

## Reliable, proven and high-functioning: HCLTech's cloud-native and GenAI labs

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### Grounding the 'art of the possible'

Let us start with this: HCLTech considers the “art of the possible” to be what clients can deploy at scale in the near term. In HCLTech’s Cloud Native Labs, “the possible” is grounded completely in what can be done, not what is theoretically possible. In a decade of visiting innovation and transformation centers, TBR has heard every version of blue-sky creativity and out-of-the-box thinking but cannot recall another IT services vendor definitively connecting “the possible” to “deployable at scale.” During TBR’s two-hour visit at HCLTech’s London Cloud Native Lab, this uniquely concrete mindset was one of a few surprises.

### Gracechurch Street Cloud Native Lab echoes HCLTech’s fundamentals

In fall 2023, TBR met with Alan Flower, EVP, CTO and global head, Cloud Native & AI Labs; Tom De Vos, Google Cloud Platform (GCP) cloud native architect; and Mani Nagasundaram, global head of Cloud Sales, Financial Services, at HCLTech’s Gracechurch Street Cloud Native Lab, one of a network of HCLTech’s worldwide labs, including a Software Defined Infrastructure Lab in Chennai, India, and a Scale Digital Delivery Center and Digital Innovation Lab in Amsterdam. The HCLTech leaders described in detail the kinds of challenges clients bring to them in the labs as well as why clients come to HCLTech. In use case after use case, the following three elements in HCLTech’s approach in the labs and overall approach to technology and IT services resonated with TBR particularly well based on our experience and view of HCLTech’s peers and ecosystem partners:

- **Engineering credibility** — HCLTech has always stood out among the large India-centric IT services vendors for its engineering DNA, a mindset that seems to permeate every aspect of the company’s solutions and engagements. Flower first mentioned his company’s engineering legacy in the context of how his teams approach clients’ problems. Then De Vos described a critical element in HCLTech’s engagements at the labs, saying that clients know they are going to be able to “flip a switch” and have a

working, materially important solution, not just a PowerPoint presentation or road map.

- **Sustained engagement** — HCLTech’s leaders repeatedly described client engagements that extended over multiple lab visits, whether on-site, virtual, or even set up in the client’s facility. While client selection — who comes to the labs and for what kinds of work — is not handled lightly, HCLTech clearly maintains flexibility with respect to how clients can tap into the time and expertise of the HCLTech professionals at the various labs worldwide, reflecting the company’s desire and ability to deliver on client objectives with its portfolio and resources over relying entirely on transactional volume.
- **Commitment to relationships** — For HCLTech, delivering on client objectives includes keeping the Cloud Native Labs and the entire labs network part of the relationship beyond the contract. Flower repeatedly noted that the labs function as an asset that HCLTech can bring to clients to jump-start problem solving and move from strategic decisions around technology choices and approaches to the training and cultural change management needed to sustain a solution beyond the MVP and pilot stages. That commitment came through in both the use cases Flower described and HCLTech’s understanding that these labs are decidedly not a direct revenue generation source but a critical component to HCLTech’s overall strategy.

### **Technology-centric cultural change management**

While HCLTech’s Cloud Native Labs share many attributes with other innovation and transformation centers, including the need to showcase capabilities, challenges managing which clients attend sessions, and opportunities for internal training and skills development, TBR believes these labs could be a blueprint for other IT services vendors, particularly as the entire cloud ecosystem faces disruptions from shifting client expectations and the opportunities around generative AI (GenAI). No client arrives at a consultancy’s or IT services vendor’s innovation and transformation center completely unaware of emerging technologies, nor do any enterprises have blank slate or pristine technology environments. So when informed clients potentially laden with technology debt arrive at HCLTech’s Cloud Native Labs, the shared mandate to get to a deployable-at-scale solution to a clearly defined (and addressable) problem likely resonates extremely well with clients, in large part because HCLTech continues to engage most frequently with technologists and practitioners, the people tasked with making the tech work at an enterprise. That said, Flower and De Vos repeatedly noted that HCLTech understands the cultural change management needed for any technology solution to scale. Consulting, yes, but within the context of HCLTech’s engineering and technology-problem-solving strengths.

### **Partnering with the right hyperscaler — all three of them**

Putting HCLTech’s Cloud Native Labs in context of other consulting and IT services vendors’ innovation and transformation centers necessarily sets aside the cloud focus of these labs. On that point, Flower and De Vos consistently stressed the importance of HCLTech’s hyperscaler partners, including (in no particular order), Microsoft (Nasdaq:

MSFT), Amazon Web Services (AWS) (Nasdaq: AMZN) and Google (Nasdaq: GOOGL). Notably, HCLTech partners closely with RedHat, and the HCLTech executives repeatedly referenced use cases that featured Red Hat's and IBM's (NYSE: IBM) technologies. As TBR has previously examined, how consultancies and IT services vendors manage their ecosystem partners at their innovation and transformation centers (and labs) reveals differences in strategic thinking and intent. While full-on branding remains rare and having technology partners' staff permanently on-site is even more rare, consultancies and IT services vendors have become adept at including technology partners as part of clients' experiences, almost always when the client has already committed to a particular tech stack (ask us about what happens when a particular Germany-based ERP partner is not in the room). HCLTech remains committed to partnering with a broad ecosystem, following leads from its clients and undoubtedly serving those clients well. Had Flower and De Vos not shared a use case in which a hyperscaler specifically recommended HCLTech to a client — suggesting Flower, De Vos and the rest of the team were best positioned to help the client solve their cloud-related problems — TBR would have questioned how successfully HCLTech balanced being cloud vendor agnostic with meeting clients where they are in terms of their existing technology environments and needs. That a cloud vendor could definitively recommend HCLTech to a client indicates HCLTech, aided by the sustained investment in Cloud Native Labs, has made a compelling case to the cloud vendors.

One further note on cloud partners: TBR persistently pushed Flower and De Vos to distinguish between Microsoft Azure, AWS and Google Cloud Platform and detail differences in HCLTech's alliances. While refusing to pick favorites, the HCLTech leaders described multiple use cases involving each partner, demonstrating a breadth of client challenges and HCLTech solutions and establishing a credibility around HCLTech's cloud-agnostic strategy.

### **Cannot have GenAI without cloud (and cannot talk tech without GenAI)**

One cannot have a technology-centric meeting without discussing GenAI. TBR and HCLTech's Cloud Native Lab leaders shared mostly synchronized views on the implications and opportunities around GenAI, agreeing that infrastructure players and consultancies should see immediate spikes in engagements and revenues. Long term, HCLTech's focus on security, responsible AI and intimate collaboration with hyperscalers should prove beneficial. Notably, HCLTech also maintains strategic partnerships with Dell Technologies (NYSE: Dell) and Intel (Nasdaq: INTC), two technology vendors that are well positioned to provide the necessary infrastructure to a GenAI adoption wave. Overall, HCLTech's sobriety around GenAI struck TBR as refreshingly honest. In a setting conducive to blue-sky ideas and bleeding-edge technology musings, HCLTech's Cloud Native Lab leaders kept the discussion grounded.

In a [TBR blog](#), we discussed how GenAI will likely affect IT services vendors like HCLTech: "When looking at the IT services and professional services space, TBR considers two GenAI tracks: What opportunities will vendors seize for generating new revenues, and

what changes will GenAI force on how vendors operate? Currently, the first track is pretty straightforward: Fear, uncertainty and doubt around GenAI — fueled by massive hype — create consulting opportunities, particularly for vendors with established governance, risk and compliance offerings. Every vendor has core artificial intelligence, data orchestration, analytics and cloud capabilities, so no vendor can credibly separate itself from the pack with those tools alone. . . . On the second track, GenAI could be highly disruptive, especially around managed services, to include changes to the staffing pyramid, as less experienced employees either shift to higher-value tasks or leave.”

Reflecting on the GenAI discussion with Flower and De Vos, TBR believes HCLTech could begin to separate itself from IT services peers by emphasizing a grounded practicality mindset and a focus on bringing real solutions to scale, even when discussing the potential disruptions of GenAI.

### **Being productive in a time of chaos and uncertainty**

Grounded and concrete. Partnering smartly and focused on what can possibly scale within clients’ existing or near-term environment. In TBR’s view, HCLTech’s Cloud Native Labs have positioned themselves well for what will likely be an exceptionally turbulent time in the cloud and IT services space. HCLTech effectively uses the Cloud Native Labs as a platform to showcase its plethora of products from the HCLSoftware division and helps clients integrate the same into the overall solution architecture. Clients’ dissatisfaction with costs and unbridled enthusiasm for GenAI will create unrealistic expectations. Competitive pressures around IT services and hyperscalers’ need to find growth will challenge pricing and engagement models. HCLTech has a reliable, proven, highly functioning cloud lab ecosystem that should be a safe space for clients, technology partners and HCLTech professionals to productively manage through the coming craziness.

*TBR will highlight HCLTech’s Cloud Native Labs in the next Innovation and Transformation Centers Market Landscape and continue to cover the company in quarterly reports, TBR’s IT Services Benchmark, and in 2024 in TBR’s Cloud Ecosystems Market Landscape.*

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