

# MANAGING TALENT IN SOFTWARE AND SERVICES TODAY

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Evolving customer expectations, new competitive pressures and globalization have combined to reshape the landscape for software companies and technology consulting firms during the past several years. In response, software companies and traditional IT and business services firms are developing new customer solutions, moving to new delivery models and rethinking business models in order to more efficiently sell to and serve clients.

How are these developments affecting companies' talent needs and their talent development initiatives? To learn more, Spencer Stuart consultants in the firm's Software and IT & Business Services practices spoke with a variety of executives from software companies and information technology firms to get their observations about the business and talent trends impacting their fields.

## Today's IT landscape

Enterprise clients today are looking for more value for their technology investments, according to IT leaders. They want to do more with less, observed Allen Delattre, global managing director – electronics and high tech industry for Accenture. “IT costs are going down naturally with the market, but what companies are trying to spend on IT also continues to shrink. So, the overarching pain of the CIO is needing to do more with less,” he said. “CIOs need to be very discerning about what they do, and everything they do has to somehow reduce the cost of IT. At the same time, they're dealing with a business user community that's demanding more speed, reliability and mobility than in the past.”

S. Ramadorai, chief executive officer of Tata Consulting Services, agreed that customer expectations about quality, reliability and productivity are on the rise. “The question I'm being asked by more and more global customers is ‘What is it we can do to be really sure that we are running the business fast, but at the same time guaranteeing a level of business continuity and sharing that risk and the reward? What kind of systems are there to support future business models? What kind of service delivery innovation is required?’”

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In response to evolving customer expectations and other forces such as globalization and new competitive pressures, IT companies are adopting strategies that include expanding their product lines, finding new ways of delivering applications and services, developing industry-specific solutions and improving their capabilities globally.

Accenture responded to the downturn in IT consulting spending by building up its outsourcing business and reinventing its systems integration practice to create a global delivery network, said Mark Foster, Accenture's group chief executive of management consulting and integrated markets. "We always have had a strong management consulting capability, but this now needs to be ramped up to match the scale of the issues our clients are facing," he said. "Clients have to be equipped to be high performing in a world in which economic activity comes from multiple locations around the globe, flowing in every direction. With our global footprint, we are uniquely placed to take advantage of this trend, as long as we can deepen our skills."

BEA Systems has focused on expanding its product line — in part through acquisition — to help client organizations implement service-oriented architecture. "The company is changing what we're selling, and I think a large part of that change has been driven by customers really wanting to implement service-oriented architecture," said Tom Ashburn, the former head of sales, service and marketing for BEA Systems.

Xerox also is reaching new markets through acquisition. It recently acquired two businesses — one that builds its capability in digital document management and a second that improves its ability to serve the small and mid-sized business

marketplace, said Tom Dolan, senior vice president of Xerox and president of Xerox Global Services. "We're trying to sell our products wherever we can and expand our reach," he said.

Corel, a traditional packaged software company, is expanding its enterprise offerings through targeted acquisitions and its retail product line through the development of software applications that can be accessed via the Internet. "One of the trends we're seeing is the web tool phenomenon and software delivered as a service," said Corel CEO David Dobson. "For instance, a large part of our business is in digital image management, which allows people to create content with their digital photographs or digital video. We believe customers will continue to download and install software. The reality is that it takes a long time to change, to go from downloading a piece of software to developing a wide range of applications that can be delivered via web-based applets."

Another important consideration for IT companies today continues to be globalization — both addressing clients' increasingly global IT needs and managing more geographically diverse teams.

"If you go back 10 years and compare that industry with today's, you'll find the competencies, skills and attitudes are dramatically different," observed Delattre. "Ten years ago, it was an international business — almost multinational — and now it's truly global. So, it's important to understand what's going on in China and Japan if you're serving a client in the United States. You need to understand the implications of what India can and can't contribute to the global value chain. If you don't know that, you can't add value to your client with the best judgment."

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Narayana Murthy, chairman of Infosys, said his company and other Indian IT services providers benefited from adopting global standards early on in their development. “We were the first in India to articulate the value of benchmarking on a global scale, not just in our technology, but in our human resources practices, etc.,” he said. “The fact that India opened up to foreign investment in 1991 meant that we had to compare ourselves with other global markets in terms of customer, investor and employee expectations.”

The rise of global teams also has implications for how software and IT services companies manage diverse teams and outsourced work from around the world. Observed Dobson, “Corel is headquartered in Ottawa, Canada, but 600 of our 1,200 employees reside in Asia. So, we have had many discussions about leadership and teamwork challenges that the team has had to work through, in terms of the cultural differences and managing a business that’s truly global.”

you can take these acquisitions and blend them into the company and make them successful is a really important attribute that a lot of companies didn’t have to have in the old days,” he said. “Today, you need to be able to take another technology and combine it with what you’re doing from a marketing standpoint, a sales standpoint and an R&D standpoint.”

*Promoting cultural change.* Xerox, whose Xerox Global Services group has been leading a shift in the way the company works with and approaches its largest customers, initially had to overcome resistance in some pockets to the new approach, Dolan said. “The truth is, in any organization that tries to effect this shift, there are going to be cultural challenges. There will be people who say, ‘We don’t need this. Let’s just continue to introduce new products.’ There will be people who say, ‘Okay, maybe we need it, but let someone else do it.’ There will be people who say, ‘I’m just going to sell products because I think I’m good at it,’” he said.

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— Mark Foster, group chief executive of management consulting and integrated markets for Accenture

### Managing talent in today’s IT landscape

As they adopt new strategies, enhance product lines and enter new markets, IT companies have had to address organizational challenges and, often, add new skills to their executive leadership. Below are several examples of these challenges and the ways companies are addressing them.

*Integrating acquisitions.* BEA Systems has paid close attention to the integration of the new companies it has acquired to round out its product offerings, Ashburn said. “This whole idea of making sure that

*Developing new skills.* Changing the way an organization works with clients has implications for the way senior executives work and the knowledge base they need to build. As the nature of client engagements has changed, Accenture’s sales approach has had to change as well, according to Delattre. “This has meant that our senior executives have had to transform themselves significantly and that’s been a challenging transformation, in some cases,” he said. “They have had to become better students of the industry and more literate in the evolution of corporate

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— Narayana Murthy, chairman of Infosys

finance. They have had to look at options that weren't there 10 years ago, like private equity leverage.”

*Managing outsourced teams.* To ensure smooth communication and encourage collaboration with overseas teams, InPhonic, a retailer of wireless devices and services, has hired people skilled in documentation, process development and quality assurance, according to Brian J. Curran, the former chief operating officer who previously was a senior executive at Best Buy Company and CompUSA. “There's a dual benefit for us. It helps our own internal teams develop faster, but it also allows us to improve our teamwork. And we do a lot of collaborative teamwork,” he said. “We're not big on sending a project overseas and having someone build it and then send it back. We're about sending pieces of that project over and actually having them collaborate with the U.S. team here.”

*Managing rapid growth.* Scaling processes and systems has been a top concern for Infosys, which has grown about 45 percent on average year over year. “It took us 23 years to reach the first U.S.\$1 billion, but it took us 23 months to reach \$2 billion and 12 months to get to \$3 billion,” Murthy said. “So, the name of the game is creating an organizational structure and incentives whereby we can scale up easily. To do this, we have created the strategy business units; we have empowered people and made sure that every project is run with its own targets for employee satisfaction, customer satisfaction, quality, productivity, etc. When you use the power of technology, when you

use systems, when you decentralize operations, when you create incentives, then yes, you can handle growth.”

Boards and CEOs of fast-growing companies also have to stay ever vigilant about the necessary leadership capabilities and the quality of the executive team as the company grows, Curran explained. “A company that starts from scratch and works its way up to \$500 million in revenue may have a lot of people who have been around for five to six years. While they have grown and matured with the company, they probably have not had exposure to what it takes to build a billion-dollar company. So the Peter Principle can come into play very quickly,” he said. “What we've done is look at key skill-sets that our current team has and begun to supplement those with people with other expertise, such as product management and process discipline.”

### Finding the right talent

The IT leaders we spoke with also discussed their organizations' evolving talent needs and some of the most important skills they are seeking today, including industry expertise, global perspective and general leadership qualities.

As companies develop more solutions-based offerings, many are looking for executives who bring deep sector knowledge in targeted industries. They want executives who are able to speak the language of clients in financial services, healthcare and other key industry sectors.

“More and more of the kind of people who we’re recruiting are people who understand businesses and understand how software affects business,” Ashburn said. “In the old days, we had basically technology architects, if you will. Those are still needed, and we still have them, but more and more now, customers are saying, ‘How can I change my business to be more successful?’ We’re not getting into high-level business consulting, but when they meet with a banking customer or a client in communications, our architects need to be able to understand their challenges and how they run their business and what kinds of things we can do to help.”

Accenture also is looking to recruit more industry experts, Foster said. “We absolutely will be focusing on industry experts and raising the bar so that we have more people who can go toe-to-toe in the boardroom with our clients,” he said.

It also is increasingly important to build global teams, IT executives said. “The world has changed. It’s a global economy. So how do we assemble the best talent from China, India, Japan, North America and Europe?” Delattre said. “At some of our global clients today, for example, their phone calls are being answered in Manila; their software is being developed in India; products are being manufactured in Prague and the business is being supported by a bunch of experts in San Diego.”

Finally, in this period of industry change, companies value executives with well-developed personal leadership skills, particularly the ability to drive change, make decisions quickly and motivate the organization to respond to challenges it faces.

“I look for people with strong personal leadership skills,” Ashburn said. “When you’re in an

environment where things are moving quickly, it’s not the organizational structure that drives change, it’s really good, strong people. In the old days, people often did things because their boss told them to; that’s not the way things work anymore. People do things because they believe in their leader and they believe in the kind of change in direction that the company is moving.”

In small, but growing organizations, it is important that leaders be able to transition their management style as the organization becomes more complex. “In a small company, leaders think that they have to have all the answers and be the jack of all trades,” Curran said. “The people I’m bringing in are leaders who understand that they can’t be the jack of all trades. Their strongest sense has to be around leadership and making sure that they’re painting clear visions for the organization and spending a lot of time modeling and reinforcing the behaviors that they want to have.”

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Software companies and traditional IT and business services firms are developing new customer solutions, moving to new delivery models and rethinking business models in response to changing customer expectations, new competitive pressures and globalization. To successfully evolve their businesses, many IT organizations are recruiting senior-level executives who bring a global perspective, specific industry expertise and strong leadership skills. They also are addressing organizational needs, such as managing global teams, integrating newly acquired technology and teams, and creating a framework for cultural change.

## About Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 51 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

## The Technology, Communications & Media Practice

Spencer Stuart's global Technology, Communications & Media Practice, founded in 1982, has helped build the leadership teams and boards of some of the world's preeminent companies. From major multinationals to medium-sized companies to startups to venture capital firms, our clients rely on us not only to deliver outstanding results, but also to operate with the flexibility needed to navigate in rapidly changing market conditions. Each year the practice conducts more than 1,000 senior-level executive search and board director assignments worldwide.

## About the Authors

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