

Global Leadership

A Business Imperative: Maintaining Growth—International hiring for Indian heritage IT services companies

This report is the result of a series of interviews we conducted with senior executives from Indian heritage IT services majors.

Executive Summary

- Inadequate global talent is hurting growth for Indian heritage companies; difficult economic conditions are only amplifying the impact
- Large parts of the global market still remain unaddressed or underpenetrated
- Competition is with the global majors; clients are seeking impact on business outcomes; scale matters
- Poor hiring and poorer integration has dented the ability to diversify the talent pool; very few examples of non-Indians in the C-suite
- Talent acquisition and retention is firmly on the CEO agenda

Background

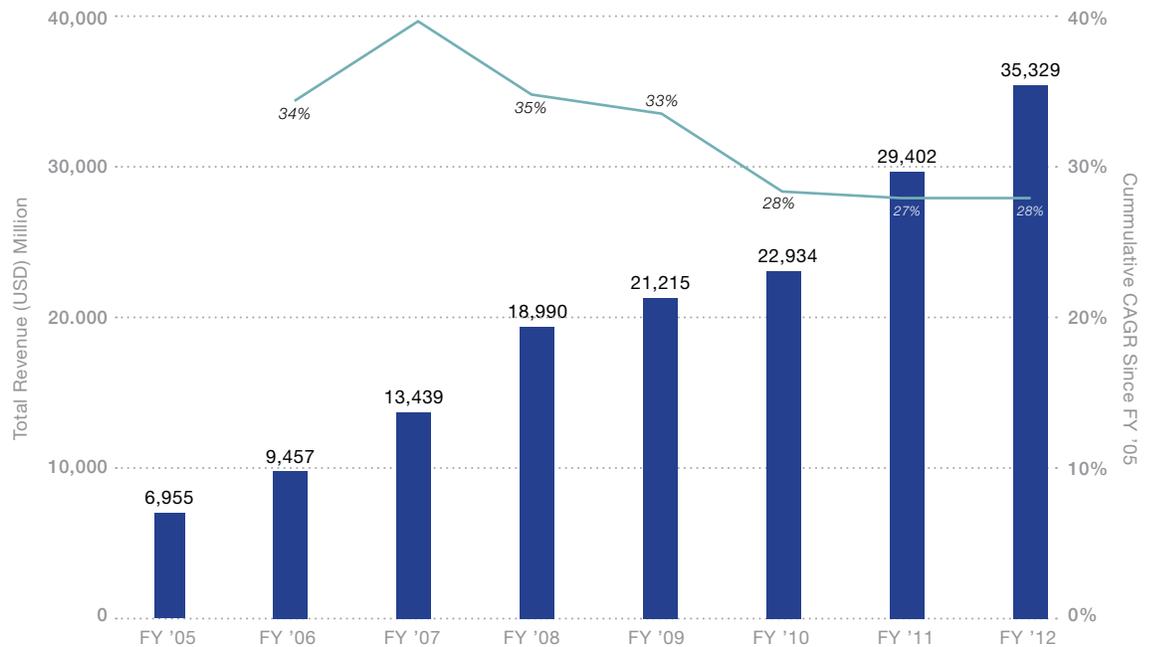
Over the last decade, the IT and IT Enabled Services industry has epitomized the success of corporate India. Y2K proved to be the tipping point; companies aimed to deliver a high-quality service at a fraction of the cost before quickly moving up the value chain in its ability to deliver business value through a combination of assets, IP deployment and outcomes based commercial models.

While global majors such as Accenture and IBM continued to influence the market with their consultative sell, the value proposition of the Indian heritage IT companies was impossible to ignore. This led to two major changes; firstly, every global major set up offshore delivery units to narrow the gap on costs and secondly, every Indian IT major structured the organization around industry verticals, to allow greater differentiation in the market and greater ability to compete with the consultative sell of their global competitors. This has produced a more level playing field across the industry, ensuring that a company's national heritage will no longer determine its growth trajectory.

Global Leadership

The graph below shows how the growth of top Indian heritage IT service companies has tapered over the last 7 years.

Revenue & Revenue Growth



Notes: The above includes data for TCS, Cognizant, Infosys, Wipro and HCL Technologies. Sales numbers (net of excise, where applicable) have been used.

FY refers to the period 1st April to 31st March. TCS, Wipro and Infosys report their results as such and we have used quarterly data for HCL (uses 1st July–30th June as the fiscal) and Cognizant (uses 1st January–31st December as the fiscal) to normalize on the time scale.

Cognizant reports its results only in USD while the others report INR as well. We have taken the average exchange rate for the year used by Infosys to normalize on FX rate.

The challenging economic conditions of the last three years are exposing some of the structural weaknesses in these companies. Executives are telling us that they

- **Need to Tap New Geographies:** Most companies are still at an early development stage in places such as China, India, the rest of Asia, Latin America and Continental Europe, each of which provide significant potential for new business
- **Need to go Deep in Select Countries:** While most Indian heritage IT majors report at least a 25% contribution to revenue from their European operations, they admit that is partly an accounting perspective and may not reflect their strength in those geographies. For example,

Global Leadership

working across countries for an American multinational client with fairly centralized decision making reflects the strength of the HQ relationship and not the depth of presence in each country of operation. Similarly, how many local or regional majors in each country are clients in the local country of operation?

- **Need to Build and Strengthen New Verticals:** Indian heritage companies still derive most of their revenue from clients in financial services and manufacturing. While these sectors still offer growth potential, so do many other sectors such as healthcare, energy & utilities, and public sector that are still marginal
- **Need to “Partner” with Clients:** Combining the service lines of consulting, technology and outsourcing and leveraging third party assets, is creating opportunities for end-to-end solutions, ensuring greater stickiness in client relationships and creating opportunities for gains in market share. However, this model itself is a relatively new one and has not yet been institutionalized
- **Need to Industrialize Delivery:** As Indian heritage companies lose cost competitiveness with global majors establishing large off-shore delivery centers, how can they implement a paradigm of cost that is per unit of work done and not per unit of time and improve employee productivity?

Individual companies will pick their own strategy and modus operandi for execution but there is common realization that it will no longer be enough to cherry pick clients. A truly global presence, a full service offering and a robust in-country model will be key to their success.

There is common admission that lack of adequate leadership talent is proving to be a constraining factor, preventing companies tapping into the business potential that already exists.

Which Leadership Attributes & Competencies are a Priority?

Themes we heard consistently from the executives we interviewed

The ability to broaden the relationship to the C-suite beyond the CIO and help impact business outcomes at multiple levels is critical. There is a need to shift IT spend away from running the business and deploy it in business enhancement projects. This requires leadership to take a holistic view of client spend and a consultative approach to client engagement. Hiring strategies therefore shift towards professional services organizations with an on-site client partner type model as opposed to delivery / practice heads making only periodic trips to the client location. There is evidence of senior P&L leaders relocating closer to the market than to the delivery organization.

The term ‘global outlook’ emerged in several discussions. Working overseas did not equate to ‘being global’. Equal frustration was expressed towards Indian, U.S. and European executives who they thought lacked a global outlook. Our interviewees said they thought around 30% to 35% of executives within their senior leadership teams have a genuine global outlook on the

Global Leadership

business. There is recognition that European and U.S. executives needed to better understand the offshore delivery model and embrace the engineering / service delivery heritage of the Indian heritage businesses. Indian heritage companies see most European and U.S executives as being driven by their 'black book' of contacts, who only feel responsible for landing sales, but not for the subsequent delivery of services and for nurturing opportunities.

Industry verticalization is still a relatively new concept in Indian heritage companies and for most executives in the 1990s and early part of 2000, career progression resulted from growth in size of the delivery teams they managed. At one time, selling was easy and limited to RFP responses and demand fulfillment as opposed to demand creation. With greater emphasis on a more robust sales and marketing engine, the power equation is shifting towards demand execution and market development rather than RFP responding. Some companies have addressed this by uniting the delivery and sales groups in an arrangement of common KPIs. While that clearly helps, it works only if there is an underlying cultural foundation that creates positive tension between sales and delivery. When implemented, it needs consistency of messaging and conflict management from the senior leadership.

There was also a growing recognition that the right type of executive needed to be in the right type of role. An example of this would be hiring an entrepreneurial executive to get a business up and running in a new territory, but then having time-based succession of typically two to three years or less, whereby the executive would hand over a more established business to an internal successor. Typically this individual could then move on to another territory and repeat the process. There were numerous examples cited, where an entrepreneurial executive had started the business off, but growth had stalled typically around the two year mark as different skills were required to run a more significant business with multiple service lines, deployed for multiple clients, across multiple verticals.

Indian heritage companies are considered entrepreneurial by the executive community abroad which has both positive and negative connotations; while it allows for quicker decision making and greater commercial and contractual flexibility, it also makes the executive roles seem fluid. A number of good hires have failed to integrate because the role, reporting lines and KPIs could never be adequately defined and would often contradict or overlap with others in the system. Companies blame this on the individual for being too driven by what they want and for taking a short-term view of their career, while the hired executive suffers from a form of corporate agoraphobia, where they have become insecure due to the fact that they do not have the rigorous, western-style corporate structure supporting them.

The Story so Far . . .

- In terms of nationalities, it is not surprising that Indian heritage IT services businesses still have a low percentage of foreign employees. Typically, foreigners account for less than 10% of the workforce. Due to the large number of global delivery centres based in India, it is perhaps not surprising that the average percentage shifts downwards. However, even when you move to the senior executive level, this percentage only increases to 20% to 30% for non-Indian nationalities

Global Leadership

- The ability to acquire and integrate talent has been greater in the U.S. where outsourcing is well-established and accepted and there is a homogeneous talent pool. Europe was seen as moderately hard to hire, with mixed results across the different geographies, north and west Europe being fractionally easier to hire than the south and central region. China and Japan are both considered challenging markets to recruit talent
- On the whole, companies claim that integration has been a far greater challenge than hiring but a lot of this has stemmed from design and process issues upfront. Poor definition of the role at the beginning of the process and too much focus on the input (number of CVs presented) rather than the output (qualified, relevant candidates who fit the culture of the organization) are common issues
- Making executives accountable for recruiting a successor or a team member is critical. Also, defining a committed search committee who maintains focus and does not delegate throughout the search process has huge impact on the success of a search project

So What Needs to Change?

- There is growing recognition that expats transplanted into a new market cannot be the only strategy for international growth. Hiring local talent with a strong culture fit is a business imperative and will accelerate local market penetration. Market-facing vertical leads of client partner style executives who have “relationships” and “genuine content” on how to transform technology operations are the most in demand.
- There was growing concern that a combination of market conditions and poorly executed recruiting was resulting in an opportunity cost to the business due to lost time, as well as significant costs to exit failing executives. Indian heritage IT services businesses are definitely not all the same and they each have distinct cultural attributes. Partnering with a leadership advisory firm which is prepared to invest the time in understanding not just the culture of the organisation, but also the personalities and styles of the leadership team, and working together in anticipating and addressing hiring and integration issues are critical success factors.

Authors

David Crawford leads the Technology Sector in Europe. He concentrates on technology clients, focusing on software, system integration and outsourcing assignments. Based in London, David works on assignments for large, well-established clients as well as smaller, well-funded, venture capital-backed clients.

Based in London, **Kai Hammerich** has conducted numerous CEO and board-level assignments for major Nordic, European and global technology clients. He has considerable experience in advising clients on how to align a company's talent portfolio with the overall business strategy and company culture. Before moving to London, Kai was responsible for opening the firm's first Nordic office in Copenhagen in 1997.

Puneet Kalra is a core member within the firm's New Delhi Office. He is a member of the Technology sector. With over 11 years of consulting experience, he has worked for various Indian and MNC clients in FMCG, telecom, heavy engineering, airlines and utilities as well as in the areas of corporate and business unit strategy, marketing strategy, corporate governance, operational efficiency improvement, outsourcing and regional competitiveness.

Leadership, Succession and Search | Russell Reynolds Associates is a global leader in assessment, recruitment and succession planning for Chief Executive Officers, boards of directors, and key roles within the C-suite. With more than 300 consultants in 41 offices around the world, we work closely with both public and private organizations across all industries and regions. We help our clients build boards and executive teams that can meet the challenges and opportunities presented by the digital, economic, environmental and political trends that are reshaping the global business environment. www.russellreynolds.com. Follow us on Twitter: [@RRAAonLeadership](https://twitter.com/RRAAonLeadership)

Americas

Atlanta

1180 Peachtree St., NE
Suite 2250
Atlanta, GA 30309-3521
United States of America
Tel: +1-404-577-3000

Boston

One Federal Street, 25th Floor
Boston, MA 02110-1007
United States of America
Tel: +1-617-523-1111

Buenos Aires

Buenos Aires Plaza
Manuela Sáenz 323
Seventh Floor, Suites 14 and 15
C1107BPA, Buenos Aires
Argentina
Tel: +54-11-4118-8900

Calgary

Suite 750, Ernst & Young Tower
440-2nd Avenue SW
Calgary, Alberta T2P 5E9
Canada
Tel: +1-403-776-4192

Chicago

155 North Wacker Drive
Suite 4100
Chicago, IL 60606-1732
United States of America
Tel: +1-312-993-9696

Dallas

200 Crescent Court, Suite 1000
Dallas, TX 75201-1834
United States of America
Tel: +1-214-220-2033

Houston

600 Travis Street, Suite 2200
Houston, TX 77002-2910
United States of America
Tel: +1-713-754-5995

Los Angeles

11100 Santa Monica Blvd.
Suite 350
Los Angeles, CA 90025-3384
United States of America
Tel: +1-310-775-8940

Mexico City

Torre Reforma
Paseo de la Reforma
115-1502
Lomas de Chapultepec
11000 México, D.F.
México
Tel: +52-55-5249-5130

Minneapolis/St. Paul

225 South Sixth Street, Suite 2550
Minneapolis, MN 55402-3900
United States of America
Tel: +1-612-332-6966

New York

200 Park Avenue
Suite 2300
New York, NY 10166-0002
United States of America
Tel: +1-212-351-2000

Palo Alto

260 Homer Avenue, Suite 202
Palo Alto, CA 94301-2777
United States of America
Tel: +1-650-233-2400

San Francisco

101 California Street
Suite 2900
San Francisco, CA 94111-5829
United States of America
Tel: +1-415-352-3300

São Paulo

Edifício Eldorado Business Tower
Av. Nações Unidas, 8.501 11°
05425-070 São Paulo
Brazil
Tel: +55-11-3566-2400

Stamford

301 Tresser Boulevard
Suite 1210
Stamford, CT 06901-3250
United States of America
Tel: +1-203-905-3341

Toronto

Scotia Plaza, Suite 3410
40 King Street West
Toronto, ON
M5H 3Y2
Canada
Tel: +1-416-364-3355

Washington, D.C.

1701 Pennsylvania Avenue, NW
Suite 400
Washington, DC 20006-5810
United States of America
Tel: +1-202-654-7800

Asia/Pacific

Beijing

Unit 3422 China World Tower 1
No. 1 Jian Guo Men Wai Avenue
Beijing 100004
China
Tel: +86-10-6535-1188

Hong Kong

Room 1801, Alexandra House
18 Chater Road Central
Hong Kong
China
Tel: +852-2523-9123

Melbourne

Level 51, Rialto Towers
525 Collins Street
Melbourne, VIC 3000
Australia
Tel: +61-3-9603-1300

Mumbai

Unit 9(A), Grand Hyatt Plaza
Santacruz (East)
Mumbai 400 055
India
Tel: +91-22-6733-2222

New Delhi

203, Eros Corporate Tower
Nehru Place
New Delhi 110 019
India
Tel: +91-11-4603-4600

Seoul

16F West Tower
Mirae Asset Centre 1 Building
26 Eulji-ro 5-gil, Jung-gu
Seoul 100-210
Korea
Tel: +82-2-6030-3200

Shanghai

Room 4504, Jin Mao Tower
88 Century Avenue
Pudong, Shanghai 200121
China
Tel: +86-21-6163-0888

Singapore

2 Shenton Way
#08-01 SGX Centre 1
Singapore 068804
Singapore
Tel: +65-6225-1811

Sydney

Level 40 Aurora Place
88 Phillip Street
Sydney NSW 2000
Australia
Tel: +61-2-9258-3100

Tokyo

Izumi Garden Tower 14F
1-6-1 Roppongi
Minato-ku, Tokyo 106-6014
Japan
Tel: +81-3-5114-3700

Europe

Amsterdam

World Trade Center
Tower H, 18th Floor
Zuidplein 148
1077 XV Amsterdam
The Netherlands
Tel: +31-20-305-7630

Barcelona

Edificio Prisma
Avda. Diagonal, 613, 2ªA
08028 Barcelona
Spain
Tel: +34-93-494-9400

Brussels

Boulevard St. Michel 27
B-1040 Brussels
Belgium
Tel: +32-2-743-12-20

Copenhagen

Kongens Nytorv 3
DK-1050 Copenhagen K
Denmark
Tel: +45-33-69-23-20

Frankfurt

OpfernTurm
60306 Frankfurt am Main
Germany
Tel: +49-69-75-60-90-0

Hamburg

Stadthausbrücke
1-3/Fleethof
20355 Hamburg
Germany
Tel: +49-40-48-06-61-0

London

Almack House
28 King Street
London SW1Y 6QW
United Kingdom
Tel: +44-20-7839-7788

Madrid

Calle Miguel Angel, 11, 7°
28010 Madrid
Spain
Tel: +34-91-319-7100

Milan

Via Mascheroni, 5
20123 Milan
Italy
Tel: +39-02-430-015-1

Munich

Maximilianstraße 12-14
80539 München
Germany
Tel: +49-89-24-89-81-3

Paris

7, Place Vendôme
75001 Paris
France
Tel: +33-1-49-26-13-00

Stockholm

Hamngatan 27
SE-111 47 Stockholm
Sweden
Tel: +46-8-545-074-40

Warsaw

Belvedere Plaza
ul. Belwederska 23
00-761 Warsaw
Poland
Tel: +48-22-851-68-38

Zürich

Löwenstrasse 28
CH-8001 Zurich
Switzerland
Tel: +41-44-447-30-30