

India at the crossroads

Professional Outsourcing had exclusive access to this year's NASSCOM conference. What is India's mood in 2010? Alex Blues, head of IT sourcing, PA Consulting, reports

The 2010 India Leadership Forum of the National Association of Software and Services Companies saw the Indian IT-BPO industry emerge, blinking, into the light of world economic recovery. Organisers claimed record registration figures for the event: a very different picture from last year's conference, which took place in the eye of the recession, and as storms raged over terrorist attacks – and within the Indian services industry itself, the Satyam accounting fraud scandal.

NASSCOM 2010 was a 'who's who' of the sourcing industry: a hotbed of speculation about mergers and acquisitions and no longer just a flag-waver for home-grown entrepreneurs. Just about every offshore services destination came to NASSCOM to tout its wares – an encouraging sign of a confident Indian marketplace.

As NASSCOM Executive Council member and CEO of L&T Infotech, Sudip Banerjee, said: "People are back with new hope and believe that this year is going to be a much better year. Overall the industry is looking forward to mid-teen growth for 2010/2011, compared to minus or 0-5% this year, depending upon which side of the industry you belong. That is a huge jump."

However, the 18 months of global downturn has undoubtedly taken its toll. Indicative of the realism that has been hard won recently, Ganesh Natarajan, CEO of Zensar, was positive, but less upbeat. "There is still the toxic debt of the US. My own feeling is that business will be slower; more watchful. [Customers] will choose vendor partners much more carefully. I think about 100 firms will be doing extremely well in the next three years and 500 firms will be staying afloat, but it is going to be tough times for smaller companies."

Dominant themes for 2010

For the Indian software and services sector, the dominant themes for 2010 coming out of NASSCOM were outcome-based pricing, the emphasis on provision of value to the customer and the apparent move from delivering individual projects to instead developing delivery platforms for them.

Instead of providing a team, a set of objectives and then creating the methodology for individual customers, now suppliers are devising flexible frameworks for individual business sectors, sizes of businesses, and geographical territories, to which the nuances of the customer's needs can be applied. This is proving to be more cost-effective, while still retaining all the elements of high-quality customer service.

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Baru Rau, India CEO, Capgemini



Som Mittal: president, National Association of Software and Services Companies

Primarily, the offshore industry is no longer solely about cost reductions and wage arbitrage; it is about providing business value. This is a major change from the situation three or four years ago, when cost per individual per hour was the overriding factor. Combining this trend with a shift of emphasis towards outcome-based, rather than input-based, pricing models has

resulted in a significant transformation – not only in the method of delivery but also in the underlying ideology.

"In 2008/9 companies were wondering if they would survive," said Arijit Sengupta, AsiaPac CEO of global BPO specialist WNS. "In the last six months they have come out with a clear strategy, and outsourcing is often it."

Arvind Thakur, CEO of NIIT Technologies, said 2010 is all about "...cautious optimism. We do see some stability in the environment. We're no longer officially in a recession; economies are growing, although slowly, and there are pockets of opportunities. These mainly emanate from emerging markets, such as India and China."

Thakur outlined four types of service players that have emerged successfully out of the global turmoil: **pure contract service providers**, where the value proposition is providing the best possible price point; **IP players** who have put together intellectual property and are building a business around that; players who are investing in **infrastructure services**, and, last, companies that are sharply **focused on a key discipline**.

KK Natarajan, CEO and managing director of Mindtree, sounded a note of caution: "There needs to be a great deal more marketing and customer-centric

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**KK Natarajan,
CEO Mindtree**

language from suppliers. Some companies are using very generic messaging based on reducing costs and providing better quality of service. Instead, there should be a greater emphasis on explaining expertise in a particular vertical. This transition will be a very key element in any industry change."

The lessons of 2009 should not be forgotten, suggested Baru Rao, India CEO of Capgemini. "I think people are becoming extremely careful about ethics and regulatory compliance and have realised the potential problems of non-compliance. It was a wake-up call, especially for the people playing fast and loose in the grey zone."

Hot sectors for 2010

While Sudip Banerjee predicted that financial services, healthcare, telecoms and manufacturing will be the hot sectors for 2010, and that climate change issues and global security will be among the top trends, Suketu Patel, VP Strategic Global Sourcing at Infosys, observed that mergers and acquisitions will also top the agenda. He said: "Even in the last year, there was a substantial amount more consolidation than was expected, albeit not on the level of other industries. While I do not think that the industry will crash down to a big three, this is certainly an area to watch."

For some delegates, the crises in Western banking and automotives also present opportunities for deeper partnership and growth, helping customers in those sectors cut costs and operate more efficiently while at the same time sustaining their investment in, and competitive use of, technology.

It is clear that the recession has forced more end users to increase the percentage of work going offshore. The recession has been good for the industry, which is now leaner and fitter, while the downturn in the US and Europe has required companies to look at new emerging markets.

NASSCOM 2010 revealed that emergent trends within the services sector itself are cloud computing (software, platform and infrastructure delivered as a service), 'green-sourcing', sustainability and virtualisation.



S Gopalakrishnan: Infosys Technologies' CEO looks to a brighter future in 2010

For many in the industry, these are all part of the same equation: a move to a leaner, more service-driven partnership between customer and outsourcing provider that allows the customer to focus on core business. For the customer, this also has the benefit of switching the financial focus from the burden of capital expenditure (capex) to the predictability and liquidity of operational expenditure (opex).

The 1990s were dominated by software maintenance and development, and the 2000s by BPO. The 2010s will be dominated by infrastructure and systems integration, suggested delegates.

Abhijit Mazumder, head of Strategic Solutions at TCS, said: "In 2010, we are expecting a strong move to value-based outsourcing. To support this, building on a cloud-oriented infrastructure, we have developed a service platform offering that over 50 customers have deployed already."

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**Francois Enaud,
chairman and
CEO, Steria**

Ashank Desai, founder of Mastek said: "Cloud computing is a ray of sunlight. While it will not be a revolution, cloud computing will become a significant part of our business and services, that we will eventually all have to offer – probably in five or six years."

"The challenge for the industry is to change our commercial model and to adapt it to the client," said François Enaud, chairman and CEO of Steria. "It is firstly about productivity, and secondly about the clients' balance sheets. It's a big opportunity for us and a challenge in how to move from a solution-driven approach to a service-driven approach on a pay-per-use model."

In terms of a summary of the prevailing mood within the industry, Mastek's Desai spoke for the conference when he said: "In 2009, there was a sense of fear and uncertainty, but in 2010 there is a sense of relief – the first few rays of hope."



India 2010: to get ahead, wear lots of hats.