

Renewed Focus on Customer and Revenue Growth

Top Themes for 2010

The new year seems like the perfect time to talk about rejuvenation and renewal, about growth, innovation, talent and all the other issues likely to impact the future of the IT-BPO industry. And that's just what we decided to do this month, with our feature on what we believed were the key themes that would drive the industry in 2010.

A number of leading business heads, thought gurus, analysts and users have shared their views with us on these different themes. Check out what they have to say:

Now that the world is exiting the economic slowdown, we can expect companies to get back again on the growth path and step up on the momentum, even though the heady growth figures are expected to be a thing of the past. Already, organisations are planning for the future, focusing on best practices to improve performance, skilling their manpower and innovating to deliver a higher value to their customers.



- 1 Now that the global economic recession appears to be on the decline, can we expect to see companies refocus on topline and bottomline growth?**
- 2 Having learnt some significant lessons through this tough phase, can we expect the IT-BPO industry to place customers at the centre of their universe?**



1 Smart companies have adjusted their cost basis during this economic recession, but have never lost sight of the needs of their customers. Companies that have focused on costs and delivering more value

to their customers will now see both their topline and bottomline grow.

2 IT-BPO companies must have customers at the centre of their universe. Customers will emerge from this recession even more sophisticated and demanding. Only customer focused, highly innovative companies, with a competitive cost basis, will survive. We will never return to 'business as usual.'

James Champy, Chairman, Dell Perot Systems





1 When we talk about the emerging opportunities, it must be emphasised that going forward, we expect around 80 per cent of the growth in addressable market to come from non-traditional areas such as Banking, Financial Services and Insurance (BFSI) and regions apart from the US and Western Europe.

McKinsey is predicting that Healthcare and government/PSU segments will be the emerging areas to watch out for in the years ahead. The government and PSU vertical is as large in outsourcing today as, say, BFSI was in the past years.

Of course, it must be acknowledged that many of the emerging opportunities may not be accessible by today's offshore business model, rather it will have to be addressed by other unexplored approaches. A few Indian IT-BPO leaders have already set up subsidiaries in the US to engage with government/PSU customers and have even made a breakthrough in this segment with some crucial orders in the bag.

The second big opportunity we see is in the Fortune 10,000 market. Until now, Indian IT-BPOs have been focusing on Fortune 1,000 organisations essentially the large, enterprise players. They will now additionally engage with Small and Medium Businesses (SMBs), reaching out to the next tier of 10,000 global companies. This alone is estimated to be a USD 250 billion addressable market!

The third area of opportunity is expected to lie in new geographies, where domestic outsourcing will be huge. In this scenario, India and China represent the single largest set of opportunities, much larger than the growth in the addressable, core industries.

2 Basically, the Indian IT-BPO industry must at least explore four distinct and fresh business models to tap the emerging high potential business domains.

The first model is product-centric services, which essentially combines a software product or platform with traditional services.

The second model is about companies positioning themselves as BRIC country specialists, with affordable solutions for domestic outsourcing.

The third option is the platform-based model. This is essentially different from the first category. While product-centric services companies have a software product and build software around that, in the platform-based environment, services are offered that are enabled by a technology platform.

At the fourth level, the model will be a client-centric one, where companies will focus on building end-to-end relationships with customers, in order to emerge as preferred vendors, or vendors of choice. These companies will be part of the single source deals of clients based on the proximity they have with the user organisation and the high quality of their service.

Another mark-up Indian IT-BPOs will have to offer, will be the ideas they bring to clients. Today, when customer organisations are consolidating their business, they are looking for vendors that can add greater value to their experience. They need companies that can help them overcome business challenges and deal with their pain points. CIOs of companies today have multiple objectives related to growth, risk mitigation and management and cost and productivity. Clearly, Indian IT-BPOs have to focus on meeting these requirements.

Noshir Kaka, Director, McKinsey

Revenue Generating IT Innovations

Over the years, one has been talking about how innovation is becoming critical to the IT-BPO industry. Research, in fact, has conclusively shown that the Indian IT-BPO sector can beef up its export revenues by at least USD 10 billion by 2012, by taking the unbeaten path and embracing innovation. Interestingly, Indian IT companies are already on this path. Many have increased their focus on R&D and are focusing on creating products and services that open up fresh revenue streams for them. Unlike the past, when innovation had more to do with performance improvement, today, it is about building IP that can actually cause tangible impact on the profitability of organisations.

- Q**
- 1 How important is it to bring innovation into the product portfolio for IT-BPOs?**
 - 2 Is greater R&D an answer for all companies hoping to harness innovation to enhance revenues? What kind of percentage allocation should companies have for the same?**



1 The IT-BPO industry has demonstrated operational effectiveness (doing things better) and as an industry, established its credentials in the area of best practices, efficiency and low cost. However, these alone are not sustainable strategic differentiators. We have enough instances of competition in the form of China and Philippines trying to play catch up using a similar value proposition.

Changing world dynamics is necessitating the need for the ability to proactively deliver value of a higher order of magnitude. The only way that can be achieved is by preempting and understanding the needs of the customer, and innovating to deliver the extra value. What will set the Indian IT-BPO industry apart in the long run will be its capability to innovate arrest new stuff, apply it and create value.

At Impetus, we believe 'innovate or perish' has to be the mantra for success. Furthermore, academic innovations, while definitely required at a fundamental level, may not lead to revenue generation. Instead, we need to innovate keeping the customer in mind, which will lead to revenue generating ideas. It is therefore critical for IT-BPOs to understand the market and the mindset of the customer, and create incremental or revolutionary innovations that will serve user needs and add value to their overall user experience.

2 R&D has, for long, been the differentiating element creating avenues and means for better and higher value delivery. How much R&D is a function of the market, customers, and the overall context of an organisation. Just scaling up of R&D investments might not be the best solution for all situations, rather, smarter R&D, applied and applicable R&D, makes a lot of sense. Also, R&D is as much a central function, as it is the responsibility of every employee. It is important to build such a mindset within companies.

Praveen Kankariya, CEO, Impetus Technologies Inc.

The Leadership Role of the CIO

There was a time when the CIO, the technology head of a company, was just that – the man in-charge of technology. Today, however, this function has become strategic, in the sense that companies are powering their businesses with strong technology strategies. The link between IT and business has become deep and the CIO is now increasingly being viewed as a 'business-person'. The fact is that CIOs, provided they blend good technology sense with business sense, have the capability to take on the mantle of leadership within companies. CIO-CEOs may be a possibility in the years ahead and the future boardroom is sure to feature technology captains who can make an active contribution to the business and its profitability.

- Q**
- 1 How can the CIO emerge as a business leader – someone not just concerned with the bits and bytes but the company's bottomline?**
 - 2 What are the skills that CIOs will need to be accepted as business captains and find a place in the boardroom?**



1 What's critical is to align priorities to pre-identified business needs. The focus should be on finding solutions to 'wicked business problems.' It's also important to run IT as a business, operating it in a way that everyone across the company can connect to it.

2 As leaders, CIOs need vision, passion and discipline. They need vision to see where they are going, passion to engage others and the discipline to execute their strategies with excellence. Today, CIOs also need to be masters at managing networked organisations with the ability to govern at a distance.

Filippo Passerini, CIO, Procter & Gamble

1 I think it requires a change in mindset – of both CIO and his/her business peers. A CIO should think like a business leader. The way IT is evolving and getting embedded in every business process, it will soon become difficult to separate it out from other business functions. Obviously, CIOs must understand business strategy, the business drivers and business processes. Processes will improve if business heads involve CIOs in the strategy-building phase. Many organisations now have CIOs with a business background, which is possibly the best way to put CIOs on the path of business leadership.

2 The skills required are the same as for any business leader. Vision, communication, people management and an analytical mind are certainly essential. Understanding of the global business environment and the capability to understand market trends, emerging technologies and their relevance and implications for business are important aspects of a CIO's role as business leader.

Arvind Tawde, Senior Vice President and CIO, Mahindra and Mahindra



The Leadership Role of the CIO



1 In the past, the CIO/CTO of a company was positioned both internally and externally as the “techie”, the person responsible for the IT infrastructure within the organisation, the expert who made sure the computers worked, the software was regularly updated and the network was never down. The IT department was itself considered a cost centre. Over the years, however, the CIO /CTO has outgrown this traditional role, and taken on a more strategic avatar. In order to be a successful business leader today, a CIO/CTO must be able to contribute on a range of issues and have a wider business perspective.

Of course, the person must still be able to align the IT needs of the company with its business goals and objectives. Increasingly, the CTO/CIO must focus on leveraging IT to bring about business transformation. In this role, the CIO/CTO requires a deep understanding of the company’s business, the strategic route ahead and the challenges being faced by its users. The person should be able to craft solutions that best serve these business interests, reflecting the latest technologies available. At the end of the day, the CIO/CTO should be able to leverage IT to improve the processes of the company, the efficiency and productivity of employees and lead the organisation towards operational excellence.

2 The CIO/CTO must have a finger on the pulse of the company’s business and should know its areas of strength and weakness. At the same time, the CIO/CTO should be abreast with market trends and be able to make quick decisions based on the changing external environment and the needs of customers. CIO/CTOs, especially in BPO organisations, which are people-intensive, should know how to engage employees, encourage and promote career development/learning opportunities and be seen as champions for building strong teams that are quick to adapt to the changing demands of the business. To be successful, they also need excellent people skills, look for ways to improve the quality of hires, launch strategies to retain talent and keep attrition in check. Strong communication skills, an eye on the future and a clear strategy for business improvement and maximising opportunities are some of the key skills needed by the CIO/CTO.

Gary Strain, CTO, RBS Technology Services India

1 First of all, CIO’s need to talk the language of the business; secondly, they need to understand the business, its opportunities, its threats, and importantly what does success look like through the eyes of the Board and CEO; finally, they have to deliver, saying no, or being too slow, will show on your career.

2 Team player; delivery orientated regardless of the obstacles; logically uses data as evidence to support the case – the business case, not the ICT case; an expert communicator; robust; resilient.

John Suffolk, CIO, UK



Inclusive growth remains a major goal for the Indian Government and industry. High GDP growth has to be accompanied by more balanced development, with the benefits of progress being shared by citizens at the grassroots levels. IT can play a major role in enabling the marginalised sections of the Indian society, integrate them into the mainstream and become a part of the market economy. The Indian IT-BPO sector then can be instrumental in bringing about financial, cultural, gender and digital inclusion.



- 1 Why is inclusive growth becoming such a key priority for the IT-BPO industry?**
- 2 Typically, what are some of the steps companies can take to contribute to inclusiveness, both at an organisational and at a national level?**



1 India is today one of the six fastest growing economies of the world. The Indian economy has transformed into a vibrant, rapidly growing consumer market, comprising over 300 million strong middle-class with increasing purchasing power. However, despite this there is a large section of our society that is unable to avail of these opportunities. The IT-BPO industry is a modern and forward thinking sector that has consistently demonstrated its concern for all its stakeholders. The industry is, therefore, participating in inclusive growth, which requires that opportunities for participation in the growth of the industry becomes equally accessible to citizens from all backgrounds, whatever be their past handicaps. Whereas, efforts at social development could necessarily induce the consumption of various resources be it people or infrastructure; IT, on the other hand, can be brought in line for even rural

developmental initiatives much faster, reaching out to more people. This leads us to taking development to the 'Bottom of the Pyramid.' It is keeping this notion in mind that NASSCOM Foundation's CSR track, at the upcoming India Leadership Forum, is focusing on 'Engaging the BoP' as its theme. It is both a pressing humanitarian and business imperative to find solutions for this global concern.

2 IT and BPO companies have a definite edge over others in terms of outreach. When a company hires people with specific skills, it also creates indirect opportunities for many others. In this regard, for starters, the industry needs to look more deeply into—and subsequently involve itself in – collaborative projects, which engage the corporate and NGOs and/or government initiatives in achieving the best balance for delivering on their social development commitments.

On an organisational level, companies can leverage on the 'trickle down' effect – essentially by creating employment opportunities for individuals from lower socio-economic strata, and, in the process, empower individuals from similar sections of society but with different skill sets to engage in sustainable employment. For example, by setting up a BPO centre in a Tier-III location, a company would not only be providing employment for the persons involved in the process work, but also for individuals employed in facility administration, back office duties and other clerical work.

On the national level, with the implementation of technology services, companies can contribute to extensive, large-scale sustainable development initiatives by providing services such as children's education, bridging information gaps, rural employability and so forth. It, therefore, becomes essential for the IT-BPO industry to comprehensively grasp its full capability and take the necessary efforts to engage in developmental activities across geographical and social boundaries. Although, the Indian IT-BPO industry has till now made significant forays into such social initiatives across the board, there is indeed a long way to go.

Jaithirth (Jerry) Rao, Chairman, NASSCOM Foundation



1 As an industry grows, it needs to reflect societal composition so as to get the benefit of differential talent and capabilities. People from diverse backgrounds bring a rich mosaic of skills, which create a competitive advantage.

2 Companies should create policies on recruitment, which are sensitive to origin, race, gender, ability, etc., to enable the inclusion of a diverse workforce. It is essential to have a set of policies, which note the needs of different sections so as to create a level field for people to perform. Also, an environment which is open, collegial and transparent, where voices are heard and respected, is important. Training becomes critical here, as all of us come with set notions and attitudes. At the national level, we need special laws to take care of marginal sections like the socially disadvantaged, the disabled and people who are subject to societal discrimination, to ensure that they get special help.

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M D Pai, Head, Human Resources and Director on the Board of Infosys

1 There is a realisation in India's English speaking population that the benefits of globalisation and prosperity over the past two decades of liberalisation have gone to a disproportionate few in our cities, and have bypassed the vast majority of our country's people in the villages. We have realised that the feel good factor is limited to our immediate environs. Our successful industry is constituted largely by socially advantaged, urban educated, English speaking professionals. However, its very success is dramatically increasing the digital divide – between the urban haves and the rural have-nots. This divide must be bridged. If we are to unshackle the true genius of our people in the coming decades, the road to India's future economic progress must pass through India's villages.

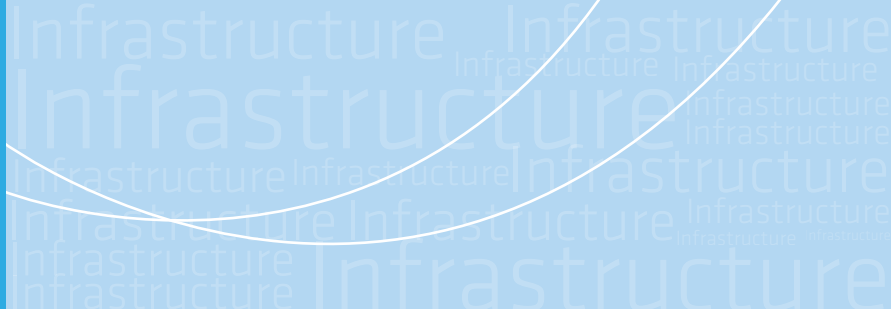


Today, the sad reality is that young rural India is effectively shut out from the system that the IT industry recruits from. The vast majority of rural students continue to be marginalised and remain mostly unemployable.

2 There is need to increase the IT industry's 'Rural Quotient (RQ)' through affirmative action. Our industry can help bridge the digital divide through an apprenticeship programme for promising students from rural background, who are seen to possess drive, initiative and a passion to extricate themselves from their current situation that harnesses the benefits of contextual performance.

At the end of the 12 months apprentice period, chances are that these RQ-enhancing students will have obtained sound skills in programming; learnt English sufficiently to commence work life in a software company; and will be low-cost resources for the company that hires them; and will be dedicated to the company substantially longer than the educated urban graduate. Companies may evaluate instituting 'bonds' with these individuals, depending on company culture. Headstrong India has undertaken such a programme for the past decade, and the alumni of this RQ effort are with the company and across the industry today.

Harsh Singh Lohit, Managing Director, Headstrong



While India has come a considerable distance in the area of infrastructure development particularly in the telecom space, the country is still lagging behind in areas of physical infrastructure encompassing ports, railways, airports and highways. India's physical infrastructure is still not global-class and is being stated as a deterrent to investments by global giants. The good news is that the government is now planning to do a serious rethink on this crucial component in the country's development and planning to focus on improving the power situation, building roads and upgrading ports.

Despite improvements in the last decade, India still lags behind countries such as China in terms of physical (highways, ports, roads, power, etc.) and telecom infrastructure? What can we do to become global-class?



To be global-class, it is blindingly obvious that investment in IT and physical infrastructure is hyper-critical. Let us step-back and look at the macro perspective.

Broadband penetration is a critical pre-requisite to deepen the reach of quality healthcare and quality education into India's core. These in turn are catalysts to realise the demographic dividend of the young India. Concomitant investment in development of enabling applications would also need to happen. That is huge investment and huge impact – of which every bit counts.

By collaborating across industry verticals, a vibrant domestic electronics eco system can get created – an ecosystem that spans from systems to enabling IP. This would feed to the aspirations of a thriving domestic market – that in itself is an excellent nurturing ground for products that can have high value abroad.

Higher quality physical infrastructure will invite more FDI. China is too far ahead of India in physical infrastructure and in attracting FDI. The parallel thread of developing physical infrastructure will inevitably run at giga-pace in India – it should!

Anywhere in the world, for long term economic growth – the key enabler is Information Technology – that is the key infrastructure. We have globally competitive companies in India in this domain. Furthermore, there is an osmotic pressure on the knowledge economy, for it to penetrate into the core of India, as Indians know that a rupee earned closer home buys far more than a rupee earned further away.

Saugat Sen, Vice President R&D, Cadence Design Systems



