



Annual Report 2003 - 04
New Game. New Rules.

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New Game. New Rules.

"One cannot manage change. One can only be ahead of it."

– Peter Drucker

In the cacophony of our information-intensive society, it is always easy to read too much into every little thing. Phrases like 'inflection point' or 'tipping point' are dropped with merry abandon. Every tiny innovation is deemed a 'game changer.' The desperate search to get mindshare in a society weighed down by sensory overload urges business strategists and companies to often make mountains out of molehills.

The opposite is true too. As far reaching technological and business changes sweep the world, it is sometimes comforting for a company to stick to its strategy, like a child clings to a familiar blanket. While the power of the new idea or the new business model is understood intellectually, the response is much too slow, too small and too ineffectual. As dissonance between a company's 'Theory of the Business' and its dramatically changing external landscape increases, it can languish and die.

The challenge, therefore, is to be able to make the critical judgment: to sift through the babble of strategy, and to focus on those secular changes which will make an inexorable shift and bring forth new business models. It is to anticipate the next mega trend, and yet not get distracted by the noise of a hundred talking heads.

When we retest our assumptions in our business, and separate the wheat from the chaff, it is abundantly clear that our world has changed. The Global Delivery Model that has been at the heart of our execution is more than just a way of getting work done offshore. It is a genuine business innovation that delivers a superior value proposition at higher quality and lower cost. By leveraging global capacity, global resources and global strengths, it creates new degrees of freedom that put incumbent models at a disadvantage.

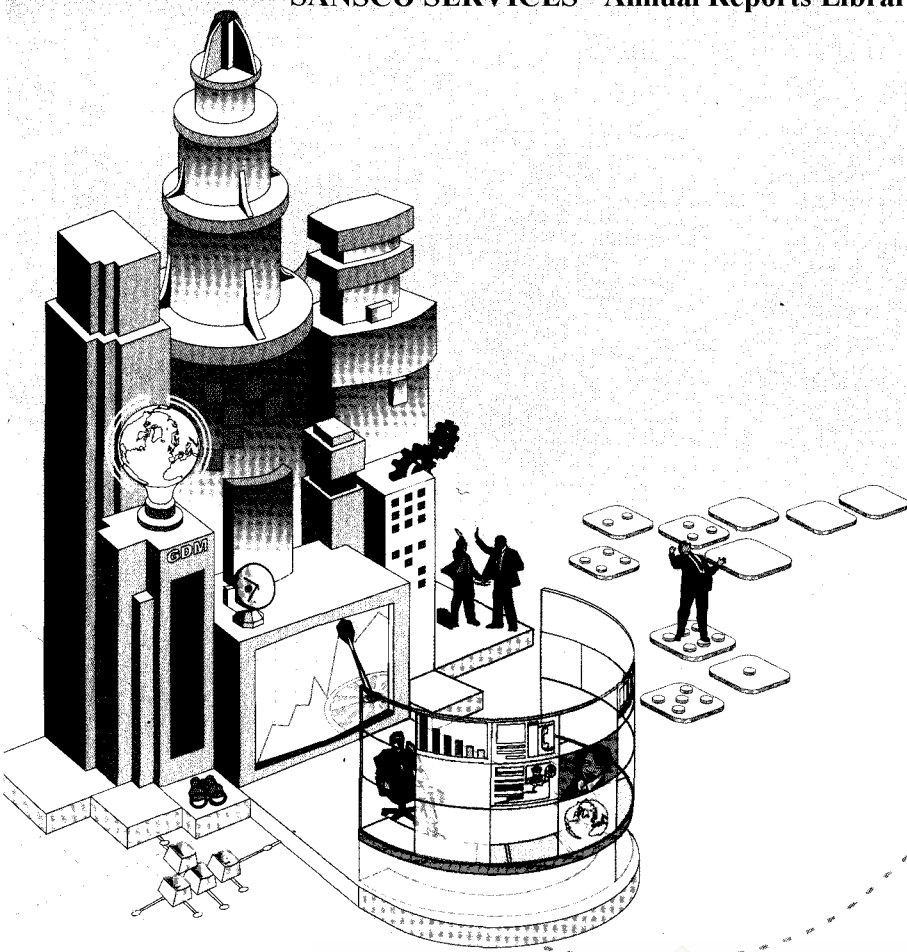
By making the Global Delivery Model both legitimate and mainstream, we have brought the battle to our territory. That, after all, is the purpose of strategy. We have become the leaders and the incumbents are followers, forever playing catch up. Every company now needs to articulate an India strategy. We have redefined value for money in our industry, and shown that the key to the game is scalability. Size, brand and infrastructure are an imperative. It is business innovation that can be extended to high value services like Systems Integration and

Consulting. In this new game, the victor is obvious – a company that combines world-class consulting with world-class execution, built on the foundation of the Global Delivery Model.

However, creating a new business innovation is not enough for rules to be changed. The innovation must impact clients, competitors, investors and society. We have seen all that in spades. Clients have embraced the model and are demanding it in even greater measure. The acuteness of their own circumstance, coupled with the capability and value of our solution, has made the choice not a choice. Competitors have been dragged kicking and screaming to replicate what we do. They face trauma and disruption, but the game has changed forever. Investors, ever quick to spot a new ramp of value expansion, have grasped that this is not a passing fancy, but a potential restructuring of the way the world operates and how value will be created in future. Moreover, societies are coming to grips with a new kind of borderless world – one that will have immense social, political and economic implications for their citizens.

As we come to terms with a new set of rules, we have to reexamine every strategic assumption, and uphold its validity within the changed context. The attractiveness of our model is also the very source of increased competitive imitation. The more we become mainstream, the more we have to be different. As the world casts its covetous eyes on our human capital, we have to strive to retain the best and the brightest. As increasingly embattled competitors scatter Fear, Uncertainty and Doubt, we have to combat the spin merchants. Further, as societies demand our participation, we have to do what it takes to be a truly global citizen.

At the same time, we cannot forget the very basic rules of block and tackle. Managing scale, managing risk, managing execution, managing diversity, and meeting and exceeding the aspirations of our varied stakeholders...



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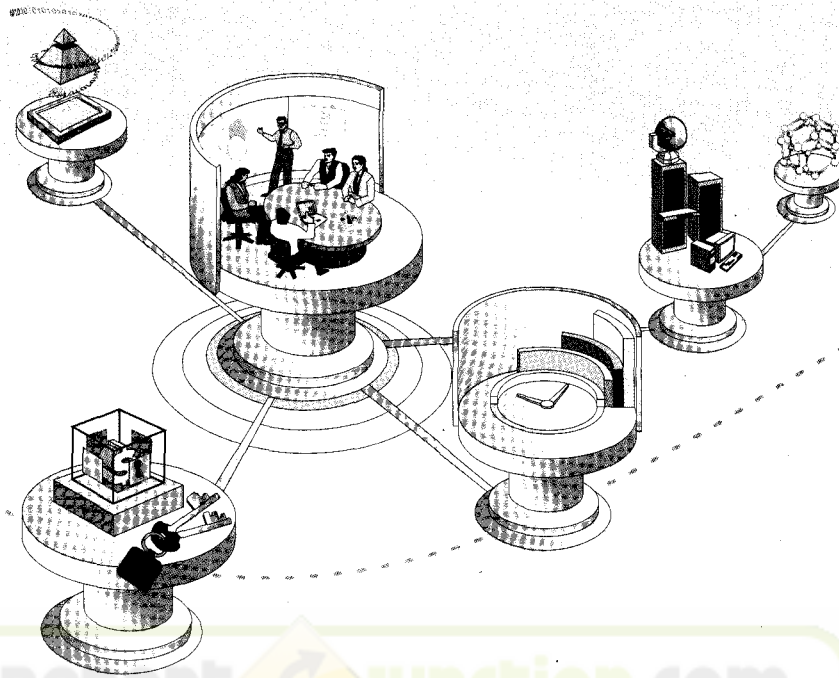
Exceeding changing expectations

The game moves to a new course – unfamiliar and uncharted. Changes in the economic environment challenge the growth and profitability of businesses worldwide. Clients demand a ‘defined’ benefit for every IT dollar spent, and spell the new rules for return on IT investments. Increasingly, they realize that ‘Global Delivery’ disrupts the traditional equation of ‘value-for-money.’

The new game is all about fuelling business growth and realizing much higher benefits with sustained IT investments.

On this new course, value expectations change and client delight assumes new meaning. To exceed expectations, the business problems now have to be defined beyond the brief, even before they are solved. Only those who understand the new problems, and nurture client relationships based on the intrinsic business value of global delivery are invited to play. With no tolerance for nasty surprises, clients seek predictable results across all facets of their networked global corporations. The rules are set for those who play on the fundamental tenets of speed, imagination and excellence in execution.

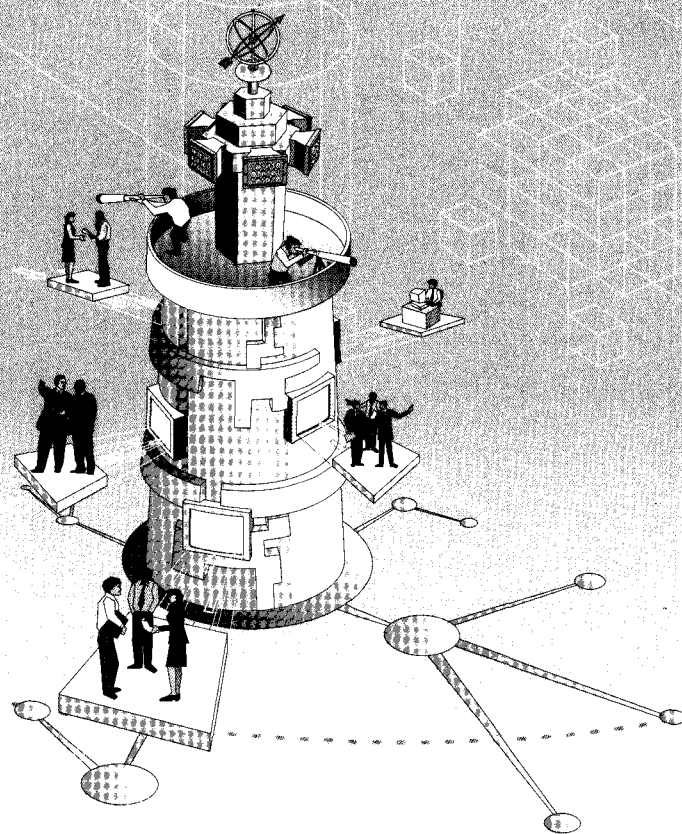
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Efficient business solutions

To win, the players must now score not just through one but two goal posts, and simultaneously at that. Increasingly, clients do not want to make a choice between developing business solutions and ensuring global cost competitiveness. As clients strive to be fiercely competitive in their markets, they explicitly demand genuine business solutions that are also the most cost-effective. The game has changed for those who develop traditional solutions without leveraging the strengths of global delivery.

This requires the players to approach each transaction as a cost-effective business solution opportunity. The teams in the field have to be reorganized to win, and the coaches must change their mindset. The focus must be on exercising the intellect and enhancing the execution capability, such that both goals are achieved with one stroke. This demands a pragmatic understanding of the clients' business and of the detailed workings of a cost-effective delivery model. But then, one need not play the game alone. Strategic alliances must now focus on delivering real client value and complementing the solution and innovation capabilities of the team out in the field.



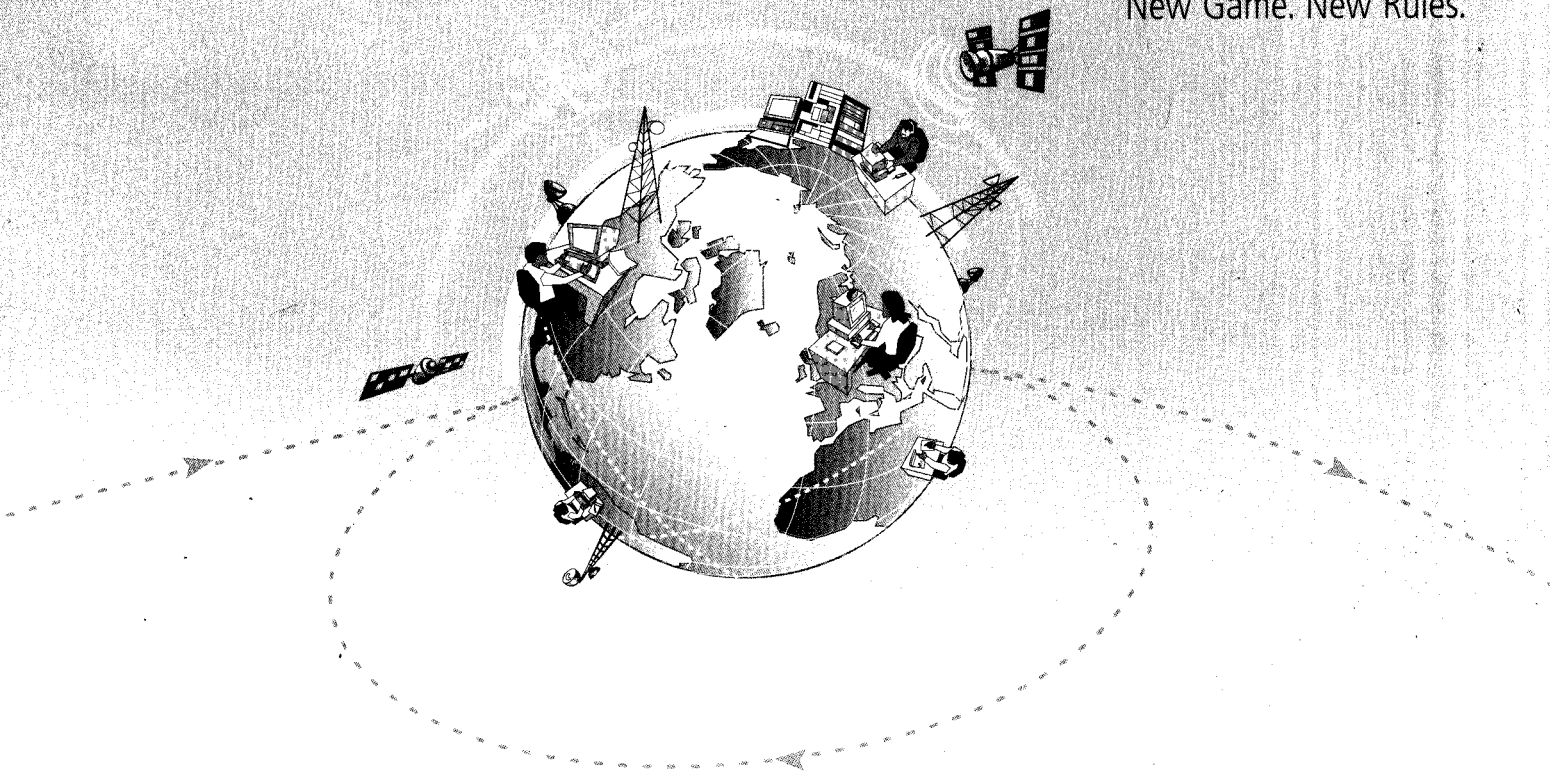
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Strategic global sourcing

Of course, the game can even change once the teams start playing; the gamekeeper retains the flexibility to change the rules. On the ground, the popular 'Total Outsourcing' model is facing rough weather. Given the changing business scenario, clients increasingly want to actively steer the outsourcing decisions for maximum strategic benefit. This is compounded by increasing dissatisfaction with the current productivity and service levels in totally outsourced environments. New rules must address the need for adequate governance and transparency in day-to-day operations.

Evolution of outsourcing is entering a new phase. Information technology management has matured into a defined value chain, starting from business needs, moving through solution development, on to successful execution. The new paradigm of 'Strategic Global Sourcing' has to provide the flexibility to select what to outsource, when to outsource and how to leverage global delivery throughout this value chain. To play, one must develop transparent and trusted client relationships where IT outsourcing decisions are governed by the clients' business drivers.

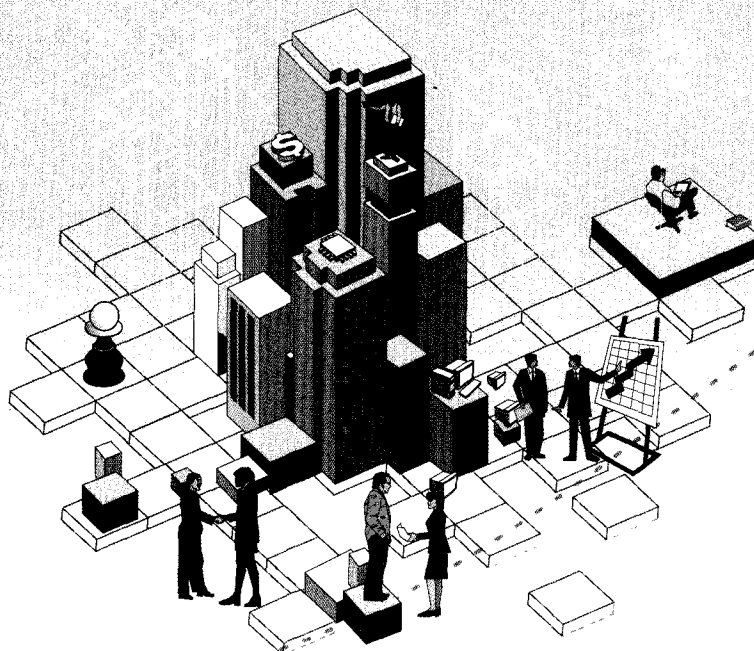
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Next generation global delivery

As the basic definition of the game changes, the teams must learn the new rules. Today, clients demand the use of global delivery capability in the solutions offered by outsourcing service providers. Left with no choice, all players make a beeline for India as the prime destination for new establishments. However, this game is not only about where you work out of, but how you integrate seamlessly between locations and cultures. It is about managing global competencies, global processes and global aspirations.

While the newcomers grapple to decode the genes of the current global delivery model, pioneers of the model must focus on evolving next generation processes. Those who are not passionate about continuously improving the value proposition of the existing core services, face the specter of commoditization. The challenge in innovation is to create even more effective and efficient solution delivery models and lead the future change. Further, as the line between IT management and operations management grows thinner, the new rules would favor service models that tightly integrate the IT services with business process management.



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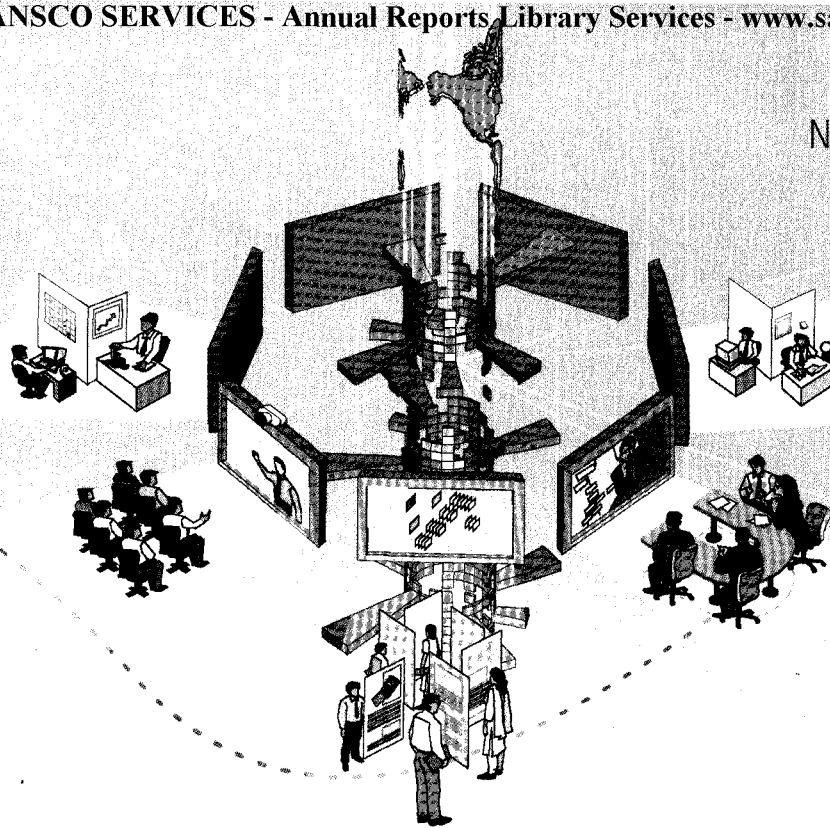
Building scalable resilience

This tussle is not about who is big or who is small; it is about how resilient or vulnerable one is. Clients are rapidly adopting global delivery, underscoring the need to rapidly scale the global capabilities. The faster the growth of global delivery model, the more it disrupts the business model of new players. On the other hand, as the aspirations and expectations of the employees continue to rise, only rapid growth can provide avenues for individual advancement. The game becomes more interesting for all stakeholders, as each of them seeks growth to meet their individual needs.

Rapid growth becomes a rapid differentiator.

Players must master the essentials of scalability within the context of global delivery. The focus has to be on effective decentralization of the organization, its systems and controls, to create multiple engines of growth. Each engine needs a sound pilot, reinforcing the need to build a cadre of strong global leaders. With the ambition to scale comes the challenge of developing global talent pools that fuel future growth. Where the pool is, is irrelevant; what is far more crucial is how it fits into the global delivery model. Players who resort to acquisitions must ensure integration of strengths in a distributed working model.

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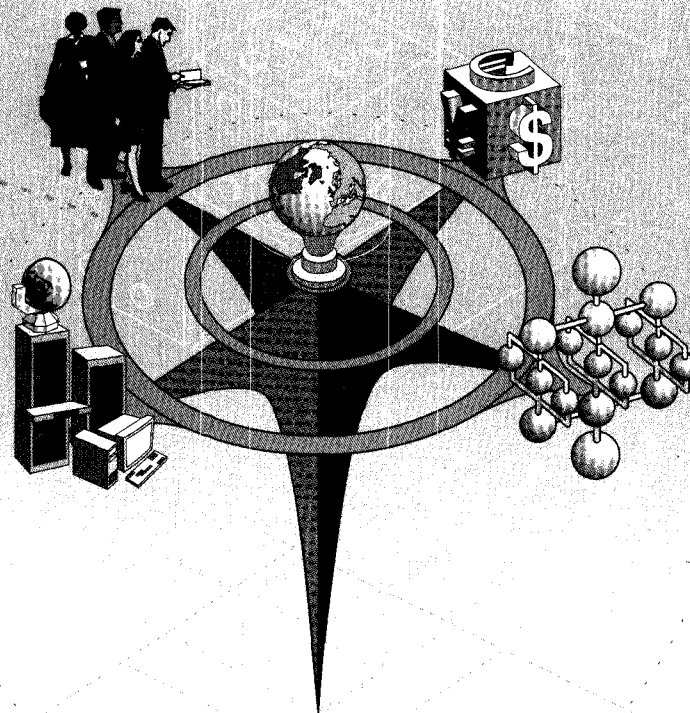
Winning the war for talent

Leading teams must have great players on the roster; in essence this game is all about putting the best players forward.

Surging demand for competent professionals raises the expectations of individuals, which in turn, increases attrition and cost pressures. In a progressively maturing industry, retaining 'experience' becomes critical for differentiation and growth. The dilemma is evident. Only those who morph rapidly will succeed. However, this may be fraught with periods of uncertainty. The rules favor those who manage change through empowered employees in an environment of high performance and transparency.

Institutionalization is all about bridging the gap between concepts and practice.

Basics such as performance management, variable compensation, competency building, career development and internal communication assume much deeper significance in the new game. More than ever, mentors have to focus on enabling talent from varied educational backgrounds to meet the global challenges. With the world as the playing field, building a diverse team has become an imperative. Leaders have to leverage the inherent strengths of diversity and ensure a truly 'inclusive' work environment where talent across national boundaries can realize organizational and personal dreams.



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Nurturing values, managing risks

At the core of performance excellence are values. For sustainable success, how you play the game is more important than winning. As instances of value transgressions reduce the trust in corporate performance reporting, stakeholders demand higher controls and transparency. Meanwhile, to respond to the new game, organizations adopt strategies that could potentially change the fundamentals of their business models. The added uncertainty alters risk appetites considerably. The world comes full circle and reinforces the basic tenets of Predictability, Sustainability, Profitability and De-risking.

The inevitable rapid growth of the global delivery model has to combine with a sharp focus on retaining a 'small company' culture. The thrust is on creating an environment where consistent values can be practiced, individually and collectively. The best have to lead by setting benchmarks: nothing but the highest standards of Corporate Governance, nothing but the best practices in Enterprise Risk Management. The extent to which these practices are followed in letter and spirit would separate the wheat from the chaff.

New game... new rules. These are indeed very interesting times for those with a passion for excellence.

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