

Business strategy of tata consultancy services (tcs)



TATA group of companies:

Tata Group of companies is the largest private corporate group in India and has been recognized as one of the most respected companies in the world which was founded by Jamsedji R Tata in 1991. The company has operations in more than 85 countries across six continents and its companies export products and services to 80 nations and the Tata Group comprises (114) companies and subsidiaries in seven business sectors (Tata Sons Ltd., 2010).

SBU's of TATA group :(For details please refer to appendix no. 1)

SBU's which form a major part of the Tata group include:

Tata steel

Tata motors Ltd.

Tata consultancy services

Tata Technologies

Tata tea

Tata power

Tata Communications

Tata Teleservices

Tata hotels

1. 1 Company profile: Tata consultancy services (TCS)

SBU of Tata group:

http://t2.gstatic.com/images?q=tbn:ftqMPzMyAWhIM::&t=1&usg=__pSSLT1wgbnRMMkApfc8zl-8DYsg=

Source: http://biet.beadvg.org/images/logos/tcs_logo_cmyk.jpg

Tata Consultancy Services (TCS) is one of the SBU of Tata group of companies. It is a Software services consulting company which is a subsidiary Tata group . It is the largest provider of information technology (IT) and business process outsourcing services in Asia. It has offices in 42 countries with more than 142 branches across the globe. The company is listed on the National Stock Exchange (NSE) and Bombay Stock Exchange(BSE) of India. TCS mainly offers a consulting-led, integrated portfolio of IT and IT-enabled services delivered through its unique strategic Global Network Delivery Model which is recognized as the benchmark of excellence in the IT industry (LinkedIn Corporation, 2010) . TCS is currently investing in new technologies, new processes & people in order to achieve an competitive edge (Amdocs Ltd., 2010).(For details please refer to appendix no. 2)

TCS helps some of the world's largest companies to adopt the right technology-enabled solution that helps them in following manner (Tata Sons Ltd., 2010).

Optimize business performance

Facilitate alignment of business with technology

Connect their extended supply chains

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Reduce product development time

Improve product differentiation

Provide real-time business insight

Lower operational costs

TCS business structure:

Following diagram illustrates operating structure of TCS:

Fig 1. TCS operating structure

Source: <http://www.allbusiness.com/glossaries/organizational-structure/4943569-1.html>

2 Business Level Strategies:

TCS has developed its business level strategy by assuming as world financial institutions are in a tremendous shock of crisis and think of scaling up revenue from other industries. (Tata Consultancy Services Limited, 2010).

TCS names its business divisions as Industry Service Practice which will help them to collect maximum revenue from Banking Financial Services and Insurance Sectors. (Please refer to appendix no. 3)

Generic Business Strategies of TCS:

TCS provides low cost Global delivery with the help global strategy.

TCS mainly focus on customer relationship management & customer retention in order increase the business revenue.

TCS provides timely delivery of IT services with the help of proven delivery & quality framework called as (iQMS)

TCS uses differentiation strategy by providing low end services in terms of cost, resources.

TCS also differentiate its high end services such as consulting in term of niche offerings.

TCS has strong knowledge management system & resource

Strength by which they has successful in reaching the overall cost leadership in the (IT) industry.

TCS has develop a resolute strategy where they are providing (IT) services according to the requirements of customer and the nature of business.& targeting new markets like Middle East, Europe, and Asia-pacific.

Currently TCS Focus on Centres of Excellence (CoE) to hold ability so as to construct technologies such as service-oriented architecture, testing, and virtualization which will help TCS to attempt outsized projects so as to alter customer's (IT) applications.

Business level strategy model:

Following diagram illustrates various business level strategies of TCS which are closely related to the company.

Fig 2. Business level strategy model-TCS

Source: Author

Business level Strategies are listed below:

Global Strategies

Strategic Alliance strategy

Acquisition strategy

TCS: Co innovation network (coin) strategy

(1) Global strategy:

TCS global strategy structure tend towards its global operations to implement a Customer centric and integrated approach which will help them to control external factors arising from the Economic Meltdown in western countries. TCS's global operation units is divided into five main divisions includes the established markets like North America K & Western Europe as well as the new markets includes mainly Latin America, Middle east, India and Eastern Europe. TCS was the first one to set the global delivery centre in China which distinguished TCS from other corporate companies (Mitra, 2005).

This global strategy of TCS will Increase Company's market growth rate at the rate of 40% every year. TCS is establishing global delivery centres outside India which demonstrate TCS as a Global company. In recent years TCS was frequently changing its approach towards global market. (For details please refer to appendix no . 3)

Global strategy map:

Following map illustrated the countries where TCS collaborate its global strategy

Mainly includes US, Mexico, China, India, Hungary, UK, West-Europe etc.

<http://htmlimg3.scribdassets.com/entwg1s84irfuww/images/15-8f526c1a8f/000.jpg>

Fig. 3 Global Strategy map

Source: <http://www.cogmap.com/chart/tata-consultancy-services>

2 Strategic Alliances strategy:

Tata consultancy services have been holding a strategic relationship with various International technology (IT) vendors such as Intel, Hewlett-Packard (HP), IBM this distinguished as service provider, customer, supplier, and alliance partner. (Mitra, 2005). The relationships with the international technology vendors have made TCS to maintain a holistic approach to create a joint venture opportunities with these international vendors on joint research by which each other's strengths will provide a strategic advantage by following ways(For details please refer to appendix no. 4)

It creates joint engagements with (IT) vendors.

It provide new or improved solutions on problems

It helps to adopt a Joint go-to-market strategy for the specific (IT) solutions.

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3. Acquisition strategy:

TCS divides its acquisition strategy into two components. Organic means and inorganic means (Mitra, 2005). The Inorganic way of acquisitions of companies this has business sense to TCS as part of its strategy to look at expansion options has set up an internal team which will focus only on acquisition strategies.(For details please refer to appendix no. 5)

4. Co- innovation network (coin) strategies:

TCS have implemented a Co-innovation strategy in order to face the competition in today's globalization world. Where competition among the IT companies is increasing day by day. TCS has developed & implement an innovative technology which will result in collaborating a " Globally Distributed Network (GDN)" (Mitra, 2005). (Please refer to appendix no. 6)

Bowman's strategic clock:

Business level strategy of TCS can also be explained with the help of Bowman's Strategic clock (work of Cliff Bowman) (For details please refer to appendix no. 7)

Fig 4. Bowman's strategic clock

Source: Adopted from (Faulkner & Bowman, 1995)

Based on the competition faced by TCS they are using two parallel strategies so as to sustain in the (IT) sector.

Differentiation:-TCS use differentiation strategy by offering its low &high end services such as consulting in term of niche offerings & terms of cost

resources. Expertise that is different from those of the competitors in (IT) industry & which are valued by the customers.

Low price:-TCS has achieved cost (price) leadership in the (IT) industry with the help of its strong knowledge management system as compare to competitors.

According to Bowman's strategic clock differentiation & Low price strategy comes under 'hybrid strategy'. So, it is evident that TCS use these strategies in order to keep up with the emerging (IT) trends and working out towards its goal of being the most chosen brand in the (IT) industry.

TCS Business level Strategies can also be identified and explained with the help of Ansoff matrix which divides the strategy of a company into four different categories namely,

- (i) Market Penetration Strategy
- (ii) Market Development Strategy
- (iii) Product Development Strategy
- (iv) Diversification Strategy

TCS's growth and development strategies based on Ansoff's matrix

Ansoffix growth matrix :(For details please refer to appendix no. 8)

TCS'S Business level Strategies can also be identified and explained with the help of Assnsoff matrix as follows:

Existing Products New Products

(Market Penetration)

Existing Markets: USA and Europe

Existing Products: ADM, BPO, KPO, consultancy services & software products.

(Product Development)

Existing Market: USA and Europe

New Product: Consultancy and package implementation services in relatively growing sectors life sciences & healthcare, aviation sector, and KPO services

(Market Development)

New markets: India, Middle-east and Australia

Existing Products: ADM, BPO, KPO, consultancy services & Software products (financial products).

(Diversification)

New products:

vertical- Specific services packages, TCS Financial Solutions, and Platform-based BPO

New markets: Latin America, Eastern Europe, Middle East & Africa and India),

Existing Market

New Market

Fig 4. Ansoffix growth matrix of TCS

Source: Author

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(i) Market penetration strategy:

As per the growth matrix TCS is currently penetrates its range of services into USA and Europe where they provide ADM, BPO, KPO, consultancy services (in BFSI, manufacturing and retail firms) as well as they provide software products (financial products) to the firms as most large clients in US and Europe are concentrating on cutting costs of (IT) related services (Tata Consultancy Services Limited, 2010). TCS needs to be more aggressive on cost cutting strategy with good quality.

(ii) Market development strategy:

As per the growth matrix TCS is concentrating on new markets like India, Middle-east and Australia where they provide products like ADM, BPO, KPO consultancy services (in BFSI, manufacturing and retail) and software products (financial products) (Tata Consultancy Services Limited, 2010).

Since these are the most fast developing IT market where TCS needs to keep a paradigm as a shift in focus from US & EU markets to these new markets.

(iii) Product Development Strategy:

As per the growth matrix TCS is selling its new products such as Consultancy and package implementation services in relatively growing sectors especially in life sciences & healthcare, aviation sector, and KPO services into existing markets like USA and Europe (Tata Consultancy Services Limited, 2010). This strategy will definitely help on building expertise in these domains by strategic acquisitions.

(iv) Diversification strategy:

As per the growth matrix TCS has diversified their new products like vertical-Specific services packages, TCS Financial Solutions, and Platform-based BPO into new markets like Europe & and other emerging markets where the market growth of the company has increased by 40 % (Tata Consultancy Services Limited, 2010). TCS diversified its function to new markets like Latin America and Middle East for considerable expansion. In order to penetrate a new market TCS has established delivery and offshore centres in countries like Brazil, Uruguay and Mexico.

3 Strengths & weaknesses based on business Level Strategies:

Following table illustrates (TCS) strengths and weaknesses:

Strengths

Weaknesses

Extensive Universal reach

Strong economic performance

Strong brand name and awareness

Unique service Offerings

Employee Management Skills (HR Skills)

Innovation lab system

Fame of founder

Momentous publicity to financial markets

Lack of focus on the domestic markets.

Deficient in level of consulting

Operations

Source: Author

3. 1 Strengths:

(1) Extensive Universal reach: TCS has widespread a global reach by its product and services throughout its branches all over the world includes in UK, U. S, Middle east, Australia, Europe etc. (Tata Consultancy Services Limited, 2010). This provides a diverse revenue base for the company to have an active control on its business operations universally.

(2) Strong economic performance: TCS has made apparent and strong economic presentations around the globe which makes its clients to be financially confident about the company and hence it will increase company's reputation.

(3) Strong brand name and awareness: As the popularity of the brand TCS (Tata consultancy services) has been reach all over the world which made TCS a reputed brand image in the Global information technology (IT) and software industries.

(4) Unique service Offerings: TCS provides a unique range of services including business consulting; information technology, business process outsourcing (BPO), infrastructure, and engineering which distinguished them

from competitors belong to IT industry (Tata Consultancy Services Limited, 2010).

(5) Employee Management Skills (HR Management Skills): The domestic base of TCS i. e. 'India' is well -known for its skilled employees in IT field which naturally made TCS a very strong in HR management . TCS is also recruited its board of Directors are from overseas countries in order to adopt the strategies from all the parts of the world.

(6) Innovation in lab system: TCS have most effective infrastructures and innovative labs all over the world with most modern technologies which help its employees to have an access to update the most up-to-date information to make research in various IT related fields (Tata Consultancy Services Limited, 2010). This provides TCS an competitive edge.

(7) Fame of founder: Tata is recognised as the most renowned brand in Asia as well as the fame of the founder Mr. Ratan J Tata also added value to TCS (Tata Consultancy Services Limited, 2010).

3. 2 Weaknesses:

(1) Momentous publicity to financial markets:

The Excess exposure on the financial service markets at a global level (Datamonitor, 1998). Which generally necessitate to be keep confidential as they it displays company's private policies and legal terms which is considered as the primary & key weakness of Tata consultancy services (TCS)

(2) Lack of focus on the domestic markets:

As per the strength of TCS it has an Extensive Universal reach by its product and services throughout it are all over the world branch which provides a diverse revenue base for the company. (Datamonitor, 1998). But at the same time domestic markets are also affected due to lack of focus by the company. This is the key weakness of Tata consultancy services (TCS).

(3) Deficient in level of consulting operations:

Lack in Effective consulting team which show a strong reflection of decline in the growth Cycle of the TCS, Being a company which mainly works on Outsourcing on scale large projects and assignment which generally needs a very good effective consulting team which acts as the link between the Clients and company (Tata Consultancy Services Limited, 2010). TCS company is lacking behind in its level of consulting operations.

Report to the Board of Directors

To,

The Board of Directors,

Tata consultancy services Ltd.

Subject: Recommendations for the (TCS) business unit.

Respected Board members,

In the report which is attached along with a critical research and analysis has been done on the corporate strategy followed by your company. The research and analysis has been conducted by using various corporate

strategy tools and methods and the company's past and current strategies have been highlighted.

On the basis of the strengths and the weaknesses of these strategies we have stated so; following are the recommendations which I was able to generate after studying the strategies adopted by the TCS:

TCS should create specific value propositions aimed directly at the relevant stakeholders which include business executives, IT personnel in order to improve your market positioning in domestic markets.

The excess exposure on the financial service markets which usually need to be kept confidential is considered as the main weakness of TCS so they can should focus more on increasing their IP (Intellectual Property) assets in order to lower the momentous publicity to financial markets (Tata Consultancy Services Limited, 2010).

TCS can also go for isolation strategies with premium services like IT solutions and focus on a niche market.

In market Meltdowns (recession) marketing can work as a differentiator. TCS can alter its focus from Low cost advantage to high quality services considering quality being pioneer in the (IT) industry.

TCS can offer diverse services to refrain from being over-dependent and increasing exposure to the vulnerabilities of few sectors like USA.

TCS can adopt ADM (Application Development and maintenance) system to increase value added services, BPO to Consulting and Package Implementation (Tata Consultancy Services Limited, 2010).

Consolidation and strategic acquisitions are essential for future growth of revenues. The HP-EDS merger (one of the biggest ever merger in this industry) is evidence to this. TCS should prepare for such opportunities which are strategic fit for the company.

TCS has rightly placed SMB (Small and Medium Businesses) as a separate strategic unit, which should be focused aggressively. They should also focus consulting practice on the same business unit (Tata Consultancy Services Limited, 2010).