Analyst Meet 2004
New Game. New Rules.
Chennai, August 2004

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Nandan Nilekani: Good morning and thank you and welcome to this analyst conference in Chennai. Over the next few minutes, let me try to give you a sense of some of the issues and challenges and essentially elaborate on some of the points that Mr. Murthy has made.

I think, as we have seen the fact is that our model has now been accepted and I think more than just the model being accepted, the issue is that it is now seen as a genuine business innovation. It is seen as a programme, a model which has far reaching consequences on the way companies organize the business and make a difference, and I think that is the key message that we have today and we will talk about how we not only have this change in the rules we also have _____(voice inaudible).. We have also seen that GDM is the model which has proved itself and most importantly it is not just about sending work offshore, but it is very fundamental to how clients will leverage technology to get business advantage, moreover, very importantly, the GDM model leverages global capacity, you are not restricted to capacity in one country or one region, it accesses global talent tools, you may have a set of people in one country who have some special skills and global strengths, and essentially it is a model that creates new degrees of freedom in the way that we service our customers and hence because it is a superior business model it puts incumbent models at a disadvantage. For us the challenge therefore is to combine the scalability of our business which we believe is by virtue of the switching that is going to happen to this new business model with the kind of differentiation that we need to make such that we continue to provide better and better value for our customers which in turn will ensure that we are able to maintain our rates and our profits. This scalability, for example, we have looked at in four dimensions: one is clearly scalable client relationships. At the end of the day, if we are going to grow our revenues, we must ensure that we take a larger and larger share of the wallet of spending of our customers. We have to do that by offering them new services which allow us to address other spending patterns of theirs, we have to do that by going up the relationship chain with them to make sure that we are privy to the strategic direction of the company, and we have to do that by mining what is being spent there, and for this purposes we have a program internally to take our top accounts, our top 50 customers, look at their business challenges, look at their strategy in the next 3 to 4 years and then we are trying to have a strategic plan for each customer to make sure that we maximize the potential of revenue from these customer. So one clearly we have to make sure that there is enough business from the customer to make sure that we get the growth that we want. The second thing is to create scalability we need to have an organization structure that supports scalability. In the last one year, we have done a great deal to put in place the concept of IBUs and ECUs, independent business units and enterprise capability units, which are all becoming multiple engines of growth, so that everybody is fired to take their business unit to the next level. We have done that by creating scalable subsidiaries in Australia Progeon, China and Infosys Consulting, and we have done that to ensure that each of these business units is structured to developed new capabilities and enable scalable differentiation. The third dimension of scalability is talent management and making sure that we have access to the global talent pool to meet our growing business needs. As Mr. Murthy mentioned, one of our biggest challenges going forward is to become a truly global multicultural company which employees thousands of people across the world from different origins and different races and clearly developing that is a very important part of what we are doing, along with that we are looking at how to scale up our training, scale up our developments, and scale up our leadership development and make sure that we really have a scalable model in terms of attracting the best and the brightest. And the fourth dimension of scalability is our infrastructure, and as you have seen our goal is to create world class campuses, build them in a very short period of time, we make significant investments in technology infrastructure, and as our customers depend more and more on us for their future, we have to make sure that we have all the right investments and strategies in place for business continuity and disaster recovery to make sure that we can give the customer 24X7 services, and clearly as we create this kind of a global enterprise, we have to use technology, just like we preach it to our customers, to enable global workflows to manage all the transactions that create values in Infosys. So clearly scalability has multiple dimensions, it is about scale by mining customers for revenue, it is about scale by creating an organizational structure that can grow, it is by scale in the attraction and retention of best and the brightest globally, and it is scale in terms of infrastructure, and this is clearly one big direction that we are focusing on. The second dimension of this which is equally important is how do we differentiate, because if you just create scale without differentiation then we run the risk of commoditization of our values and our services and obviously the impact on our revenues, our profits, and our rates, and therefore even as we scale, we have to create another layer

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of differentiation on the scale and part of that is really differentiating the business model, for example, our investments in Infosys Consulting which we believe will set new ROI standards for consulting with integration of consulting and GDM, our new model of modular global sourcing, which Kris will talk about, and also by having alliances with leading providers of technology and making sure that the combination of their products and our services are able to create new value for our customers. So one dimension is to differentiate the business model, the second dimension is to differentiate our services and our solutions, and as Mr. Murthy mentioned, very important part of that is look at the value chain of new services, where they are consulting or SI or BPO, and reconstruct the value chain by leveraging the best of the GDM and really combine GDM and these new services in different ways and that is a very important part of differentiating, that is the way you create a new perception of the value of the service, for example, our focus on enhanced maintenance, which again Kris will talk about, and then our focus on integrating operations and IT between Infosys and Progeon, which again we think is a way of differentiating our services and solutions. The third dimension of differentiation for us is differentiating in terms of our intellectual capital. Today we have 27,000 odd employees across the world who are working with the world's marky customers and providing them the latest technology, the latest business solutions. It is very important for us to have ways and means to capture this intellectual capital and put it back to use so that customers individually in their transactions with Infosys see the difference that is coming from the intellectual capital that we have. A part of that is putting in internal frameworks which we are doing through our Influx and our intelligent product support platform and Inspire and many other frameworks which are really ways of leveraging the intellect capital that we have to deliver more efficiency and more effectiveness to our customers. Part of that is really understanding the domain of our customers and our IBU structure which is industry based allows us to create this deep domain knowledge which we can respond to client needs and part of that is ultimately the customer's opinion and the customer's impressions of Infosys are based on their interaction with what we call as a client facing group, because that is basis on which they make their opinions and impressions about Infosys and Infoscions and therefore we have to make investments and make sure that the client facing people who deal with the customer have the skills, the domain knowledge, and the relationship abilities to project the kind of Infosys that we want to create. And fourth dimension of this is differentiating through the brand and our brand is something we believe the world wants a company which can be trusted, a world wants a company where they want to improve their odds with a company that always delivers on times, the right value promised, and therefore our brand is essentially about improving the odds of our customers using the predictable responses that Infosys always provides, and for that we have done many successful branding innovation whether it is the Wharton-Infosys Business Transformation Award, the Client Advisory Council where we have a key set of our clients actually advising us and giving us feedback on our strategy, Milan which is our client customer meet which we have on three continents, a global internship program In-Step and Campus Connect which is our brand to connect with all our campuses. So as you can see scalability is not enough, we want to combine scalability with differentiation, whether it is differentiating the business model, differentiating the services and solutions, differentiating our intellectual capital, and differentiating our global brand, and our focus is to make sure both these things happen. Now all this requires what we call as robust execution platforms, because unless your execution platform has the operational efficiency and robustness, you cannot really implement all these strategies that we talk about. Now part of this execution platforms is robust business platforms, for example, we now have a complete Infosys process repository called Pride on which all our process are now captured and everybody works using the same set of processes. Our information systems now span every dimension of our business and provide us the ability to E-enable and create global workflows on all our transactions, and we have very good HR processes to recruit and retrain and develop and manage a global multicultural workforce. The second dimension of our execution platforms is structured knowledge management, but as I said it is not enough to have this intellectual capital in the company, how do we create a way to leverage this, how do we make sure that everybody who interacts with the customer is able to leverage the whole stock pile of knowledge that we have, and for that we have done a lot of work on knowledge management, creating intellectual property management processes, and trying to consolidate our business knowledge into what we call as industry reference frameworks so that the domain knowledge for a particular industry is captured in one location. The third dimension of our robust execution platforms is integration with our subsidiaries. For example, we have to take a cross functional approach to process integration. For example, when we offer an integrated IT and BPO solution, we have to

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cross integrate Progeon with Infosys and make sure the customer gets a seamless value proposition. When we try to take consulting to the new model, Infosys Consulting has to work with Infosys to make sure the customer gets a seamless business solution to his problems. When we want to create a new model of GDM, it is very important that Infosys Australia and Infosys work together to make sure they get the benefit of taking GDM to the next level, and as we leverage the resource pool in China we have to make sure that the two operate to make sure that we leverage both resource pools. So this cross-functional integration across processes is very important to our future. For this purpose we have also put in place a group structure so that Infosys and the subsidiaries of Infosys can have a consistency of process and functional expertise so that there is no silo effect happening and we have made sure that the strategy is aligned to make sure that everybody is synchronized towards the same goals. And then of course the fourth dimension of execution platforms is using global standards, as you know we have used software engineering standards like CMM and PCMM, but increasingly there are new things emerging, for example, information security is a big challenge for a customers as security and privacy start getting more attention and for that we have the B7799 certification. We are focusing on business processes using the Boldvich framework and of course the environment using the ISO14000 certification. So we are using global benchmarks to make sure that out practices are aligned with the best in the world and therefore this combination of robust execution platforms, whether it has got to do with business platforms, knowledge management, integration with subsidiaries or benchmarking with global standards is an integral part of what we have to do to execute on the promise that we have given you. Now all this requires a multi horizon planning model. We actually have three planning cycles. In the short term, we have what we call as the operations assurance process, which is really to ensure that we enable our supply chain to be efficient to make sure we have the right people at the time with the right skills for the right project, etc. We have a an active and alternative quarterly budging process to ensure to we are able to react to market changes and midcourse corrections, and an enterprise wide risk management initiative based on the CORSO framework. So this is really our operational excellence in the short term. On the three year basis we have a business planning cycle today where every IBU, every ECU, and every support function what we call as the business enabling functions has a three year business plan which is defining what they expect to do in those three years and we use balance score cards to make sure that the goals and the objectives of the business units and the business support units are aligned with the corporate goal. So every business unit has to define how they intend to achieve growth, every business unit has to define how they are going to achieve differentiation, they have to define how they are going to invest in the employees, how they are going to built a brand, so there is a whole amount of things that flow down to all the business units and essentially across the corporation we are taking a portfolio view because we have to manage multiple businesses, multiple initiatives, some of them are going to deliver results in one year, some of them in three years, so we have to take a portfolio view of all these initiatives and making sure that we also have a mechanism that we identify new things in which we need to make investments, and that is the three year business planning cycle. And then we have the five year scenario planning cycle, which is really doing the what if analysis over five years. What is impact in five years if China becomes a formidable force in the industry. What is impact in five years if technology comes out with a new way of delivering software solutions that make our model obsolete. What is the impact in five years, if the rupee becomes stronger and stronger. What is the impact in five years if the Indian resource pool runs out of talent. So essentially, the five year model is really an analysis of the mega trends happening globally and trying to understand what is happening out there, trying to understand the risk, and trying to make sure that if we see a risk in any of those things or we see an opportunity in any of those things, what is the changes we need to make today in our thinking and our strategy to make sure that we minimize those risk and maximize those opportunities. So these are really three different cycles of planning. The five year planning is really testing the assumptions of the business and making sure that the assumptions are still valid. The three year planning is to make sure at a detail level the business units of Infosys are actually actualizing the strategy we talked about, and the one year model is really to make sure that we achieve operational excellence and predictability in our business. So I think, we believe that Infosys must lead in this new game. We have to keep on examining our strategic assumption because as the GDM model becomes more mainstream the more we have to differentiate ourselves, because once everybody is doing things the same way then what is the differentiation that we have to offer. And therefore the more the GDM becomes mainstream the more we to have to differentiate to create values. We believe

that rapid growth is vital both to meet the global challenges of competing with large players as well as expectations of our customers, our employees, and our investors. We have to continue to attract the best and the brightest not just in India but globally and develop deep competencies on technology, domain, and relationship, and as a global company which is really having its foot in every part of the world, we have to behave in a truly global way, so that all societies accept us, embrace us, and make sure therefore we participate as global citizens in what they do, and we believe Infosys is poised to take advantage of the new game, seize the opportunities, minimize the risk, and redeem your faith in us. Thank you.