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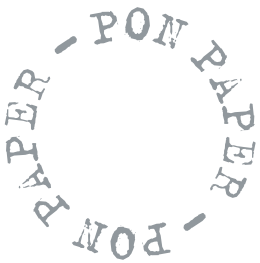
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INTEGRATION

OF INDIAN SERVICE PROVIDERS IN THE DUTCH OUTSOURCING MARKET



IRIS ROODHEUVEL
NIELS BEEREPOOT
FLOORTJE JACOBS



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Colophon

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1. Introduction

The global landscape for the outsourcing and offshoring of services is changing rapidly with new delivery models tested and new strategies pursued on a continuous basis. One trend in the past decade is a growing presence abroad of Indian service providers. These companies operate within the fields of Information Technology (IT) and Information Technology Enabled Services (ITES), the latter mainly interchangeably used to refer to Business Process Outsourcing (BPO) services. Since the early 2000s, Indian service providers have increasingly been pursuing an internationalisation strategy in order to be closer to their main markets. When the US market was maturing, Indian vendors developed new strategies and reached out to new markets (Pradhan, 2007a: 10, 22). Many Indian vendors made quality improvements and diversified their activities from application services to infrastructure and BPO services. Quint Wellington Redwood (2006) concluded that the motivation for European expansion was the next step in being able to offer high-value services to international clients with multiple settlements –including in Europe– on a worldwide scale. Local presence in Continental Europe yields recognition of being an international player, which increases the chances of acquiring major contracts from multinational firms. By blending their onshore delivery and strong offshore supply capability in India, Indian software companies have improved the effectiveness of their delivery system of software services to global clients (Pradhan, 2007b: 34). As a result, Indian service providers have increasing local presence in Continental Europe, albeit in some regions more prominent than others. This report analyses the ways and strategies of this expansion, focusing on their presence in the Netherlands.

The Netherlands is often regarded as an ideal test market for new products and services. Therefore, the Dutch market is expected to play a central role in the Indian strategies to

explore the European market. At present, around 60 Indian service providers have a presence in the Netherlands. This report examines their appearance, functions, positions and level of embeddedness within the Dutch market. This will provide an insight in how these companies should be understood in terms of either competitors or partners within the European IT-ITES market.

Relevance for Platform Outsourcing Nederland

This study examines the level of embeddedness of Indian IT firms in the Dutch market and to what extent these companies actively participate in local contexts. The focus is on whether international offices of Indian firms merely operate as front offices for acquiring work that will be done in India, or that they operate relatively autonomous and engage in network relations with local firms, institutions and other facilitating organizations. Furthermore, this report examines their perceptions on the Dutch business climate, (possible) cultural barriers and their strategies for accessing the Dutch and continental European market. The central question for this report is:

What strategies do Indian ICT-ITES companies pursue when accessing the Dutch and continental European market and what level of local embeddedness can we observe among them?

A better understanding of the Indian service providers will improve interaction between different outsourcing stakeholders, and likewise increase collaboration. From a client perspective, it is necessary to determine what and how much knowledge and expertise is available in the market, and to what extent parties are capable of delivering a certain service. Existing relationships with Indian parties could benefit as well: cultural differences remain prominent, and so is the need to tackle them. Prominent cultural differences and linguistic barriers could demand for specific extra managerial- and communicative efforts and capabilities (Verdonck, Klooster & Associates, 2013: 24). A better understanding of Indian

IT-ITES firms' strategies will improve potential knowledge exchange. It will increasingly gear the mutual expectations and objectives of client and supplier to one another. Finally, a better knowledge on the Indian service providers in the Netherlands will enable PON to get them more involved in their activities.

This report is based on 20 interviews with representatives of Indian service providers and 15 interviews with other key informants such as representatives of outsourcing platforms, business organisations, and other supporting organizations. This report only focuses on companies that originated in India, meaning that traditional Western service providers with an increasing presence in India are excluded from this study. These interviews were conducted during the period August-October 2013. The next section provides a brief introduction to the Indian IT-ITES sector. This is followed by an analysis of the motivations (section three) and strategy (section four) of the Indian service providers to enter the Dutch market. Lastly, conclusions will be drawn from this analysis and recommendations for PON will be presented.

2. The Indian IT-ITES Sector

The Indian service outsourcing sector first captured broader public attention in the Western world when Thomas Friedman in his book *“The World is Flat”* (2005) wrote down his observations of a visit to Bangalore. At that time Indian firms had already built a reputation in low-cost software programming and in their work towards solving the anticipated Y2K problem. Cost arbitrage through an abundant talent pool drove these early stages of development, which also attracted many Western service providers to invest in India. Starting with basic data entry activities in the late 1980s, the software and IT-BPO industry graduated to a high proportion of voice-based services and a range of back-office processing activities (Raychaudhuri and De, 2012). The size and quality of India’s IT-BPO workforce, its competence in various technologies, its international mobility, and its low costs compared with high-income countries are the main reasons for the industry’s competitiveness (Asian Development Bank, 2012). The sheer size of the sector makes it difficult for other developing countries to compete effectively with India. India’s first-mover advantage, combined with its significant competitive advantage in IT personnel, has made it difficult for other developing countries to enter the global industry and compete effectively with the depth, vendor maturity, cost structure and scalability of the Indian firms (Gereffi et al., 2011).

During the past 20 years, production of software and BPO services in India surged from \$200 million to reach \$75 billion in 2010/11 (UNCTAD, 2012). India accounts for 62 percent of all IT projects, 58 percent of marketing and sales, and 57 percent of product development projects offshored by US firms (Massini and Miozzo, 2012). Traditionally Indian outsourcing companies have been categorized as Tier one, Tier two and Tier three (see nasscom.in). This categorization is based on company revenues, number of employees and global presence. Table one provides

an overview of the largest Indian service providers based on revenues. TCS, Infosys, Wipro, HCL and Tech Mahindra are tier one companies; the others are tier two players. The largest among them (TCS) employs around 250,000 workers across the globe.

Table 1 Top 20 largest Indian service providers (2013)

Company
Tata Consultancy Services Ltd
Infosys Ltd
Wipro Ltd
HCL Technologies Ltd
Tech Mahindra Ltd
iGate
Mphasis Ltd
L&T Infotech
Syntel Ltd
CSC India
Genpact India Pvt. Ltd
MindTree Ltd
Robert Bosch Engineering and Business Solutions Ltd
KPIT Technologies Ltd
Polaris Financial Technology Ltd
Hexaware Technologies Ltd
Infotech Enterprises Ltd
NIIT Technologies Ltd
Zenar technologies Ltd
CGI Information Systems and Management Consultants PvtLtd

Source: NASSCOM (2013)

Motivations for international expansion of Indian service providers

The motivations why firms expand internationally are multidimensional and include resource seeking, technology and R&D seeking, market-seeking, risk diversification and efficiency-seeking (Hattari and Rajan, 2010; CASI, 2008). Thus, a firm's internationalization strategy can be based on exploiting its current assets in new markets or the need to seek or acquire strategic assets from other markets that it lacks internally (Kale, 2009: 43). The ways in which firms internationalize differs and includes greenfield investments, brownfield investments and acquisitions. The second part of this report will show which combination of reasons plays a role in the expansion of Indian IT-ITES firms in the Netherlands.

In recent years, Indian service providers have set up physical presence in various offshoring regions such as South America, Eastern Europe and Africa. Also, Indian firms have expanded their presence in key customer markets such as the US and Europe by establishing delivery centres and regional offices (NASSCOM, 2010). Table two provides an overview of the main export markets for the Indian sector. While the relative importance of the North American market is slightly decreasing, the Western markets continue to be the most significant for exports.

Table 2 Destinations of India’s software and BPO services exports
(millions of dollars and percentage)

Destination	2005/06		2010/11	
	Value (\$ million)	Share of total exports (%)	Value (\$ million)	Share of total exports (%)
North America	14 727.81	62.1	32 265.14	56.0
European Union	6 098.94	25.7	17 954.35	31.2
South and South-East Asia	632.48	2.7	1 843.72	3.2
East Asia	722.84	3.1	749.12	1.3
Middle East	564.72	2.4	1 728.49	3.0
Europe (Non- European Union)	496.95	2.1	633.89	1.1
Australia and other Oceania	293.65	1.2	979.59	1.7
Africa	96.00	0.4	691.40	1.2
Latin America and the Caribbean	79.06	0.3	576.16	1.0
Transition economies	5.65	0.02	194.47	0.3
Total	23 718.09	100.0	57 616.33	100.00

Source: UNCTAD (2012)

Increasing exports of Indian companies are complemented with growing physical presence abroad. Presence near the clients is often necessary, even when services are provided from afar. Compared to the traditional technology services provided by the Indian firms, services that are higher on the value chain require more intensive communication between customer and supplier (van den Bergh, 2007). India’s initial advantage based on low-cost labour in the

home country is not sufficient. During the early years of the twenty-first century, the Indian firms were not large enough to bid on the largest and most sophisticated contracts (Dossani and Kenney, 2009). Most Indian firms did not have a strong global delivery capability, and thus found it difficult to provide a complete solution for the world's largest firms (Dossani and Kenney, 2009). In order to overcome this disadvantage they had to establish a presence in the main markets and near potential customers (e.g. through the establishment of regional delivery centres). As such, their investments can be regarded as a combination of market and efficiency seeking.

The next chapter reviews the operational strategies of Indian service providers in the Netherlands. Locational motives, investment types, management models and participation in local (knowledge-) networks have been examined to determine the level of embeddedness of these companies in the Dutch context.

3. Indian service providers in the Netherlands

A common strategy among Indian service providers is to start exploring the European market in the United Kingdom. Similar to the United States, it is a sizeable and relatively mature market for outsourcing and offshoring. Many Indian firms have noticed that being located in the UK is not enough for accessing the Continental European market. In order to get access to this market, the Netherlands has become an attractive destination for Indian firms.

Dutch business climate

An often mentioned reason why Indian firms prefer to open their first office on the European continent in Netherlands is the mature market for outsourcing. Dutch companies, especially internationally oriented firms, were among the first in Continental Europe that started outsourcing elements of their businesses. In addition, various leading international corporations have the Netherlands as the location of their European headquarters, distribution operations, R&D facilities or customer care centres (NFIA, 2013), which are also interesting prospects for Indian ICT-ITES companies. Indian companies emphasised this when talking about their choice of settling in the Netherlands:

'You have extremely attractive customers here. Not only by origin Dutch companies, but also companies which are international and set up their headquarters in The Netherlands.' (Interview, 19-10-2013).

'We were searching for companies doing outsourcing, we wanted to go to a market where outsourcing is a way of life' (Interview, 11-09-2013).

The lower language barriers also made it easier for Indian firms to get started here.

'We are having this conversation in English. That will not be possible in France, or even in Germany. And the location offers a unique advantage to go almost anywhere in Europe within a travelling distance. We believe that we would probably be stepping into Continental Europe and that the Netherlands is the gateway to do it.' (Interview, 21-8-2013).

Respondents also emphasized the central location of the Netherlands within Continental Europe. Most Indian companies include Belgium and Luxembourg in the same managerial region. The Netherlands provides a strategic location from where to serve major European commercial centers such as Paris, Frankfurt, Brussels or Hamburg. Companies would initially serve these markets from their Dutch office before they would establish offices there.

'We don't think in terms of countries. We have a central management in India and we have a region called Europe. We don't care that this region is divided into countries. The location of the Netherlands is central to such a degree that I can easily cross many geographical borders.' (Interview, 12-11-2013).

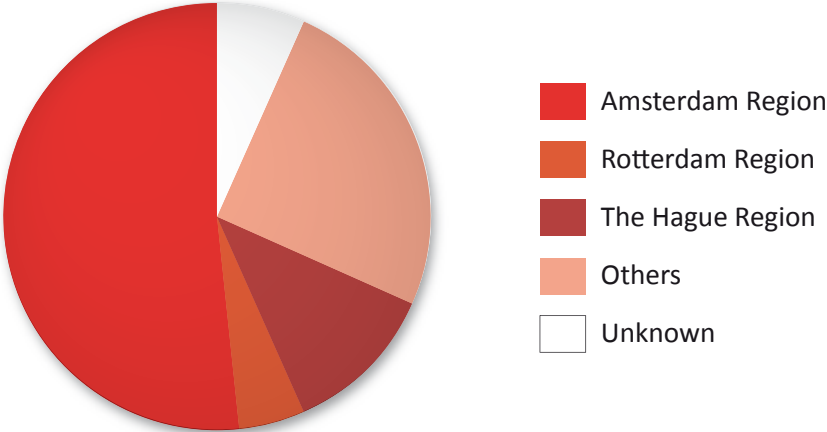
Other managerial regions that can be distinguished within Continental Europe are Scandinavia, the DACH region (Germany, Austria and Switzerland), Southern Europe and Eastern Europe, of which Scandinavia and the DACH region (especially Germany and Switzerland) are most developed when it comes to outsourcing. The South European region is perceived to be less ready for outsourcing. France is considered one of the most difficult markets for Indian firms due to its language and legal framework.

Current presence

Sixty Indian service providers were found when combining the lists of NICCT, Amsterdam inBusiness, the NFIA and doing an Internet search. The first Indian ICT-ITES company in the

Netherlands arrived in 1992 as part of a global contract with a US company. Some other firms started their operations only a couple of months before the time of interview. Indian service providers in the Netherlands significantly differ in size, as they are ranging from letterbox companies, one or two marketing employees working from home, to subsidiaries with over 1.000 employees in the Netherlands (Giarte 2012).

Table 3 Spread of 60 Indian service providers in the Netherlands



We were able to contact 40 out of 60 companies and with (active) presence in the Netherlands. The remaining 20 companies could not be contacted; varying from no reply, incompatible phone numbers, and telephone conversations with trust funds, meaning their presence in the Netherlands is obscure. Sixteen of the 20 largest Indian service providers have a presence in the Netherlands. This again demonstrates the significance of the Netherlands for Indian companies. Most companies (31) have their offices in the Amsterdam region (Amsterdam, Amstelveen, Hoofddorp), followed by The Hague (six). The largest companies such as TCS,

Cognizant, Wipro and Mahindra Satyam have more than one office in the country. This involves combination of a sales office in Amsterdam and delivery facilities or employees working on site at the high-tech campus in Eindhoven. These companies are not listed in table three as located in Eindhoven, since registered (sales) offices are in Amsterdam or elsewhere in the Netherlands. A Dutch respondent emphasised the increasing importance of Eindhoven as location for Indian companies:

‘Before we started this program in 2011, the population Indians was lower than 5 per cent. But when you walk on campus during lunch hours nowadays, you will see Indians on every corner of the street. The catering facilities are currently adjusting to this new type of demand; they are opening a curry restaurant now.’ (Interview, 10-11-2013).

The twenty firm interviews included 12 of the top 20 largest Indian firms. Table four shows that tier one companies offer a broad range of services: applications, infrastructure and Business Process Outsourcing. The others call themselves niche players, more or less specialized in a limited number of sectors or activities.

Table 4 Size and activities of respondents

Size and activities of Respondents	Total
Tier 1 (>1 billion dollar revenue)	5
All-round	5
Tier 2 (> 100 million < 1 billion revenue)	10
BFS (Banking Financial Services)	1
BFS, Capital, Enterprises solutions	1
BFS, Retail, Energy, Manufacturing	1
Construction	1
Manufacturing, BFS, Reference data	1

Manufacturing, travelling, BFS	1
NON ACTIVE	1
Retail, hospitality, BFS	1
ERP Software, Testing, Consulting	1
Utilities, Engineering	1
Tier 3 (< 100 million revenue)	5
Call centre technical support	1
Data recovery hardware	1
Importing security surveillance products	1
Logistics, BFS, Media	1
Software Product for banking; cash management and lending	1
Total	20

Some tier two companies can deliver the same broad range of services as tier one firms, but profile themselves as a niche player. As a strategy, once they have acquired a contract they will try to show their customers that they can offer a whole range of other services as well. One respondent emphasised how this strategy works for them:

‘The secret is to enter a company as a niche player, to position yourself within the market based on your absolute speciality. Once you have signed a contract through that niche, other opportunities within the same company will arise as a spin-off effect. Aside from our specialties, we are able to deliver exactly those services that other players do.’ (Interview, 9-10-2013).

This is not always a preconceived strategy, but rather a gradually outlined policy.

‘When we had just landed in this market, we welcomed everyone as a customer, regardless of who they were or what they were doing. After a while, we realized that this would hardly take

us anywhere. We really needed to define our scope. Now we have four verticals we operate in and this is where we are really investing our money in and build our business around.' (Interview, 19-10-2013).

The biggest challenge for tier two companies is that they have to compete with the larger players that have the competitive advantages of scale and assets. In order to compete with tier one players, tier two players turn their limitations into their sales dodge. Being 'big enough to deliver, and small enough to care' is a sentence used by many respondents of tier two companies to convince customers to work with them. Most Dutch companies that outsource parts of their businesses are much smaller than most Indian service providers. By depicting large players as impersonal in their companionship and giving priority to mega deals, tier two players position themselves distinctively within the market. They position themselves as 'having more feeling' with their prospects and clients compared to tier one companies.

Geographical spread & locational motives

Table six provides an overview of the location as well as operation type of the offices. Sixteen companies offer outsourcing services and work through a global delivery model. Eleven of them only have a sales office while service delivery is carried out at the customers' office or undertaken in India. Five companies have both a sales office in the Randstad and a delivery centre in Eindhoven. Four of them are part of the top five largest companies within the research population. Two companies are sales office for IT related products; one sells a banking product and the other one surveillance technology. Two out of the 20 companies are former Dutch companies, acquired by Indian firms and operate as delivery centres for the European market: a call centre and a hardware data recovery centre. Both are not active in outsourcing services.

Table 5 Geographical spread of headquarters & operational types of respondents

City	Delivery	Sales	Sales, delivery	Grand Total
Amsterdam		7	4	11
Breda		1		1
Den Haag		2	1	3
Enschede	1			1
Hoofddorp		1		1
Rotterdam		1		1
Utrecht	1	1		2
Grand Total	2	13	5	20

The location of settlement for Indian companies within the Netherlands is guided by the location of their prospects or clients, since they tend to locate close to them.

“Locational decisions are business driven, in the sense that if you work for Philips, you have an office in Eindhoven. If you work for ABN, you go to Amsterdam.” (Interview, 17-9-2013).

Indian ICT-ITES companies can be found near sectoral clusters with high readiness for outsourcing and offshoring, preferably with many large multinationals around. Most Indian service providers are therefore located at the banking/financial centre Zuidas in Amsterdam and on the High Tech Campus in Eindhoven. The Hague should not be forgotten either; two tier one and one tier two companies are located here, mainly for the telecommunication sector (KPN, T-Mobile). However, from an Indian outsider’s perspective the Netherlands is seen as a single region and not divided into provinces or cities.

'The Netherlands is nothing more than a large city with lots of greenery. It takes longer to travel from both tail ends in Mumbai during traffic hours than it takes to get from Amsterdam to Eindhoven.' (Interview, 12-11-2013).

The country is rather part of constitutions such as Benelux or Continental Europe. The places where companies eventually locate have effectively just as much to do with the type of investment leading to the realization of an establishment.

Investment Types: land and expand

Most companies landed in the Netherlands through brownfield investments (see table six). Brownfield investments involve seeking a market carefully and without taking too much risk. Brownfield subsidiaries come into existence as a result of pre-existing structures such as pre-existing customer relations or contracts, mainly first approached and managed from the UK and sometimes directly from India. Eight brownfield investments were made in Amsterdam. Most Indian companies have made careful considerations before they would set-up an office in the Netherlands. As emphasised in one interview:

'Indian companies are very risk averse. They will not make large risky investments without being reasonably sure that it will be worth it. The focus is to find customers and then maybe start investing here to grow.' (Interview, 21-9-2013).

Table 6 Investment Types

	Acquisition	Brownfield	Brownfield/ Acquisition	Greenfield
Tier 1	1	4		
Tier 2	3	6	1	
Tier 3	2	2		1
Total	6	12	1	1

Only one company came into existence through greenfield investment, meaning that this company had no pre-existing connection of any kind in the Netherlands before opening up a subsidiary. After registration, most companies only start with one or two employees, engaged with sales- and marketing activities. Only once a 'critical mass' has been reached in term of work acquired, when prominent deals are signed, expansion can be legitimized and offices opened up.

Six establishments came into existence through acquisitions. Acquiring local companies is an effective way to gain local market knowledge, but also to gain market access and market share within a short period of time.

We acquired a delivery centre in the Netherlands. That was a strategic move; we must have a local frontend layer. Customers will know that you are serious about the region.' (Interview, 21-8-2013).

Two companies in Enschede and Utrecht came into existence through acquisitions. Indian companies took over a call centre and a hardware data recovery lab mainly for their local knowledge language skills. Many Indian service providers realized that local language skill and local market knowledge are essential too when it comes to sales- and marketing practices, as will be shown in the next section.

4. Strategies within the Dutch market

This section will look at the appearance of this local front-end in practice. Next, it will look into the intent of and activities taken by Indian service providers to integrate within the local context. In doing so, the section sheds light on the onsite-offshore balance, the share of local employees hired by Indian firms and their degree of participation in local networks and the engagements with local companies.

Onsite-Offshore blend

IT service providers vary in their practical balance of how they blend onshore delivery and offshore supply. The ultimate balance depends on the services that providers offer, the specific IT solutions requested by clients, whether a client is accustomed to offshoring, and the stage of the relation that providers and clients are having with each other.

'Account management and client management happen onsite. Same holds for business analysis and functional design. Technical design happens offshore, so does pure development and system testing. System integration testing needs to be done in combination of onsite and offshore. User testing happens off course onsite.' (Interview, 8-11-2013).

Entering into an engagement with a client and maintaining this relationship always requires face-to-face contact.

'The stage of the relationship is also very important. For example, if you start a new customer relationship, it is important to find the customer during the initial months. Because there is a huge learning curve you need to pick up. The customer's domain, the customer's business

processes and all that. And then when the customer and we as a company get comfortable with what needs to be done, you can start looking at reproducing the onsite-offshore balance.' (Interview, 19-10-2013).

Most companies have a certain fixed rate between onsite- and offshore activities, ranging between 60-80 percent of services being delivered offshore.

'If it is BPO, almost everything is done offshore. But if it is about IT services infrastructure or software development, than much more is done onsite as well. 60% in India and 40% here, something like that.' (Interview, 25-10-2013).

However, many respondents comment that this depends on the client's specific needs. Constantly changing needs require quickness of response, and in some cases then, it is too time consuming if work is done in India.

Go Global, Think Local?

The type of presence of Indian service providers in the Netherlands depends upon several factors. Obviously, the length of stay increases the opportunities to expand within a market. The companies that first came to the Netherlands have grown from small projects slowly into the accounts, to even becoming so-called 'strategic partners' of large Dutch companies. The cultivation of contract sizes and client pools is directly in line with how their local presence evolves:

'You deliver and through gaining trust, you deliver more. Take more, deliver, and gain trust higher within that account. Shortly, word-of-mouth will be speaking to the next company. And then the minute you lined your large deals, you need to have permanent presence. You will start setting up an infrastructure, offices and multiple delivery centres. Not just sales offices, also delivery centres.' (Interview, 13-08-2013)

Besides length of stay, the appearance of Indian companies within the Dutch market depends on their intention of creating a local presence here. Most respondents working for Indian companies have nevertheless stated that it is indispensable for them to have a local frontend.

“Something I have learned about Europe, is that you really need to go local. You can absolutely not give them a couple of Indians and say that everything will work from India. I cannot do that, I need to have local competences.” (Interview, 17-9-2013).

In addition, 18 out of 20 companies confirmed that they have at least a few Dutch employees working. These locals are involved in functions that demand local knowledge and face-to-face contact with clients such as managerial and sales positions. Two recently registered tier two companies without official offices yet have each hired a local sales director working home first to access the market. Local people also help to get an understanding of the unwritten rules of customer-client relations as emphasised in one interview:

“In order to manage functional requirements within an outsourcing environment, you need local skills and capabilities. You need people who speak the local language and people who know about local laws and regulations, in order to handle the nuances of a typical Dutch client.” (Interview, 11-09-2013).

Indian service providers hire local people to expand their business opportunities. Having a strong local presence seems to be an essential condition for Dutch clients to accept Indian service providers as their business partners and Indian are aware of this.

‘I wouldn’t say that there are any serious matters we need to overcome, it is more about the softer human being elements. We should relate to our customers, and in order for them to be willing to open up, you need to have local people interacting with them. Especially when you

are in the initial stage of a relationship. Once you have moved into the account management stage, when contracts have been signed, you will get a chance to mingle with them and to gain trust.’ (Interview, 19-10-2013).

However, having Dutch employees is not only the result of strategic planning. Sometimes personnel move along as part of a signed contract. In general, Indian companies prefer asset-lean deals, where personnel do not travel along, but this is sometimes inevitable (Interview, 26-7-2013). Therefore, companies that have been active in the Netherlands for many years will increasingly have local personnel, originating from (former) clients. Meaning that over time, Indian service providers will increasingly appear as more regular or ordinary players on the Dutch market. Also companies that came into existence through acquisitions generally have substantial numbers of Dutch employees, since personnel have been taken over.

Local networks & marketing campaigns

The onsite-offshore- and the Dutch-Indian employee balance are both indicators of local integration. However, the efforts taken to actively interact and collaborate with local companies, organizations and institutions are highly dependent on the relationship with the Indian mother company. Some subsidiaries for example have restrictions on spending and other types of decision-making that have to go through India first.

“Indian companies are very hierarchical, but luckily we have a lot of freedom. One thing that they understand in India is that they do not understand. That is very important; they do not understand what happens here.” (Interview, 17-9-2013).

Some companies report to the UK and others directly to the India office.

Indian service providers tend to spend prominent money and time on business-to-business practices, and less on (social) networking since the former is expected to generate business

income on the short-term and the latter perhaps only in the long-term. Local field-experts such as consultants, co-workers at governmental investment agencies and respondents of (social-) network organizations therefore consider Indian service providers as fairly invisible within the local context. They have emphasized the low participation grade of Indian companies within networks such as the CIO Day, Platform Outsourcing Netherlands (PON), and the lack of advertising campaigns by these companies in Dutch newspapers and specialised local magazines. Lack of participation and advertising are understood here as a lack of integration within the Dutch context. A respondent shared his doubts regarding these channels for networking:

'Our own events are more productive for us. What we get out is real value. Recently, we did an event in Amsterdam where we called a select group of 8-10 CIO's. It was a closed discussion, and we prefer these closed-door small meetings to these 300, 400 people networking events. Targeted people, who are interested, take back something that is relevant, contextual. I think that has a much better recall than doing these large network events where you have everybody there.' (Interview, 21-8-2013).

Especially tier two niche players with a strong niche identity don't see benefits of participating in local general IT networks:

'We focus on engineering and utility companies only. Therefore, we only attend seminars within this operational field. But yes, attending seminars is an efficient way of maintaining or extending your network. However, it is not beneficial money wise on the short-term, you have to keep that in mind.' (Interview, 12-11-2013).

Limited participation in Dutch networks is not entirely to blame on the Indian companies as some local organizations hold social-cultural barriers. These networks are supposed to be

umbrella organizations for IT companies in the Netherlands, but it is often forgotten that a great deal of these companies are international. Still, the language of communication often remains Dutch.

Another way of making a presence within a local context can be done through marketing. It has been noticed that the names and logos of Indian service providers are hardly depicted within the Dutch media. The relative absence within the media can be explained from a similar perspective as the low participation grade in local networks.

“Why should we spend a lot of money on newspaper or television advertising if I can easily organize an event at the Amstel Hotel, inviting all 50 CIOs? We believe that this type of investment is much more beneficial for us.” (Interview, 16-9-2013).

The interview quotes in this section indicate that Indian companies have clear ideas on what marketing strategy works best for them. Rather than seeking general public attention (with perhaps TCS sponsoring the Amsterdam Marathon as exception) many pursue a targeted marketing strategy only focused on select clients and decision makers.

Advisory & Analysts

Indian companies invest substantial money for hiring local analysts for obtaining market knowledge. Using consultants for obtaining knowledge on deals that have been made is regarded to provide them higher chances for getting on long- and short lists.

‘Many IT companies work with consultants. These so-called ‘sourcing advisors’ advise outsourcers on suitable technical IT solutions for their businesses, including recommendations of companies able to deliver these IT solutions. We have to make sure that consultants know us, till the soil, otherwise we will never end up on the long list, not to mention the short list.’ (Interview, 12-11-2013).

Prospects are qualified carefully and sales people are aligned and assigned to those accounts. They keep a sharp eye on tenders and also work together with consultants to win in information on expiring contracts of competitors and on which companies are thinking of outsourcing.

Social-cultural differences

A company ready for outsourcing is not necessarily ready for offshoring. When the first Indian service providers arrived in the Netherlands, Indian companies with their global delivery models were only slowly getting invited into deals. The economic recession of 2008 further stimulated interest in business optimization through offshoring models (Interview, 13-8-2013).

'We have been in the Netherlands since the Millennium. Initially, we kept it hidden that our mother company is Indian. It was more beneficial for us; outsourcing was way too progressive at that time. People thought there was child labour involved, things like that. Gladly this is different now.' (Interview, 13-9-2013).

Respondents from both Dutch and Indian origin have been asked about today's main differences between the Dutch and the Indian culture and what kind of entanglements, obstacles, irritations or maybe benefits this can bring on while working together.

'Speaking over the phone, Skype, Emailing... Take into account the heaps of confusions caused by these communication methods between locals. And now add a cultural or linguistic barrier to that.' (Interview, 29-9-2013).

As shown in table seven, the Dutch 'appointment culture' is not only restricted to a professional lifestyle, but extends into personal lives as well. This is very different within the Indian culture, where informal ways of doing prevail even professionally. It is not surprising when friends just drop in or when appointments are cancelled because urgent meetings come up at the last minute.

Table 7 Mutual images of Indians and Dutch

Dutch about Indians

'Indian companies are very competitive. They are flexible and they want to perform well. I also appreciate the politeness; you won't easily end up in a conflict with an Indian. You will have a factual discussion about processes, results, that's about it. In addition, an Indian will always make an extra effort, they are very focused on customer satisfaction.' (Interview, 10-12-2013).

'Indians are superb to work with. They are always around, doing what they have to do. Okay, sometimes their hierarchical way of thinking can be complicated. The highest-ranking boss is always right and inferiors are taken less seriously. It is sometimes hard to motivate someone when you have the feeling that a superior might have a different opinion. People get diplomatic and things turn out different than anticipated.' (Interview, 9-10-2013).

'Indians are more fanatic than those traditional players in the market. They come from families wherein the breadwinner has to take care of ten people. If you don't work hard enough in India, there won't be any food on the table. The social safety net in the Netherlands will make sure that people always have at least some food on the table. The mind set is completely different, resulting in a much stronger motivation to perform. Besides, India is an upcoming economy where the people have a strong urge to proof themselves.' (Interview, 16-9-2013).

'Sometimes India seems to be from another planet. Often, we just cannot grasp their meanings, but just as often, it is perfectly fine. The Dutch and the Indians do get along based on their common rationalities. They both know how to do business. However, interesting differences in the course of which not anyone is right or wrong can fritter away lots of valuable time. And this causes irritations.' (Interview, 29-9-2013).

Indians about Dutch

'The Dutch are known for being very practical. You don't just go over to someone's house for dinner; you have to schedule it in. The houses are smaller, everybody is working full time, you don't have household help, so if you want to do something, you have to do it all by yourself. In Asia, you have a very big support system. People coming here should keep those kind of practical things in mind. It is not that the Dutch are cold, they just have a very practical way of doing things.'
(Interview, 26-8-2013).

"Of course we had cultural shocks, especially from day-to-day tasks, because people from India have different language skills. But we never had a big challenge with doing business in the Netherlands. Yes, people take their time here; they call it polder model. This can be a bit frustrating sometimes, because it takes to make a decision."
(Interview, 11-9-2013).

When it comes to communication, Indians have an aversion to saying "no" as it is considered rude due to the possibility of causing disappointment or offense. Alternative ways of responding can be vague answers such as "we'll see", "I will try" or "possibly". Dutch people are very direct and straightforward in their nature. However, because Indian do not always speak their minds and do not always say what they mean, it can be very difficult business wise because mutual expectations do not always match.

Bridging methods

To prevent cultural differences from becoming actual blockades for doing business, Indian service providers have come up with several bridging methods. Most companies offer cross-cultural training programs to overcome differences or invite clients over for a tour at the Indian headquarter. The cultural alignment is perceived important and it is believed that it is impossible to service customers without understanding them culturally.

'We signed contracts in 2011, and we have had cultural change management programs. There are many things people should know about each other, and how one could respond to those things. Mutual understanding takes time, therefore, these programs are ongoing activities, travelling along the cycles.' (Interview, 10-12-2013).

For some companies, following a cross-cultural program or taking a glimpse behind the scene will not seal the deal and offshoring remains out of the question. Legislations can forbid data to travel beyond country- or European borders. In addition, working in different time zones is often perceived as inconvenient. To be able to serve these clients, Indian vendors increasingly realize nearshore locations in relative low-wage countries in Eastern Europe and since recently also in Spain and Italy where unemployment is currently high. Nearshore locations level out both the relative distance between two time zones, and the more subjective, sentimental distances between different cultures.

'One necessity to have a near shore location is the time zone requirement. In the US and in Canada it is to create local jobs, heavily stimulated by the government, but that is not the case here. However, it does increase our ability to penetrate the local market; same culture, acceptance is higher, these kind of things. In the end, you'll increasingly get recognized as an equal player within the local market.' (Interview, 25-10-2013).

Indian companies hope that customers take near shoring as a first step in their journey towards India, since this is generally still the most optimal business model for them. The public sector for instance, is considered not being open to outsourcing, and especially to offshoring.

“The adoption of outsourcing and especially offshoring as a concept has had certain limitations in public sectors and particularly here in Europe. Security constrains with respect to public organizations in Europe are much stricter than in the private sector”. (Interview, 19-9-2013).

Some the companies see a potential market here, but simultaneously don't expect the Dutch government to change perspective within the next three to five years.

‘Many government agencies and companies within the public sector set up their tenders in a protective manner; work has to be done on site and data has to stay between Dutch borders. Whereas our vision is that the Netherlands is a knowledge economy that should increase its competitiveness by making use of countries such as India and China.’ (Interview, 9-10-2013).

Indian vendors are reluctant to bid for public tenders but risks of rejection are relatively high and writing proposals are time consuming (Interview, 4-11-2013). A few companies however, have contracts with governmental agencies. One of them works at an international level with the UN. Another one mentioned a contract with the Belastingdienst, although through a Dutch sub-contractor. A third one works for Staatsbosbeheer. However, in all three cases, data does not go beyond the geographical borders of respectively Europa and the Netherlands. Delivery happens onsite at the client or from near shore locations.

5. Conclusion

This report aimed at giving an insight in the presence of Indian service providers in the Netherlands. This includes their motivations and strategy for entering the Dutch market and their participation in local networks. Indian service providers are present in the Netherlands since the mid-1990s. In many ways they are still regarded as outsiders in the Dutch outsourcing sector. Furthermore, they are often not visible for the broader public. The European market is becoming more significant for Indian service providers. Many interviewed companies regarded the Netherlands to provide an ideal entry point to access the continental European market. The many multinational companies present and the openness to outsourcing and offshoring have led to a sizeable presence of Indian service providers in the Netherlands. Furthermore, the attractiveness of the Dutch market for Indian companies rests on the lower cultural barriers for doing business in the Netherlands compared to some other continental European countries. These motivations illustrate that the Indian investments are predominately market-seeking.

In addition to sales offices, some of the largest companies have delivery centres elsewhere in the Netherlands and in near shore locations elsewhere in Europe. The establishment of delivery centres is used as signal to clients that the companies are serious about their presence in the local (Dutch) host market. Furthermore, it reflects an increasing embeddedness in the local market. The delivery of higher value added services by Indian vendors requires closer proximity to customers and built-up of operational capacity in the Netherlands. The fear that these Indian companies would merely establish front-offices to acquire orders that will be processed in India only applies for companies that recently entered the Dutch market. Low cost labour in the home country, which originally was the advantage of Indian service providers, is no longer sufficient to compete. The necessity to increase local capacity in the Netherlands will make Indian service providers more regular (or ordinary) players on the Dutch market. Greater local presence will enable them to access new markets like SMEs

or other more locally oriented sectors. However, some segments of the Dutch outsourcing market (e.g. government contracts) are still difficult to access for them. At this point cultural barriers still exist, whereas security issues provide a restriction for accessing some parts of the market.

To operate on the Dutch market, Indian companies have pursued various strategies. New subsidiaries are established carefully, and without too much risk, through brownfield investments. Tier two Indian companies prefer to profile themselves as niche players. After gaining confidence from the client they seek to demonstrate their capacities in related activities. In contrast, tier one companies present themselves as all-round players from the beginning, operating in different sectors and offering a range of services. Most Indian firms acknowledge the benefits of having a strong local presence, translated in a well-balanced mix between local- and Indian employees and increasingly onsite delivery. The challenge for the Indian companies is to find a balance between onshore and offshore, while increasingly becoming a familiar and accepted player within the local context. An increasing number of strategic partnerships have been developed between Indian service providers and Dutch partners. Substantial money is invested in hiring local analysts for obtaining market knowledge on expiring contracts and upcoming tenders. Once contracts are signed, attention goes out to cross-cultural training programs for cultural education to overcome differences between social- and corporate cultures.

Indian service providers coming to the Netherlands have the intention to settle here for the longer term. However, actions undertaken by these companies to penetrate the Dutch market are very much focused on generating immediate returns. For now, this keeps certain forms of local embeddedness such as network participation of Indian service providers within bounds. It is expected that participation in Dutch knowledge networks such as Platform Outsourcing Nederland takes time to progress. Many Indian service providers are still not long enough in the Netherlands to know how local networks can provide added value to them and what immediate returns it generates. Active promotion of the PON network is therefore recommended. More English language seminars and provision of information in English are signals that the network is open to them.

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