

# IT firms plan new strategies for 2010

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This article also appeared on rediff.com <http://business.rediff.com/report/2010/feb/11/tech-it-firms-plan-new-strategies-for-2010.htm>

The image is a screenshot of an MSN News webpage. At the top, there is a banner for Intuit Money Manager with the text "Get the complete picture Save 10% every month" and a "Get Started 90 Days Free Trial" button. Below the banner are navigation tabs for Autos, Cricket & Sports, Entertainment, Lifestyle, and More. The MSN News logo is on the left, and a search bar with the Bing logo is on the right. A navigation menu includes Home, National, International, Business, Finance, Regional News, MSN Contribute, Weather, Best of 2009, '09 Reloaded, Money & Budget 2010, TJS George Column, Crime File, Picture Gallery, Message Boards, News Videos, News Archive, and Most Popular. The main article is dated 11/02/2010 and has the title "IT firms plan new strategies for 2010" in green. The sub-headline is "Non-linear initiatives on markets, portfolios, expertise bundling". The text begins with "Mumbai: Coming out of the shadow of a global slowdown, Indian information technology (IT) service providers are preparing themselves for the road ahead by reviewing strategies of the past years and taking note of recent advancements." It then discusses Infosys Technologies' strategy, mentioning emerging markets and seven themes: cloud computing, smart organizations, collaboration, industry verticals (health care and banking), and sustainability. A quote from Kris Gopalakrishnan, CEO of Infosys, is included. On the right side, there is an advertisement for travelguru and a video player for India News Video.

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Coming out of the shadow of a global slowdown, Indian information technology (IT) service providers are preparing themselves for the road ahead by reviewing strategies of the past years and taking note of recent advancements.

India's second largest IT company, Infosys Technologies, for instance, has narrowed on the new areas to drive its growth. Emerging markets is clearly one. It has identified seven themes that include technologies like cloud computing; smart organisations that drive efficiency by using collaboration; specific industry verticals like health care and banking; and sustainability.

"We have been working on some of these aspects over the last two years and we are seeing better clarity now. These are large teams in which we have invested large amounts," Kris Gopalakrishnan, Chief Executive Officer, Infosys, told Business Standard here at the Nasscom Leadership Forum today.

Despite this, he remains cautious. "While we are watchful, I feel the worst is behind us. As an industry, our model is established today. Our market shares are good. Investment in technology will continue to grow globally by 4-5 per cent. From an Infosys point of view, our endeavour has been to be part of that growth and match the industry growth, and we will continue to drive that," he added.

The industry has begun investing heavily in manpower development, with an average training period of three to four months for fresh recruits and additional training over the employee cycle. Companies are also set to hire again in 2010. Direct employment by the country's IT industry is expected to be 2.3 million by March 31, with 90,000 jobs added during the current financial year.

But, they also feel just adding to headcount is no longer enough. Growing this way (termed linear) could pose formidable challenges over the next few years. Hence, HCL, TCS, IBM, Infosys, Satyam, Wipro, Genpact, and NIIT are among those who had implemented a host of non-linear initiatives like the reuse of assets and codes, the creation of templates and intellectual property (IPs) and the use of platform BPOs.

The concept has been around for over a year, and the platform model is also known as 'software as a service' (SaaS) for BPO. These initiatives are paying dividends by increasing companies' operating margins per employee, while simultaneously reducing capital expenditure for their clients, according to analysts. Platform BPO, for instance, involves a bundling of technology, consulting and BPO, and helps in offering models which can be replicated, with some customisation for new customers instead of reinventing the wheel. Around 40 per cent of all IT services are estimated to come as templates. This helps in saving costs.

Others like Raman Roy, CMD of Quattro, are going after the small and medium business (SMB) sector to drive business. "The company has around 4,000 SMEs as clients and expects a 30 per cent increase in business volume this year," he said. And, that Quattro can cut through the outsourcing noise with a large base of SMEs as its clients and by selectively focusing on industries.

Others are diversifying their portfolios. Realising that the US financial sector was slowing, which was nearly 80 per cent of Headstrong's business, Arjun Malhotra, Chairman & CEO, had to take some tough decisions. "We had a huge bench (staffers with no work) due to our banking clients pulling out last year and that just led to a steep rise in labour costs. We had to cut staff due to clients who had lost money and no longer needed us," he said. The company is now looking to widen the client base beyond the top 20 banks it dealt with earlier.

The good news, meanwhile, is that with business picking up, bigger deals are back, too. Salil Parekh, CEO (financial services), Capgemini, said it was beginning to look at winning some large client deals.

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