

When it comes to offshore outsourcing, the world's second biggest burger chain wants to 'have it its way'. Burger King CIO, Raj Rawal, places his order.

Burger King

About the company

WITH annual revenues of over \$2 billion, Burger King is the world's second largest fast food hamburger chain. The Miami-based company supplies more than 11,100 restaurants, two-thirds in the US and the remainder spread across 65 countries – from Baghdad to Beijing.

Leveraging that global diversity, Burger King prides itself on tailoring its menu for different cultures. And even though its offerings are centred around the famed Whopper burger, its promise of 'Have it your way' means customers have 221,184 possible ways of ordering a Whopper meal. Every day 11.8 million of those customers consume close to a million pounds of beef. A public company since May 2006, Burger King employs 37,000 staff in company restaurants, field management offices and



BK in Baghdad: Weapon of mass consumption

at its headquarters, plus many tens of thousand more indirectly in the 90% of Burger Kings that are operated as franchises.

The sheer scale and geographical reach of the organisation presents a huge challenge to Burger King's IT team. Since taking over

as CIO in March 2005, Rajesh 'Raj' Rawal has drafted in help in the form of MindTree (see profile) – a mid-tier India-based outsourcing company he had previously used when CIO of the Cendant Car Rental Group, owner of the Avis and Budget brands.

Rawal – a vegetarian – likes to highlight how Burger King stands out from the other giants of fast food (McDonald's and Wendy's). "We try to acknowledge and recognise culture – and country-specific needs," he says: Pork-based Bulgogi Burgers in Korea, the Escoveitch Fish and Bammy breakfast in Jamaica, the ultra-spicy Rendang Double in Singapore. "And Burger King is the only one of the big three that offers a Veggie Burger in all its restaurants."

He talked with *Information Age* while visiting MindTree in Bangalore.

Information Age (IA): When you took over as CIO in early 2005 was there any tradition at Burger King of outsourced IT services?

Raj Rawal (RR): Not really. We did do projects with Accenture, and with Price Waterhouse: \$150, \$175, \$250 an hour, based on whether we were getting a programmer, analyst or project manager. And clearly that was not a model that I was going to recommend to Burger King as the path to profitability.

But there was no outsourcing that leveraged offshore capabilities. There was a big debate then, and even now when we have been outsourcing [in India] for about a year, some of my team are still wondering whether this is the right path. Burger King is a culture that is going through a transition. IT is just one part of

it. Having not outsourced before, there was a lot of concern initially, with people naturally fearful of losing their jobs.

With my background, I was seen as a 'CIO for hire', a guy who might come in for a year or two, outsource jobs and do IT for less money through India. I am pleased to say we have not laid off people because of outsourcing at all, and nor do I intend to. What I have done is put a hard foot down on the high-priced, named-brand consultants who come in at \$300 an hour; we're not having any of that.

IA: In outsourcing software development to India, you chose a partner most people won't be familiar with. Why MindTree?

RR: I first met Subroto Bagchi, MindTree's COO, during my CIO/con-

sulting stint at Cendant, the owner of Avis and Budget. At that point, I was a turnaround guy, who would take on big organisational and cultural change. But what I didn't like doing, and I don't like doing, is to go in and fire people or terminate relationships wholesale, saying all previous decisions were horrible, the previous people bad. At Cendant, we wanted to see some real success with our websites. Over a million dollars of reservations go through Avis.com and Budget.com, so the application [sitting in front of] the back-end, mainframe-based engine that does the reservations and rates, is business critical: if it is down, the company does not take reservations.

IA: And MindTree was responsible for delivering that critical element?

RR: Subroto requested 30 days to deliver. His integrity was the key element that stood out, and as a new person making the final decision whether to keep them or not, I just felt I owed it to them to give them one last chance. I am obviously no longer at Cendant, but MindTree still has that business. As a result of the Avis successes, MindTree became a much, much bigger partner in that company.

So when I went to Burger King I did call Subroto. I made it clear I was not going to just throw myself into [outsourcing with MindTree], so there was no guarantee of business. We did a request for proposal [that was responded to by a variety of companies] but MindTree won.

IA: How has your US team reacted to that decision?

RR: People were concerned about losing their jobs. But in the last 12 months Burger King IT employees have had more training than the previous 3 years put together. Everybody in IT has gone through a class on communications and time management, project management or business analysis. From the very early days I made it very clear that we are going to become much more business aligned, with people being aware of the business, its needs, its processes, helping them think about possible solutions.

The other big change has been with how projects are perceived: every project was being thought of as a one-off thing. In any given year you have \$X million worth of projects, so we would say, 'Our people can only do software maintenance and enhancements. We can't handle project work. To do that we will have to go down the known and comfortable road of getting in the local, big-name outsourcing or consulting companies.' Now at Burger King we take the people who were doing the maintenance and enhancements, and make them into analysts and project managers.

IA: Do you think that your Indian background influenced that thinking?

RR: Not at all. If anything I am more reticent about using Indian outsourcing: the expectation might have been that as I am from India and I was going to give the jobs to the Indians, which is not true of the Burger King team at all.

CV



Name:
Rajesh Rawal

Company:
Burger King

Title:
Senior vice president & CIO

Highlighted challenge:

To ensure the use of offshore outsourcing reduces costs while improving the quality and value of IT services.

Background:

CIO of General Electric Information Systems; CIO of Cendant Car Rental Group (Avis & Budget brands).

IA: What exactly does MindTree do for Burger King?

RR: Aside from their involvement in several specific projects, they provide typical [software] maintenance and support activities. At this point, we have 51 MindTree people working for us. That is a large percentage of my team of 80.

One of the projects we are working on now is a very large application for [creating and managing] specifications for all our products. What exactly is a Whopper: the hamburger, the package, the bun, the lettuce, the tomato? We need specifications so we know that every tomato has to be such a size, texture, flavour.

Whopper is really our brand as a company. With a specific spec that is followed, we can validate our suppliers. In a Whopper contract, we pay \$X to a [meat] supplier, carefully specifying the fat content, the texture, the [level of] bone fragments. It is a science in itself. We may actually be paying millions of dollars extra if a supplier is providing Whopper patties with a higher fat content than we specify.

The application we are building is called the SSMS (Specification Supplier Management System). It is being developed by MindTree with assistance from some of our Miami-based team. When it

continues >>

Q & A

is delivered in March, I think it will be a huge win. It is one of those things that is more than just another IT project because this is a working foundation, one that will be there for another 10 or 15 years. We want to give users the ability to bring up a specification, make notes and have it tied back to our database, depending where you are in rural America, Central America, etc. We are building a system that has off-line capability and one that can synchronise with the central database.

IA: It sounds as though Burger King sees its involvement with MindTree as very much a relationship rather than just a means of cost reduction.

RR: Yes, but it is cost-driven; it has to be. The fact is my budget at Burger King is well over a million dollars less than it was last year. So I can tell you if cost was not an element in this relationship we would not be able to have 51 extra people. Well over half of my team in the US are dedicated to infrastructure activities which MindTree would not be involved with: things like point of sale system support in restaurants, updating a menu with a new price or product that we offer.

IA: Just how much has working with MindTree saved for Burger King?

RR: The million dollars saved has not just come in software development, but in infrastructure and a variety of other areas where I felt changes needed to be made. The challenge has been, how do we lower the cost and improve services? And the Burger King team has done both, I am proud to say. How much saving can be attributed to MindTree? My objective is to do things that allow us to add much more value, not just lower costs.

IA: Nonetheless, hourly rates at MindTree must be considerably lower than the fees of traditional consultants.

RR: It works out at less than \$50 an hour. I am a business guy, but I do believe that there is more than squeezing every last penny from a relationship. ☺

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Article by **Claire Bulbrook**
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MindTree Consulting: Boutique offshore services

WHEN, in 2001, Sweden's Volvo went looking for an offshore IT services partner to help build and maintain a new global dealer management system for its truck division, it did not turn to Wipro, Infosys, Tata or any of the other giants of Indian IT. Instead, it entrusted the mission-critical system, that would eventually be rolled out to 18-countries, to a little-known, but well-respected start-up made up of just 350 people at the time.

MindTree Consulting, which now counts Burger King, ING Bank, insurance giant AIG and Avis Budget Car Rental, Unilever and Alcatel alongside Volvo among its key customers, today boasts a headcount of over 4,000 and annual revenues of around \$140 million, could be viewed as part of a second-generation of Indian outsourcing who are bringing some fresh thinking and greater intimacy to the processes of global IT service delivery.

Ashok Soota, one time vice chairman and president of Wipro, who founded MindTree in August 1999 along with a group of seasoned industry professionals mostly from Cambridge Technology Partners and Lucent Technologies, positions the company as "the best mid-sized" player. "MindTree provides personalised services to clients which a large IT firm many not be able to do," he says. "We have a lot of customers today who would prefer to not necessarily work with an entity which has 60,000 or 70,000 people, but somebody who can be closer to the customer."

It is very much a custom approach. "For every client, MindTree builds a unified team of both software engineers and business consultants that collaborate from start to finish on all stages of a project," says Soota. That translates into "agility, access, attention and an attitude to our customers from our teams that is a key differentiator."

Bangalore-based MindTree may be less

than a tenth the size of some of its big rivals, but tries to match – and surpass – their capabilities through focus. It centres on bespoke application development and application management, related strategic IT consulting, data warehousing and business intelligence, over a handful of verticals – banking, financial services and insurance, consumer packaged goods, automotive and travel and transportation. Those activities generate three quarters of the company's revenues, either through customer deals or via contracts with other IT services companies, such as Holland's Getronics, who have less ability to leverage the India-centric global delivery model directly.

There is another side to the business: about a quarter of its revenues come from R&D services, where it undertakes work for companies such as chip designer ARM and storage systems maker LSI Logic.

As with others of its size, there are some risk factors. MindTree is reliant on a small number of clients; its top five customers account for around a third of revenues. Its future success will also depend on keeping pace with rapid changes in technology and developing new services to meet clients' needs.

As a relatively small company, it may not be able to compete for the largest outsourcing contracts, but MindTree knows it can win over clients for its boutique services by ensuring it has the right calibre of people. As a critical measure of that, it was recently ranked second in the annual 'Best Companies to work for in India' survey conducted by Business Today, Mercer & TNS. That is reflected in its relatively low staff attrition rate of 12% and the fact that the average employee has 4.6 years of experience. An initial public offering on the Indian stock market, due to be completed in February, will not only raise money but, all importantly, increase its visibility among prospective employees and customers.

