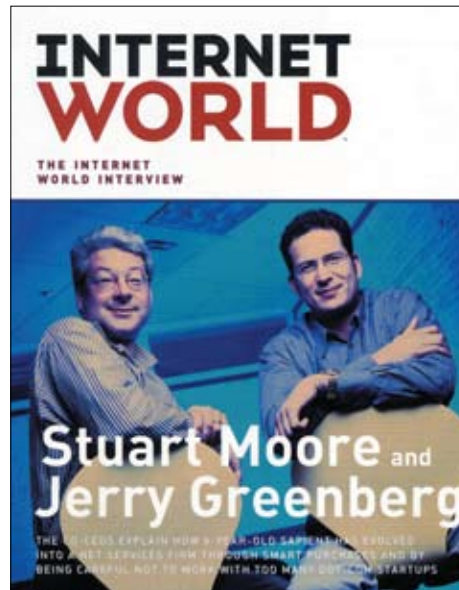


By David F. Carr



Stuart Moore and Jerry Greenberg

The co-CEOs Explain How 9-Year-Old Sapiient Has Evolved into a Net Services Firm Through Smart Purchases and by Being Careful Not to Work with Too Many Dot-Com Startups

Jerry A. Greenberg and J. Stuart Moore are the most formidable double threat in the e-services business.

Fortune magazine profiled the co-chairmen and co-CEOs of Sapiient earlier this year as "The Two-Headed Manager," marveling at how well they make their power-sharing arrangement work. Whereas most such arrangements are the awkward results of mergers, for them it's a natural outgrowth of their early days as equal partners in a two-man consulting startup.

That was the birth of Sapiient, back in 1991. Greenberg and Moore had met at Cambridge Technology Group (the predecessor to Cambridge Technology Partners), hit it off, and independently decided to leave soon after. Each subsequently chipped in \$40,000 to start something they hoped would become a new type of consulting firm. They kept self-funding Sapiient throughout its formative years, which allowed them to keep their co-equal titles.

"Maybe venture capitalists wouldn't have liked it, but we didn't give them the opportunity to log their vote," Greenberg says. "I think it's been very helpful. We can stretch to handle more things - well, I'm sure there are many people who are very capable, but I think we can handle a lot more than any one person could."

Sapiient did a better job of adapting to the rise of the Web than most established consulting firms, gaining recognition that allowed it to go public in 1996. **It accelerated its e-business work with the acquisitions of Studio Archetype in 1998 and Adjacency and E-Lab in 1999.**

Today Sapiient is valued at \$5.8 billion, and the company reported 1999 revenue of \$276.8 million. In June, Forrester Research ranked Sapiient No. 1 out of a field of 152 e-commerce integrators. Sapiient's customer list includes dot coms like E*Trade and iWon.com, but tends to be weighted in favor of the incumbents that are embracing the Internet as part of a larger business strategy, like United Airlines, Nordstrom, Hallmark, BankBoston, and Staples.

Greenberg and Moore share an office that looks more like a conference room, dominated by a utilitarian oval meeting table. Their side-by-side desks face away from the door, looking out over the Charles River.

Although they share power evenly, they do specialize. Greenberg is usually the company spokesman (and did most of the talking during our interview), while Moore is more focused on technology and internal operations.

Internet World: What was the original idea behind the business? Obviously, it wasn't to be a Web integrator.

Stuart Moore: What we saw was that a huge percentage of large-scale IT projects were failures, and even now a lot of the statistics quote something like 70 percent. We thought there's got to be a fundamentally better way.

Jerry Greenberg: We'd never call ourselves - no offense, but we'd never call ourselves a Web integrator. We help our clients build businesses for the new economy. But over the years, being open to what's going to help our customers succeed is what we do, rather than niche into any one area.

By David F. Carr



IW: You do tend to get credit for recognizing early on that the Web was important and shifting your focus.

Greenberg: We were searching for the true competitive advantage for our clients. What we saw is, this is going to be a business revolution. Technology revolutions tend to be hohum. But this was going to be a business revolution.

IW: How different is your business today from what it was in the early 1990s? Are the staffing requirements different? Do you get more access to the top executives of your clients?

Greenberg: Certainly, the staffing issues are different. And yes, we're at the CEO level, which was where we thought we belonged all along, but I think we've earned that over a decade now.

Today, 2,300 people work here, out of which about 1,800 work on client projects. We have a couple of hundred strategists, 400 creative people, 400 multidisciplinary people who manage things, another 800 to 900 technologists.

We were nowhere near as diverse seven years ago. So it's very different in that sense.

Also, the types of solutions, the size of the projects. Now we're dealing with usually a \$5 million project, going to upwards of \$20 million.

So a whole bunch of things tactically are different, but I think the spirit of the company is the same.

Moore: Two other things that I think are different: In the old days, we were dealing with internal systems, and people knew their business. Now it's more, "What should I do?" So they're looking to us as thought leaders.

The other change is where before, it was

internal tools or systems used by company employees, now it's tools used by people outside or the public at large that you cannot compel to use these things. So it's more like building consumer products than internal tools.

And so all the creative disciplines, and really understanding the user deeply and building things that are very appealing to them - the need to capture the brand is huge. In that way, it's a fundamentally different business.

IW: Your background hadn't really prepared you for the creative and branding aspects. How did you adapt?

Moore: Our first big move was acquiring Studio Archetype, which was one of the absolutely top studios. So we started there, with an incredible knowledge base around branding and around user-centered design. Now that we understand those disciplines, we're hiring and building those aggressively. Then, with the acquisition of E-Labs into what's now our "experience model" discipline, we take that a step further with psychologists and sociologists who do deep "experience" studies into behavior.

Greenberg: We're one of the few who have used acquisitions only to become strategically smarter for our clients. We've done four acquisitions for a sum total of 300 people. So obviously, we've hired 2,000 people one at a time. We're not at all one of those really big roll-up Web integrators. But on the other hand, we believe you can make acquisitions work if they're strategic and they really make things better for your clients. Without Clement Mok, founder of Studio Archetype, and the core of that creative team, I don't think we'd have been able to do it.

By David F. Carr

IW: I understand you purposely limit your engagements with pure dot coms to some small fraction of your business.

Greenberg: I'd say the high was maybe 16 percent. We try to limit our business so we can manage it like a portfolio, manage our risk. We, as different from some of the newcomers, have been around for a while, have executed our business model to external standards, and that comes from having discipline as to how you run a business.

Particularly in the dot-com space, we decided late last year that this portion of our business could grow dramatically. But frankly, I don't think the world needs 18 different - I guess I shouldn't pick one, but I was going to say "pet stores" - online.

So our analysis last year was there will be winners in the dot-com space, and we need to help people become winners, but we just thought there might be a shakeout. I think a lot of people knew that was going to happen, but I just don't think many were willing to take action on it.

IW: Is it because the startups are more likely to ask you to work for equity instead of cash?

Greenberg: Not with us. That's not going to happen. That's exactly the point. If you start trading [work for equity] with startups, you should have your head examined. And I think some people are going to have to visit the doctor sometime soon, because to compete right now, you should be capitalized - highly capitalized. If they don't have cash, we should be a good advisor to them and tell them to go get cash.

IW: Isn't it also because the brick-and-mortars are likely to have more legacy and therefore need more integration services?

Greenberg: It is, but that's not the driver for us. It's not because we think we're more relevant for incumbents than not. We think we're relevant to all three: dot-coms, incumbents, and incumbent attackers, which is our terminology. No, it's not that. It's more the overall business portfolio management approach - which maybe 9 or 10 months ago may have seemed foolish, but right now people are saying it's not a bad way to run a business.

Moore: It's also very important to us to build a leading brand in our space, to build the leading companies into the new economy.

Greenberg: Obviously, failure for a client would be an awful thing for them, but it's also an awful thing for us.

IW: Do you find there's so much demand that you are choosing your customers, instead of vice versa?

Greenberg: It is accurate to say there's more demand than there is supply. The market itself is projected to grow 60 percent per year for the next few years, and the numbers are already pretty big. If that holds up, it's a \$100 billion market in a few years. We've been in a situation for some time where we can't do anywhere near the work that we could potentially do. So we try to focus it on where we can add the most value. We need to find that work and make sure we apply ourselves to the large-scale, bet-your-business, redo-your-competitive-position projects.

IW: A contact at one of your reference customers, Adobe Systems, told me you lost interest once Adobe had defined its strategy and wanted help with discrete projects - that you wanted to redo his business whether it needed that or not.

Greenberg: We do not want to redo our clients' business whether it needs to be redone or not. On the other hand, it's wishful thinking to think the pace of change is going to slow down. So our job is to challenge our clients. You may say, "We did all this work in the last year to get ready for the Internet." Well, you're not ready for the Internet - what about broadband, what about wireless, what about speech? I don't think this is the time for anybody to collect their awards and rest on their laurels.

IW: What are you doing in the wireless area?

Greenberg: We've had an incubation team on it for some time, an R&D team. We think it's going to be big, much like the Internet and the browser in 1995-96 made an order of magnitude - or maybe two orders of magnitude - difference in what you could do. A lot of our assignments are just helping our clients think through, "What does this mean?"

We see it a little more in some parts of Europe right now and in Japan than in the U.S., but wireless is going to be where a lot of the Internet economy happens.

Moore: Broadband wireless in the U.S. is a few years off, so it's going to be mostly text-based for now, which is clearly pretty limited. And a lot of the stuff we've worked on has been text-based, involving some system for sending an alert or simple menu choices - applications that lend themselves to that, often extensions of existing Web-based applications. We see a tremendous uptake of interest and desire in that area.

IW: Are there other technology trends you find exciting?

Greenberg: Speech is. If speech [recognition] were more mature right now, it could help us overcome some of the limitations of these menu-driven cell phones. If you could speak to

By David F. Carr

your phone, and the speech recognition was reliable, the phones could handle a lot more complex navigation.

Moore: And GPS location services, the fact that you know where everyone is at all times, adds a whole new dimension to what you can offer them.

IW: How about trends that you find disturbing?

Greenberg: The breakup of Microsoft is a little worrying.

IW: Really? More work for integrators, I'd guess.

Greenberg: A lot of smart people have been trying to figure this out, and I don't know right or wrong on this issue. I believe Microsoft has helped consumers, not hurt consumers. On the other end, Stu and I both know that if someone came to us as individual investors and asked us to invest in something that was going to compete with Microsoft, we'd say no way. But I worry that Microsoft has done a lot of great things for computers, and now you're going to split the thing up. At the end of the day, it will probably be great for Microsoft shareholders, but what does it mean for competition?

Moore: One point of worry - and the Love Bug virus is an example of this - is that you've put a lot more power into the hands of any Joe Schmo. Weapons of mass destruction used to be pretty expensive major-league, centralized programs that not many people had access to. In a wired world, can now anybody do things on a sort of a mass-destruction scale?

Greenberg: The other thing is privacy, personal privacy. Maybe we don't want regulation, but companies could do more to protect people's privacy than they are. And by not doing so, we run the risk of people backing away. Which I don't think they will; I think they're going to plow ahead with these digital devices. But still, it's not like we haven't known about this concern for the last six years.

Moore: Another trend, and this isn't a scary one, is much more intelligent search and screening mechanisms. This keyword search thing is pretty primitive. But if I could be driving to work and tell the computer I want to know all the systems integrators in Tokyo and be specifically interested in who are the firms, market size, blah-blah-blah, and the machine would be able to take that discourse and go out and find that information and deliver something of value - that's where it gets beyond the browser-based search for "systems integrator" and getting back 70,000 hits.

[We should be able to] build personal tools that understand the context around your life - they know what you're interested in.

They know you're a journalist, so you need different information than Jerry and I, and give information that's more relevant to you.

IW: What happens to your business if we really are riding on a bubble in terms of excitement about Internet companies?

Moore: Well, a bubble would insinuate that it's not real, not substantive. It is real, it's substantive. The investors out there were getting overly enthusiastic from time to time, but that has nothing to do with the fact that business will change fundamentally, and those who invest first will be the companies that dominate the next century.

As long as we're focused on high-value, substantive things, I have no worries about the market for our business.

IW: Are there one or two big mistakes you see people making?

Moore: One is just thinking of the Web. The Web is the first few baby steps of this whole thing. It's a billion people connecting all the time, everywhere, to everyone. Start thinking about that. It's not about the browser, it's not about the mouse; that's not where the action is.

IW: You talk about favoring the incumbents. What makes you think there's been a fundamental shift from the days when an Amazon.com could leap out ahead of an incumbent like Barnes & Noble?

Moore: That's been a separate struggle, which is: "Do you spin out as a separate entity, with separate DNA, leverage the assets of the parent company - but not be hamstrung by the culture, the bureaucracy, whatever?" Some firms have been slow to do that in cases where they really should have done that.

Greenberg: If you look at Barnesandnoble.com, they were early in some senses, and it was only because Amazon was earlier. Amazon was a big deal, and they reacted to it. But if you look at Charles Schwab, they were relatively early, even though they're an incumbent, and they're doing pretty well. First-mover advantages are huge, both because you can move first and also learn first. There are examples of incumbents moving first and either doing very well or learning and adapting. That's why we think the incumbents are interesting. Probably the only people that can play catch-up are the incumbents, because they've got some muscle.

The dot-com startups need to go looking for \$100 million to play catch-up, and the VCs are no longer interested in funding \$100 million to catch you up.