

Zensar Technologies

Sandeep Kishore, CEO and MD of Zensar Technologies Ltd., an Indian information technology (IT) services company, was pondering the company's positioning in a rapidly changing industry. An established mid-tier player in the Indian IT sector, Zensar was known for its personable associates, prompt customer service and high-quality services. Kishore had taken over as CEO in early 2016 and weeks later decided to shift Zensar's core offering from traditional services to digital transformation services.

Over the past four years, the company had taken great strides, overhauling both the front-end and back-end of its internal systems, developing capabilities through investment in R&D and acquisitions, and upskilling and reskilling its 9,500 employees (known internally as 'Zensarians'). Despite these efforts, however, the company remained in the mid-tier, with sales revenues of 41,768m INR (\$589.5m) and net profits of 2676m INR (\$37.8m) for year ending March 2020.

Kishore wondered if he should make a deeper commitment to digital transformation. He had positioned Zensar as *Living Digital* in 2016 and then *Living AI* (artificial intelligence) in 2019. The company's R&D facility, Zenlabs, had been developing AI-based platforms to serve its clients' transformation needs. Sales of digital services were growing well, at an annualised rate of 30% over the last three years, and now accounted for 52% of total revenues. The opportunities for growth in digital and AI seemed enormous.

But Kishore also recognised the challenges the company was facing. Zensar was limited in its resources and market penetration. It had completed highly successful projects for leading clients, including the City of San Diego and several Fortune 100 companies, but had yet to scale up its higher-value-added offerings. Many clients (accounting for around 48% of revenues) continued to use Zensar as a service provider for their traditional IT systems – a reliable but low-value business. As Kishore explained:

Our transformation is still a work in progress. We have made some big calls – we focused on selling into three markets (US, UK, South Africa) and got out of the rest of the world, and we made strong commitment to digital, cloud, AI. We want to be known as a company that does the right thing, not one that focuses on short-term profit growth. It takes some time for the market to recognise these choices.

The Indian IT industry

IT was one of India's biggest services sectors, employing 4.1 million workers and contributing 8% of the country's GDP in 2019. It was estimated to grow from \$177 billion in 2019 to \$350 billion by 2025. India accounted for 55% of the global services sourcing business¹ and was estimated to provide 75% of global talent in this space. Major players included Infosys, Wipro, HCL and Tech Mahindra, while players such as Zensar, Mindtree, Hexaware Tech, Persistent

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