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Good week

OIL Five months of steady increase took Brent Crude to \$125-plus, back to where it was a year ago and a mere Iran crisis or two from its all-time \$140s high in the summer of 2008, which had airline bosses in conniptions before prices, and the global economy, crashed. But now the International Energy Agency says in February Saudi Arabia hit a post-crash output peak and then prices edged back as the Kingdom hinted it would work to suppress prices.



Reo Features



Reo Features

BARBADOS These transatlantic rowers didn't need REDjet to reach the Caribbean island paradise but others might not get there now that the carrier has ceased flying after less than a year, blaming state-subsidised rivals for slashing prices to drive it out of business before raising their fares. The Boeing MD-80 operator had promised to turn Barbados into a major hub linking the Americas and Europe, but now it's just hanging on hoping for some government help of its own.

Bad week

ENGINEERING DAN THISELL LONDON

Outsourcing or offshoring?

Quest Global does some of both, and cutting costs is only part of the attraction

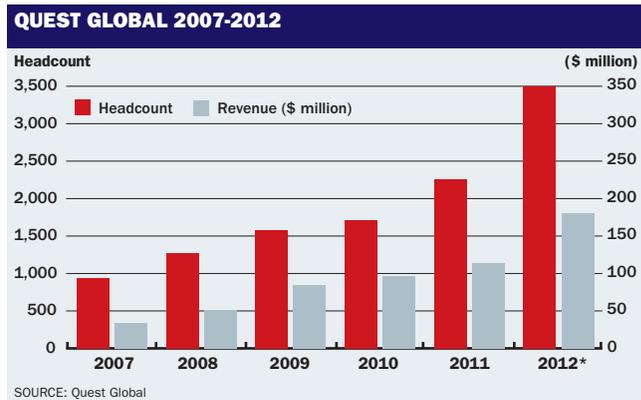
Boeing's well-chronicled difficulties in achieving its vision of decentralising much of the detail engineering on its 787 programme has highlighted the challenges inherent in such a scheme: even when partners are guided by a well-defined conceptual framework and networked through computer-aided design systems that allow real-time collaboration, the goals of faster working and reduced costs can clearly be elusive. However, the technical and financial scale and tight timetables of modern new aircraft programmes probably point to more widely spread risk-sharing in future rather than greater in-house control of the engineering.

In this context, it is interesting to consider the December 2011 sale by GKN – itself a typical tier 1 risk-sharing partner – of its Engineering Services outsourcing unit to Quest Global Services. Quest, founded in 1997 by India- and US-trained engineers Aravid Melligeri and Ajit Prabhu, describes itself as a “pioneer in offshore product development engineering”.

TAPPING TALENT

But although Quest does have a large pool of talent in India, offshoring is just part of its formula. The GKN deal added 200 UK and Australian engineers to take Quest's headcount to nearly 3,500 people in the US, Europe, India and the Asia-Pacific region. And as soon as the GKN deal closed, the company needed to hire 120 more – so it is now recruiting in Filton and Weston-super-Mare in the UK. Quest generates 40% of its revenue in the US (down from 100% at start-up), 50% in Europe and 10% in Asia-Pacific.

Speaking to *Flight International* in London, Prabhu – who serves as chief executive from global headquarters in Singapore – notes that firms like to keep engineering in-house, but typically need to outsource some work for three reasons: cost reduction, “surge capac-



ity” and specialist capabilities. Most – but not all – conceptual work is kept in-house.

Quest's business model is to focus on all three client needs and, crucially, to operate close to the client. “We believe in that,” says Prabhu, who adds that the GKN deal followed naturally after about four years working with it as a client.

Ultimately, the Quest business is about meeting clients' needs quickly, so, says Prabhu: “Hiring is our core competence.”

Quest hires a lot of engineers in their 40s and 50s, he says, and lures many out of retirement. Clients face a scarcity of engineering talent, particularly in engines and aerostructures, and often cannot cope with the demands of concurrent programmes, so they need to outsource some of the work. In the absence of big new civil aircraft programmes, that trend is likely to intensify over the next decade as companies seek to hold down costs while staying competitive in an environment characterised by continuous product development.

Prabhu also sees opportunities in defence. Government spending cuts are putting pressure on contractors, but contractors are still being asked for new product ideas. So a company like Quest can – by working closely with and locally to its clients – take part even in conceptual design and research and development.

In this way, a business built on providing temporary extra capacity or specialist expertise is also becoming an ideas factory. Quest's “local global” approach makes this possible, says Prabhu, but it takes years to build such a relationship and if Quest comes up with 20 ideas, it might see three taken up by a client. “We know where we can help them more than they do,” he adds.

Highlighting the proactive nature of Quest's client relations, a recent ideas forum the firm held for its own staff in Singapore will be repeated in the UK, he says.

The ultimate goal is to become a strategic partner, and Prabhu reckons the client appeal of such a relationship is that it is better than relying on the normal supply chain to retain technical knowledge. For example, Quest has 600 engineers dedicated to Rolls-Royce and in 2011 won a similar contract with Airbus to act as an offshore development centre.

The key to establishing that sort of relationship is to understand the value of outsourcing. As Quest vice-president Raman Subramanian puts it, the sales approach is to help a client identify its “crown jewels” that must be kept in-house and then convince them to optimise everything else.

“Engineering is not a commodity,” he says. ■



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