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## TRANSFORMATIONAL OUTSOURCING

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*The outsourcing stereotype is being turned on its head by Tata Consultancy Services and its unique brand of outsourcing. David Power, CEO of TCS's UK arm, Diligenta, tells Barry Mansfield how he is leading his company into the top ten.*

### How did you come to join Diligenta?

My story is the latest development in Tata Consultancy Services' (TCS) long history, so it makes sense to give you some idea of where the company has come from and where it's going.

Since the company was established in 1968, TCS has operated in offshore IT services. It started off, to use a much-maligned but popular term, 'bodyshopping' – that is, recruiting superbly trained IT boys and girls with first-class degrees in computing and sciences, who were comparatively very cheap to employ.

Later, TCS decided to move up the value chain, developing a plan to run larger projects, IT support and maintenance for entire organisations. At the moment TCS has an overall objective, which is also its slogan: 'Top 10 by 2010'.

TCS wants to become a top ten global service provider in that timeframe. It has the ambition to join the ranks of IBM, Accenture and Siemens Business Services. And to do that it needs to continue moving into business outsourcing and business process outsourcing in a much bigger way than it has done hitherto.

Before I joined, TCS undertook research into which sectors and geographies were likely to be the most lucrative in terms of gaining share, and one of these was the UK financial services industry.

At the same time, it was considering making some acquisitions. Although this never materialised because it managed to establish a presence without snapping up other companies, it had some contact with Marlborough Sterling. At the time, I was working as the MD for the life insurance part of that business and TCS approached me when it was looking to establish Diligenta.

### What's it like to run an Indian outsourcing firm's UK arm?

Firstly, I'm not a politician. I'm the CEO of a service company that has to deliver benefits to its customers. If I can help businesses to reduce operational risk, then that's what I'm going to do. The solution in an ever-shrinking world is to make the best use of skills from all over the planet, not just those that reside in one particular corner of the world.

**"Tata Consultancy Services Operates in seven vertical markets, including the service industry."**

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**"Tata is developing a plan to run larger projects, IT support and maintenance for entire organisations."**

Also, when people ask me what it's like to be a Brit working for an Indian firm that is synonymous with outsourcing, I think they are misunderstanding the nature of the change that is underway. IBM and Siemens Business Services have established offshore capabilities of their own, for example.

We are working to deploy a global delivery model, with the only difference being that we happened to originate from India, rather than Germany or the US. It's the way of the world. What we've seen for the first time with India, and the Indian economy, is that it's starting to make a splash globally. Instead of sucking work into the subcontinent, it is now competing with the big players. And TCS is at the forefront of that, which is why this was a challenge I simply couldn't turn down.

### **Why are companies rethinking their outsourcing plans?**

It's simply inappropriate to put some processes offshore. As companies realise this, there will be an increasing trend towards changing the balance of what is and what isn't put offshore. I think we will see less voice-based processing going offshore, while back-office functions will be heading increasingly in that direction.

In the past, of course, voice-based functions seemed to be leading the charge. In some situations, call centres work very well. On straightforward transactional procedures, they can be very effective, but any activity that requires a more profound interaction may not work quite as efficiently.

When I phoned my bank to transfer some money, I was very impressed with its call centre. It was only at the end of the conversation that I detected a faint accent that led me to think the agent might be Indian.

Compare that to a technical support line where it took somebody nearly a minute to welcome me and ask how he could be of assistance. That's the kind of function where offshoring can't always provide the level of sophistication that businesses need to keep their customers satisfied.

### **What does 'transformational outsourcing' mean?**

For Diligenta, it's not just a case of taking on the running of a business in its existing form. The phrase that I think describes the old, outdated approach well is, 'your mess for less', with the outsourced company taking on your operation and simply running it at a lower cost.

With the transformational approach, we rationalise the infrastructure so that it's run in a simpler, more sustainable and less risky fashion.

Take Diligenta's inaugural deal as a case in point. Pearl Assurance comprises London Life, NPR and Pearl. Each brand might have one life company – in this case, there were seven life companies. So that's four million policyholders, two to three million customers and £20bn of assets under management. They also had 11 key administrative systems.

Because of all the consolidation of the life companies, and the fact that in the past a life company would create a new system every time it wanted to launch a new product, they had amassed all these complex systems. The whole operation was just so risky to run.

In engineering or manufacturing, a machine with 100 operating parts is more likely to break down than a machine with ten. And it's the same with back-office functions. The transformational part of Diligenta's approach is to rationalise the operation. For starters, we will cut the number of systems from 11 down to one.

**"TCS wants to become a top ten global service provider by 2010."**

The goal of the outsourcer is to reduce costs and to achieve certainty of cost going into the future. It wants to hold onto its policyholders – to make sure they don't take their business elsewhere or let their policies lapse. To do that you have to provide a decent level of service and ensure that cost and service advantages are maintained throughout the course of the contract.

"The transformational approach rationalises the infrastructure so that it's run in a simpler, more sustainable fashion."

When the first outsourcing contracts were signed, everybody was a happy bunny at the outset. But five to ten years later, the outsourcers realised they had contracted to costs and service levels out of line with the market, and that they were tied in for another six or seven years. So benchmarking is a key requirement if you want to ensure that market standards are maintained.

Finally, the life company wants to reduce its operational risk and get the outsourcer to shoulder some of that risk. That is the basket of benefits an outsourcer is looking for.

Diligenta ticks all those boxes; the appropriate processes are run from offshore and the rest brought back onshore to avoid the perception of foreign call centres and all the antagonism that this appears to cause.

Other companies will have the same needs as Pearl and will find they can benefit from a similar strategy. They doubtless will be considering outsourcing as an operational strategy and quite rightly so. These needs are common across the life sector, and I'm sure they are generic enough to apply to companies in other sectors, so this is really just the beginning for Diligenta.

David Power, CEO, Diligenta

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