

Getting the IT-BPO Industry Future Ready

It was more about the 'how' rather than the 'what', more about execution of strategy rather than its conceptualisation. It was a more action-oriented agenda at the biggest IT conclave in India with eminent speakers from near and far talking about what the Indian IT-BPO sector needed to do next. Here's how it happened:

1,700 participants, up from 1,300 last year, made the 18th NASSCOM India Leadership Forum 2010 (NILF) the largest ever IT-BPO industry meet organised in Mumbai. The huge number of registrations were also an indicator of the change in the environment and market outlook, that seemed to have altered from bleak to positive. In fact, an air of optimism and energy defined NILF 2010 – a reassuring sign, that with the global downturn finally lifting, the business sentiment in India was also slowly returning to normal.

It seemed like the good old days, with projections of heady double digit growth figures warming hearts and building excitement about future growth opportunities.

Day 1 began with Som Mittal, NASSCOM President, Pramod Bhasin, Chairman, Harsh Manglik, Vice Chairman and Ashok Chavan, Chief Minister of Maharashtra, inaugurating the conclave by lighting the traditional lamp.

Discussions centred around how India's IT-BPO industry could reach a combined revenue of USD 225 billion by 2020, if it maintained a growth rate of 11 per cent annually. This growth was expected to come from sectors such as retail, healthcare and government spending. Asia Pacific was likely to emerge as an important source of business.

Hiring too was back, the NASSCOM stalwarts emphasised. Indian IT-BPO companies, including leaders such as Infosys, Wipro Technologies, TCS, Genpact, Cognizant, L&T, among others, had already begun hiring in significant numbers and had ambitious plans to increase manpower over the next few years.

Financial services were expected to continue their winning run and account for a major chunk of the business going forward, alongside the healthcare and government sectors.

Delivering the inaugural address, Mr Bhasin said that the key challenges the IT-BPO industry would face in the year ahead, were protectionism and sustained unemployment in developed nations.

This discussion kicked off the three-day conclave, with its imaginative mix of themes and subjects, thought provoking debates and stimulating keynotes. Several burning issues were taken up at the conclave and discussed in details by business and thought leaders, analysts, CIOs and prominent government functionaries. Here's a look at the subjects and sessions that drew the most eyeballs and ears!

Does India need a CIO?

A riveting discussion at the meet, was about whether India, like its peer nations including the USA, UK, Canada and Australia, needed a federal Chief Information Officer (CIO). In this

exclusive discussion, R Chandrashekhar, India's IT secretary, John Suffolk, UK's CIO, Som Mittal – President, NASSCOM, and Rodney Nielsestuen – Senior Research Director, TowerGroup talked about how India was set to spend nearly USD 6 billion on IT over the next few years, and therefore needed to evolve more effective processes for the procurement of IT services and products.

At the same time, it was suggested by the speakers, that given the mammoth size and scope of India's IT-led transformation projects such as the Unique Identification programme, it was a better idea to have several project champions who would act as change agents.

A CIO meanwhile, it was felt, had to be a person with an understanding of the relevant processes, someone who could envision how IT could be used to change the way services were delivered to the citizens of the country. A major challenge before the CIO was changing the various underlying processes and constitutional laws for the smooth implementation of e-Governance.

e-Governance catalysing the Indian domestic market

NILF also focused on the high growth being witnessed by the Indian domestic IT-BPO market with all leading companies addressing the sector and concentrating on government projects. e-Governance in fact, was expected to be a major growth driver for the IT-BPO industry.

It was pointed out by the IT secretary, who participated in this session, that the centre was planning to spend about USD 4 billion on information technology and e-Governance in fiscal 2011. From the forthcoming Budget, the union government was also planning to make it mandatory for states to spend around 2-3 per cent on e-Governance and IT.

Speakers at the session also talked about how NASSCOM could help the government realise the objectives of inclusive growth by leveraging ICT. Som Mittal, for instance, highlighted NASSCOM's sectoral partnerships with organisations such as ACMA, APDRP and NMCC, to promote IT adoption. NASSCOM's contribution to the National Institute of Smart Governance (NISG) – a centre of excellence in the e-Governance domain set up in partnership with ILFS, the Department of ICT, Ministry of Personnel, public grievances and dispensations and the governments of Chhattisgarh and Meghalaya – was also discussed.

NISG is helping implement major e-Governance projects by interacting closely with all stakeholders, assisting in project formulations and management, capacity building and research to create a platform for public private partnerships.

The NASSCOM President added that going forward, the association would focus on enhancing linkages between industry and government, building frameworks for outsourcing and procurement efficiencies for government contracts, hosting a solutions showcase portal for creating a collaborative platform for e-Governance and facilitating solutions services with special opportunities for emerging companies and MSMEs.

Linear or non-linear?

Another important theme explored by the thought *gurus* at the NILF was whether Indian IT-BPOs should shift to the performance-based income generation model or the non-linear model from the traditional project-based linear model. The non-linear model goes beyond adding employees or focusing on headcount.

This question was answered by a panel of business leaders, who participated in a session titled: 'The big picture – what to expect and plan for the next decade.' Girish Paranjpe, Joint Chief Executive Officer, Wipro Technologies, Krish Gopalakrishnan, CEO and MD of Infosys and Pramod Bhasin, Chairman, NASSCOM felt that organisations needed to convince markets and analysts about the new model, which was long-term and would take time to evolve. The industry think tank also believed that companies had to set up internal targets and be prepared for the changes. Of course, there was an acceptance that many leading IT-BPOs, including Wipro, HCL, TCS, IBM, Infosys, Satyam, Genpact and NIIT Technologies had already embraced this model and were actively pushing their non-linear business and outcome-based projects.

They had already implemented a host of non-linear initiatives such as the re-use of assets and code, the creation of templates and intellectual property and the use of platform BPOs. About 20-30 per cent of business was now coming from this new channel, the speakers informed, adding that it was customers that would drive this segment.

A change of business model by Indian IT-BPOs was also suggested by James A Champy, Chairman of Dell Services' Consulting Practice. According to Champy, Indian IT services providers needed to change their business model by broadening their offerings and scaling up the local interface with clients in the next few years to compete with global rivals. This was imperative if companies wanted to avoid the commoditised space, which brought with it pricing pressures.

The NASSCOM President further added that going forward; the association would focus on the following:

- Enhancing linkages between industry and government
- Building frameworks for outsourcing and procurement efficiencies for government contracts
- Hosting a solutions showcase portal for creating a collaborative platform for e-Governance
- Facilitating solutions services with special opportunities for emerging companies and MSMEs

In Focus

"Indian companies have started with applications development and maintenance running the infrastructure and support services. The next progression is consulting strategy and use of technology. Beyond that is business strategy, how businesses can be enabled by IT. The game in the services business is to own the relationship with clients." Champy said.

Partnerships, the way to go

An interesting session at the NILF, was the discussion on 'Next generation partnerships – taking partnerships to the next level.' Saurabh Srivastava, Chairman of CA Inc., and the Chairperson for the session began the deliberations by talking about how the business models of the future would be determined by partnerships. Since user expectations regarding the delivery of products and services had changed and speed, quality and cost were becoming critical, companies needed to come up with a value proposition, which needed to improve on a continuous basis.

This trend had created a need for effective partnerships, that brought complementary offerings and advantages to the customer table. With IT-BPO companies moving towards the non-linear growth model, partnerships were becoming even more relevant, Srivastava commented. He referred to the NISG project as well as the UID initiative, which demonstrated how partnerships could make a difference. Partnerships he added, combined the brand equity, in terms of the goodwill and reputation, of the companies involved.

New directions post the economic slowdown

Day 1 concluded with a very interesting discussion on 'Marching onward – new directions for growth in the post crisis economy.' Deliberating on the issue were Adil Zainulbhai, Director, McKinsey & Co., Pramod Bhasin, Stephen Roach, Chairman, Morgan Stanley and Vineet Nayar, CEO, HCL Technologies. Sharing his views on the opportunities for growth post the

global economic slowdown, Roach stated the recovery following such a sharp recession was not going to be easy, particularly in Asia, which depended on external demand. China and India, constituting 40 per cent of the world population, and around 2.5 billion consumers, would lead the recovery, he said. According to him, India's strengths lay in its educated workforce and macro environment.

Adil Zainulbhai, meanwhile spoke about the global megatrends that would sweep the world in the next 5-10 years. In his opinion, these would include the rise of Asia and Africa as the hubs of economic activity, the growing importance of the demographic dividend for countries, the proliferation of Internet and broadband, especially in Asia, and the push towards greening the environment.

Pramod Bhasin also highlighted the changes taking place in demographics worldwide and at how India was in an advantageous position to leverage the demographic dividend. He added that global outsourcing was reaching a turning point, which would lead to changes in the pricing models. Globalisation of services, and assured delivery were the way to go for India, especially while foraying emerging and sub-emerging economies. Disruptive innovation, he added would enable companies to offer a range of products and services at a fraction of cost, hitherto unthinkable.

Vineet Nayar focused his talk on the manpower development issue, crucial for the continued growth of the IT-BPO industry. The education system, Nayar said, would prepare individuals with the right mix of knowledge, intelligence and skills and that people would have to learn to multi-task, which would necessitate a change in organisational structure. He added that managers would have to learn to manage change and use innovation to drive radical transformation.





Going beyond the buzzword

The biggest buzzword doing the rounds at NILF this year was Cloud Computing – the technology that's expected to radically change businesses. As organisations move to the Cloud, they will cut investments in capital assets (such as servers) and allow users to opt for a 'pay-as-you-use' model. Cloud Computing is a global opportunity for the SME sector to foray into international markets and make a difference in their scale of operations.

In order to spotlight the emergence of Cloud Computing, a special session, centred around the theme 'Working in the Cloud: The business factors, drivers and values,' was hosted at the meet.

The keynote was delivered by the session chair, Stephanie Moore, Chief Marketing Officer, UST Global, who said that with Cloud Computing, organisations could concentrate on the strategic interests of business. She quoted a research conducted by Forrester, which stated that challenges facing Cloud adoption were related to the models to embrace, how much of control to give up and redefining the roles in the organisation to map this change. Concerns also veered towards managing headcount and building an effective structure to address organisational needs. Moore's thought was that in order to deploy the Cloud, it was important to adapt a 'Cloud strategy' and decide on a definitive model.

Interestingly, at later sessions, it was also pointed out how India would soon become the first country in the world to deliver services to citizens using the Cloud. NASSCOM had already begun engaging with the government to determine how to rollout citizen services using Cloud technology, which was fast gaining acceptance among enterprises for its affordability and ability to address large numbers of transactions.

New strategies for 2010

At the forum, Indian IT companies talked about how they were preparing for the road ahead by reviewing strategies of the past years and taking note of recent trends.

Raman Roy (Chairman and MD), Quattro, V S Gopinath, (Chairman and CEO), AT&T, and David Tapper (Vice President

for outsourcing and offshore services), IDCs, shared their future outlook in a panel discussion on 'strategic sourcing in the new economy.'

The speakers pointed out that the industry had started investing heavily in manpower development with an average training period of 3-4 months for fresh recruits and additional training over the employee cycle. Companies were also set to hire again in 2010. Direct employment by the country's IT industry was expected to touch 2.3 million by March, with 90,000 jobs added during the current fiscal, the industry leaders pointed out.

At the same time, they also indicated that adding to headcount was no longer enough. Growing in a linear fashion would pose formidable challenges over the next few years.

Ushering in IT transformation

Another absorbing session at NILF was the discussion on 'Catalysing IT Transformation – key priorities and challenges,' which was chaired by Rajendra Pawar, Chairman, NIIT Technologies. On this panel were two other eminent speakers – R Chandrashekhar, Secretary, Ministry of Communications and IT, the Government of India and John Suffolk.

Pawar began the session by stating that the government was emerging as the single largest customer in most countries, and most services providers were working towards leveraging this opportunity to make a difference. There was enormous scope for growth but the challenge was for the government, which had to define the rules and set the perspectives. The government, he said, now had two distinct roles to play – of policymaker and customer.

R Chandrasekhar talked about the role of IT in social sector reforms, and in fields such as primary, secondary and higher education. He also highlighted some of the prestigious projects driven by the government, including the National Knowledge Network and the UID projects, which he said had the scope, coverage and potential to change the face of India. The real challenge, according to Chandrasekhar, was to provide leadership at all levels to drive this change. The way forward

Indian companies have started with applications development and maintenance of infrastructure and support services. The next progression is consulting strategy and use of technology. Beyond that is business strategy, how businesses can be enabled by IT. The game in the services business is to own the relationship with clients."

James A Champy, Chairman
Dell Services' Consulting Practice



was to build adequate partnerships with the private sector, and take India to the next level, he said.

The IT secretary also had a word of advice for the SME segment. He encouraged them to adopt the multi-sourcing model and aim for smaller projects, which would pave the way for larger jobs in the future.

John Suffolk meanwhile spoke about how nearly two-thirds of large government projects were being outsourced, presenting India with an opportunity to claim a significant piece of the pie. He also shared insights on how the government could build an organisational structure, to drive this change both at the centre and states.

Another absorbing session that concluded Day 2 of the conference was on 'Business with a conscience,' that had Azim Premji, Chairman, Wipro Group, as its key speaker.

Premji said that there was a need for heightened consciousness among leaders about their responsibilities to society, as business wasn't only about making money. He stated that abusing the environment was no longer an option as various laws and by-laws had been introduced that favoured companies that had a positive carbon footprint. Wipro as an organisation, was very conscious about protecting the environment, concentrating on renewable energy and minimising energy consumption, he informed. Education was another important area, which could prove to be a deterrent in nation building. The state of primary education was quite appalling, he said and added that Wipro had been engaging with some schools to bring them up to the desired levels. Wipro was 'applying thought' to schools in Tier 1 and Tier 2 cities by contributing significantly to the quality of learning, teaching and administration.

He added that even though the government had made budgetary allocations for education, the country was not able to leverage this resource due to lack of execution. Organisations needed to work with the government to make a difference to the lives of people.

NILF then, was a mixed bag. A bit of looking back, and plenty of looking ahead. Discussions revolved around the learnings of the past two years and how the IT-BPO industry now had to embrace new directions and fresh opportunities to maintain its double digit growth and global competitiveness.

It's back

Here's a look at the hiring plans of key Indian IT-BPOs in the years ahead

- Computer Science Corporation (CSC) will hire 5,000 people in India in the next 12-18 months, adding to its existing roster of 19,000 people in seven locations in India
- Accounting and consulting firm Deloitte LLP will hire 12,000 additional people in India over the next 30 months. New recruits will largely be placed in Hyderabad, Bangalore, Mumbai and Delhi in existing centres. Deloitte presently has 11,500 employees in 13 cities, which will be increased by an additional 500 by the end of March 2010
- Genpact's business arm will hire 1,500 professionals this year to support its expansion plans. The BPO solutions company set up the India arm a year ago to tap the domestic opportunity. At present, 2,000 employees work for the company in the Gurgaon, Hyderabad and Jaipur centres
- Hexaware plans to recruit 500 fresh engineers this year. In 2009, it had recruited 350 freshers from campuses in the last quarter