



# Cell structure

By reorganising operations into over 20 smaller business- and customer-centric cells, Tata Consultancy Services minimised the recessionary impact. New thrust areas include green business services and non-linear growth opportunities, says MD **N Chandrasekaran** to *Tata Review*

**Can it be safely said that the recent recession is over? How has Tata Consultancy Services (TCS) dealt with the slowdown and what lessons has it learned by navigating through these tough times?**

Overall, the market conditions are improving. Our clients are still under pressure and IT budgets remain under tight control, but the business environment has stabilised. The deal pipeline is healthy, but closing deals is taking longer. The problem is not yet over, however. I believe the economic recovery will take some more time.

We have navigated through the crisis by focusing on our simple strengths — by being close to the customer and helping enhance efficiency and growth; focusing on execution and delivering unparalleled quality to the customer and through rigorous management of costs and operations.

**You have been hiring in the US lately. What's the outlook in that market and how is TCS positioned to do its best there?**

North America continues to be our largest market. Our share of revenue from this region is over 50 per cent and continues to grow.

Our 220-acre centre at Seven Hills Park, Cincinnati, Ohio, is part of our global network delivery model of software development centres. We have hired over 250 local graduates and trained them at this centre. The centre is strategic to our

plan to make an impact in new areas such as government and healthcare. The engineers at Seven Hills Park are working on developing solutions for these two sectors. Although it is early days, I believe we will deliver meaningful solutions in these areas.

TCS continues to be well positioned in the US market. In each of the large industry segments that we operate in, the company serves many of the top ten US corporations. However, there is tremendous potential, and we believe that our business model is very well aligned to capture a significant share of the market.

**TCS continues to be hugely dependent on the US and the UK markets and the slowdown has shown up this reliance. How is TCS dealing with this situation?**

Major markets like the US, the UK and Europe account for the maximum share of the global technology spends. So, it is natural for TCS to accrue significant revenues from these markets. Indeed, from TCS's perspective, many of these mature markets or segments within them hold tremendous potential for future growth.

Having said that, we have been systematically diversifying the geographic footprint of our revenue and delivery capability. Emerging markets now contribute about \$1.2 billion of annual revenues for TCS. Similarly, we have about 10,000 associates in delivery centres in Latin America, China and Eastern Europe.

**How has the new organisational structure at TCS helped it cope with the problems of the present? In which specific areas has this structure been an improvement over the earlier format?**

In 2008, we created over 20 industry-oriented, customer-centric business units, each with a critical mass of \$250-300 million, with the aim to grow each to a



**N Chandrasekaran**

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billion dollars. The underlying thrust of the reorganisation was to create agile, scalable units that will increase our customer and domain focus. It will also naturally increase the pool of leadership talent available to TCS. I would not hesitate to say that this structure helped TCS tremendously, to grow and to navigate the current downturn with minimum impact.

**Your taking over the reins at TCS from S Ramadorai was smooth and seamless. Could you tell us a bit about the kind of succession planning that made this possible? Will you be doing things differently from your predecessor?**

I have been a part of TCS for a very long time and worked with Ram in various roles all through his 13-year tenure as CEO. I was involved in, or was responsible for, many of the key initiatives that we rolled out, and hence the transition was very smooth. We also focused on ensuring a very high level of communication both to external and internal stakeholders. Finally, during the transition period, we worked together to meet almost all the important stakeholders.

The challenge now is to step away and look at things afresh. My focus is continuity with change. Our core strategies will remain unchanged, and we will refocus on growth.

**You have been talking about generating 'non-linear' growth, earning more without adding too much to TCS's personnel count. How do you see this idea panning out?**

TCS was the first to identify and invest in various non-linear opportunities, namely, software products, platform BPO and a cloud-based model for SMEs. These initiatives leverage our IP to create licence- or fee-based models of delivery and serve customers without adding to the head count. We are progressing very strongly in our non-linear initiatives. We are focusing on leveraging our deep domain expertise to create integrated solutions that cut across products, technology services and business operations. I believe this will be one of the key pillars of revenue and profit growth over a three- to five-year horizon and am happy with our progress till date.

**What are the difficulties in setting up development centres in non-English speaking countries, as TCS has been increasingly doing? Are cultural issues as critical as business ones?**

Managing cultural diversity is part and parcel of day-to-day operations when dealing with a highly skilled global workforce serving customers across 50 odd countries. We have a fairly homogeneous workforce that is used to working closely with clients across a diverse cultural spectrum. Therefore, our employees are very tuned to the demands of working in a multi-cultural environment. We are only leveraging this experience as we steadily expand our global delivery centres. The issue of language is an operational issue that is being tackled partially by technology and partially by specific training.

**Innovation has been a capital idea at TCS for a while now. Could you tell us how innovation is being fostered at the company, as well as the salient features and processes involved in this?**

Innovation in TCS is built on three fundamental axioms. First, in today's world, no one organisation can do it all. We continue to invest in our own capacity to innovate through our network of 20 innovation labs, but we have also established an open, co-innovation model where multiple stakeholders come together, pool their intellectual property and create an innovation outcome where the collective whole is more than the sum of its parts. Our co-innovation partners include venture capital funds, start-up companies, academic institutions, our strategic partners and our own clients.

Second, we have a systematic approach to take ideas through a process which can yield a finite set of business options. We have based this on Clayton Christensen's technology-market map framework. The key concept is that each type of innovation needs a different environment and support system to emerge and create maximum business value.

Last but not the least, we work closely with our current and prospective customers, as well as a range of advisors from academia and the analyst world to

define our focus on 10 innovation themes. These range from 'here and now' areas like efficiency, productivity, simplification and agility; to longer-running themes like security, privacy, collaboration, ubiquity and customer experience; to long-term bets in health and environment.

**Could you shed some light on TCS's green IT outsourcing services?**

At TCS, green initiatives are classified into two broad categories. TCS helps in making use of technology which is more 'green', and we also provide a range of solutions to help businesses reduce their carbon footprint.

Some of our services include optimum infrastructure utilisation, real-time energy management, efficient energy capacity planning and emission abatement alternatives. We believe that there are tremendous opportunities in all these areas.

**HR is always a vital area for an enterprise such as TCS. What kind of challenges have you had to confront in this function, especially in the context of the slowdown? Has hiring become easier?**

TCS has grown multi-fold in the last five years. A significant proportion of our workforce is very young and had never seen a slowdown. Therefore, the leadership HR teams were required to play a key role in talent management during this challenging time.

On the talent acquisition front, we have a two-tier model where we hire both directly from the campuses and also laterally, on demand basis. We were able to align our employee intake fairly closely to the developing demand environment and still honour all campus offers.

**From a personal perspective, how is the experience of occupying the hot seat turning out? How different is it from being a rung below?**

The CEO position comes with a much larger responsibility, and that is the single biggest difference. One has got to be able to sustain performance for a long period of time and you've really got to focus, prepare and execute consistently. As the CEO, I now need to set the path for the company's next phase of growth. ●