

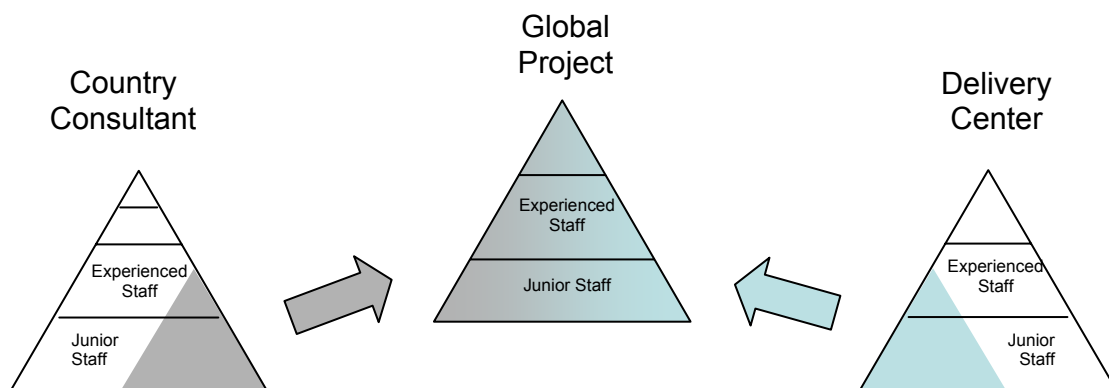
BUSINESS MODEL INNOVATION

STOP
TALKING INNOVATION
START
EXPERIENCING IT

Global IT Service Firm's Talent Management Challenge

People are the cornerstones of IT services firms -- they possess the business insights, build the solutions and deliver the value. Despite the ubiquitous nature of technology, people are still the driving force behind business improvement and need to work in the target markets (countries) of a client's growth agenda. They need to be local. In contrast, consultants who develop or support solutions need to reside and work in the most cost effective locations – delivery centers. In addition, and as portrayed in diagram 1, both local and delivery center operations need to manage a pyramid of employee levels. Projects integrate staff from local countries and delivery centers to create a high performance combination of junior and experienced staff while ensuring cost effectiveness. This is where the tough reality sets in.

Diagram 1

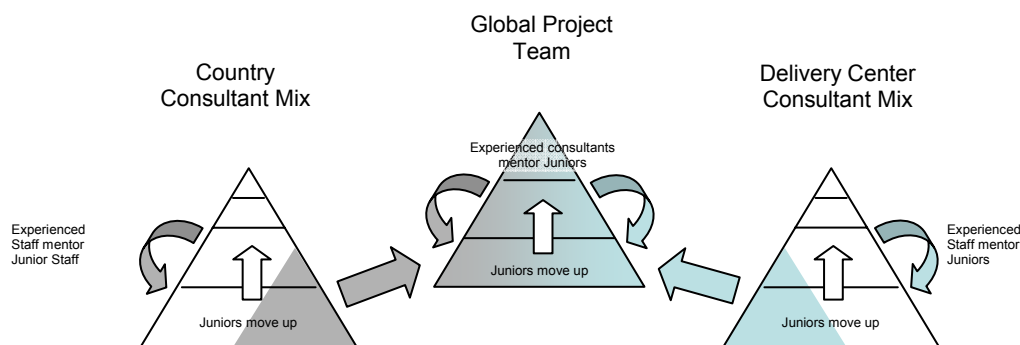


Global IT firms have to consistently hire junior staff to perform relatively well defined roles of software development and support. This group is sometimes referred to as the “base of the pyramid” and represents staff with less than 3 years experience as a percentage of total staff. The foremost goal of most junior staff is to seek challenges and advancement which requires that they fulfill more valuable roles. They need to be mentored and develop valuable skills in solution design and development, project management, industry insights, business process re-engineering, technical disciplines, generating financial return for clients and managing relationships. Some of these individuals move rapidly to more senior levels and become leaders of the organization.

BUSINESS MODEL INNOVATION

One challenge for global IT firms is how to deliver exceptional client value while staying cost competitive through effective pyramid management. As portrayed in Diagram 2, the key is a significant tier of experienced leaders that mentor and develop new staff. The following diagram captures the dynamics of pyramid management on a global project and the importance of experienced local consultants and delivery center leaders to nurture and develop junior staff.

Diagram 2



Too few junior staff and the global IT firm is not cost competitive. Too many juniors and the IT firm is limited to strictly defined roles and a low cost provider strategy. If the firm takes on more complex programs without the necessary capabilities they put the client's project and their own business at risk.

IBM, as an example, mentors and develops staff on a global basis. In the past three years, the volume of staff in delivery centers (India in particular) and the bulge mix has increased thereby improving the firm's value, ability to deliver (solutions, capabilities) and cost effectiveness. This shift was one of the primary reasons IBM services divisions grew revenue \$ 5.85B in 2007 and achieved their most successful financial performance in a decade. The key, however, is not simply adding bulge, but leveraging experienced staff to manage junior staff performance and ongoing development. IBM possesses an experienced work-force with sufficient capacity to effectively incorporate junior staff into projects and develop them into higher value roles.

Among global IT competitors, the firms that are able to sustain a vibrant community of experienced leaders necessary to lead complex projects, develop junior staff and deliver the entire client value proposition, will have the advantage. IBM's strategy is to execute a globally integrated business model that hinges on a formidable presence in countries worldwide and a robust global network of delivery centers anchored in India, China and Brazil. The key is to motivate experienced staff both locally and in delivery centers to work harmoniously and efficiently to fulfill the leadership vacuum. The challenge therein is balancing the diversity and creativity of senior leaders while executing common processes. In a final article, I will share the some thoughts on how the combination of values, processes and objectives can harness a global consulting firm's diversity, creativity and capability to generate unprecedented client value.