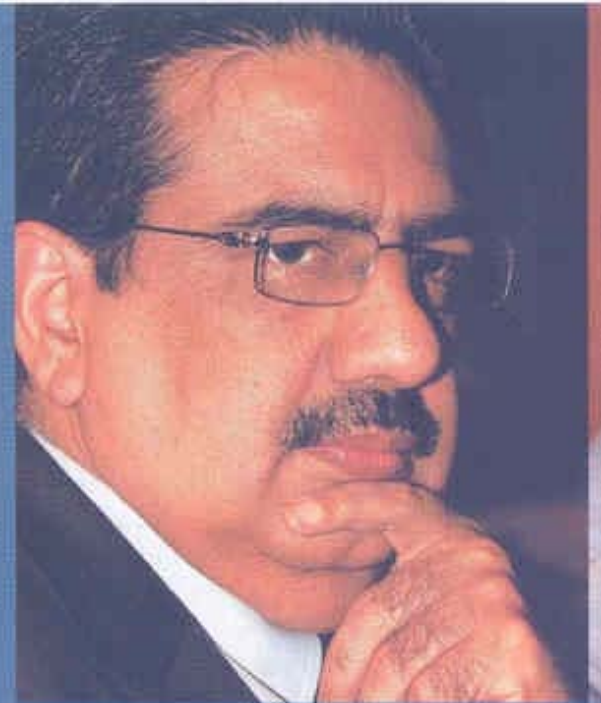


“There’s no substitute for real expertise”



“The customer is now asking for lasagna (or meal for a dollar), he’s not asking for discrete pieces”

VINEET NAYAR, PRESIDENT, HCL

The Nasscom Leadership Summit 2007, like the meets in earlier years, saw leaders in the IT and ITES sectors in the country and overseas make a beeline for The Grand Hyatt in Mumbai. Hotels were booked. Flights were full—you couldn't get one ticket on any full service airline from Bangalore to Mumbai on the day the summit kicked off. And at the venue, every area—from the lobby to the coffee shop to the lounges—was packed with IT head honchos on a networking drive. IT services companies were making sales pitches to prospective clients and their advisers over coffee, tea and, in the evening, Scotch on the rocks. All this, as 20 sessions over three days covered subjects ranging from 'CEO predictions for 2008' to 'The possible reversal of offshore delivery'. Amidst all this, Outlook Business decided to conduct, in association with Nasscom, a closed door

panel discussion on 'The Changing Rules of Competition in the Global Tech Marketplace'. **Alistair Cox**, Chief Executive, Xansa, UK; **Dennis McGuire**, Chairman, TPI (a consultant and adviser to outsourcing companies); **Pramod Bhasin** President & CEO, Genpact and **Vineet Nayar**, President, HCL Technologies; were the panelists with **Sonal Sachdev** playing the moderator. And while the debate was intense with its lighter moments and jibes here and there, no sparks were flying. The reason: Bhasin and Nayar just couldn't stop having friendly digs at each other every now and then. We bring you the excerpts.

SS: Outsourcing is evolving from a pure cost play into a strategic management tool to achieve a business outcome. How does that change the rules of the game?

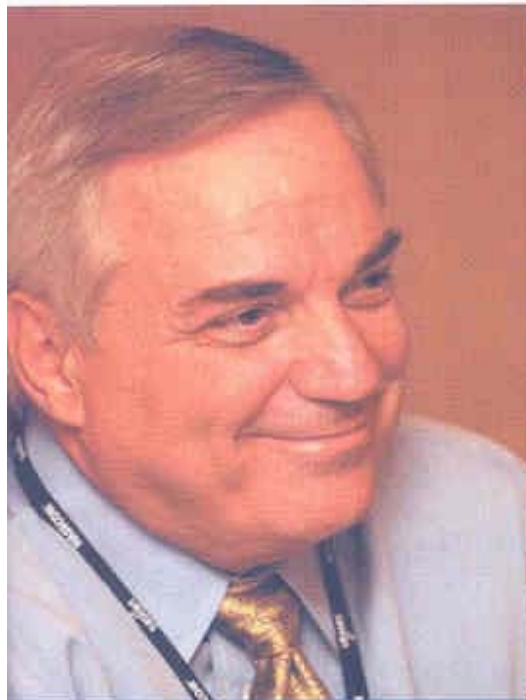
Dennis McGuire: When we meet

our clients, we tell them they have choices in terms of how much savings they would like to make. If they would like to do what they are currently doing with onshore resources, they can save, maybe, 8-10%. But, if they are willing to standardise on best practices and want to leverage offshore resources, they can save 40-50%.

SS: What are the key characteristics customers look for in their IT vendors to get this 40-50% saving? Are we moving towards an age of deeper specialisation?

Dennis McGuire: Absolutely. In application programming and maintenance, you can be generic around industry, so the real key now is to focus expertise on a specific industry vertical, with a specific process. You have to demonstrate real expertise there.

Pramod Bhasin: There are a lot of companies still dipping their toes in the water. But for companies which started doing this sometime ago, out-



“Indian firms, especially in the BPO and applications arena, can be at the table with any deal size”

DENNIS MCGUIRE, CHAIRMAN, TPI



“For companies that started focusing on specific processes, outsourcing is already a strategy”

PRAMOD BHASIN, CEO, GENPACT



“The clients now just don't want us to look after their technology but want to know the outcome”

ALISTAIR COX, CEO, XANSA

sourcing is already strategic. Yes, you get the cost savings, but what they are looking for is also what happens next.

Alistair Cox: I agree with Pramod that there's still a bit of a spectrum of clients who are starting to dip their toes into the water and are looking for that 40-50% headline on labour arbitrage cost savings. Then there are organisations that have been here for a while (with their own operations or working with an external organisation) and for them outsourcing has become very strategic. They've taken Year I and Year II labour arbitrage cost savings and are saying what comes next. I see an acceleration of the desire to move away from “look after my technology or tell me what's the right one and I'll run the processes myself” to “what's the outcome”.

SS: So you're saying that vendors need to move up the value chain and deepen their capabilities?

Alistair Cox: You have two choices

actually. It's not like everybody must move up the value chain. You either become the lowest cost supplier or you go down the specialisation route.

Vineet Nayar: Let me present to you a third business model. The way I see the evolution of IT services, it started with what I call ‘toss the coin’ outsourcing (the core coin moved from Europe to India or US to India and there was a cost arbitrage—that was the toss of the coin). After that we went into what I call ‘vegetable vendor’ outsourcing—that means I have a banana, I have an orange or I have an apple and we may call consulting and launch a separate company and say I'm the biggest and I'll compete with Accenture and I have enterprise consulting services and a bit of BPO. We became vegetable vendors—giving customers an apple, and an orange and an onion.

While that model on a piece of paper looks good, I think it's becoming obsolete. If I am a financial ser-

vices company and I'm spending 12-13% of my revenue on IT—when I say IT, I mean IT, BPO (everything is together)—most customers today are thinking IT intensity and they are asking if they can bring this 12% down to 10%. The vendors who contribute to reducing this IT intensity will succeed. The customer is now asking for what I call the ‘lasagna’ (or meal for a dollar), he's not asking for discrete pieces.

SS: Do we see some large IT outsourcing deals being broken up (like ABN Amro) into smaller sort of pieces? Is this the start of a trend?

Dennis McGuire: We were the advisers to the ABN Amro transaction and I think that's exactly what you're going to see. There was a trend to try to do everything—very large transactions—but now there is a very clear trend towards best-of-breed, especially in a very large transaction where there is a lot of infrastructure

involved. In general, I think you will see a lot of transactions with the same thing—the infrastructure will go with a provider who is willing to take the assets. On the other hand, the application providers will be separate and increasingly they will be Indian firms.

SS: And how do Indian firms compare versus the multinationals?

Dennis McGuire: We talk a lot to our customers about multinationals

the Indian players in the global marketplace?

Pramod Bhasin: I truly believe there is a difference—between working in an organisation where the seat of decision making is right there and working offshore. So, I certainly play out with my customers that if you have a problem in your processes, I'm sitting right here, not 6,000 miles away so you will get my attention right away. I'm not just running a

miles away and in a time zone which is different. How much experience do multinationals have of transitioning jobs from the US and Europe into these countries and, if you just cut that and make a market share pie of it, I would believe Indian companies will be at par, if not bigger, in that market space.

Dennis McGuire: I think that's a fair point, though I would take a multi-year perspective on this. And the point

PHOTOGRAPHS: SHOME BASU



versus Indian firms. We did a significant survey a year ago in which customers said they really couldn't tell on an average any difference between their in-house people, the multinational consultants or the Indian firms. And when you looked below the covers you found that Indian firms were rated higher in terms of access to skills and process knowledge while the multinationals were rated higher in terms of industry knowledge, ability to develop long-term relationships and account management kind of capabilities. We're seeing—especially in the applications and BPO arena—that Indian firms can be at the table from any size of the transaction and, in fact, from a TPI point of view we want them to be at the table.

SS: In terms of the MNCs being here and acquiring here, how does that change the competitiveness of

WITH A POSITIVE OUTLOOK: Alistair Cox, Dennis McGuire, Vineet Nayar and Pramod Bhasin at the Nasscom Leadership Summit 2007, in Mumbai

delivery centre where core operations are being done somewhere else. I think that's a very important distinction—of course, people will have other arguments about it—but to me I think it matters to the customer.

Dennis McGuire: If you look at, the India operations, and their ability to leverage Indian resources, it's an integral part of the Indian service providers' DNA, it's a natural kind of thing. One of the reasons why we want Indian firms at the table with us to negotiate with the multinationals is to force them to leverage global resources, primarily Indian resources.

Vineet Nayar: I have another point of view—I think we are comparing apples with oranges. We're talking about a customer who has decided to outsource to a country which is 1,000

I would make is that clearly the kind of things that Indian firms do now, they have an advantage. We're talking here about skills, tools, programming, running the computers and things like that. In defining new organisations, change management and those kinds of capabilities, multinationals at the moment have an advantage. So if you're talking about transitioning, which is changing rapidly but is primarily time & material kinds of services, clearly Indian firms can do that. But if you talk about the more sophisticated services and being able to use those services effectively in global companies then it's really about domain knowledge and change management, and lots of people on the ground in those locations versus people in India and Vietnam. □