The Indian Software Industry is the uncrowned king in the outsourcing of software services now. Despite the current recession, which was always in the offing, once the boom got going, most software companies are facing the crisis head-on. They have shifted emphasis to off-shore projects since the on-site software development has virtually come to a standstill. They have started to scout for newer markets, improve on the per capita efficiency, concentrate on future technologies, revamp their organizational and marketing structure. In short the companies that are taking the slowdown as an opportunity to reorient themselves in the new scenario are creating the foundation for a long innings in the IT sector while those that are wary about taking the hard steps will soon find the going tough.

From very humble beginnings, the Indian IT Industry has grown at an exponential rate over the past 10 years doing Rs.10000 crore of export, fetching for India valuable foreign exchange, propping up the Indian Stock Market with its share prices reaching dizzying heights before the scam, and employing over 2 lakh professionals with this number poised to rise to around 20 lakh in another 3 years. India missed the Agrarian, Industrial and the early Computer Revolutions but became a global player in the IT revolution because of two main factors-opening up of the markets and India's cheap and vast manpower with knowledge of English. Right from 1991 to 2000 Indian companies grew at a mind-boggling rate of 200-500% attracting lucrative projects from companies all over the world, especially the US. The recession that we see now is partly attributed to this phenomenal growth rate which to be maintained, was always going to be a tough proposition. The initial spark that triggered the recession was the slowdown in the American manufacturing industry, then aggravated by the collapse of Dotcom companies and then the last nail in the coffin was the sudden discovery that most companies did not have any more projects to hand out. In other words, most companies did not need any major software development.

With the recession, most companies have drastically revised their organizational and marketing strategies. The share of on site work has come down as most foreign companies prefer to sustain as much of their own employees rather than outsiders. Companies in India have now shifted gears doing off-shore development which is much cheaper. They have started
looking at the European and Japanese markets which have not yet been affected by the slowdown. Other markets which they are tentatively eyeing are the Australian, South American and Middle East markets. Most companies have decided to tide over the problem of reduced profits by resorting to layoffs and cutting down heavily on fresh recruitment. These are measures to bring down the numbers on the bench which have been increasing for some time now. The focus on web centric software development which used to be their prime revenue earner is a thing of the past and these companies are concentrating now on the banking and the e-governance sectors. Even the high flying companies are doing the low grade maintenance work for their clients to create good relationships in the hope of getting a big project from them sometime in the future.

Despite the bravado that most software companies still put up it remains to be seen how many of the smaller ones can survive, if the recession doesn't end soon. Fly by night operators who wanted to make a quick buck from the high ratings software companies get in the stock market along with poor quality of support which Indian companies provide are destroying the credibility of the industry. Moreover the Chinese and the Russians have begun warming up to the act. Their governments are aggressively promoting software training and Chinese professionals come cheaper at $3000-4000 per year compared to an Indian professional who earns on the average about $8000 per year. Another challenge that Indian companies are facing is that most corporations prefer to keep the most lucrative projects for their employees and leaving the crumbs for the Indians to brush up.

But the future seems to be ours—that is if we are careful. Our companies are able to provide the right training and have been able to continuously improve their knowledge base. They have used the new technologies effectively winning customer satisfaction and we have something the Chinese and Russians do not have—the experience in dealing with foreign customers who are very quality conscious. The recession is on its way out. The markets are looking up. The hype of yore will be a distant memory. To be realistic the software industry is going to stabilize at this point but opportunities will beckon soon. The weeding out is getting over. The dotcomers and Y2Kers have to swallow the bitter pill. The bottom line is they are not needed by the software industry any more. But for the others like u and me, the future is rosy, albeit a bit hazy, right now.