

View Point



Evolution of IT Services Delivery Model

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With an anticipated slowdown in the global economy there is higher pressure on IT services partners to demonstrate greater value and differentiation in services. Clients are looking at their IT portfolios in a more strategic and inclusive manner. Also, the emergence of virtualization and pay-per-use models has added to the complexity of outsourcing relationships. Whether through new tools and technologies or with the help of a more robust delivery network, Infosys is well-placed to meet these challenges.

IT services have come a long way from “staff augmentation” to managing IT from a business perspective. Not only has the overall understanding of business improved, services are now more closely aligned and customized to the needs of individual customers in every industry. Due to an incremental and more transparent approach to outsourcing, the role of IT partners like Infosys is transformed from technologists in a reactive mode to strategic value contributors that drive business agility.

This paper examines the evolution of IT services through the changing market landscape and Infosys' response to these emerging demands.

Changing Market Landscape

As client organizations gain more experience with outsourcing, they realize the significant value it can bring to their business. IT outsourcing is no longer viewed as a mere support activity. Service providers are now being recognized as strategic partners, trusted to play an important role in business transformation. Rising expectations are compelling providers to rework their approach to service delivery. These are governed by following changes in the market landscape:

Changing Market Landscape

Acceptance of Global Delivery Model

- New Services like Infrastructure, Testing and Consulting
- New Delivery Locations
- Global sourcing of traditional outsourcing deals

Client Sophistication

- Strategic view of global sourcing
- Higher Expectations on cost & time
- Value-based pricing models

Multi-sourcing

- Best-of-breed providers
- Operational Level Agreements

Scale & Breadth of providers

- Mergers & Acquisitions
- Employee Transfers
- Asset Transfers

Growing Acceptance of Global Delivery

Regional boundaries and borders are blurring. Global delivery is fast becoming a standard model for delivering IT services. Over time, the success of this model has also helped remove many of the skepticism and doubts clients had in the earlier days. Many companies from hitherto hesitant markets are now exploring these options more openly.

With expansion in markets and scope, a number of new services such as remote infrastructure management, data warehousing, testing, product engineering and consulting have become a part of the Global Delivery Model (GDM). Looking at the success of global sourcing leaders from India, many more countries are opening doors to outsourcing and global delivery, while the established players are moving to new delivery locations and looking to win larger outsourcing deals.

Increasing Client Sophistication

Clients today are more mature and knowledgeable buyers of IT services. With years of experience and working with providers and industry experts, they have mastered the art of vendor management. They understand the nuances of outsourcing and know exactly what they want and from whom. This has not only resulted in greater expectations for cost and time efficiencies but also for more value-based pricing models and strategic relationships.

Adoption of Multi-sourcing and higher vendor accountability

Due to increasing failure rates of the traditional IT outsourcing contracts, many leading enterprises are moving away from large, multi-year, single-vendor contracts. Instead they are adopting multi-sourcing, which involves allocating separate IT functions to different vendors. This enables them to leverage the skills and value propositions of each vendor to enhance efficiency and reduce risk. Leading providers follow the concept of Operational Level Agreements (OLA), a metrics based approach to coordinate and manage multiple services.

Increased Scale and Breadth of Service Providers

The continuous growth of leading service providers from India has bolstered their scale, geographic footprint and range of services. These factors coupled with their strong delivery track record make them serious contenders for larger deals and acquisitions in the global market. Today, these companies are willing to undertake more risks and enter large deals that involve asset and employee transfer. They also bring a depth of expertise about program management and governance, helping clients to achieve the ongoing success for its outsourcing programs.

Evolution of Service Strategies: The Infosys Approach

An established partner like Infosys adds clear business and IT value in a dynamic market with its robust delivery model and proven capabilities in delivering these services consistently and efficiently on a long term basis. The knowledge and experience that Infosys has gained over the years gives it a strategic advantage in meeting the emerging demands of clients.

Following are some of the areas that Infosys is concentrating on to be regarded as the trusted transformation partner to its clients worldwide:

Visible Business Impact for Clients

Infosys is leveraging the GDM platform to deliver higher value to its clients and demonstrating a visible impact on the client's business. This has been achieved through a number of developments like:

- GDM based business and IT consulting model
- Pre-defined horizontal and vertical solutions leveraging intellectual property and solving a common / repetitive business problem for a specific value chain function
- Increasing the use of outcome, usage and transaction-based pricing models

Business Impact of Sourcing

- 600+ strong consulting team across verticals and horizontals following the GDM model
- More than 70 domain-based solutions and dedicated solutions team - e.g. Order management solution for high-tech manufacturers and Multi-Channel- Commerce for retailers
- Risk-reward based pricing models Effective Use of Tools and Processes

Effective use of Tools and Processes

Infosys is the pioneer of GDM and its project management philosophy relies heavily on the use of robust tools and processes enabled by tightly integrated project management systems. These tools and systems help the company to keep the largest and most complex projects on track. At the heart of Infosys' Project Management toolset is an Integrated Project Management system. A range of industry standard and proprietary tools are integrated into this system and cover the complete spectrum of processes in a global delivery environment enhancing year-to-year productivity and lowering the overall TCO.

Tools & Processes

- R&D Lab focused on creating IP-based differentiation
- Mature tools & processes across project lifecycle
- Concerted effort on reuse

With the GDM evolving to multiple locations and newer services, Infosys has scaled up investments in tools and processes. The tools have shifted from basic project management workflow-related tools to more complex tools used for product quality improvement and root-cause elimination. There is now a seamless integration between onsite and offshore processes and teams ensuring quality and delivery excellence.

Building a Global Network for Delivery

Driven by factors like cultural affinity and time zone considerations, outsourcing locations closer to clients have gained popularity. Infosys has responded with opening new centers in locations like Latin America, Eastern Europe and China.

Infosys has also defined ways for intelligent breakdown of work so it can be completed at the most appropriate location while ensuring timely deliverables. Also offered are the localized services based on prevailing language and regulatory requirements. Infosys, with its service centers spread across multiple locations in various countries, has successfully built the capability to meet the demands of localization. For example, centers in Poland and Czech Republic provide capability to service clients in all major European languages.

Global Presence

- Infosys operates globally from 61 cities in 25 countries
- Delivery locations across 13 cities in India and four cities in China
- Nearshore centers in Latin America and Europe include Mexico, Poland and Czech Republic

Strategy for Global Talent Management and Leadership Development

Beyond its base locations, Infosys is tapping a global talent and creating a work environment that supports diversity. Having established its leadership over the years, Infosys now finds it easier to attract and retain people from across regions.

Infosys enjoys preferred employer status in its primary markets, enabling it to hire the best-in-class people. The company consistently receives more than a million employment applications every year. During 2007, Infosys hired 300 engineers in USA and UK. A 2007 report by the Fortune magazine lists Infosys among the global top ten companies for leadership development.

Talent Management

- Campus Connect Program to improve the quality of fresh graduates
- Focus on Industry and business process-specific certifications
- Diversity program
- More than \$100m investment in training during CY 2007
- 65 nationalities; 30% women employees

Proactive Investment in Emerging Models

To meet specific requirements of clients and forge long term relationships with them, Infosys has invested heavily in emerging delivery models.

SaaS (Software as a Service): A preferred model for delivery of on-demand services, SaaS provides a low cost access to various applications across a global network. It provides greater flexibility and allows customers to focus on the business outcomes rather than developing and administering technology. The end benefits also include a faster payback on investment, excellence in service delivery and minimization of risk.

Platform Solutions: Infosys has developed platform solutions in the areas of HRO and end-to-end procurement. These solutions are designed to deliver quickly the required levels of performance, availability and business value realization. These modular and flexible platforms help organizations to standardize business processes easily.

These emerging models and methodologies are integrated with the Global Delivery Model promising even greater cost savings and efficiency.

Focus on Client Satisfaction

Above all, the company's approach to client relationships is based on flexibility, trust and transparency. This has led to more than 90% repeat business. Concerted efforts are made to address client concerns quickly and creating a balance among large and small relationships.

A sizable portion of growth is from smaller clients that are scaling up rapidly. Many a times, higher efforts go into smaller accounts that need more hand holding. In such cases, the company plays an advisory role helping clients with their sourcing strategies.

Strong understanding of the changing market landscape and appropriate responses to enhance client value makes Infosys the preferred outsourcing partner for global companies in an increasingly flattening world.

Customer Satisfaction

- Investments in enhancing client services team
- Strategic Global Sourcing group
- Global Sourcing Essentials series for the beginners
- More than 90% repeat business
- Around 300 clients contributing \$1 million each in revenue

About the Authors

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About Infosys

Many of the world's most successful organizations rely on Infosys to deliver measurable business value. Infosys provides business consulting, technology, engineering and outsourcing services to help clients in over 30 countries build tomorrow's enterprise.

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