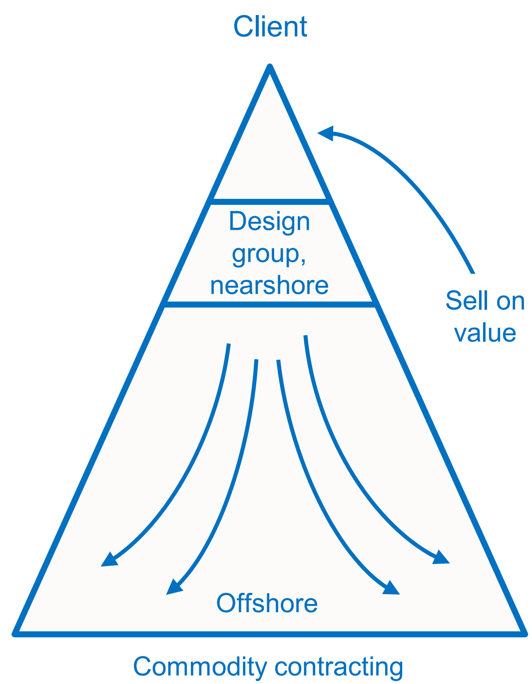


- HCL funded research and explorative projects.
- Approach client organisations with propositions.
- Revenue increased downstream

Design group proposition – sales repositioning

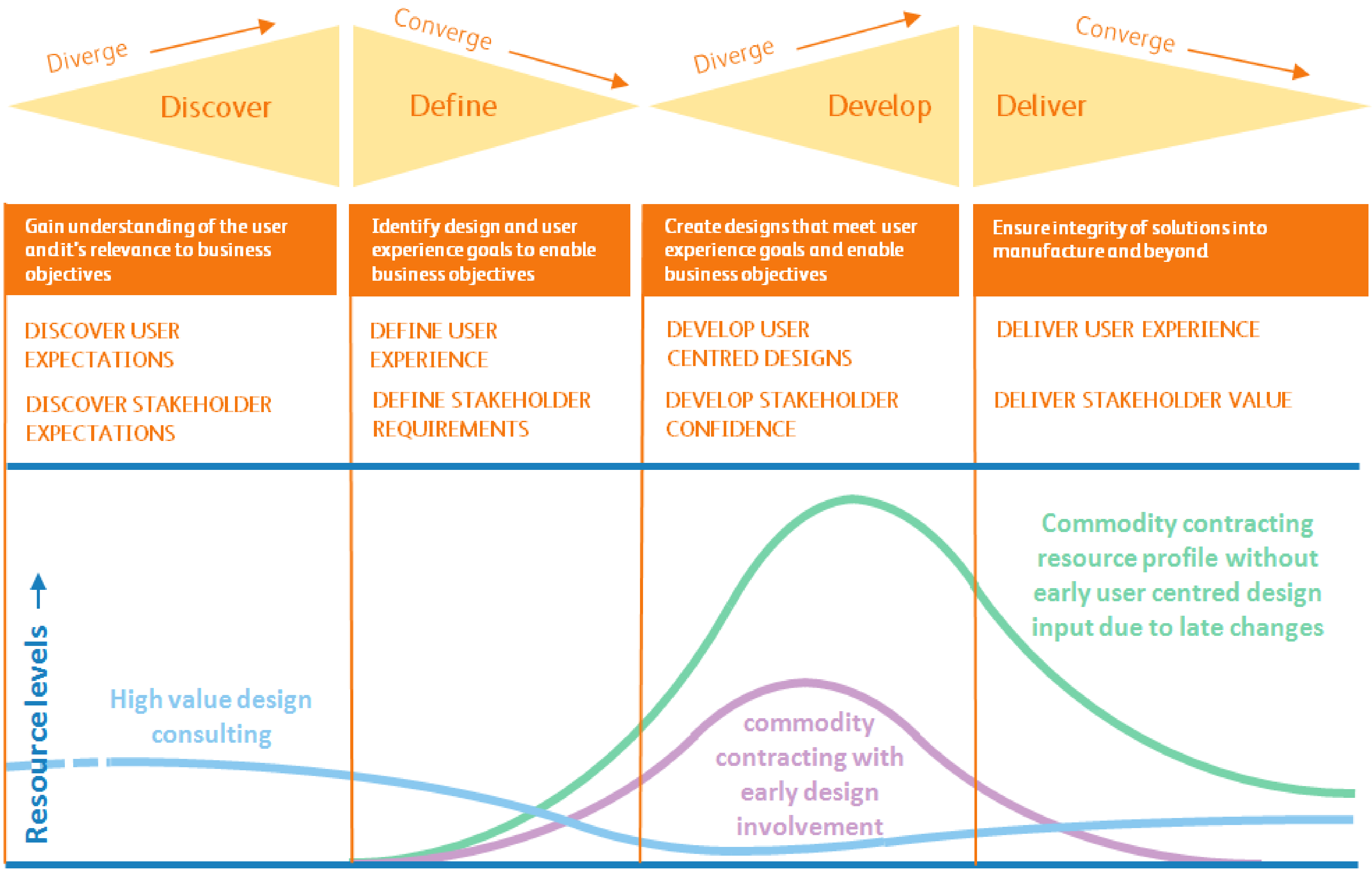


Established sales model within HCL prior to design involvement



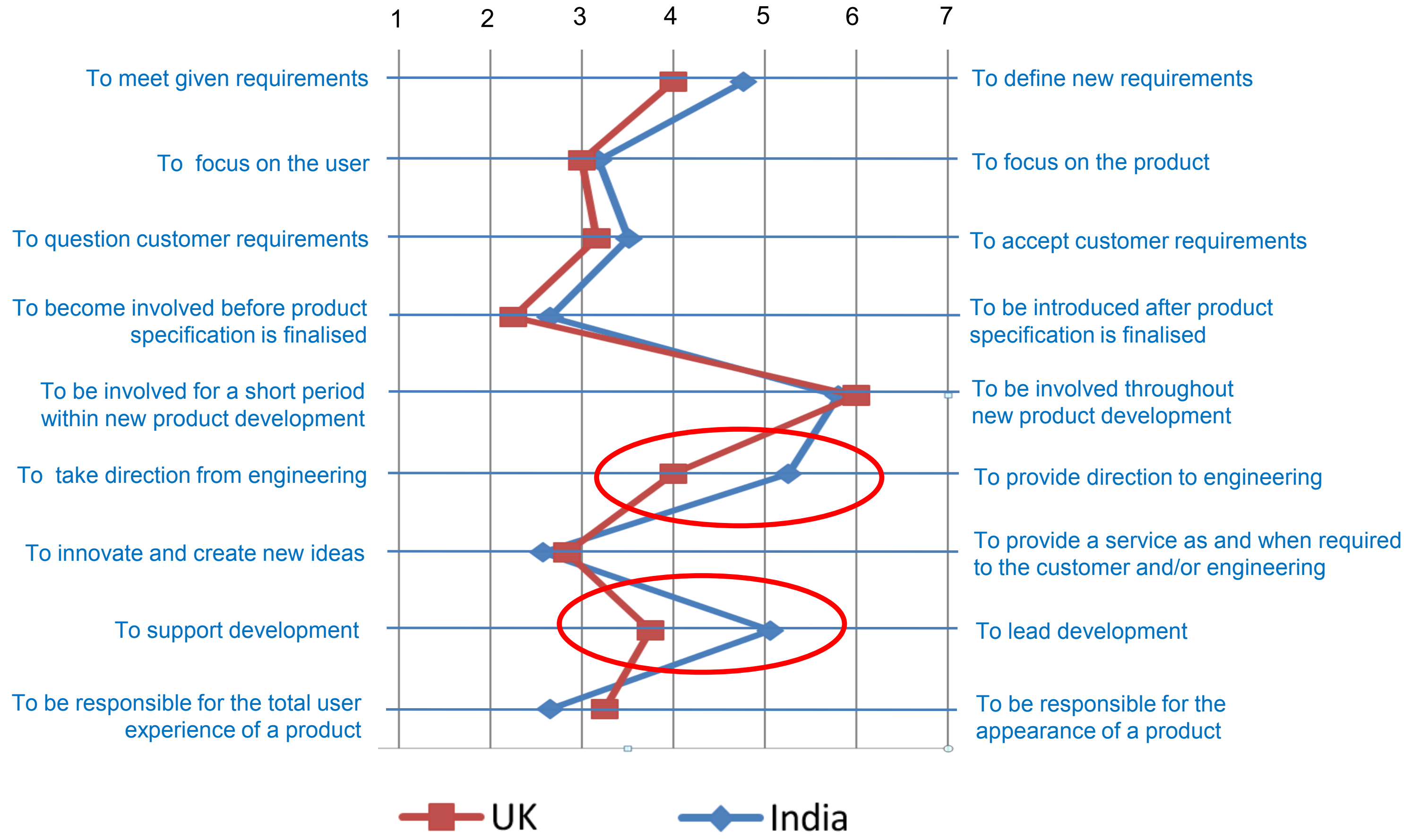
Design group proposition following repositioning

Design group proposition – integrated process

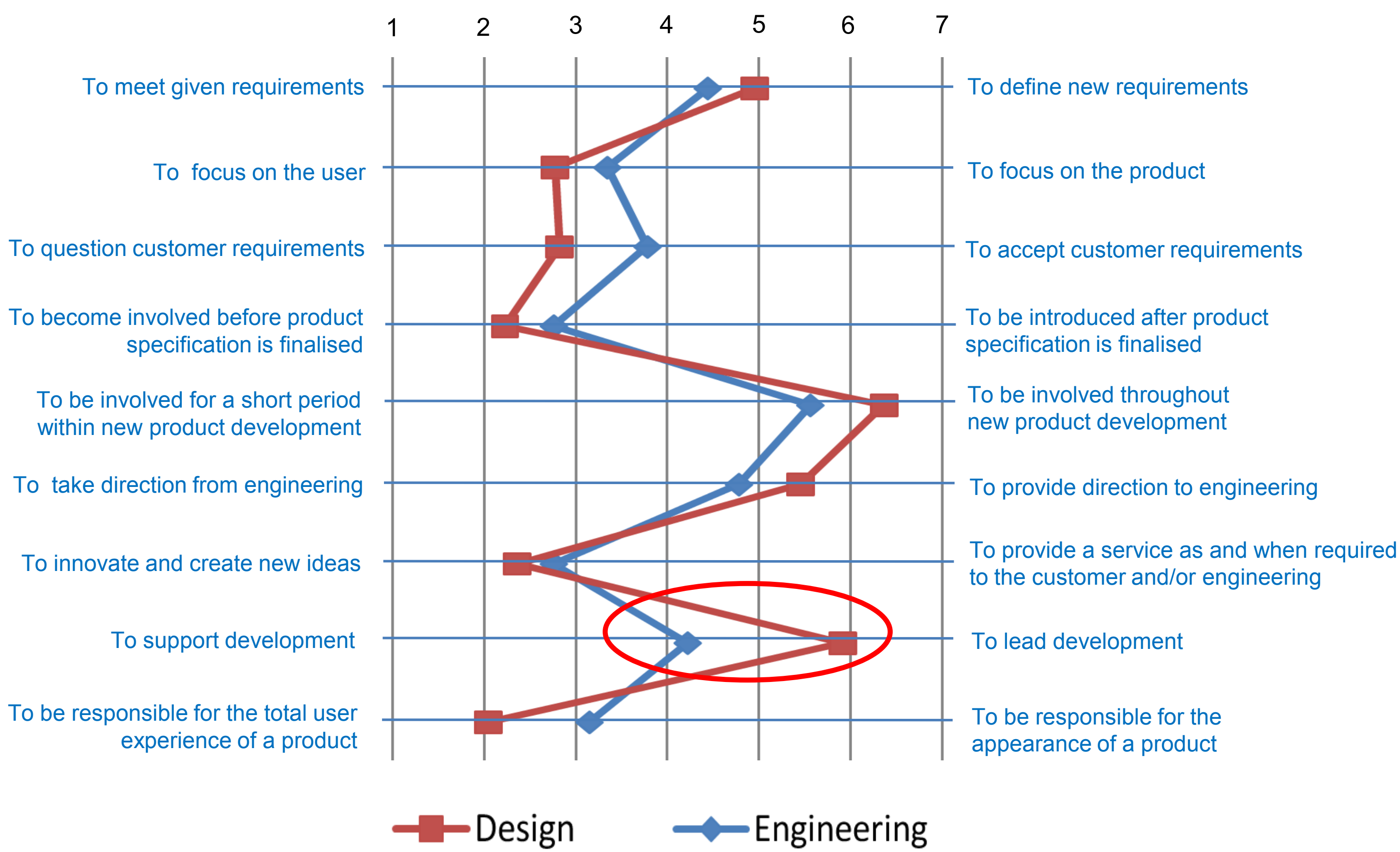


Staff perceptions

Internal perspectives - cultural



Internal perspectives – functional areas



Outcomes

Conclusions

Large information technology and development consultancies in India are embracing design as a value-adding resource.

Design managers in established nations will need to accommodate these new ‘stakeholder’ design consultancies and learn to work with them.

These new stakeholders play by different rules and are open to a broad range of revenue streams.

Best practices

Document and stick to clear roles and responsibilities – ultimate responsibility must reside with a single individual, at board level.

Allow considerably more time for interactions at a distance.

Greater emphasis on pre-brief processes and early engagement between outsource and in-house resources.

Greater involvement in detail task definition and metrics for evaluation.

Plan for greater turn over of staff.

Be very clear on standards expected of both in-house and outsource teams.

Respect cultural differences and expect to make more low level decisions and establish a 'no blame' environment.

Challenges facing design managers

How to place the right, appropriately qualified people into the NPD cycle allowing for unpredictability of design talent in different geographic regions.

Explore new ways to integrate on a global scale.

Identify what id unique about design in different regions.

Rejecting the arrogant assumption that designers in developing nations are not as competent, creative or enthusiastic as those at home.

Maintaining trust and flow of information.

Melding diverse teams to achieve beyond the norm.

Drawing the most from diversity by aligning processes and communication methods.

Opportunities

Early involvement in product portfolio planning.

Opportunity to broaden research into unmet needs with low lost design capability.

Business proposition based on stakeholder role not just service provision.

Embrace new global skill market.