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Press Release

Hamburg-based Study to investigate chances & challenges of “offshoring” R&D to India

One of the most prominent features of globalization has come to be known as Business Process Outsourcing (BPO), whereby firms outsource their routine, standardized activities to an outside firm that usually enjoys cost advantages e.g. on account of specialization and/or location. A logical extension of this trend has resulted in Knowledge Process Outsourcing (KPO), whereby knowledge-intensive research & development work (R&D) is outsourced either to an outside firm or an offshore-subsidary. Primary motives of KPO are thought to be availability of highly-skilled, cheaper human capital, location of industry-specific clusters and/or the incentive to develop products designed to suit the specific needs of a target market, physically and culturally distant from the home market of a firm.

Many Fortune 500 firms have established R&D centers abroad. More recently the emerging markets of India and China have attracted substantial foreign direct investment (FDI) in R&D sector. India alone has reportedly attracted around 300 of the Fortune 500 firms to conduct parts of their R&D activities there and is reputed to enjoy a considerable advantage vis-à-vis China in this field. The emergence of India as a leading R&D hub as against China is remarkable as the latter enjoys a far superior advantage in the manufacturing sector and generally possesses better infrastructural facilities. This fact throws up two interesting research issues:

- Which are the factors, whose endowment is crucial or at least beneficial for a R&D location?
- Is the impact of these factors of universal nature or does it vary for particular industries? If yes, which factors are of crucial importance for which industries?

The Institute of Technology & Innovation Management (TIM) at Hamburg University of Technology (TUHH) has launched a study under the auspices of “Research Project Global Innovation” to find answers to these and other related research issues. The study, led by Mr. Rajnish Tiwari and advised by Prof. Cornelius Herstatt, is titled, “The Role of Offshore R&D in Strengthening Competitive Advantage: Chances and Challenges in India”. A list of research issues under investigation may be found in Internet at: <http://www.global-innovation.net/about.html>.

A primary aim of the project is to observe, analyze and forecast developments in the field of globalization of innovations. It also aims to provide decision-makers from selected

industry sectors with useful instruments while deciding on whether or not to internationalize their innovation / R&D activities and to which locations.

As one of the initial sub-projects the study has begun to investigate and examine India's Innovation System under the title, "India's Innovation System: Exploring the Strengths". This project is being run in cooperation with the East West Center in Hawaii (USA). The study seeks to understand the inherent strengths of India's "Innovation System". It also proposes to work out a resource upgrade plan for innovation resources in India, if found feasible. Another sub-project "R&D Internationalization in Automotive Components Sector: Opportunities and Challenges for German SMEs in India" is also underway.

The study is focused on firms from selected key-industry sectors, such as Information and Communication Technologies (ICT), Pharmaceuticals and Life Sciences including Biotechnology, Mechanical Engineering, Automotives & Automotive Components, and Logistics. We look forward to finding cooperation partners from various fields such as the industry, academia and government organizations.

Study website: <http://www.global-innovation.net/projects/grd/india/index.html>

For further information:

Rajnish Tiwari

Project Leader of the study "The Role of Offshore R&D in Strengthening Competitive Advantage: Chances and Challenges in India"

Research Project Global Innovation
Institute of Technology & Innovation Management
Hamburg University of Technology
Schwarzenbergstr. 95
D-21073 Hamburg, Germany

Tel.: +49 – (0)40 – 428 78 – 39 51

Fax: +49 – (0)40 – 428 78 – 27 67

E-Mail: rajnish.tiwari@tuhh.de

WWW: <http://www.global-innovation.net>