

THE ECONOMIC TIMES

IT product zone waits to evolve



TECTONIC SHIFT
 Engineers today want to be associated with cutting-edge technology and like to witness the impact of their work at customer sites, first hand

SOFTWARE PRODUCT companies were never heralded as the poster-boys of the Indian IT spectrum. Not by a mile. The halo of invincibility has always been around IT services companies. Sheer numbers, both in terms of revenue and employee strength, drove everyone to believe that IT was synonymous with the services business.

That's obviously not the case globally. Microsoft, Oracle and SAP have been admired over for their innovation, creativity and business models. In India too there have been a few successful software product stories and these could soon challenge the services monopoly.

Though it's early days yet, it is not difficult to see why software engineers are slowly getting drawn by the challenging work environment of product companies. It's difficult to realise the 'Great American Dream' while working with software products companies, as there are no long-term on-site projects. But engineers today want to be associated with cutting-edge technology and like to witness the impact of their work at customer sites, first-hand. The need for intellectual satiation is on the rise. This is where software product companies add value.

According to Nagscom, the Indian software product industry is set to record revenue of \$10-12 billion by 2015. Considering that the industry

is worth only \$1 billion currently, that'll be quite a challenge.

Does the country have the wherewithal to take up the gauntlet? Are we equipped to repeat our success in software services, in software products as well? One needs to look at the evolving economic scenario to answer this. Some critical factors for the birth and growth of a vibrant software products industry are proximity to a large and diversified customer base, availability of capital and a steady supply of adequate talent. The booming Indian economy has resulted in the growth of several user industries like telecom, banking, insurance, aviation, retail etc. These industries are large consumers of technology in the form of software products and could develop as fountains of domain knowledge — a true virtuous cycle that the country has been bereft of till date.

Capital, needless to say, is proving to be another strong point. Substantial amounts have been committed by various venture capitalists, private equity players and other suppliers of capital. The Silicon Valley culture which fostered innovation, entrepreneurship and creation of great technology companies is starting to bear on India as well.

Apart from this progressive macro-economic environment, India has a major supporting factor in the form of lower cost. While this factor has been exploited by the services companies to attract business through cost arbitrage, companies in software products business should leverage it to create advanced products, platforms and technologies. It should be the endeavour of companies to re-deploy the superior profits generated by selling at market related prices, while developing the products using a lower cost base, to improve their sales and marketing muscle and product development. This will result in superior products at a global level leading to a powerful competitive position in the industry.

The only weak link is the scarcity of product management specialists. While we have plenty of engineering talent, we are short on product management skills, and are currently relying on talent raised abroad. There is a significant opportunity for people who can train to become product management experts. Such home grown talent will become important, even as we hope for an Indian equivalent of an Oracle or a Microsoft. The software product dream is beginning to unfold. It has the potential to propel us to the forefront of technological innovation.

SUBASH MENON
 (The author is founder chairman, managing director and CEO of Subex)