

Securing the Future of Indian IT

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By Stan Gibson

MUMBAI, India—India could be home to the world's dominant IT firms in 20 years—if. That was the theme of a panel discussion during the first day of the Nasscom 2006 conference here.

Arun Maira, chairman of the Boston Consulting Group, India, said that India could do in IT what the Japanese have done in the automobile industry, displacing American IT powerhouses just as Japan's car makers have superseded Detroit automakers as the world's leaders.

"Indian companies are low-cost and small just like the Japanese were," said Maira.

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"But what will be the shape of the industry in the next 15 years? Big changes start from small things," said Maira.

The consultant asked the audience whether in 20 years an Indian IT company could have the world's highest market capitalization. A significant number raised their hands.

Maira noted that things can change greatly in 20 years, pointing out that in 1985, the Soviet Union was a superpower and Japan was thought by many to be on the verge of global economic dominance.

In 2005, however, the Soviet Union has dissolved, while China and India are seen as ascending the world's economic throne in the next century.

But Indian companies must make adjustments to secure their place in the sun, said Maira.

"Indian companies have the low-cost base. There is not much variety and innovation yet."

Several panelists agreed that changes are needed.

Pramod Bhasin, president and CEO of Genpact, warned, "The day another country is cheaper than India, then we'll go there. We must improve processes. It's more important than cost arbitrage."

Vineet Nayar, president of HCL Technologies Ltd., seconded, "India will have to become more efficient, or China will do to India what India has done to the U.S."

"Software products will become more like appliances. You need to pay according to value." Customers are fed up by the value we're delivering to them," said Nayar.

Maira said Indian companies must be on the alert for new answers.

"We're flying into a fog and the old instruments won't work," adding, "Today's business is like driving on an Indian road. Unless you are course-correcting all the time, you are likely to have a fatal accident."

Next Page: Ramadorai remarks.

In separate remarks, S. Ramadorai, chairman of Nasscom and CEO and managing director of Tata Consultancy Services Ltd., voiced similar views.

"The cost advantage got our foot in the door. Then we added quality. Now we need innovation."

The next step, he said, is to spend more on research and development.

Although Indian companies must do this, Indian universities, funded by the Indian government must also do better, he said.

Part of the challenge faced by Indian companies lies in India itself.

"India needs a master plan," he said.

Although India produces many graduates with bachelor's degrees, its universities produce only 12,000 Ph.D. recipients each year—far fewer than what he said were the 40,000 awarded in the United States.

"We need to reform the Indian educational system. India needs fewer compliers and more skeptics," said Ramadorai.

He added that Indian engineers need to combine their technical skills with other disciplines, such as business and medicine.

Further, the current educational system is inadequate to produce the workers India needs, he said.

India could be facing a shortfall of some 100,000 trained people in its IT and business processing outsourcing industries, he said.

"We need to connect our population to our economic strengths. We need a national plan for distributed learning and greater broadband," said Ramadorai.

He urged that India can and should become a destination for microprocessor manufacturing and the discovery of new pharmaceuticals.

To read more about Oracle's deals in India, [click here](#).

"There is no reason why IT success can't be transferred to other industries."

B. Ramalinga Raju, vice chairman of Nasscom and CEO and managing director of Satyam Computer Services Ltd., echoed the view that Indian IT is at a turning point.

"The last 15 years is the end of the beginning." He said the Indian IT industry has grown 200 percent in 15 years.

"Ten to 15 years ago, it was about how many lines of code and at what cost. Now it's no longer about

technology, but about business value," said Raju.

Next Page: Friedman keynotes.

Thomas Friedman, New York Times columnist and author of "The World is Flat," a bestselling book that popularized awareness of the global economy, including Indian outsourcers, delivered a speech based on the material in his book and received an award from Nasscom.

Friedman noted in his book that Nandan Nilekani, chairman of Infosys, told him two years ago during an interview, "Americans are not ready for a level global economic playing field." That warning spurred him to write his book.

He termed the globalization currently under way, "The mother of all inflection points."

"In a flat world, there is no such thing as an American job any more. It will go to the person in the flat world who can do it."

With India, China and Russia becoming full members of the new global economy, some 3 billion new workers will be available, and even if only one-tenth of those fully participate, at 300,000 that's more than the population of the United States, said Friedman.

A toehold in Europe

Another panel dealt with the question of how Indian firms can better succeed in Europe.

In contrast to the United States—which panelists praised as the most open environment for foreign companies to gain offshore clients—Europe, it was agreed, is far more closed.

Standing in the way of offshore agreements are labor laws that can make layoffs very costly for companies that would send work elsewhere.

There is also what several panelists called the emotional reaction against the practice.

To overcome that, panelists agreed that Indian firms need to hire local recruits, especially for customer-facing jobs.

As Indian firms become more skillful in addressing these issues, the larger ones will try harder to get work in Germany and France, the two most resistant countries, said Vijay Khare, executive vice president and global delivery coordinator for Patni Computer Systems.

Despite the challenges, Deutsche Bank has been outsourcing successfully with several Indian firms for several years, said Simon Fanning, strategic sourcing program director for Deutsche Bank, who declined, however, to name the companies.

He said he has a program to teach project managers how to deal with Indian firms.

"But we also need to teach Indians about Germany and Deutsche Bank culture. The culture shock goes both ways."

Arvind Thakur, CEO of NIIT Technologies Limited, acquired a company in Austria to provide a local presence, which he said is particularly required in Germany and France.

"There are huge opportunities for Indian companies in Europe, but only those with a strategy will win."

said Fanning.

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