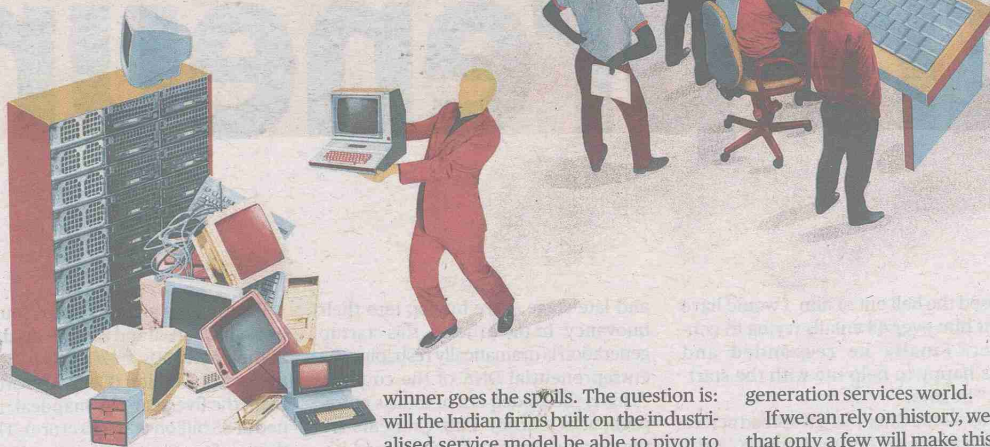


Pub Date:	03 May 2015	Publication:	The Economic Times	Edition:	Hyderabad
Journalist:	Peter Bendor Samuel	Language:	English	Page No.:	3, 3
CCM:	165.86	MAV:	228886.66	Circulation	26153

The Future of Indian IT

Only a few services firms will be able to sustain growth by pivoting to new market segments; the others will either become less attractive places to work or be gobbled up



:: Peter Bendor-Samuel

The bloom is coming off the rose for many Indian IT services firms. Over the past decade, India created a wealth-generating “engine” of innovation and an industrialised services model. That disruptive model took the world by storm.

It humbled industry giants, bringing once-great firms such as EDS and CSC to their knees and forcing other great firms such as IBM and Accenture to adopt India’s model. Large Indian firms such as Cognizant, Infosys, TCS and Wipro became global leaders. The engine built a \$100 billion-plus services industry that sheltered a generation of IT talent and placed India squarely in the centre of the knowledge economy.

It has been a marvellous run. But all industries eventually mature. Moreover, all are impacted by the forces of change from disruptive technologies, transformational business models and changing expectations around value drivers.

The industrialised services model is no different from other industries. Technologies and business models are shifting the services delivery model away from the industrialised model. Growth is slowing. Consequently, the maturing industry is now at an inflection point.

Software eats everything and as this happens, growth opportunities are shifting into software-as-a-service, cloud, and platforms. The stakes are huge for the Indian IT services firms and for India. To the

winner goes the spoils. The question is: will the Indian firms built on the industrialised service model be able to pivot to become leaders and win in new market segments?

Incremental Approach by Some

Certainly they are attempting to do so. But making the pivot to new disruptive market segments is far from easy, and it’s even more difficult to become a leader in the space.

Infosys was the first to try to pivot but has stalled in its growth efforts. Cognizant, TCS, Wipro and others are watching Infosys while they experiment with their own attempts to shift to the new growth markets. They are taking a more incremental approach rather than attempting the wholesale shift that Infosys adopted. But it is far from certain that any of the firms will successfully emerge as market leader in the next-

generation services world.

If we can rely on history, we can expect that only a few will make this shift to industry leadership in the new market segments. Two decades ago, the IT and services industry leaders were ACS, CSC, EDS, IBM and Perot. As the market moved to new segments and new technologies to exploit, the leader landscape changed. HP acquired EDS, Xerox acquired ACS, and Dell acquired Perot.

IBM is the only firm that consistently led as the market matured and moved to new segments over the past 20 years. It successfully met the challenge of becoming a leader in new market segments multiple times. And IBM’s activities, including a string of acquisitions in analytics and cloud, continue to position it to make the next jump into new market opportunities. IBM has demonstrated multiple times that a company can make that shift with a bold and fast-forward strategy.

Capital and Market Access

Will the Indian firms be able to follow IBM’s winning moves to establish leadership positions in the new areas where they can grow? I expect that only one firm – or two at the most – will successfully pivot to be industry leaders in five years. Even so, they will not create the engine of prosperity and the incubator of innovation that they have enjoyed for the last decade.

But this does not relegate India to a less-relevant place. Although most Indian firms will fail to achieve leadership in the new domains, their legacy is their massive development of talent



Making the pivot to new disruptive market segments is not easy, and it’s even **more difficult to become a leader in the space**



The writer is CEO, Everest Group

over the past decade. So Indian IT is still likely to be in the centre of the new domains.

There is a higher probability that the Indian startups community will generate wealth and emerge as market leaders than the probability that today's leaders in the industrialised services model will pivot to become leaders in the new market models.

But winning in the new growth segments is not just a talent game. It requires capital and market access. The venture capitalists that fund the US breakaway companies understand the power of the Indian talent model and cast their eyes toward Indian firms to take advantage of the raw talent. Much like Silicon Valley perpetuates its role as an innovation centre because of its talent base, Bengaluru has the same opportunity. Billions of venture capital dollars are pouring into India, and there are dozens of incubators to nurture startups.

Companies such as Amazon Web Services and Salesforce are streaking ahead and carving out huge market caps. But not long ago these market leaders coming out of Silicon Valley were startups. Indian firms can challenge these market giants in two ways. One or more of the industrialised model leaders can successfully pivot (like IBM) and create a leadership position. And the Indian entrepreneurial class can use India's wealth of talent nurtured under the old model to become an innovative market leader.

• So what is the future of India's established IT and services firms? Of those that don't pivot to the new market segments, some will maintain their size but will become less attractive places to work; others will be acquired as the industry consolidates. Those that pivot and recast themselves will grow. And one or two will succeed in their pivot, become market leaders and drive explosive growth. ■