A FUTURE IN THE CLOUD
A New Era for Global Sourcing

PERSPECTIVES FROM THE PIONEERS
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INTRODUCTION
WELCOME TO THE FUTURE OF GLOBAL SOURCING

Over the past decade, our work and relationships with business and IT leaders have offered us a unique perspective on the growing influence of technology on business, the changing role of IT organisations, and most crucially, the transformation of the global sourcing industry.

Since its early beginnings, global sourcing has always been seen as a cost-optimising activity. And until recently, the role of an IT organisation within a commercial enterprise was primarily viewed as that of a support function. Its primary focus was to provide the enterprise with stable IT systems at an optimum cost, and its business participation in technology decisions tended to be relatively limited. Global sourcing became a platform for effectively solving IT and business cost preoccupations.

But while cost containment remains important, everything else is changing. Digital transformation and cloud technologies have turned traditional business models on their heads. Established companies such as Apple and Google, and start-ups such as Uber and Airbnb have disrupted traditional business models in ways that were unthinkable a decade ago. Messaging applications such as WhatsApp and Snapchat have eroded the text messaging revenue streams of large telecommunications operators. And services run by companies such as AppleTV and Netflix directly challenge the traditional business models of cable companies.

Even the way we shop has been radically transformed by companies such as Amazon, whose perfect aggregation of shops are available at our fingertips. Initially, the impact of aggregated online retail was limited to the music and book publishing industries, but today, its ripple effects can be felt throughout. Taking a page from online retail, most commercial airlines now offer their consumers a single site for flight bookings, car rentals, hotels, and tour packages.

Changing business models have changed consumer expectations, provoking companies to rethink...
Digital and cloud technologies are increasingly becoming key priorities for IT service providers.

The technology services buyer group is extending beyond the IT organisation to include business and marketing units.

The industrialisation of services, and game-changing productivity tools such as autonomics, must become a part of every global sourcing provider’s DNA.

As the nature of their partnerships with customers evolve, providers will have to successfully transform themselves in terms of culture, and how services are offered in the marketplace.

These leaders believe that the market for demand and supply of IT services is far from saturated; in fact, disruptive new models will create new opportunities for small and large IT service providers — and customers. Cost arbitrage will remain an important factor, but it may no longer be the driving factor in an enterprise’s business decision. In order to prevail, global sourcing providers must step up to deliver services that meet their customers’ changing needs.

The global sourcing industry’s growth story has seen many challenges on its journey over the past 25 years, but this period may prove to be its most critical yet. It is certain that the industry will look radically different in five years, and the voices in this book paint a clear vision for its future. In many ways, this is the moment of truth for all players: can they transform and thrive in a landscape of disruptive business and technology?

Sridhar Vedala and Ali Toure
Co-Founders
QS Advisory
INNOVATION WILL DRIVE GROWTH IN OUTSOURCING

Most forward-looking assessments of the outsourcing industry are replete with mention of words like "commoditisation", "cost pressures", "pressure for flexible price contracts", and other gloomy terms. These pressures are indeed real, and they, along with market forces such as changing client expectations, re-shoring, and value arbitrage, are forcing both providers and customers to re-invent their value propositions and business relationships.

At Arthur D. Little, we have discovered from experience that the common denominator for these changing equations can be summed up in one word: innovation — be it on the cloud, in digital media, or in machine learning, among others.

In these challenging times in the world of outsourcing, innovation will drive re-invention — of business models, products, services, and ecosystems. However, innovation is generally not an inherent part of the DNA of most organisations; the pressure to create more value will launch a virtuous cycle of innovation and better profitability for all concerned. Arthur D. Little’s global experience with both customers and providers, as well as our regular innovation studies,

suggest some common ingredients of innovation that organisations learn to develop, nurture, and eventually systematise. These ingredients are typically at three levels: firm level (e.g., ideation, business intelligence, knowledge management); inter-firm level (e.g., benchmarking, knowledge sharing, training and development); and co-innovation with partners (e.g., processes, market intelligence).

In the following pages, you will read powerful narratives from leaders of the outsourcing ecosystem that help support and visualise the themes of innovation and re-invention of both the customer and provider business models and relationships. These themes augur well for the robust future of outsourcing.

Dr. Srini Srinivasan
Managing Director
Arthur D. Little India Pvt. Ltd.
EMBRACING A NEW REALITY
THE RISE OF INTELLIGENT OPERATIONS

TIGER TYAGARAJAN | PRESIDENT AND CEO | GENPACT

NV “TIGER” TYAGARAJAN is President and CEO of Genpact, a leading business process management and technology services company. Tiger began his career with the Unilever Group in India, in sales and marketing, and then with Citibank’s Consumer Financial Services businesses in sales, operations and credit, before joining the GE group in India and then the United States. He frequently writes and speaks about global talent issues, continuous skill development, and building a strong corporate culture. He also serves as one of the founding supporters of the United States chapter of the 30% Club, an organisation of CXOs focused on achieving better gender balance in companies. Tiger is a member of the Wall Street Journal CEO Council. He has a degree in mechanical engineering from IIT, Mumbai, and an MBA, majoring in finance and marketing, from IIM, Ahmedabad.

The future is here, unevenly distributed — and we are looking for it in the wrong place.

What business are you and I in? The answer becomes less clear-cut every day. We are witnessing an unprecedented redefinition of competitive dynamics driven by technology advances. The best among us harness these advances through new strategies and business practices that leverage now-pervasive internet, cloud, analytical, and mobile technologies. Incumbents are being disrupted by companies defined by software.

However, most of the debate misses a very crucial point. Technology enables companies to do things that could not be done before, but technology-enabled operations get disruptors to offer a superior customer experience with unprecedented cost structures.

For example, my own business has changed over the years from "run my operations in a captive offshore location through Lean and Sigma practices on my systems of records" to "design, build, and run my operations globally, through a partially cloud-based system of engagement technology and analytics, in a hybrid environment in which in-house and outsourced operations co-exist." It has moved from BPO to business process services, including transformation, Business Process as a Service (BPaaS), and support of client-shared services.

BPaaS, for example, was born at the intersection of cloud-based technology and outsourcing. The benefits stem from the advantages of cloud and outsourcing: scale, process optimisation and skills, and global delivery unconstrained by local talent or technology capacity. It can bring lower and more variable costs, as well as frequent innovation of underlying technology and processes. Although the vision has not taken off as quickly and broadly as expected, BPaaS is not an experiment anymore, thanks to maturing cloud-based technology and outsourcing practices.

The reason is simple: technology has allowed us to do such things, our size and experience has made our delivery robust, and clients have identified these arrangements as a strategic lever to their competitiveness. It is not just about technology — it is about domain and
A FUTURE IN THE CLOUD

technology that create truly superior operations.

Within five years, technologies will become easier, faster, and cheaper. We will automate more. We will find more insights. We will, I hope, find mature solutions to cyber threats. But what will redefine the business process fabrics that make companies run, will be the ability to reimagine those operations with technology and analytics in mind.

Let us look at these trends in detail to learn how to bring this powerful, disruptive genome into the work of incumbents. To do so, we first must "unlearn" what some technology hype has conditioned us to think.

SEEING THROUGH SILICON (VALLEY)

Equating innovation and progress with technology does us a disservice, and our experience points to a more nuanced reality. Gianni Giacomelli, who runs Genpact’s Research Institute, notes: "Much of today’s conversation regarding new social, mobile, analytics, and collaboration (SMAC) technologies is misleading. Technology is not the issue: the issue is the ability of businesses to reimagine processes through its use. Some recent enterprises have recognised this, and have used technology to upend entire industries. PayPal, Uber, Amazon — the list is long. These are archetypal examples of intelligent operations — organisations that are able to sense, act, and learn from the outcome of their actions at scale. Doing so has allowed them to out-compete incumbents whose operations are stuck in old, slower decision-making and improvement cycles."

The technologies these successful disruptors now routinely employ finally matured at almost the same time in mid-2013, and their combined momentum is inescapable. Silicon Valley — and its funding — backed many of them. But when we look past the hype, it becomes apparent that the most successful businesses leverage intelligent operations, not just technology.

I meet hundreds of senior executives every year, and many of them are concerned that the competitive advantage that their companies used to enjoy has now been replaced by a clear handicap due to legacy systems, processes, and often, people. My view is that the new business dynamic that technology brings about does not naturally favour disruptors. Many incumbents are fighting back as they leverage their domain expertise, funding capacity, and connection with both end clients and partners — as long as they can summon the change management momentum they need, and they align the right ecosystem internally and externally. In other words, these organisations inject some of the DNA typical of disruptive competitors into their own operations. Examples abound: Banks can now engage clients at scale through multi-channel strategies enabled by technology that converts rich data-driven insight into actionable interactions. Pharmaceutical companies have made significant progress in leveraging operations that can improve patient interactions during the initial phases of product launches.
Manufacturers can now boost the effectiveness of their assets and capture more value by offering much more cost-effective services based on insightful data translated into action by technology. Finance departments can manage credit risk globally in real time, and are increasingly tasked with stepping up from transactions to insight to orchestration — often with the help of analytics and systems of engagement that complement systems of records.

WE HAVE SEEN THE ENEMY, AND IT IS US

We stand in the way of these changes. Our frames of reference must change. Practices developing in one industry can cross-pollinate with those in others, but many executives neither realise nor accept this fact. (Disruptors, however, embrace cross-pollination eagerly.) The sensing, acting, and learning triggered by every client interaction are now cutting across enterprises in unprecedented ways. The divide between front and back office is losing its significance, but many still silo their approach and their talent management. As our Research Institute notes: "In general, most large operations supporting front-to-back processes are benefiting from faster ways to automate, derive insight, and act in a way that delights clients while reducing the effort (and cost) of doing so. And while strategy, corporate finance, product design, and creative marketing remain vitally important, they must learn to synergise with technology-driven operations if they are to truly harness the power of new technology." Disruptors have no mental legacy and shamelessly experiment, tweak, and scale.

Our view is that these great opportunities may be nullified by the same issues that have prevented previous waves of transformation. Technology bubbles of the past (such as in many ERP or data-warehouse deployments) have left a bad aftertaste, and some are still taxing CIOs’ maintenance budgets. We now know the root causes, but I am still surprised to see how few understand and holistically solve for the interconnection between IT, analytics, and process operations sufficiently. The tech landscape is also challenging. Some technologies are unproven, and older ones are rigid and expensive to evolve. The analytics hype has obfuscated the fact that some new uses of analytics are unclear, resulting in "solutions in search of a problem." Similarly, scaling actionable analytics throughout the enterprise is frequently a struggle.

GETTING SMAC TO WORK

The business process services industry, including BPO and all IT services that help companies run and the consulting work that helps them transform, will radically change over the next five years. Clients will want business outcomes, as-a-service, able to integrate within their own business processes. This opportunity requires an ambidextrous ability at multiple levels: being able to not only harness technology practically to reimagine those processes and design, transform,
and run processes, but also to learn from the results and continuously adapt, thereby shifting from a build-to-last approach to a build-to-adapt one.

The key to fulfilling the promise of technology is to focus on the processes that power advanced operating models so that they closely align with measurable business goals. Our experience of advanced operating models, accumulated over fifteen years of work with hundreds of clients, including more than one-fourth of the Global Fortune 500, drives the experience that we are fortunate to crystallise in Genpact. This experience benefits from thousands of "controlled experiments" conducted at an unprecedented scale by orchestrating the operational work of hundreds of thousands of professionals, including more than 60,000 within our own company.

We now know that there are agile and practical ways to evolve. The key is to design, transform, and run the processes that power advanced operating models so that they closely align with measurable business goals and avoid saddling the company with unnecessary and often unmanageable complexity. This approach:

- **Focuses more rigorously on the sources of impact** and deliberately disregards any practice that does not yield material outcomes.

- **Takes a more objective and holistic look at technology, analytics, and organisational practices.** It leverages new yet mature "systems of engagement" that complement core business technology and "systems of record." It treats analytics (data-to-insight-to-action) as a process and determines how to embed insight at scale into the fabric of other enterprise processes; it does not take the typical approach of viewing analytics as a task and a set of technologies.

- **Harnesses process and organisational levers** available from established disciplines, such as re-engineering, shared services, outsourcing, and global delivery.

We call the resulting advanced operations "intelligent" because they can sense, act, and learn from the outcome of their actions, at scale — thus making the entire enterprise more intelligent.

Every great business relies on great operating models. They can be a cornerstone in every CEO’s portfolio of strategic initiatives. Learn from the disruptors. ■

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**Smart Processes**
Design, transformation and operations support generate real, tangible impact by aligning tightly to measurable business outcomes

**Smart Decision Services**
Leverage Data-to-Insight-to-Action Analytics and related advanced organizational delivery models to power business process decision-making

**Smart Technology**
Harness effective, agile technology including systems of engagement complementing pre-existing core IT
ABOUT QS ADVISORY

QS Advisory is a sourcing advisory firm with a distinct focus on global sourcing.

Our consultants bring a unique combination of global sourcing consulting and hands-on delivery experience. These skills have been honed over the years by supporting clients in Europe and past experience at some of the leading service providers in Europe and Asia Pac.

We enable our clients to implement complex outsourcing initiatives to bring about transformation by achieving sustained cost savings and improved productivity.