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## “From No to Now” - Perinteisen infrastruktuuriulkoistuksen uudelleensyntyminen

As we enter 2013, it's a good time to reflect on what the IT outsourcing industry has accomplished and more importantly what we would like to focus on for the coming years. While the Indian IT industry collectively reached a respectable size of USD 100 billion, it will be inappropriate to say 'what has got us here will take us forward'. Let me give you an example. The CIO, of a leading Financial Services company in New York recently asked me a pertinent question: "how can I really make sure that my outsourced IT infrastructure doesn't become a black box to me?" Like many corporations across the world, her organization too had chosen a traditional Service Provider to manage their IT infrastructure. The question reflected her sheer frustration and dissatisfaction with the current engagement. Of late, she

witnessed that the incumbent IT vendor is unwilling to adapt to the dynamic needs of her organization. IT provisioning is just not quick enough and every piece of work is being called a change request. She is not alone. She is part of what I call the **Gen 2.0** segment of customers, who have prior outsourcing experience with at least one traditional service provider, and are now feeling trapped under those contracts with the Service Provider. They want to onboard a Service provider that can provide them with the flexibility and agility to match the ever changing dynamics of business.

Let's try and understand what led to this situation. A decade back, when companies first entered into contracts with traditional service providers, the objective of the relationship was two-pronged: cost optimization and efficiency driven by expertise in building and managing various components of IT. The service provider, in return, signed a long term contract which often included IT Assets and Services tightly coupled for service delivery. It was a win-win scenario for both, the Service Providers and the customers, in an economy that was growing economy and where sales grew on the back of robust demand for product and services. However, things changed as we hit a downturn post the Global financial crisis in 2008.

**Market Uncertainty** – Over the last 5 years, with the financial slowdown and the changing economy, customers started facing a number of challenges such as unpredictable demand cycles, increased cost pressure, and uncertain revenue streams. Therefore, they did not want to get stuck in rigid & inflexible sourcing contracts. The sourcing construct needed to be in sync with the dynamic environment. What customers needed was to de-bundle services and assets to address these business uncertainties.

**Technology Uncertainty** – The Technology landscape also evolved into an ecosystem of partners for disruptive technologies like social, mobility, analytics and cloud. These technologies have become ubiquitous and are changing not only how we connect with others but also how we do business and deliver services. The traditional IT outsourcing approach fails completely to address these innovative business models. What the customers need now is industry utility based pay per use Services and the ability to scale up or down rapidly. They are very keen to convert managing IT at a fixed cost to a variable cost and possible off premise.

These critical inflections put to test the traditional outsourcers' strengths for

Innovation and Customer Centricity. While only a few outsourcers have succeeded and gained substantial first mover advantage, the inability of many to adapt has led to creation of the \$190 Billion churn market.

## **Partners in Progress**

Today CIO's are using IT for business transformation and therefore they are not willing to accept the inflexibility of their outsourcing partners. I see a wonderful opportunity in this difficult situation for IT vendors: bridge the trust deficit gap and win customers' confidence. IT companies should seize this opportunity to grow in tandem with customers by creating win-win engagements. And, these win-win propositions can only be created through flexible engagement models, agile service delivery, strong co-governance measures, transparent processes and ability to provide "as-a-service" offerings.

At HCL, more than 60% of our new customers have transitioned from traditional outsourcers. The reasons are similar: inflexibility of the vendor, inconsistent service delivery, indifference to the client needs and complex vendor landscapes leading to poor governance.

## **The Road Ahead**

I believe, in a market ready to transform and requiring change, a sourcing model that focuses on customer priorities, helping them to enter new markets, adopt new processes, provide better operational flexibility, all the while enabling them to serve their clients better, will win. To remain relevant and to create higher value for clients, IT service providers need to realign to such sourcing needs of the customer.

Customers are increasingly looking at agility in transition, responsiveness, management commitment, and continued organizational focus. Additionally, flexibility in contract, easier exit clauses, platform & technology flexibility, flexibility in operation and multi-vendor flexibility are also core of new sourcing constructs.

As partners-in-progress, IT vendors must assist enterprises in making right decisions on IT infrastructure, tools and platforms. Therefore, hybrid sourcing models ensure that customers can hold back on some key retained functions

like IT strategy and outsource others like Data Centre services, and yet have a strong co governance layer that provides for higher visibility to the engagement.

My suggestions may appear dramatically different from the way the industry has functioned thus far. However we have implemented these suggestions with our clients and the results have been incredible. By creating Flexible engagement models, we have been able to de-risk our clients and this has reflected in their increased trust on us.

For example, using a strong transition methodology, HCL transitioned end user support from a traditional service provider for a global devices giant. The transition from a traditional provider was done in flat 7 weeks across 70 countries and 250 locations. Like all other transitions this too was with zero business disruption. In another example, the customer outsourced only one track to HCL about 8 years back and since then has renewed the contract with HCL twice, based on the value we have been able to add to the relationship. Every time the customer renewed, the scope has expanded and now HCL does end to end global IT Infrastructure for this G2000 customer. The customer retains certain functions like IT strategy and change management. In a third instance, using our contrasting 'flexible' approach to traditionally rigid contracting practices, HCL modified a complex outsourcing contract with a leading Insurance Provider midway, to help meet their changed needs as a result of changed business environment.

As IT outsourcing evolves further, we will see many traditional IT services becoming extinct and newer outsourcing models taking their place. The advantage would go to those Service Providers who can connect with their customers, understand their business and pain points and offer them flexible and responsive services which are aligned to business.

The roadmap is clear – IT outsourcers must reboot and adapt to the demands of the customers. This is not only the key to their survival but the course to evolve the industry to the position of a strategic partner.

These are some of the initiatives HCL is taking in moving the Gen 2 outsourcer from **No to Now**. This is a continuing journey - and your ideas and suggestions would be welcome.

## **Blogger Profile:**

Anant Gupta is Chief Executive Officer of HCL Technologies Ltd. (HCLT), a \$4.4 billion global information technology services company.

Anant joined HCLT in 1993 as a Manager in the Networks business unit of HCL's Infrastructure Services Division (HCL ISD) and has been with the company for 20 years. He led the Division's brilliant foray into global markets through its pioneering Remote Infrastructure Management (RIM) Services and was appointed its President in October 2008.

Anant has been instrumental in scaling HCL ISD to a \$1 billion business. More recently, he has led HCL Technology's growth in the Continental Europe region to a leading market share position and overseen industrialization of applications service delivery.

Over the years Anant has played a transformational role as a member of HCL's core think-tank, having pioneered three revolutionary IT operations management models - Remote Infrastructure Management (RIM) as an alternate to the prevalent Total Outsourcing model, Business Ready Infrastructure (BRI) Service as a smart sourcing alternate for Utility Computing and the world's first hosted pay-by-use Enterprise Systems Management Framework called MTaaS™. Under his able leadership these three models have not only helped expand addressable blue ocean markets for HCL, but also successfully deliver a differentiated value proposition to Global 1000 corporations.

During his illustrious career Anant has also made unparalleled contributions to the RIM Industry at large. He has authored the world's first ever book on RIM called 'The Blackbook on RIM', which has ever since earned much critical acclaim and emerged as a beacon of knowledge for this blue ocean Industry. He is also a founding member of NASSCOM's RIM Forum. Additionally Anant has contributed significantly to the research on New Energy models and is currently a Task Force member of the New Energy Architecture project run by the World Economic Forum.

Described as focused, passionate and futurist, Anant's distinctive leadership style has led HCLT to be known as 'torch-bearer' of the Infrastructure Management Services industry. His management style was profiled and commended in a business bestseller 'Blueprint to a billion: 7 essentials to

achieve exponential growth' as part of a case-study on HCLT, authored by renowned management guru David G. Thomson.

Anant has studied MSc. Engineering from University of Liverpool. In his free time he likes exploring new technology gadgets and reading management strategy books.

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## **HCL Technologies Pohjoismaissa**

HCL Technologies palvelee pohjoismaisia asiakkaitaan noin 1 500 asiantuntijan voimin. Tästä määrästä noin 25% yrityksen asiantuntijoista toimii pohjoismaissa ja 75% asiakkaiden tarpeiden mukaan eri puolilla maailmaa. HCL Technologies on toiminut Ruotsissa jo noin 5 vuotta ja avannut lisäksi toimistot syksyllä 2010 Suomeen, Norjaan ja Tanskaan. HCL Technologies työllistää Suomessa tällä hetkellä noin 100 asiantuntijaa. Henkilömäärä on kasvanut noin 30% vuoden 2010 aikana.

## **Yhteyshenkilöt**



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