



## China Business Solutions Ltd

*Date: 07/10/08*

### **Beyond Beijing: China software outsourcing in the Yangtze Region of Jiangsu Province**

China is rapidly becoming one of the major new outsourcing destinations for software development by international technology enterprises. But there is more to China's offshore attraction than just Beijing, Dalian and Shanghai, reflecting a growing interest in other areas.

The advantages of IT offshore outsourcing have been well understood for many years by British firms looking for skills-based cost reductions, but in terms of location, it has long been India at the forefront of supplier selection lists, rather than its neighbour China. That may all be set to change, however, as both the Chinese government and the country's leading IT enterprises make coordinated efforts to market their own distinctive value proposition to international audiences.

But even in China, regions engage in intense competition to attract both inward investment and international outsourcing customers, and as the maturity of the country's software development and outsourcing industry has accelerated over recent years, those regions outside the traditional heartlands of high-tech innovation have been keen to illustrate their own pace of change and their embrace of the knowledge-based business sector. International Expo's and commercial conferences are but part of this process, but they do provide a unique setting in which to make contact with prospective new partners.

China Business Solutions recently attended just such an event, having been invited to join a delegation of British businesses and UK regional development agencies to learn more about how one part of China, the Yangtze River region of Jiangsu Province, is making a significant investment in its software science parks, its human resource talents, and its physical and communications infrastructure.

The First China International Service Outsourcing Cooperation Conference was held in Nanjing between 23rd and 25th September, in concert with the Fourth China (Nanjing) International Software Product Expo, also hosted by China's impressive former Southern Capital city. Led by the senior representative from Jiangsu's Economic and Trade team based in the UK, our group enjoyed not only superb Chinese hospitality but also an eye-opening opportunity to see at first hand how the transition from traditional manufacturing to high technology services was taking shape in the new regional outsourcing hubs west of

Shanghai.

During the six days that our party had to explore this fast-evolving development zone, the message was clear that both political leaders and business groups are working together to migrate from old industries that cause pollution, and that are wedded to a labour-cost arbitrage business model, to new collections of knowledge-centred clusters that can support many different types of outsourcing customer, including both domestic as well as international users of IT services.

Mr Zhu Ming, Director of the Department of Foreign Trade of the Jiangsu Provincial Government, explained the different character of the region's cities, with Nanjing being seen as particularly strong in software development, as the city seeks, in his words, "to become China's Bangalore". Elsewhere, areas such as Wuxi and Nantong focus on general services outsourcing, which, whilst including some software development, also encompasses telephony, helpdesk and business services. Suzhou, already a high tech manufacturing centre of some repute, is leading a drive into financial and accounting outsourcing services.

The region's success in capturing customers from across East Asia, and in particular from Japan, is testimony to the hard work that has been invested to up-skill local talents and make the area attractive for returning overseas-educated Chinese specialists. But there are still some challenges to overcome and more work to be done to increase the region's attraction to UK businesses seeking an offshore approach to software development. For example, whilst English language learning is clearly a key priority for regional educators, too few enterprises that we visited had either English speaking staff or English language collaterals to help support a convincing case for supplier selection. In particular, key project management talent, who perform pivotal roles during complex software development projects, had limited exposure to western management styles and communication processes, which could inhibit their effectiveness during an offshore project development lifecycle.

Nevertheless, this region is changing at a phenomenal pace and could offer some very compelling opportunities in the near future. With the projected opening of high-speed train links across the zone slated for 2010 making the international hub of Shanghai little more than a short commutable hop, with significant cost advantages over traditional software centres such as Beijing and Dalian, and with the singular commitment of purpose so often found in China to solve the English language shortfalls, this region should be seen as having the potential to emerge as one of the strong contenders for high-skilled IT offshore outsourcing over the coming years.

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