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Outsourcers Immune to Recession - So Far

By Ryan Goldberg

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It's been no secret that companies are taking great lengths to cut costs (and employees) and conserve cash whenever possible. One option that companies are embracing to do just that is outsourcing.

"It's a boon for outsourcers right now," David Zahn, COO of Austin, Texas-based **Consero Global Solutions**, told me recently. Consero outsources accounting work to India for its clients, and it has seen a dramatic rise in its business in the last two months. Zahn said Consero's pipeline has doubled since the summer. Most of its clients are mid-size companies with 200 or fewer employees.

"The wicked downturn has spurred companies to go look at something else," Zahn said. "They come to us to save costs."

Consero's Indian office is in Bangalore, where it's not alone. Bangalore is considered the Silicon Valley of India because of its unparalleled position as the nation's leading IT employer and exporter. India's top four outsourcing firms -- Tata Consultancy Services, Satyam, Wipro, and Infosys -- are stationed alongside the growing outsourcing businesses of American global powers like IBM, Hewlett-Packard, and Accenture.

So far, the US-led economic downturn hasn't badly hurt India's top firms. At the end of October, Wipro reported a 1.2% rise in second-quarter profits, and Tata Consultancy's picked up by 1.5%. As for American companies, Hewlett-Packard noted that its global reach helped it surge past earnings estimates on Tuesday.

Despite this news, the situation is still challenging for India's outsourcing industry, and the big players involved have expressed concern. According to reports, outsourcing companies have already pulled back on new office space and leases.

The United States contributes more than half of the industry's revenue, and much of that business came -- until now -- from financial-services companies. The wreckage in US finance has removed some big clients. In the first half of 2007, financial companies

handed out at least 48 major outsourcing contracts -- in excess of \$5.5 billion -- according to researcher ValueNotes. The comparable period this year saw 8 such contracts with a total reported value of \$767 million.

That said, Infosys's chief executive officer, Kris Gopalakrishnan, told Bloomberg TV in an recent interview that he expects the allocation for outsourcing to increase as companies look to cut costs and boost efficiency, because, as he said, outsourcing in India is "faster, cheaper and better."

Fortune 500 companies have embraced outsourcing for decades, but there remains a lack of awareness among small businesses, David Zahn of Consero told me. But this too seems to be changing.

As *Business Week* reported in early July, "Main Street businesses from car dealers to advertising agencies are finding it easier to farm out software development, accounting, support services, and design work to distant lands." Web sites such as Elance, Guru.com, Brickwork India, DoMyStuff.com, and RentACoder are benefitting from this trend.

In his 2007 best-seller, *The 4-Hour Workweek: Escape 9-5, Live Anywhere and Join the New Rich*, Timothy Ferriss bangs the drum for outsourcing at the individual level. He suggests freeing up time by hiring cheap offshore "virtual assistants" to handle scheduling and other everyday tasks.

I agree with Ferriss. Outsourcing mustn't be the strict domain of businesses any more.

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