

Essential No. 2: Redefine Your Market

How are you redefining your market opportunity to identify growth during challenging times?

By David G. Thomson for BusinessWeek

In early 2008, as I was preparing for a global keynote speech and workshop tour across Asia, sponsored by Lloyd Adams, vice-president of marketing for SAP Asia Pacific and Japan, I was challenged by him to tailor The 7 Essentials for audiences from different countries and cultures. Identifying a global success pattern would serve as an additional and even more powerful indicator that the management and financial fundamentals needed to achieve exceptional growth are universal; independent of economic cycle, industry, and country and culture.

So I asked myself, "Where could I find a billion-dollar company example in Asia that meets all the criteria?" Fortunately, during a presentation and discussion that I made at SAP Labs in Silicon Valley a few months later, I met Anubhav Saxena, HCL Technologies' global vice-president of marketing, who excitedly told me that HCL's CEO, Vineet Nayar, had launched a growth initiative called "The Blueprint" in July 2005. (He had named and launched his initiative without any knowledge of my work, but I took the similarity as a good sign.) I checked it out, and HCL Technologies was following The 7 Essentials. I had the example I needed!

India-based HCL Technologies entered the global IT outsourcing market in 1999 following its initial public offering and has since become a global leader in IT services, achieving \$1.7 billion (U.S.) in revenue early 2009, up from revenues of \$118 million in 2000. It has become one of the leading IT outsourcing companies in the world and has been ranked by BusinessWeek as one of the world's top 20 most influential companies along with the likes of Google, Wal-Mart, and Toyota.

Journey is Rarely Smooth

I had the opportunity to interview Nayar first by phone and later in person when he and I were part of a panel on growth in New York in June 2009. And as he relayed HCL's story to me, it was testament to the idea that the journey to achieving exponential growth—across, up, and down economic cycles—is rarely a smooth one. While HCL Technologies had experienced growth during the 1990s in software and IT outsourcing, by the early 2000s, its growth had fallen behind that of IBM, HP, and some of its Indian competitors. HCL's founder correctly attributed the company's success to momentum of the past.

With HCL Technologies' revenues still lagging at about \$750 million, Nayar had his work cut out for him. Following his transformational blueprint, Nayar knew he had to do three things: 1) Identify large market opportunities; 2) leverage alliance partnerships; and 3) create exceptional value for customers.

The critical question facing him at the first strategy meeting in July 2005, was "How do we get a big piece of the core IT outsourcing market?" His answer was provocative. "Since the market is stagnating, we will have to inject a catalyst inside it and redefine it to create an exceptional growth market," he told his staff. The idea was to do something that would redefine an exponential growth market segment opportunity within an outsourcing market that was basically stagnant.

Frustrated Corporate IT Customers

First, HCL had to refocus from its many revenue-producing smaller and mid-market customers to target global contracts with the world's largest enterprises against large, global competitors. Interviewing this strategic customer set, the exceptional growth opportunity turned out to be delivering outstanding quality and flexibility.

This might not sound revolutionary but it was. After experiencing a deep recession and expecting a recovery in 2003, the enterprise information technology and outsourcing Market was ripe to be redefined.

Corporate IT customers were frustrated. Typical outsourcing contracts were structured to be inflexible and long term, while customers were asking suppliers to revisit their agreements and were looking for more flexible terms. Customers were becoming increasingly vocal to HCL about how their needs were not being met by the global providers such as IBM and Accenture. "When we talked to our corporate customers, we found the market gap to be supplier trust along with contract flexibility and results transparency," explains Nayar.

HCL knew it could win if it could redefine the relationships between the global enterprise customer and the services provider.

Import Ideas from Other Industries

Nayar's team still had to define its breakthrough value proposition (Essential No. 1)—offering one that no other IT company could provide globally. HCL offered flexible contract terms that enabled customers to seek guarantees for service levels and co-source solutions in partnership with HCL. Also, the company focused on quality measures in partnership with customers to ensure they exceeded customer's service level expectations (i.e. availability, response time, achieving milestones on time and budget).

Importing ideas from other industries is a hallmark of successful exponential growth companies. In the case of HCL, the company recognized that it needed to deliver high-quality services through a "services supply chain" of some sort. To do this, the HCL team studied supply-chain systems and processes in manufacturing industries and then reported them through a series of measurements on a real-time IT dashboard.

"We discovered that value is created in the interface between suppliers, employees, and customers. We call this the value zone," says Nayar. Indeed, it was within the value zone that HCL Technologies was certain its real market opportunity lay. By delivering a more sophisticated offering—incorporating infrastructure, applications migration, and design services—HCL could improve the economic return for its customer in more ways than the customer had ever experienced.

Insights to Actions

Trust, quality, and flexibility are the core principles that still define HCL's market. The result has been a five-year compounding revenue growth rate of 63%. As a testimonial to its new global leadership, in January 2009, Nokia awarded HCL a five-year contract to provide global PC desktop support services across 76 nations in 13 languages.

You can redefine your market opportunity by redefining who your customers are or need to be and by identifying their unmet needs. Start this process by asking yourselves the following questions:

- How innovatively are you redefining or identifying market segments that present growth opportunities?
- What insights can you gain from new customers that will enable you to identify which products or services are required to deliver exceptional value to address unmet needs?
- If you can redefine the value zone between your most important customers and your company, can you then create an explosive market opportunity?

Here are three actions you can apply to redefine your market opportunity:

1. Redefine a Stagnant Market by Identifying a Need Gap

Nayar demonstrates that interviewing customers can uncover a potential billion-dollar opportunity characterized by customer's unmet needs. Bear in mind that customers often redefine their needs during periods of economic stress. Quality, trust, and flexibility became increasingly important to IT customers in

the wake of the 2001-2003 recession; so much so that three years later, those needs were still not met, providing HCL with great opportunity.

2. Reverse Engineer your Breakthrough Value Proposition

In order to transform a company's growth, one does not necessarily need to start at Essential No. 1: Defining a breakthrough value proposition. In HCL's case, it started with redefining the market (Essential No. 2) and then reverse-engineered the value required in order to capture a redefined market segment.

Periods of economic transition are the time to identify your next growth-market segments even though markets may appear stagnant. Nayar framed the platform for this growth during the last recession by redefining the class of customers HCL would serve. HCL then focused on identifying significant unmet needs within the customer set it desired to serve. To turn these insights into action, it reverse engineered these needs into the services that would deliver the exceptional value required.

3. Focus on Delivering Exceptional Value to a Specific Set of Customers

HCL uses the term value zone to define the intersection of the value the company can provide and the needs of the corporate customer. Defining your market opportunity around your value zone can lead to redefining your market segment through the lens of a specific set of customers. Since economic cycle transitions often serve as an inflection point for changing customer needs, focusing on meeting new customer needs will enable you to identify a high-growth market segment that is underserved.

The next article will focus on Essential No. 3: Leveraging Marquee Customers. If you would to measure your company's performance against each of The 7 Essentials take the free scorecard at <http://scorecard.blueprintgrowth.com/>. Talk to Dave at <http://www.twitter.com/davidgthomson> or visit <http://www.blueprintgrowth.com>.

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