

# Tata consultancy services swot and pestel analysis



**ASSIGN  
BUSTER**

Tata Consultancy Service (TCS) is the world's leading global Information Technology consulting firm and business outsourcing organization that envisaged and forged the espousal of the flexible global business practices, which nowadays facilitate organizations to manoeuvre more professionally and construct more value.

The IT industry was not has it is now when TCS started in the year 1968. TCS was started as the "Tata Computer Centre" a dissection of the Tata group whose chief business was to offer computer services to other concerns. TCS marked a tremendous growth with marking its presence in 34 countries across 6 continents, with a absolute range of services across diverse industrial fields. TCS ranked in top ten in the fortunes rank list for the year 2009. The concern shaped consolidated income of US \$5. 7 billion for economic year ended 31 March 2009 and is listed on the Bombay Stock Exchange and National Stock Exchange in India.

TCS expanded into China, Hungary, Brazil, and Mexico in order to incarcerate the opportunities in financial services and services like Remote Infrastructure management and BPO in those countries, TCS always offered a unique manner to its global customers by positioning its brand in the worldwide market. The zenith of all these lead to the concern's contributions of TM Global Network Delivery Model(GNDM) across Europe, China, India, US and Latin America as well as incorporated full overhaul offerings, all backed by the promise of certainty of experience for customers. By 2007, the value enunciation of "Experience certainty" was officially initiated, acknowledged and authenticated by global customers.

As the Indian financial system sustained to grow in the new century, the necessity for technology to constrain comprehensive augmentation became part of national schema. TCS, which had been spending additional, time in domestic IT from the time when its commencement was well located to assist the National Government at the central and state level, in its inventive proposals. TCS, by its own initiative shaped a digitized delivery system. In a manifestation of the company's ground-breaking spirit and with an aspiration to extend the benefits of the IT upraise across the country. TCS aptitude to convey high-quality overhauls and resolutions are matchless. It is the world's first organization to accomplished an enterprise-wide Maturity Level 5 on both P-CMM and CMMI, using the most meticulous assessment methodology - SCAMPISM. TCS Integrated Quality Management System integrates process, populace and technology maturity through various ascertained frameworks and traditions including ISO 9001: 2000, IEEE and SW-CMM, CMMI, 6-Sigma and P-CMM.

For maximum flexibility, speediness, and competence, a vigorous IT strategy is essential. TCS contribution facilitates companies to construct the most of their IT investments from providing system testing solutions, application development, management services, and integration solutions.

### **COMPANY BACKGROUND:**

TCS has the wide spread economical boundaries around 36 countries with seven physical centres of operations around the world. TCS was founded by Tata group which was established by jamstji Tata in 1868 an oldest and respected group of companies in India. The First chairman was Jahangir

Ratanji Dadabhoy followed by Nani Palkhivala. The first general manager was F. C. Kohli.

TCS first assigned to offer punch card services to a sister corporation, Tata Steel (TISCO). It later bagged the nation's first domestic software project, the Inter-Branch Reconciliation System (IBRS) for the Central Bank of India. It has also provided bureau services to Unit Trust of India; as a result TCS became one of the first companies to offer BPO services. In the early 1970s; Tata Consultancy Services in full swing exporting its services. TCS's inaugural global order came from Burroughs, one of the first business computer manufacturers. TCS was assigned to write code for the Burroughs machines for numerous US-based clients. This knowledge helped TCS to bag its first onsite project - the Institutional Group & Information Company (IGIC), a data hub for ten banks, which served to two million clients in the US, TCS was assigned to assert and upgrade its computer systems. TCS holds the credit to set off the first software research and development centre, the Tata Research Development and Design Centre (TRDDC) in 1981 and in 1985 the first client committed offshore development centre was established for Compaq.

Early 90's was golden era for the Indian IT industry; they grew tremendously due to the Y2K virus and the introduction of Euro. TCS lead the way for industrial unit replica for Y2K conversion and built-up software tools which undertook the automatic conversion process and facilitated third-party developers and customers to use. In 1999, TCS fortified the opportunities in outsourcing the E-Commerce and the connected solutions and set up its E-

Business division with ten people. In 2004 it illustrated a vigorous development of contributing half a billion US dollars to TCS's total revenue.

In the year 2004, TCS was ranked under public sector, though much later than its competitors such as Infosys, Satyam and Wipro. TCS entered into a brand new area of IT services (Bioinformatics). The next two years that followed TCS aced a huge growth in progress both nationally and internationally.

TCS assists some of the world's major MNC's to take up the accurate technology-enabled solution that helps them:

- Optimize business recital
- Decrease product progress time
- Get better product differentiation
- Smooth the progress of arrangement of business with technology
- Join their extensive supply chains
- Offer real-time business handy
- Lesser functioning costs.

## **Tata Consultancy Service Profile:**

Type: Public BSE: 532540

Founded: 1968

## **Headquarters:**

TCS House, Rave line Street, Fort, Mumbai

– 400 001 India

## **Key people:**

Ratan Tata, (Chairman of the Board, Tata Group)

S Ramadorai, (CEO and Managing Director)

Jobhi Mahalingam, (Executive Director and CFO)

N Chandra, (Executive Director, COO, CEO & MD Designate)

Phiroz Vandrewala, (Executive Director and Head, Global Corporate Affairs)

Ajoy Mukherjee, (Vice President and Head, Global Human Resources)

K Anantha Krishnan, (Vice President and Chief Technology Officer)

## **Services:**

Information Technology Consulting, IT

Services, Outsourcing, BPO, Software

Products

## **Products:**

TCS Bancs, Digital Certification Products,

Healthcare Management Systems.

Revenue: US\$ 6. 019 billion (in FY 2009-10)

Net income: US\$ 1. 128 billion (in FY 2009-10)

Employees: 150, 000 (As on 1 April, 2010)

Website: <http://www.tcs.com>

## **FINANCIAL POSE:**

TCS financially persists to demonstrate the steady stand in the top position of Indian IT firms. As the IT outsourcing market records more rapid growth pace, TCS expressed a steady growth rate in 2008-09, whose consolidated revenue grew by 23% to 27% which helped TCS to cross the \$6 billion revenue milestone. TCS operating margins improved to 23.73% by 109 basis points.

TCS have also increased its dividend share to Rs. 14 in the last financial year. The TCS directors have also recommended an issue of bonus shares in 1: 1 ratio and it was the second bonus issue since 2004. TCS completely focused in helping their customer's relationship with them simultaneously adding fresh customers and penetrating in novel market segments and emerging verticals which made them to add 163 new customers internationally in the past year. TCS's foremost market North America crossed new high point of revenue above \$3 billion and grew 26% in 2008-09 in spite of recession, While Europe's branches faced a express growth of 38.5% during the same year. It is very significant for an organization to certify the differentiation of its revenue stand and to uphold its augment impetus.

TCS always delivers that the 143,000 TCS employees are the supreme assets of all which includes 50,000 global associates from 67 countries and TCS trained 93,000 software professionals of which, 22,000 college graduates in the past academic year which was tremendous growth. TCS is incessantly investing to unlock new markets and services which made them

to invest in emerging markets like Asia-pacific, Middle East, Africa and Latin America. The firm's gigantic team of human resources is serving the TCS's panorama not only in business but also its contact on the community. TCS made an effective evolution in corporate sustainability.

TCS persists to be a pioneer of growth for the reason of its established ability to reinvent the business and organisation. The concern is placed to exert in collaborative mode, significant assessing all that TCS does. TCS holds a strong position in the future IT global market.

## **ORGANIZATIONAL STRUCTURE:**

" A basic structure distributes responsibilities among the members of a company. Its purpose is to contribute to the successful implementation of objectives by allocating people and resources to necessary tasks and designing responsibility and authority for their control and coordination" The three levels of organizations are technical level, managerial level and the community level. (Mullins, 2008) The organizations are differentiated based on the task, the employees work and the nature of company and its HR policies and conditions." A hierarchy is handled in order to treat people equally in companies; Treating equal is just that they are literally equal, In order to extract best from an employee, the person above him will treat them as one and the same to extract the maximum and best work from them Functional organization, matrix organization, and line organization are three common types of organizational structure" (Mullins, 2008). The main intention of organizations is to distribute the tasks; the main aspect is to preserve the relationship between employees of different stages in order to



drive them towards the single task and to monitor the progress of the assigned task. The TCS have a very well designed organization.

The organizations can be classified into two main divisions they are

- Centralization.
- Decentralization.
- Centralization

A simple and effective execution of policies for an entire organization.

Gives a reliable approach over the organization.

Makes trouble-free organization and administration control

Better employ of specialization including better amenities and paraphernalia.

Decentralization

Facilitated verdict is to be nearer to the operational level of work.

Amplified receptiveness to local conditions.

It persuades inspiration and confidence of the staff.

Observance progress in compliment and more supple structures.

TCS offers services in eight areas of service: Business process Outsourcing, Business Intelligence and performance Management, Enterprise Solutions (CRM, ERP, and SCM) IT Consulting, Application Development and Maintenance, Engineering and Industrial Services, IT Infrastructure services, Testing and quality Assurance. TCS's are divided in following divisions

Financial Services, Energy and Utility, Banking, Life sciences and Health care, Insurance, Securities trading system, Retail and Consumer goods, Telecommunications, Government and Transportation.

TCS follow a standard organizational growth which helps them to organize the vast team under single board of directors; the type they follow is matrix organization.

“ The matrix organization is a combination of functional departments which provide a stable base for specialized activities and a permanent location for staff and units that integrate various activities of different functional departments on a project team, product, programme, geographical or systems basis” (mullins 2007).

(www. tcs. com)

## **DISADVANTAGES**

### **ADVANTAGES**

More involvement can cause aggravation and uncertainty among team members.

Adequate meeting makes this type more time consuming.

A detailed understanding is needed in order to be a part else result in bad performance which affects the total team work.

A very good ability is needed in order to perform better and draw attention.

Distribution of possessions is supple among the organization.

Facilitates in intricate verdicts and appropriate for recurrent transformations occurs in unbalanced atmosphere.

To meet demands from customers and helps to make unity within the team.

Provides an opportunity to extend both practical and product skills.

## **ORGANIZATIONAL CULTURE:**

Even though the organizational culture will look like a similar saying it's really solid to describe and elucidate as the word culture is derived from anthropology. In simple it can be described as the reflection of fundamental works about the way by which the work is performed.

“ The collection of traditions, policies, value, attitudes and beliefs that comprises an invasive framework for everything we do and believe in an organization” (Mullins, 2008).

The corporate cultures can be categorised by two influential factors,

The degree of threat coupled with the organization's manners

The pace at which organisations and their employees obtain comment on the success of verdict or strategies.

If the customs are adopted by the employees, it amplifies the supremacy and rights of management in three ways.

Categorizes themselves with their organization and consent to its decree when it's the defined fascination to do.

To integrate the organization's worth when they are right.

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Enthusied to accomplish the organization's objectives.

The types of Organizational culture are Power culture, Task culture, Person culture, Role culture.

A well-built organizational culture lies on eight strong pillars of "OCTAPACE" referring to authenticity, confrontation, autonomy, openness trust, proactive, collaboration and explicitness. Organization cultures can be categorized into strong and weak cultures. The organizational culture of TCS is translucent in stipulations of pay and its HR policies. There is a towering level of employee engagement as the concern pay structure stimulates and supports employees to achieve better to receive an excellent sum of their recital pay. There is an incessant improvement and growth of workforce through different modus operandi like the T model. It is a proficiently managed organization with client fulfilment as its top most precedence.

Workforces are given lofty sum of respect and everybody is addressed as an "ASSOCIATE" to make them believe that their input really matters. But there are some minorities who believe that TCS follows a cold culture, by cold they signify that persons are not concerned about others. Few think that TCS has an energetic culture and there are lots of communal performance which the concern takes on to help the underprivileged and poor. One such initiative is the TCS Maitree, it is a non-profit auxiliary of TCS which utilize the employees to approach further on and educate the under privileged children or seize a camp in a country's rural area to educate them regarding the knowledge on computers. PS - T Model is new software intended by TCS, all the workers information pertaining to his possession, competencies, skill set,

etc are fed and then the software gives the three best domains where the employee would best be suited. This model when launched will help in smooth inter- departmental relocates. TCS values are ethical, in which TCS have its own set of rules, policies, values which is called “ TATA Code of Conduct” which was explained by HR with immense efforts during induction process, in easy words it can be described as that “ TCS is not doing business from people but doing business with the people”. The TCS’s culture is dynamic and favourable for vigorous growth and antagonism.

### **THE NATURE OF ORGANIZATIONAL CHANGE:**

“ Change is persistent manipulate. It is an unavoidable part of both social and organizational life and we are all subject to continual change of one form or other” (Laurie j Mullins 2008)

There are factors which are substantial to the organization change are:

- Global inflation and economic meltdown.
- Non-availability of resources.
- The limitations on products lifecycle due to frequent revises in technologies.
- Very high competition in escalating and capturing new market places.

### **BUSINESS STRATEGIES:**

TCS names its business divisions as Industry Service Practice. TCS has it maximum revenue from Banking Financial Services and Insurance Sector.

### **GENERIC BUSINESS STRATEGY:**

Low outlay of Global delivery 24X7 model.

Delivery with the help of established release and excellence framework-IQMS in time.

A whole focus on customer retention and client relationship in order to uphold the business revenue which is 95.6%

Distinguished in low end services in both capital and price

A solid protection from the money fluctuations with currency prevarication.

Owing to its tough knowledge management system and resource strength, TCS has been triumphant in attaining the cost leadership in the Industry.

In recent years TCS has been following a further resolute strategy where they are moving towards the requirements of customer and the nature of business as like Middle East, Europe, and Asia-pacific. TCS focus much on customers and the area rather than being broad.

A full Focus on the centres of Excellence(CoE) to strengthen potential in order to build the state-of-art elucidation in particular technologies such as testing, virtualization and architecture. The high end skills and scale will help TCS to embark upon huge projects aimed at converting clients, IT applications and Infrastructures.

## **GLOBAL STRATEGIES:**

When the global strategy of TCS is being closely observed, it will illustrate an influencing labour cost in South America, China and some parts of Europe.

Employing overseas experts into the post of Directors in order to obtain the

frequent changes in the business is also can be referred as one of the key strategies of TCS

Clayton M Christensen(HSB Professor, joined TCS in 2006)

Dr. Ron Sommer (former chairman of the board of management of Deuteshce telecom AG, joined TCS in 2006)

Laura M cha (Member of Executive Council of the Hong Kong special Administrative Region(SAR) and Non-Executive Chairman of HSBC investment, Asia ltd)

TCS have a keen view in looking US and UK for the Business Revenue markets and India for the skilled employees. TCS is very keen in establishing global delivery centres outside India which can demonstrate TCS as a Global company. TCS was the first one to set the global delivery centre in China which distinguished TCS from other corporate companies. In recent years TCS was frequently changing its approach towards global market; recently TCS reconstructed its structure towards its global operations to implement a Customer centric and integrated approach which is anticipated to assist in avoiding the risk factors arising from the Economic Meltdown in western countries. TCS's operation units are mainly divided into five main divisions.

The well established markets are North America, U. K and Western Europe and the new markets are Latin America, Middle East, India and Eastern Europe. The new restructured plan was considered as the very good change by the TCS as it is attaining impetus in Europe and other markets, which is obvious in the company's marked growth rate of 40% every year. The

operations In Middle East and Latin America had also seen a substantial growth. TCS had built new delivery and offshore centres in Latin America like Uruguay, Mexico and Brazil.

## **STRATEGIC ALLIANCES:**

TCS is always keen in upholding the strategic relationships with various International technology vendors. These relations are distinguished in various magnitudes such as service provider, customer, supplier, and alliance partner. The relationships with the international technology vendors have made TCS to maintain a holistic. TCS made a joint venture with these vendors on joint research influencing each other strengths to research and to develop the best breed offerings.

Joint advancing engagements.

Significantly new or improved solutions.

Joint go-to-market strategies for the solutions.

## **ACQUISITION STRATEGY:**

TCS is concentrating the growth in two ways the organic means and inorganic means. The Inorganic way is in the course of acquisitions of companies which craft business sense to TCS. The concerns should adjoin great value to TCS. The Business with CMC is assisting TCS taking a very sharp gaze to the domestic Industry. Both companies have synergies in the government sector. They made various agreements with various companies some of them are the agreement with the citi group to transfer 12, 000 employees in banking sectors for cash and external support in IT. Tata



InfoTech Limited (TIL) was merged in early 2006. It was also a software service company like TCS which have branches around the world like America, Europe and Australia. Comparable to the financial venture made greater than, TCS yet again prolonged its banking commodities and shared its European operations after attaining a 75% equity wager in its Switzerland-based partner, TKS-Teknosoft. TKS was the marketing representative for TCS in Europe.

### **TCS: CO INNOVATION NETWORK (COIN):**

TCS is following a coin strategy in order to face the competition as the globalisation has created a elevated competition among the IT companies. It is necessary for the IT companies in order to follow an innovative technology thus resulted in the Advanced Information and Communication Technology which made practicable for companies to collaborate and perform “ Globally Distributed Network (GDN)”. Disorderly improvements are not the consequence of a solitary technology pretended by the minority of people but the combination of similar technologies may result in getting a combined innovative technology which will be much more effective and useful for the companies to perform globally. This concept of innovation network is not novel; classically it was the technology releasing body e. g. IBM’s driven Innovation Networks and Google’s Gartner Innovation networks are already been in existence, for TCS it is the customer driven innovation network where the participants are delivery rudiments and explorations.

### **SWOT ANALYSIS:**

SWOT analysis is a prearranged loom to calculating the strategic position of a business by identifying its strengths, weakness, opportunities and threats.

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SWOT offers an uncomplicated way of analysing the results of marketing review. Internal strengths and weakness are abridged as they communicated to external opportunities and threats. (Jobbers; 2007)

It analysis the complete strategy of the company based on policies and the business method which they follow. This pictures the companies advantages and disadvantages in companies perspective.

The SWOT for TCS is as follows,

### **(S)TRENGTHS**

- widespread universal reach
- Strong economic presentation
- Human management skills
- Innovative lab system
- The Fame of the founder

### **(W)EAKNESSES**

- Momentous publicity to financial service markets.
- Deficient in level of consulting operations.

### **(O)PPORTUNITIES**

- Expansion in worldwide IT services
- Focus on SMB segment
- Expanding maneuvers in countries like china
- Focus on high end business and consulting

### **(T)HREATS**

- The Hike in Employee costs

- Powerful competition from overseas firms like Accenture, IBM etc.
- Merge in the end markets
- Currency gratitude
- Increase in competition from low wage.

### **(S)TRENGTHS:**

The popularity and the reach all over the global markets made TCS a reputed and known firm in the Global IT Market. The TCS had launched the branches all over the world which can be considered as the primary strength for the TCS. TCS made clear and strong economic presentations around the globe which makes its clients a financial confidence about the company. The International base of TCS, India is known for its skilled employees in IT field which naturally made TCS very strong in Human resource. TCS is also skilled in the management skills as its board of directors are from overseas countries in order to adopt the strategies from all the parts of the world. TCS have a very good infrastructures and innovative labs with all the latest technologies which help TCS employees to update the latest technologies and to make research in various fields. The fame of the founder is also an added strength for the TCS.

### **(W)EAKNESS:**

The excess exposure on the financial service markets which usually need to be kept confidential is considered as the main weakness of TCS. TCS is also lack in effective consulting team which show a strong reflection of decline in the growth cycle of the TCS, Being a company which works on Outsourcing projects usually needs a very good effective consulting team which acts as the bridge between the clients and company. TCS really lacks in that.

**(O)PPORTUNITIES:**

TCS being a fast growing IT firm is very keen in establishing and expanding its business to almost all the parts of world right from India, China, Latin American countries, Asia-pacific and etc which opened up a great business opportunity for TCS. The Focus in the SMB segments is also lays a very good business opportunity for TCS. Expanding the global branches to void countries like china, Asia-pacific will extend the business opportunities of TCS in future. TCS have a very good opportunity in high end business and consulting in the future if they rectify their weakness in consulting service.

**(T)HREATS:**

The rapid growth and development in India and other global areas, A common demand for employees arise which result in the increase of cost for employees. TCS has to face a very high competition from overseas and well established companies like IBM, Accenture and etc. The complete merge in the End markets is also a biggest threat for TCS. The advantage on rupees always stands as the biggest threat to all IT companies in general. Increase of competition from low wages is another threat. The similar Indian firms like Wipro, Infosys are also at their full phase of capturing global markets. TCS has to face a cold war against the threats which the company faces. As all the competitors of TCS are equally strong and effective in which TCS can't ignore the supple one.

**PORTER'S ANALYSIS ON TCS:**

Porter's tool will help to analyse the main five competitive factors which affects the company's growth

(" www. emeraldinsight. com)

Being TCS itself is an supplier, it do not have problem with the suppliers, the other four forces which are problematic to TCS are the threat of new entrants, the bargaining power of customers, the threat of substitutes and the spirited rivalry between the existence.

In the untimely days the software exports, the software wholesale market was overlooked by very few massive like Accenture, EDS and IBM, where the Indian concern were outlined as small level companies in result the TCS and other Indian software companies competed themselves in the lower end of the business, which resulted TCS and other organizations to choose small projects and tasks which are simple to do.

TCS also faced a customer market that was conquered by the insurance companies and huge banks. While TCS keenly hunted for alliances with larger sellers as a competitive strategy, TCS most successful approach was to honestly loom clients and admit the minor charges that its competitive pose dictated.

The entry of new companies have reduced rapidly as the huge companies like TCS, Infosys and Wipro have developed and grown huge in their market share, size and reliability with their customers. Though, the companies struggle to decrease their straight rivalry through demarcation of manufactured goods, in every market there has been enormous competitors.

TCS has to work seriously upon reducing the bargaining power of customers. TCS can prevent price strategy in mixing up with purchase decision. It means

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that TCS should bring more than undifferentiated indoctrination by moving up the cost sequence. Such approach might be difficult in the software outsourcing business as the clients have an in-depth domain enterprises and rights of inclination to hold on to the work allocated under considered consulting. The clients very well know that the complete bargaining power lies in the strategic consulting; outsourcing that may reduce their bargaining power. TCS have to build up enough knowledge so as to construct outsourcing these errands a convincing worth plan. Of course, it is exactly in this empire that the multinational outsourcing firms such as Accenture, IBM, and EDS are the most vicious customers.

Falsifying groupings are often viewed as a superior approach to offset client's bargaining command. Though, constructing alliances with companies functioning in client's sites have to be low-priced as this would advance focus on TCS in application progress. On other side, the attainment of a medium-sized US firm with sturdy customer relations and domain expertises could offer a striking opportunity. Even if expenses per employee would increase, the go up would be minute since workers needs are lesser for higher value-added jobs.

The main anxiety for TCS is opposition from existing companies like Wipro, Infosys and CTS as it has produced rivalry for active dealings and twisted noteworthy pricing stress. Internationally, Companies like EDS have sited themselves as competent of handling huge, " turnkey" ventures which can distinguish themselves from contestants such as Accenture and IBM that spotlights on superior value-added jobs such as consulting. This proposes an organically-driven expansion strategy for TCS: as TCS should persist to do <https://assignbuster.com/tata-consultancy-services-swot-and-pestel-analysis/>

the similar sort of job that it presently do, but should attempt to arrest a better section of the value-addition by accepting huge projects. Although it has exhibited a potential in distant project management, TCS would be requisite to increase the same capability.

But, there are also few risks which prevail in this strategy. TCS's huge dimension implies that it might have already exploited wealth to amount in applications improvement. Adding to that, the strategy may tender the latent for huge growth since it essentially engages elevated value-added actions. Before, this was hard, partially owed to the technical complexity in rejecting the value-chain away from the modularization of appliances programming. In recent years, though, systems design, manufacturing services, and systems integration job have increasingly been outsourced suggestive of that, if the abilities are at hand, those works could be completed in India.

The threat of substitutes are mainly from the China, Philippines and eastern Europe which emerge as a biggest threats to the Indian IT companies, which is mainly due to the low cost. The companies from these countries quote very low price for the same quality of products as the Indian Companies do, which creates a great impact on medium to long term projects. It is difficult for TCS being operated from India to attain the organic growth.

As the globalization