# INFOSYS ANALYST MEET 2014

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## CORPORATE PARTICIPANT

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**U.B. Pravin Rao**

Good Morning. For the next 30 minutes or so I will talk about what all we have done in the recent past in our quest to build the Next-Generation Services Company.

We have in the recent past tweaked our structure to ensure that it's aligned with the strategies we have in place. We have a matrix structure, mix of industry verticals and service-based horizontals. We have vertical focusing on major industries like Financial Services, Insurance, Retail, CPG, Manufacturing, Energy, Utilities and Resources and Life Sciences. We also have a unit focusing on what is a growth market which is primarily Australia, China, Asia Pacific, Middle East, and Africa. We also have a unit focusing on India and you are all aware about Finacle.

To complement that, we have several service-based horizontals. Some of them have been horizontal for quite some time, for instance, Engineering Services has been horizontal for ages, Infrastructure Management Services was earlier part of the verticals. Now it has been carved out and combined with Cloud and will serve all the verticals as a horizontal. Edgeverve is our earlier Products, Platforms, and Solutions which is now been one of Infosys subsidiaries. Lot of work on digital and integration earlier we were doing within the verticals, now we have carved out in as a horizontal. Big Data and Analytics have always been a horizontal practice as well as Consulting.

We have also created a centralized supply chain function which focuses end-to-end on fulfillment, right from recruitment through campuses, through laterals, through subcontracting to training and to fulfillment, so that is headed by Binod. In addition, you saw Navin here. We have created a role of Chief Architect, Navin Budhiraja has joined us as a Chief Architect. Similarly, the other new thing is we have created a role for design which Sanjay Rajagopalan is heading, he is not here today. Otherwise, rest of the other functions are in line with what we had earlier.

There was a question on what we are doing on the sale side. So these are some of the things we are doing in the last couple of quarters to strengthen our sales engine. We have added more feet on the ground; in the last two quarters we have added 207 people to our sales force. Over 150 of these are business development executives from premium business schools whom we have recruited recently, in addition, we have added about 150 account managers with delivery background who will help in mining the accounts, this is in addition to the 207 people. We have also focused a lot on improving the capability of the sales force because we are talking about a lot of shifts, lot of changes in the way we want to approach a lot of changes in our strategy, Vishal also touched upon in his Q&A, we are also looking at retaining our sales force. We have partnered with three leading sales training institutes in the world and we are offering three of the flagship programs – these are in the areas of Strategic Selling, Consultative Selling and Effective Negotiations. About 30% of our sales force has already been covered in this.

We have also partnered with a leading HR agency to create a psychometric-based sales readiness assessment framework. We use this as one of the criteria while we are recruiting people. In addition, we are also administering this to the existing sales force as a development tool. We have also created induction program for new joinees; it is a 10-week induction programs, 4-week training and followed by 6-weeks of project around pursuits. Vishal has talked a lot about Design Thinking. Even our sales force is also going through these Design Thinking training session.

Apart from strengthening the capability, we are also looking at quality of proposals. We have engaged with another leading agencies to look at some of the proposals that we have given, give us feedback and along with them we have created a proposal quality management framework. Lot of our sales people as well as pre-sale solutioning people have been trained and certified on this

framework. Each and everyone of our large deals are going through certified assessors to make sure that solutions that we are articulating is in line with our strategy, in line with what clients are saying, and it fully covers what the client is looking out for.

We have also taken several measures to strengthen the retention. We have addressed compensation structure related issues by increasing fixed salary component in the pay. In the last couple of quarters we have increased the average bonus payouts. We have had over 200 promotions in the sales force in the last half. Earlier we used to have a bell curve or a relative ranking of sales people, now we have moved to absolute ranking. We have also streamlined the KPIs in which sales people are being measured. Earlier we used to measure them on several metrics. Now we have identified 2-3 metrics which are most relevant both for their success and for the outcomes we are expecting. We are evaluating our people on that and the bonus payouts are all dependent on that. So these are some of the things we have done in the last 6 months.

And last but not the least, we are also focusing on ways and means to strengthen and mine the accounts better. We work with more than 900 clients. In the majority of the clients we still believe that there is a lot of potential, we have not penetrated enough. We are looking at very focused efforts in terms of identifying specific clients and mining the account better. Some of the investments in terms of new sales force and account managers are helping us in this direction. We are also leveraging tools available to help us mine some of the accounts better or qualify some of the prospects better. These tools give us good information about the prospect about potential opportunities, about what are the various connects and how to connect with each of the stakeholders in this client or prospect organization.

Similarly, just like sales force we are also looking at, there are lot of efforts going on in the delivery as well. A significant chunk of our new strategies renewing each and everyone of our core services, some of the things that we are doing I want to touch upon. Subsequently in the later part of the day you will get to know more details about some aspects when Sury and Abdul present later in the day. One of the things is for some of the horizontals which I talked about which we have created recently and in some existing horizontals, we have started building scale dramatically. In the Big Data and Analytics space in the last couple of quarters, the total strength has increased by about 59%, 13% in Cloud, 22% in Security, 31% in the Infrastructure and 4% in Digital. While some of these are on a smaller base, when you look at Infrastructure or Digital these are on already large base. We have been able to add bandwidth and we will continue to add bandwidth in this area of where we believe that these areas are very strategic for us in future.

In order to also accelerate adoption of Big Data and Cloud and help our clients migrate to these technologies, we have also announced strategic partnerships with many of the product vendors. Some of these partnerships have already been there. For instance, with Microsoft and Amazon Web Services we have always had partnership but we have strengthened that in recent times. Whereas some of the partnerships with Hitachi, Huawei and Tableau, these are relatively new partnerships. With Microsoft, we are putting together a Global Center of Excellence focusing on Microsoft Azure ML. We are also creating technologies and frameworks to drive end user productivity when working on Microsoft Cloud Platforms. With Hitachi, we are partnering to bring them solutions to take our clients to Next-Generation Infrastructure and Data Center Management Services. With Huawei, we are partnering and trying to create reference architecture to enable on the Big Data platforms. We are trying to embed Tableau Software into some of our offerings to bring the power of Big Data to the clients.

Similarly, on the structural improvement side, we have created a Service Innovation Council, comprising of senior delivery leadership. For each of these service lines, they conceptualize some of the things that we need to do, what is the kind of innovation we need to bring on each of this service line. They typically partner with Infosys Labs and some of the partners we have seen in the ecosystem here to engineer the solutions and finally they take accountability for institutionalizing

this solution across the service lines. We are also making efforts to make technology careers more attractive. We need more and more people who are on solid in technologies. We are encouraging people to adopt technology, we are recognizing that a lot of people want to be individual contributors, but they can contribute significantly. We are trying to come up with career stream which makes it more attractive and more people can up for these kinds of career streams.

On the Operations side, we have recently created a centralized supply chain function through proactive forecasting, reskilling, we have been able to increase the utilization from about 76% in Q4 to about 82.3% in Q2 of FY-'15. We have also deployed individual productivity framework. These are in some of our core services like IMS, IVS and ADM. We have been able to cover about 82%. We have got some interesting findings in terms of how individual productivity varies in a particular project and what are the best practices. We are using some of these best practices to improve training and as a development tool for individuals to improve their own individual productivity and consequently the product productivity.

We have also started creating building blocks to enable Automation. We have created Artificial Intelligence, Center of Excellence. We have created a 3-week course. So far 1000 people have been trained on Machine Learning, and we have a plan to train about 500 engineers in every quarter. We have talked a lot about Design Thinking, so I will skip that piece.

In order to also encourage innovation, we are also looking at encouraging people of not only usage of Open Source but also contributing back to Open Source. We are making significant investments in terms of building capabilities, training people on Open Source technologies. We are also making our internal processes and infrastructure much more amenable so that it becomes easy for our people to start using Open Source. We are creating some communities around Big Data, around DevOps, etc. so that people working on Open Source technology can form a community, share best practices, and create community of sorts. We are also working with some of the Open Source technology partners about stitching together solutions which we can take to market.

When you look at enterprises today, still about anywhere from 50% to 70% of the technologies spend goes towards 'Run the Business' and a big percentage of it is towards IT service management. One of the things we have realized is after analyzing many of the tickets or service incidents, a big percentage of it is around routine thing which require some bit of analysis but which are very repetitive in nature. We believe that a big percentage of it can be automated. So in some of the pilots that we have done in Infrastructure Management Services as well as in ASM world, up to 30% to 40% of tickets can be automated. We have seen about 30% faster ticket resolutions and about 15% to 20% improvement in productivity. Today, there is a lot of talk about Automation and Artificial Intelligence, but so far what we have seen in the industry is more about rule-based Automation. We have not seen much about Cognitive Intelligence, Application of Artificial Intelligence techniques and all. So, we believe that the next wave of Automation is Artificial Intelligence, adopting some of these Cognitive Intelligence Mechanisms and that is what we are working on. If we are able to do that, we believe that the amount of Automation we can do in some of these core services will be significantly higher. So we are working on the next way of automation. Similarly in Testing, when today people talk about automation of testing, most of the automation is around test execution. But, if you look at a test lifecycle it is less than 50% test execution, a significant amount of effort goes into test planning, test script generation, test data creation, test data validation and so on. Our effort in Automation is more towards that because we are already have mature offerings around test execution or automation. Now we are focusing on rest of the lifecycle including test data creation, test data validation and so on. So that is an area where we have started working on and building tool sets.

I will skip the Big Data and Analytics, I think Abdul in his session will talk a little bit more about that. On the Business Process Outsourcing side, we have 2 platforms - one is data extraction and

enrichment platform. This is a platform where we are able to extract data from various documents, be it invoices, purchase orders, sales orders, validate the data and feed them back to business applications. We have been able to do this through rule-based engines and through usage of automation. Similarly, the other part of activities of agents in the BPO world is around data reconciliation and report generation. We have created a platform which automates reconciliation as well as report generation. With these efforts in our pilots that we have done we have seen about 70% touch-less processing in the BPO world and 40% reduction in manual effort. So our efforts will now be to scale this in a massive way so that we can get these benefits across a larger cross section of our clients.

While we are focused on building a lot of capabilities around some of the new areas like Automation, Big Data and other stuff, we continue to focus on large deals. Large deals will continue to be a significant percentage of our pipeline and it is important for us to continue to win our fair share of large deals. In the last year or year and a half, we have taken feedback, we have become much more aggressive in pricing, we have been much more flexible in contract terms and in the last at least 4 to 6 quarters we have seen significant uptick in large deal wins from Infosys side. These are the three examples which I have taken which we have won in the recent quarters.

The first one was a North American automobile manufacturer. They were looking at adopting SAP in a much more aggressive way and their infrastructure was not geared up for accelerating SAP adoption. They engaged Infosys for helping them out in their journey. So we took over their entire IT operations right from the applications to the infrastructure operations, we took over their data center, we set up a development center close to the facilities, we rebadged some of the employees. We were able to modernize some of the infrastructure and we were able to achieve their objective of accelerated roll out of SAP across their enterprise. We have been able to bring in significant reduction in the total cost of ownership and speed to market for this client.

Second example is adoption of Agile for a large telecom player in ANZ market. It is a very competitive market there and client wanted to bring a lot of innovations but their systems were not geared up for that. They wanted to adopt Agile methodology for faster time to market. We partnered with them we created Agile framework, we created Agile teams and in a span of 1-year we have been able to implement about 160 Agile projects and we have 200+ Scrum Masters in that particular account. This 150 and odd Agile projects have been executed across 4 development centers. All these we have been able to scale up in a period of less than 1-year.

Similarly, third example is again a Financial Services company based in ANZ. So they had an objective of reducing their IT infrastructure cost by about 40%. We did an analysis of their existing landscape, we came up with a new solution, the combination of on-premise + Cloud model. In the last 6-months Infy took over this, we have migrated about 50 applications to the new landscape. We believe we are in track in terms of meeting their 40% reduction in IT infrastructure cost over the next 2-years. These are some examples of large deals win we have done and where we have been able to execute and provide value to our clients.

Some of the other things which we are doing in terms of trying to drive innovation thinking amongst our people and take some of the innovative ideas to clients. We have come up with a few ideas. The First one is what we call a 'Value Ninja'. This is a team of specialists who are able to go, talk to clients about their big gory problems and in a short span of 8-12 weeks come up with a solution, do a POC, implement it and show value to the clients. So this is something which we have already created and some of the examples Vishal has already talked about.

The second one is Edge platforms which I talked about. Edgeverve is a separate subsidiary. We have about 8 platforms, we have 40+ clients already on this Edge platforms. We are seeing significant uptick in adoption of these platforms. Obviously different platforms are in different stages of maturity but we are seeing a fair amount of adoption in the markets of Edge products.

Then we are working with 'Startup' because a lot of innovative ideas come from Startup people system. So we believe that we can not only help the Startup in terms of scaling their engineering and time-to-market but also using some of their technologies in our offerings and take to our clients. So we are working on the Startup initiative as well.

Living Labs is an example where we are partnering with some of our select clients, creating a lab, looking at what are their areas of interest over the next 3 to 5-years, put in together joint teams, creating joint R&D centers and working on POCs, in the areas of their interest and co-creating. So this is something again we have started doing with select clients.

Vishal talked about 'Murmuration' and all. These are set of initiatives where we want to encourage our own employees to start thinking on an innovative basis, become more entrepreneurial, come up with ideas because these are people day in and day out who are on the client floors, who understand what is happening in the client's landscape. We are creating a framework where we are encouraging our people to come up with ideas so that we can take some of the select ideas to market. So the first initiative which we launched 'Murmuration' was hugely successful and we will start doing that in series of ways.

Lastly, I want to touch upon briefly on the "People" aspect. I think Tan and Binod have a presentation subsequently, where they will probably talk much more about it. Attrition has been an area of concern for us. We have taken several measures to address it in the last few quarters - we have made compensation-related interventions, we have changed the compensation structure to reduce the variability, the amount of variable payout was 100% last quarter and has been steadily increasing, we have moved to quarterly promotions, 19,000 people have been promoted in the last couple of quarters. So multiple things we have done on compensation related front. Recently, we launched a 'Employee Satisfaction Survey' and typically we keep it open for about 3 weeks. Historically after 3 weeks, the percentage of completion would have been low and we probably throw it open for another 3 more weeks to drive participation up. But this time to our pleasant surprise within a span of 3 weeks, we had about 72% participation which when you are talking about 160,000 people corporation, is a very significant thing. So in some sense that is an indication of engagement with employees they are keen to engage with you, give feedback on what is working, what is not working and what they want us to do differently. We were very happy with it, we are now in the process of action I think that is a way. Vishal talked briefly about a SWAT team. Because one of the things we have committed to people is we want to improve the experience of employees as they deal with internal systems and processes, we want to make sure we have world-class systems and processes. So people are very productive in what they need to do and they do not have to get bogged on due to internal systems and processes. We have formed a SWAT team which is fully empowered to get each of these process, systems, policies and make recommendations and it is already underway.

Other thing I talked about again in terms of continuing engagement with people through Murmuration and other kind of initiatives. On an ongoing basis we will continue to seek feedback from our employees, we continue to have town halls where we address people, listen to them and try to see what we can do differently so that we have a very engaged and motivated workforce. At the same time, we are also continuing to focus a lot on investing in their capability building and so on. Cornerstone to a strategy is about people capability and training and that is something we will continue to focus on.

This is all I had to cover, you will hear more about it in a little bit detail in the subsequent presentation.

**Moderator**

We will take one question at this point of time.

**Viju George**

Pravin, just a couple of questions from your deck. You did mention that the number of indicators of metrics, KRAs for sales has been brought down in terms of determining the compensation. You mentioned two or three. You did not specify what those two or three are, so I just want to know what they are, how do you incentivize your sales force on those variables, what is those variables you see exactly? That is one. Second is in one of your slides again I saw that the employee count for Cloud has risen by a certain percentage, for Analytics as well as a certain percentage, for Digital has risen by a certain percentage. Typically, the understanding is that Digital is a combination of two or three things. So I am just trying to understand what is the Digital team doing separately away from the Cloud team, the Analytics team and Mobility team?

**U.B. Pravin Rao**

To answer the first question, it varies based on the role people are playing. At the highest level when you are looking at the industry head, obviously, you will have revenue as one of the goals, you will have margin as one of the goals and you may have something around some strategy. Whereas the next level when you are talking about regional head, may be revenue could be one, may be number of large deals to win could be other. So it varies depending on the sales hierarchy and what is more relevant. If a sales person is playing dedicated to an account and playing an account mining role, then the idea would be how much of proactive opportunities he has brought to table and so on. Earlier, everyone used to have the same thing and we used to have some 8-10 metrics. Now we have combined it into 2-3 which are more relevant to the role they are playing so that it becomes much more effective. That is what we have done on the sales metrics.

Now, on the percentage, you are absolutely right. If you notice we do not report revenues by Digital and other thing because there is an overlap. But internally we had to structure ourselves into particular buckets. So when we are talking about Cloud and Infra while there is an element of Cloud in Digital and there is an element of Cloud in even Big Data, but when we bucket our under Cloud and Infra, anything to do with Infrastructure and Infrastructure hosting on Cloud or advising our clients on Hybrid Cloud Infrastructure, both private and public so that gets serviced through our Cloud and Infrastructure Services, that is what I have bucketed. Whereas Digital, Sury will talk later about the scope of what they do. There the focus is more on two things -- one is about the multi-channel and the whole digitization of the enterprise. But when you talk about digitization of enterprise it's not only about the front-end technology but it's also about integrating with the backend. That is what we call "Integration Services." We are very clear how we have carved out. But in the industry, different people bucket it differently. That is one of the common questions I keep getting, how much is your Cloud or Digital revenues? It is very difficult to answer because it varies across companies - what is Cloud, what is Digital. What we have put is in terms of our own scope of activities and how we are structured to address this area.