

## EDITOR'S NOTE



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## Past the Half Way Mark

The global outsourcing industry has had a record performance in the first half of 2008, both in terms of Total Contract Value (TCV) and Annualized Contract Value (ACV). It has been the best year ever since 2000. And, analysts find no reason to believe that the trajectory would reverse in the second half of the year. According to TPI's Q2 '08 and H1 '08 index, the broader outsourcing market grew by 7 percent in terms of the number of contracts — 24 percent in terms of TCV, and 36 percent in terms of ACV. Good show.

The last three quarters send a strong signal of Europe being the new center of gravity in large outsourcing deals. The region has seen an unbroken trend of strong contract activity quarter over quarter. And this is happening on its own; it's not that America's fall is Europe's lead. The primary reason for this growth story is that Europe is in a different time and phase on the outsourcing curve than America is and, in many ways, it lags the trend that America follows. European contracts are larger in size, broader in scope, and have much to do with the management of IT and network infrastructure. And this trend is symptomatic of a shift from a shared services model that Europe has been following for years. America, on the other hand, is more sophisticated; the leading trend here is that it has been moving away from umbrella deals by farming out smaller chunks of specialized activity.

All of this might suggest that the economic slowdown and the financial crisis in the U.S. have had no impact on the global outsourcing industry. For sure, the U.S. market has been exhibiting some softness. In H1, deals in telecom and manufacturing segments found favor while the financial-services segment in the U.S., especially the capital market, remained subdued. But in the broader context, U.S. corporations have been slow in taking up new outsourcing activity at the same clip as before. Perhaps that explains the alarmist posture adopted by and doomsday outlook given by some of the large Indian providers recently. But, given the overall strength of the outsourcing market, I would rather agree with TPI's Peter Allen ([www.considerthesourceblog.com](http://www.considerthesourceblog.com)) that there's a lot of expectation management going on. **GS**