

Development of international design offshore outsourcing and opportunity for Chinese design industry

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ABSTRACT

The design offshore outsourcing is playing a major role in the country's development on the global market. The purpose of this study is to explore the approach the Chinese Design Industries take, to get the foreign projects and the implementation of low cost competitive advantage to compete on the global KPO market. This study employs the competitiveness model, Porter's diamond model as a theoretical framework. The diamond model incorporates international activities, which may occur either within a country or outside a country. Utilizing the diamond model, the future directions and solutions for the Chinese design industry with the identification of the new competitive factors were suggested.

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Design offshore outsourcing is under the service industry. Design offshore outsourcing is picking up gradually in China. It has quite a number of design houses with Silicon Valley offices. All these design houses are striving for survival on the global market. Most of these centres have few employees and some computers for the design work. The low cost advantage is the main reason for the offshore outsourcing on the global market. The design outsourcing is trying very hard to survive on the global market with some numerous issues associated with it, like no IP rights, the communicable language is English which is a barrier and it needs to be developed, there are no funds from the government and there is lack of robust engineering infrastructures. Business Process Outsourcing and Knowledge Process Outsourcing have already gained grounds in the offshore market. These markets have successful establishment that design outsourcing can learn from, so that it can attract more foreign projects. With China on the world number two on the economy of the world, its stronger straits is seen on the manufacturing industry but when it comes to the design

industry, it is actually trying to survive with so many challenges it is already encountering. With the assistance of Porter's diamond model, it gives a leeway to provide a competitive advantage to implement how to have a fierce competition both on the domestic market and the international market.

Design outsourcing is a form of outsourcing that deals with service related designs. The service related design outsourcing includes software services, architectural services, healthcare services and IT services. Cost is a big factor driving design work to Asia. Design outsourcing is about gaining and preserving access to local talent and thus, ensuring access to future growth in these local markets.

In China, the design industry is picking up and it has approximately 500 design centers, many of them with Silicon Valley front offices. As a matter of fact, China is still 10 years behind their U.S. counterparts in terms of advanced techniques. What China does have is a lot of small design shops, often running PC's with low-end layout tools. Protecting Intellectual property has become the biggest concern for foreign investors despite progress towards normalizing trade relations. The Chinese government is taking steps to formulate laws on protecting intellectual property but no action has taken place. If China wants to push the design work forward, it has to fully understand the I.P. protection rights in order to attract foreign projects. Concern mostly from foreign investors, is with the losing of their design work and the fabrication

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