

## Volume 2 / Issue 2 2007 - Features

### Indian IT and Europe

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Offshore IT is principally about India. Indian IT firms pioneered the offshore IT delivery model – not the Americans, as is often assumed.

Secondly, for over 15 years, Indian IT has involved much more than low-end coding (or, for that matter, contact call centres, which account for barely 5% of Indian IT revenues). Indeed, by the mid-1990s, IT firms in India claimed more US Defence Department inspired Capability Maturity Model (CMM) certifications – the software industry's highest quality standard - than America and Europe; they continue to do so.

Thirdly, India has leveraged a strong presence in the heart of the American IT industry. A Duke University report in January 2007 stated that "Indians have founded more engineering and technology companies in the US in the past decade than immigrants from the UK, China, Taiwan and Japan combined." The above factors have had a significant and lasting impact, in several ways.

#### Comparative Perspectives: Indian IT and the World

Indian IT exports are rising at 25-30% a year. Already about 30 billion Euros, this figure is leagues ahead of its rivals. Indeed, India's offshore IT industry is larger than all its competitors put together. It is seven times the size of China, 20 times that of Russia and 60 times Romania's.

More startlingly, individual Indian companies like Infosys, Wipro and Tata Consultancy Services (featured in an HITM

interview in this issue) have revenues equivalent to China's entire offshore IT industry; in recognition of this, the Chinese gave TCS majority holding in Zhongguancun, their first offshore software park (with Microsoft also a partner).

#### The Americans and the Indians

As a result, the real battle lines being drawn by Indian IT firms concern their American competitors, such as CSC, EDS, Accenture, and, above all, IBM. American financial markets strongly endorse the Indians. Since several years, large listed Indian IT firms boast valuations higher than EDS or Accenture, and many times more than their principal European competitors Cap Gemini or Atos Origin.

This, however, does not mean that American IT is sitting still. Driven mainly by Indian-American technology professionals (some 60,000 of who have returned home in the past few years), US firms have steadily beefed up their Indian presence. Accenture will soon join GE, the symbol of America Inc., in employing more in India than the US. Overall, according to IT industry publication Computer Business Review, the 50 largest IT services firms already have 430,000 of their total staff of 1.7 million employees located in India, or more than 80% of their entire non-Western workforce.

#### Europe and Game India: Too Little, Too Late ?

By and large, Europeans have been late entrants to Game India. Cap Gemini's recent acquisition of Kanbay, a medium-sized IT firm, will mean an eventual Indian workforce of 12,000. This is four times lower than IBM's 50,000 (targeted to rise to 85,000 - as part of a \$6 billion investment), and well below staff strength at any of the Big Indian IT firms.

Such numbers have significance for Europe in the light of a real-world example. Europe's first end-to-end bank outsourcing contract, from ABN-Amro in 2005, was marked by the absence of any European player, not even the bank's fellow Dutch firm Atos Origin. The order was carved up by Indian IT firms, plus IBM and Accenture.

More significant was the award to Indian firms of some of the highest-value chunks of the order: application development and re-engineering, rather than facilities management.

#### From SoA to Packages: A Growing Indian Face in World IT

In short, there are now major qualitative/strategic factors at play in the world IT landscape. After opening a high-end Indian R&D centre, IBM announced the shift of global development and delivery for its emerging Service Oriented Architecture (SOA) to Bangalore.

Even the package option has an increasingly Indian face. Since 2003, Oracle has consolidated development and delivery for its own products plus those of PeopleSoft and J.D Edwards – which it acquired - to its 15,000-strong (and growing) India operation. Partly in response, Europe's SAP has followed suit. By 2010, SAP plans to double Indian headcount from the current 3,500 (its largest outside its home market, Germany) to 7,000 (larger than Germany).

The imperative of an Indian presence for companies like Oracle is highlighted by its billion dollar buyout of India's i-Flex (the world's largest vendor of banking packages for the fifth year in a row). The acquisition is aimed at positioning Oracle against IBM and Sun in the future banking back-office modernization space. Oracle's corporate Website notes that India is home to "the highest number of certified (Sun) Java architects in the world."

### Indian Healthcare IT in Europe

The years ahead will see Indian IT firms seeking entry into Europe through several channels.

The first will be via acquisitions – mainly of mid-sized European IT firms in the 50-200 million Euro space. Another will be to leverage the high-capacity/quick turnaround (rather than low-cost) card – especially for projects with political/strategic mandates. Europe's engineering blue chip, Alstom, for example, has invested more than one third of its global R&D budget in a facility at Indian IT giant Infosys. Troubled Airbus is also following, though not yet on the scale of Boeing which has outsourced its 777 Dreamliner project to India's HCL Technologies. In Britain, some industry sources expect that recent delays with the NHS modernisation programme may see TCS' huge offshore capacity deployed in a rescue act (see previous article and accompanying interview).

Such last-minute Save Us scenarios (along the lines of Year 2000 and Euro conversion projects) may again provide pickings for Indian IT firms, or for US and European firms with a strong India presence. This would be especially true if there is a mismatch between skills availability in Europe and the objectives of large-scale IT projects such as those in e-Health.

Indian IT firms are also seeking European healthcare opportunities with new products and solutions. iMedOne, for example, is a successful India-developed hospital information system (HIS), now being implemented at German, Dutch and Nordic hospitals by TietoEnator.

Evidence of the scale of Indian healthcare IT ambitions was at the 2007 Med-e-Tel conference in Luxembourg, when a small Indian firm called Sobha Renaissance announced launch of ACTchange, an Integrated Health Care Exchange (iHCx) framework designed to work securely and flexibly with existing systems in hospitals - including legacy platforms. Sobha has deployed and tested modules for oncology, neurology, cardiology, pathology and radiology. ACTchange's biggest plus point, according to the company, is that it is platformindependent, cost-effective and patient-centric. Its services driven model eliminates the need to constantly keep up with a technology market in permanent flux.

Company	Market Capitalisation (US dollars)
<b>Indian</b>	
Tata Consultancy	28.50 billion
Infosys	28.13 billion
Wipro	23.74 billion
Cognizant Technologies	11.29 billion
Satyam Computer	8.45 billion
<b>US and European</b>	
IBM	158.26 billion*
Accenture	24.30 billion
EDS	14.66 billion
CapGemini	11.03 billion
Computer Sciences Corp.	9.80 billion
Atos Origin	4.25 billion
Unisys	2.89 billion

\* - includes hardware

Source: HITM

To conclude, Indian IT already has a foot in the European healthcare market, and can count on its inherent strengths (above all in terms of balance sheets, management and manpower, as well as cost and proven delivery models) to grow further. The challenge for European healthcare IT managers is to find ways to leverage this imaginatively to their advantage. As HITM's interview with Indian IT giant TCS shows in the following pages, the Indians seem ready and able, as long of course as the Europeans are willing.

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