

Orchestrating Innovation through Knowledge Globally

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An Abstract

The outsourcing of business services is evolving rapidly. Its traditional focus on optimizing cost and efficiency has been replaced by a new operating model that continues to recognize that innovation requires deep interaction between people but that such interaction may span geographies and organizational boundaries. This recognition is driven by the need for global footprints, sprawling supply chains and cycles of industry consolidation. We at TCS see patterns of re-ordering in the way industries try reach out to new marketplaces and discover new value streams by harnessing competencies beyond the enterprise. Business and IT consulting services are evolving in this dimensional change. The ramifications of this in our business model and value proposition are transformational. We are poised to ride this change by taking leadership.

The case study focuses on a company in the financial services industry with which TCS has worked to connect sources of knowledge and innovation, creating what we term as the new knowledge cluster and encompassing the paradigm shift above.

Background

With the advent of businesses expanding globally, the proliferation of low cost communication infrastructure and ubiquity of the Internet, there has been significant disruptions to the way services are traditionally delivered to any Business. We live in a business environment that supports globalization and service delivery from across the world. This is a world in which the 24x7x365 global supply chain is already a reality for many service companies. The concept of global real-time collaboration is changing the way we live and interact as service companies. This change has evolved over several decades, from the manufacturing sourcing of the seventies to the IT sourcing of the nineties, right through to the present wave of Business Process Outsourcing, offering new opportunities for global services in every location.

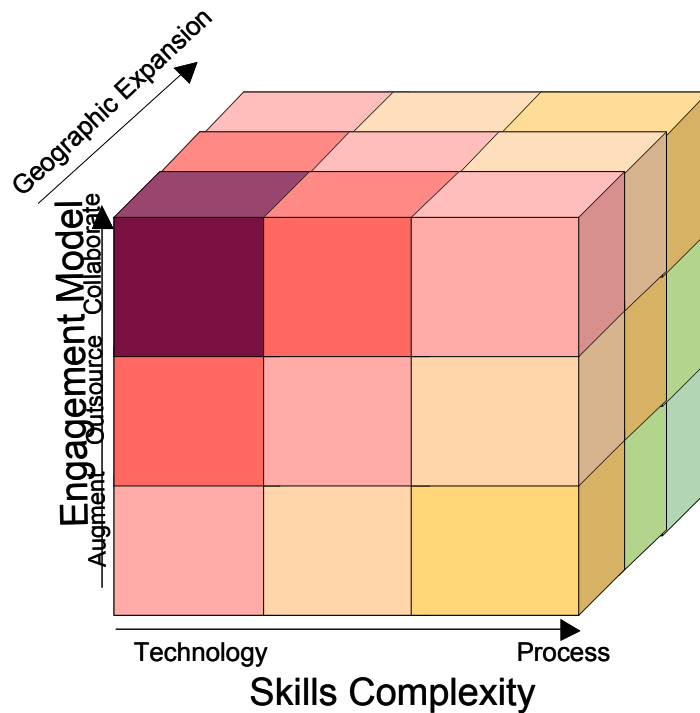


Diagram 1: Changing Landscape for Services Industry

Metamorphosis of Engagement Models for Services

This is an era in which many services can be disaggregated and delivered from lower-cost locations. While IT services paved the way in the context of optimizing costs, it is now of little debate that IT services and process outsourcing has crossed that context.

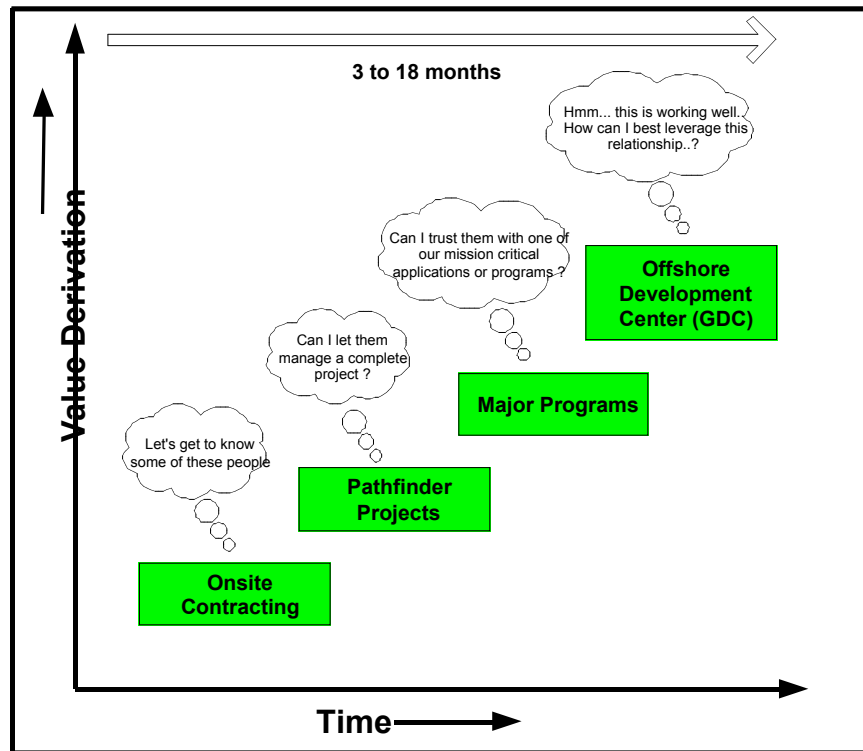


Diagram 2: Progression of IT services models

In traditional IT services, the providers have been rewarded by exhibiting specialization in 'archetypes' of IT services, which provided predictable but budgeted value to customers. In other words, IT service engagements had a known ceiling on the value it could generate. While this model has attained ubiquity, the imperatives are now changing with businesses finding new ways to tap competencies from outside enterprise boundaries.

The boundaries between business consulting services and process outsourcing are blurring. This is despite the fact that there is clear distinctness in the services models of two. Each employs a different mechanism to tap the knowledge and skills during its service delivery; each one of them exhibits a different style in interfacing with customer organization; and the nature and density of the processes they follow while delivering the services are in stark contrast. Yet, each of these services makes more sense when one is complementing the other.

There is an echoing need today to bring in innovation and higher business participation while delivering IT or Process Outsourcing services. By business participation, we mean, the service providers, while being bound by service agreements, are able to see larger business objectives of the customer and are required to exhibit alignment in enabling customer's business agility.

To capitalize on this changing scenario, as IT services organization plan to diversify laterally into business consulting, their success will depend upon their ability to harness the domain / business knowledge from its mainstream operations. On the other hand, business consulting, which follows its natural vertical evolution, would need to be ingrained in mainstream service delivery model to ensure the benefits of global delivery model are ingrained.

Geographic Expansion and its Imperatives

New marketplaces, and blurring boundaries within the ones existing, have made businesses create footprints in multiple segments and geographies, each demanding unique alignment of processes. The notion of captive markets is fast becoming obsolete. We now see rapid changes in product and service portfolio as a result of standardizations and technology led disruptions. For instance, global sourcing from strategic locations and vendors has made supply chains more complex. Sprawling businesses have dispersed clustering of processes influenced by local cultures and strategic equations (supply chain, marketplace).

From an IT perspective, we see an increasing trend in global consolidation of processes with local factors given their due importance. The engagements today have multiple touch-points, with customer functions having varying relevance in the value chain. In other words, as relationships see more participation in imperatives, and the mix of our services is becoming more complex.

A range of services, with varying presence in the value chain, has to be applied across the geographic spread, in concert, to deliver the business value. Despite due diligence applied in SLAs to meet individual service objectives, net value delivered by the combination of services would depend on how well we orchestrate our competencies in line with the broader objectives. Separation of individual services for operational control has to be within the perspective of not looking at these in isolation from the engagement objectives.

Skills Diversity and Facets of Global Knowledge Sourcing

Diversity of skills in IT and Business services is compounded by rapid obsolescence of the skill domains and emerging technologies. Nurturing knowledge in new technologies and practices has to go hand in hand with current skills in demand. TCS is bound within an ecosystem of dispersed technology sources. Our role in the ecosystem is critical to our partnering engagements with customers. This has ramifications on how we structurally align our delivery organization to dedicated practices and technology alliances. Our service model has to leverage these alliances within the specific customer engagements. We have stakes in customer's investment on the technology by ensuring realization. In practical terms, our Centers of Excellence and *Solution Centers* dedicated to specific technology lines and business domain help us in bringing the alliances in close proximity to customer organization. We are able to incubate niche technologies within customer portfolios. These centers operate in an environment of highly fluid collaboration with alliance and customer organization. They enjoy a high degree of empowerment to decide their portfolio in tune with emerging technologies within the alliances.

With a myriad of technology skill domains and industry practices, our knowledge sources are heterogeneously clustered around the globe. We have delivery centers each packed in specialized knowledge domains. Bringing these sources of knowledge close to the customer engagement is a key factor in deciding the project organization. This is done by having a distributed project organization. We have cross-functional people in customer interfacing functions, normally located in close physical proximity to customer organization. This consists of business consultants who can realign engagement objectives by understanding broader needs of the customers. They play a pivotal role in orchestrating the competencies at the backend.

The diversity of needs in an engagement warrants a spectrum of skills and cultures and its best fit. The cultural mix is an important element in this. TCS is driven by a single integrated Quality Model through the adoption of best practices from multiple quality frameworks and we try to follow it with ingenuity. However, as we attain maturity in these quality methodologies, we continue to understand and believe that density of our processes needs to be complemented by richness in culture to bring in innovation. In many cases, the latter makes all the difference. With a range of services from consulting to BPO, our processes have varying density. Processes being coarse grained in advisory services and relatively fine grained in control-driven operations, there is a culture mix complementing this. Another dimension on cultural diversity is that we operate in multiple countries. It would have been seemingly daunting to mesh these diversities and styles of operation.

Global Network Delivery Model (GNDM™)

The combination of the factors mentioned above, viz., need for integration of business and IT consulting, global expansion of businesses and diversity of sources of skills and knowledge, has warranted us to re-structure our capabilities in a way that our interface with customers covers broader range of participation; and our delivery supports orchestration of dispersed sources of knowledge. Global Network Delivery Model (GNDM™) is the crystallization of this capability at TCS. It provides us a global service model that synergizes dissociated clusters of cultures associated through knowledge. It thereby complements the diversity in customer operations. This helps service delivery and fosters innovation across the fluid boundaries between the customer and the team.

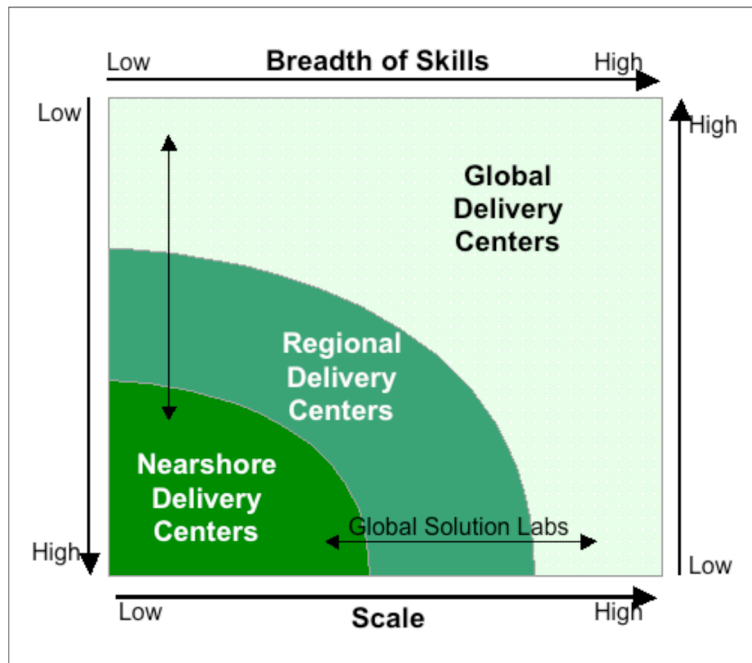


Diagram 3: TCS' Global Network Delivery Model

GNDM™ encapsulates our ability to orchestrate these in a way that these turn into being our differentiators. For instance, growth of our *regional delivery centers* in Hungary, Brazil and Uruguay were strategic to sourcing talents and bringing proximity to customers in Europe and Latin America. *Global delivery center* in China helped us in creating delivery capabilities culturally and logistically very close to the Japan and emerging Asia Pacific market. We have *local delivery centers* in places where we closely work on strategic customer initiatives with technology partners in a seamless collaborative environment. The structural alignment and our knowledge sourcing mechanisms make our

sizeable delivery operations in India bolster our worldwide delivery network by providing breadth of skills and cross-functional competencies.

The diversity in our operational cultures and styles has been created by acknowledging our inbred capabilities. This has been augmented by strategic inorganic expansions. For instance, the acquisition of stakes in Pearl in UK leapfrogs our strength in servicing insurance industry in niche market places. Acquisition in Chile helps us achieve cultural proximity to Latin American market. We continually close gaps in knowledge and cultural domains by enriching our capabilities and acquiring natural extensions of it. GNDM™ helps us in translating this to new dimensional customer value.

The GNDM™ Orchestration

Any multi-functional global servicing has the pitfall of operating in silos of knowledge clusters. As we grow in size, this is a perceived challenge. Our nature of operations demands structural boundaries that are multidimensional. Moreover, our engagements operate through formation of project organizations, where a part of the knowledge is supported by entities outside the project. The complexity is further compounded when the project organization is geographically distributed. Having said, GNDM™ helps us circumventing these and making these dimensions our key differentiators. The dimensions mentioned above provide a strong operating foundation for us to be partners in agility. If we look back to the classic onsite-offshore operating model, we would see that the above pitfalls were actually known limitations within which we operated. With bound project organizations, we had limitations in putting the best knowledge mix and promoting its fluidity. Moreover, interfaces with customer were largely in the local context of a project.

As GNDM™ harnesses the clusters of knowledge and diversity by promoting fluidity of knowledge, there are sound mechanisms making this orchestration possible.

Firstly, our project organizations are strategically distributed with loose boundaries. This creates open interfaces with internal groups. Our Centers of Excellence (CoE) and practices provide resource pooling and knowledge support to the project organizations.

Secondly, the fluidity and distributed nature of our project organization helps us in developing multiple touch-points with customer organization. This aspect plays a pivotal role in bringing customer perspectives in individual projects, which otherwise would have remained obscure within the context of the

individual service being executed. In an agile environment, this is a less obvious yet a pervasive issue in partnering. Understanding customer perspectives and changing needs is best fostered with collaboration beyond the context of individual services.

Thirdly, to bring a fluid collaboration with customer organization, we need to inject cultural proximity into the touch-points in our interfaces with customer organization. This becomes critical as the customer organization itself exhibits diversity with distributed operations. Our Local delivery centers help us in pooling and mobilizing knowledge resources within the cultural proximity.

Finally, with sources of innovation being present outside the organizational boundaries, our engagements include incubation of opportunities in emerging technologies. Our alliances with technology providers enable us to have solution centers dedicated to customer's portfolio.

Next Evolution

The GNDM™ is a strategic framework for global delivery and goes far beyond a simple onshore/offshore mix. Thanks to this, structure we can offer a client the best price by delivering the majority of an element of service from our core, and then bundling this with some local work where customer interaction is more critical, along with advice on new industry trends and best practice from our solution centers. It is a model that works well and we believe that it offers an optimal mixture of industry thought-leadership and an economy of scale.

Given the demanding dynamism of the current environment, business agility is the emerging facet of innovation. We can see patterns of product portfolio cycles being shortened; processes being more adaptive to cross-enterprise and cross-cultural dimensions; and operations being more distributed than ever before. This trend is heading towards a scenario where boundaries between enterprise and business services providers is fluid a lot like how we see today in the context of matured supply chains. However, the key distinction in this consolidation would be in terms of how business service providers emerge as stakeholders in customer's changing imperatives. From a service delivery point of view, we are moving towards *agile service delivery for agile businesses*.