Innovative management practice of Infosys Technologies Ltd during turbulent time

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ABSTRACT
The global financial meltdown has propelled the leading Indian IT giants towards innovative management strategies. This paper examines the way Infosys Technologies Ltd. is able to withstand impact of GFM by adopting innovative management practices. The paper makes an attempt to enumerate some of the best management practices adopted by Indian IT giant. The continuous downward moving bottom-line of IT companies has made most of them to initiate various measures which mainly comprises of uncalled for measures such as lay off, reduced pay package, etc. Such undesirable measures could be detrimental to the employees, corporate image, productivity and efficiency and society at large. The innovative practices adopted by Infosys Technologies Ltd are tabulated under different areas of decision making which comprises of Pricing, Human Resource Management, Customer Services, Marketing, Innovation & Transformation, Cost Cutting, etc. The above said practices can be a ways to beat economic downturn and may be of tremendous help in enhancing and building business competencies for future growth. The study is descriptive in nature, which fundamentally aims at studying innovative management practices adopted by Infosys Technologies Ltd, and to draw conclusion about innovative management practices. Based on conclusion drawn suggestions have been made.

Introduction
The world economy is under the firm grip of Global Financial Meltdown, causing panic among various constituents of the world economy. This menace of GFM has shaken up the financial and economic systems around the globe. Global financial crisis has resulted in economic recession around the world and its impact is so severe that the companies around the world in general and Indian companies in particular are forced to take measures like salary cut, retrenchment,layoff as a short cut means of battling out the worst ever financial crisis since 1930’s great depression. However, there was some silver lining in the dark as many of the Indian companies went on adopting innovative measures to battle out the global financial meltdown. These creative practices might not have helped companies’ bottom line to go northward but was of tremendous help in arresting the southward moving profits, in the process protecting the larger interest of various stakeholders and image of corporate India.

Indian IT industry was one among who felt the burnt of global financial crisis. The continuous nose diving bottom-line of IT companies has made most of them to initiate various measures which mainly comprises of uncalled for measures such as lay off, reduced pay package, etc. Such undesirable measures could be detrimental to the employees, corporate image, productivity and efficiency and society at large. Wipro Technologies Ltd has adopted a measure by asking freshers hired for IT services to join BPO division and they need to pay upfront Rs.75,000 for bond. This initiative has backfired with the hired engineers protesting against such move and taking up the matter with West Bengal IT Minister. TCS has out-placed 1,300 employees on the grounds of non-performance. TCS is also planning to lay off 3,000 employees. TCS Ltd also has taken initiative to freeze the increments. Infosys Technologies Ltd has fired 2,100 people across the country, after an annual performance appraisal exercise. The appraisal was conducted for 60,000 employees. ‘Outplacement’ is a new jargon used by enterprises during meltdown which is euphemism to firing.

However it was pleasure to note that some of the corporate entities came out with innovative ways of managing downturn without causing any discomfort to the stakeholders.

The various innovative measures and strategies initiated by corporate India have saved them from worsening situation. So, GFM proved as a good opportunity to emulate innovative management practices for Indian corporate entities. In other words, GFM has made Indian entrepreneurs think and act innovatively signalling Indian entrepreneurs are not imitative but they are innovative entrepreneurs.

In the backdrop of this development a study was conducted to highlight some of the innovative practices do adopted by Infosys Technologies Ltd in its Indian IT company to manage economic downturn effectively.

Abbreviation
GFM: Global Financial Meltdown
DOS: Day’s Outstanding Sales
ARPC: Average Revenue per Customer
BPO: Business Process Outsourcing

Objectives
The present study was undertaken with the following objectives:
1) To study the innovative management practices adopted by Infosys Technologies Ltd.
2) To draw conclusion about innovative management practices.
3) To suggest innovative management practices to manage downturn.
Methodology
The information for the study has been collected from secondary sources and interaction with corporate managers and observation. The study is descriptive in nature.

Period of the study
The period of study has been confined to July 2008 to January 2010.

Meaning of key words used
Economic Recession: A temporary downturn in economic activities. Recession involves at least two consecutive quarters of falling GDP. It is characterised by falling industrial production, unemployment, fall in personal income, consumer spending, stock prices, commodity prices and business spending, corporate bankruptcies, etc.

Global financial meltdown: Crisis in debt market, sub-prime mortgage market, currency market, banking industry, Mutual fund industry and capital market crashes in US, European and Asian countries is called as GFM.

Innovation: The term innovation means a new way of doing something. It may refer to incremental, radical, and revolutionary changes in thinking, products, processes, or organisations.

Fixed Price model: The Pricing model which allow the customer to determine exactly the project budget in advance.

Time & Materials Contract: It refers to the model wherein project scope, specification and implementation plans may not be precisely defined at the outset or requirements may change dynamically during the project implementation process.

Average Revenue per Customer: It is a function of the total earnings of a company in a fiscal divided by the total number of active clients.

White Papers: White papers are one of the most effective ways to generate leads for sales team.

Business transformation: It is a key service provided by IT firms which helps the client to change the way it is operating its business, whether that be a new market or a new operating model.

Carbon Footprint: It is a measure of the amount of carbon dioxide an individual, business or an industry produces or is responsible for.

Innovative Management Practices of Infosys Technologies ltd
Infosys Technologies Ltd one of the IT giant in the country was able to manage the slump well by virtue of innovative practices they do adopted. Some of the major innovative measures initiated by Infosys Technologies Ltd to beat the downturn are as mentioned below:

1. Transformation through Innovation
   Infosys Technologies Ltd has identified five strategic areas such as business transformational, large outsourcing deals, new engagements models, execution & talent management as means of transformation. The details of the same are given below:

1.a) Business Transformational …..Business Resource Planning
   In the present economic scenario, corporate entities around the world are looking for new ways to do business, searching for new markets, better attention towards corporate governance, customers expectations have changed now they are demanding higher customer services. To grab this opportunity, Infosys Technologies Ltd is focusing on innovations in business transformation solution. Business transformation solution helps the corporate entities in aligning People, Process and Technology initiatives more closely with its business strategy and vision to support and help innovate new business strategies and meet long term objectives. For example, Infosys Technologies has successfully completed business transformation programme for Thermax - a solution provider of energy and environment engineering. The programme addresses complex business requirements in the Environmental Solutions and Water and Waste Management Solutions divisions of Thermax, across supply chain management, distribution, financial and customer relationship management functions. The programme also meets India-specific legal and statutory requirements. This programme will enhance Thermax’s business operations by enabling a single data view for efficient decision making and facilitated greater productivity through leaner business processes. This programme will also enable quicker transaction turnaround for Thermax – including faster customer invoicing, order execution, inventory management and planning and purchasing.

1.b) Large Outsourcing deals
   In the process of transforming the company’s fortune Infosys Technologies is focusing on large outsourcing deals. Large Outsourcing Deals are those deals which are between $100 million and $300 million and stretched over three to seven years. These deals are suppose to help the company improving its productivity and will also help to further reposition the company.

1.c) New Engagements Models
   With downturn mania getting more intense there is an increased focus on improving efficiency and getting more from every rupee spent keeping quality levels intact. Corporate world now demanding better predictability of expenditure, better forecast and better control on rupees spent. Both IT services providers and clients are looking for an environment where both client and vendor staffs have direct encouragement to work together towards the common goal of improving efficiency and bringing in predictability. To fill this gap Infosys Technologies has brought about revolutionary changes in ‘New Engagement Mode’. New Engagement Mode is an IT solution which link the cost of service to values derived from it (Cost-Benefit analytical model). This model is flexible enough to be customised as per the needs of clients and the nature of the project. At present the company is earning about 3 to 4 percent of its total revenue from the new engagement model and is expected to grow over the next few years.

1.d) Execution Management…. New Transformation Move
   Execution Management we are referring here to the set of tools and processes used to translate business strategy and business plan into reality. Corporate entities around the world are facing problem with regard to execution of their project due to uncertainties prevailing in the world economy i.e. global financial meltdown. They are struggling to execute projects on time. This may result into over budgeting. Realising the problem, Infosys Technologies has taken initiative of transformation in execution management. This initiative will help the corporate entities to execute their projects faster and on time in a cost effective way.

1.e) Talent Management….. New Innovation
   In the time of crisis companies are looking for improving productivity and developing capabilities of human resource. Talent management refers to the process of developing and integrating new talent, developing and retaining current work force and attracting highly skilled work force to work for the company. Recession hit companies around the world are looking for integrated approach to talent management. To address this aspect Infosys Technologies has taken initiative i.e. transformation in talent management. This initiative will help both clients as well to employees. The clients benefits from:
Increased productivity and capability; a better linkage between individuals' efforts and business goals; commitment of valued employees; reduced turnover; increased bench strength and a better fit between people's jobs and skills. This will improve company ability to go for innovation and competitive strength. Employees benefit from: Higher motivation and commitment; career development; increased knowledge about and contribution to company goals; sustained motivation and job satisfaction.

1.f) Convergence Technology

The convergence technology refers to integration of voice, video, data and image into one flexible network. In other words, the feature of this technology is to bring together products and capabilities of multiple vendors so that they provide services the customer in need of. The key advantage of this technology is it helps clients to deliver data, voice, video and fax off a single network infrastructure. Converged network solution ensures good return on investment. The benefits of this solution include lower IT support costs, improved bandwidth utilisation, reduced cabling and telephone costs, eliminate process and function duplication.

1.g) Virtualization Technology

As a part of transformation thru innovation strategy the Virtualization solutions was a boon for the clients as it carries host of benefits namely reduce costs, increase management efficiency, strengthen security, while making computing infrastructure more resilient in the event of a disaster. The key benefit in the form of reduced power and cooling costs, minimization of data centre space and overhead expenses, maximization of current software investment, improvement in performance, manageability and data security.

1.h) Cloud Computing

Cloud computing IT solution is offered by Infosys Technologies Ltd. It refers to web based data storage services which allow clients to use the internet to transfer information to remote storage facilities. The cloud computing solution allows clients to host services over the internet. The solution offers benefits such as cost reduction in storage, increased storage capacity, reduction in administration cost as no IT personnel need to look after the keeping software up to date and access to information when employees are not at their desks. The company is planning to charge clients based on the space they use at an agreed rate per gigabyte per month, rather than requiring them to purchase storage equipment in advance or pay for maintenance that gear.

1.i) Internal and Productivity Solutions

The threat of internal fraud is very high in the present economic downturn. We can have case of Satyam Computers. In order to provide solution for this problem Infosys has developed a holistic and strategic approach. Infosys Technologies has laid stress on innovation in the field of internal and productivity management. The company is focusing on developing technology such as internal solutions and productivity solutions.

2. Towards Effective Pricing ……

The Pricing model adopted earlier by Infosys Technologies Ltd was time and material billing. In order to face the downturn, a new pricing model called as fixed price contract to drive cost down and to improve revenue came into effect. This strategy has helped Infosys Technologies Ltd to increase its fixed price project revenues by more than four percentage points in fiscal year 2009 to 35.4 per cent indicating fixed price is a true recession model. In time and material billing model the companies bill customers for the number of people deployed on a project. Whereas, in fixed price contract mode, the Infosys Technologies Ltd do promise to deliver a contract within an agreed time frame at a specified price. In fixed price contracts, the company will have the flexibility to drive productivity and maintain margins. The company typically enhances profitability by re-using technology components it has developed for other customers.

Infosys is also keen on adopting newer pricing model that are based on number of transactions or events or devices. According to COO of Infosys “It is a win-win situation for both the vendor as well as the client. From the client perspective this is truly variable cost. From our perspective it gives us some flexibility in terms of our productivity”.

In current downturn period, clients of Infosys Technologies Ltd are looking for more fixed price contracts because it will help them to pass on the risk. In other words in a fixed-price project, an IT vendor has the flexibility to staff it in a way they like, this translates to more work being off-shored. This reduces the total cost of ownership for the client.

3. Improving Average Revenue per Customer

It is known fact that adding new clients during economic recession is a quite tough task. Infosys Technologies Ltd is relying on its existing clients to drive its business. The company has initiated a measure called as BSM & ESF (Better Service Mix & Existing Client Focus). As a part of this initiative the company is focusing more on retaining existing customers and offering more IT services (consulting and enterprise solution) to them. The higher mix of services has high revenue productivity and this has resulted in increase in ARPC (average revenue per customer). The ARPC has increased to $8.05 million in 2008-09 from $7.76 million in 2007-08. This initiative has also helped the company to increase its repeated business to 97 percent. Infosys Technologies Ltd has gone for small change in the service-mix between high-billed or lesser-billed services.

4. Effective Bench Management

US and Europe which are among the serious victims of GFM and also they are the main overseas markets for India’s software firms. As revenue generation has shrunk in these markets forcing Infosys Technologies Ltd to bench a large number of employees. To overcome this situation, Infosys Technologies Ltd has deployed about 10% of its 100,000 employees on internal projects.

These would involve writing programming code for human resource systems, invoicing systems, inter-departmental communication systems and training curriculum, writing pieces of code required by projects or for IP (Internet Protocol) creation, generating white papers, mentoring, going back to customers with new offerings.

It clearly indicates that during the period of downturn, Infosys not only devoting its attention focusing clients but also to create something for itself. According to senior vice president and global human resources head of Infosys Technologies “the company had started 200 internal projects. The primary objective of the initiative is to keep the employees’ programming skills sharp. You can’t have them waiting for one year on the bench…they would forget all that they have been trained on” she said.

Pothen Jacob, head of human capital group practice at Watson Wyatt India Pvt. Ltd, a consulting firm has of opinion that Infosys’ move a smart one and he further maintained that other software firms may already be doing this or are likely to follow. “It is anticipating potential growth in the future and then looking for enabling the organisation to be prepared for the anticipated work,” Jacob said. This strategy has helped the company to use manpower effectively.
5. Developing New Business Territories……

In view of shrinking business revenues Infosys Technologies Ltd is planning to explore newer geographies to meet their profit objective. BPO, for instance, is an area where Infosys Technologies Ltd sees a huge potential for growth. Expansion into new geographies like Eastern Europe, Asia, and Latin America will provide significant opportunities in the coming years.

6. Stringent Evaluation Process……

As the margin error is very small for defects in today’s competitive and recession hit markets, Infosys Technologies Ltd has adopted stringent evaluation process. As per company sources it has placed around 5 per cent of its global workforce under the scanner. The company has implemented a six-month mentoring programme for each employee. After six months it will decide their future based on the improvements they have made. As a part of this programme, each affected employee will be asked to work under the supervision of a mentor who is a senior executive. During this period, the employee will not be given any important assignment, even though he will be allowed to work on the project where he is working at present. If the concerned employee is on bench, he will give all his time for the mentoring programme. During this time, the employee will get full salary as well as the regular allowances. According to Infosys HR Director Mohandas Pai, people who are out-placed are the one about whom managers and reviewers believe do not have the attitude or the capability to demonstrate any improvement if put on a personal improvement plan.

7. Building Long Term Relation……

In facing the menace of Global financial Meltdown Infosys Technologies Ltd has devoted its focus towards building long term relation with clients. As small number of clients give major share of business, in other words eighty-odd clients give Infosys Technologies Ltd $10 million or more each. The company is devoting its attention towards those clients who give business worth $1 million to $10 million. To achieve this objective company is focusing on other services. The company has adopted cross selling mode to accomplish the said objective. This mode helps to get more revenues from the same relationship.

8. Bundling Services……

The new mode called as platform-based offering has been adopted by Infosys Technologies Ltd as a part of waging a fight against global financial crisis. It is a business mode wherein BPO services are bundled with hosted infrastructure. In other words, it is a packaging of Infrastructure management, BPO, administration, software packages.

9. Disciplined Expense Management…..Towards Creative Cost Reduction

9.a) Save $10 Initiative

Infosys Technologies Ltd had asked all its employees to go in for a one-time cost savings of $10 each. This initiative is expected to help the company, which has over 100,000 people on its rolls, log in a cost saving of around Rs 50 millions.

9.b) Log in on time Initiative

Infosys Technologies Ltd has taken initiative of “log in on time”. As per this initiative each employee should reach office before 8am and he will get cash award of about Rs500. The initiative is aimed at increased utilisation of its transport services and reducing transport cost, which will result in higher productivity.

9.c) Voluntary Cut in Discretionary Expenses

Infosys senior management and board members have offered to cut down their discretionary spending. This includes brand building expenses, travel cost and spending on sales & marketing. Infosys has asked its staff to travel on an economy-class ticket if the flying time is less than four hours. To set a trend chief mentor Narayan Murthy recently flew to Sri Lanka, and he flew in economy class. The company is also able to reduce its travel cost by 10 percent (from Rs.4120 Millions in first quarter to Rs.3720 Millions in second quarter of 2008-09) by adopting disciplined expense management measures such as video conferencing and teleconferencing in lieu of travelling. The company has also taken carbon footprint initiative to reduce carbon dioxide produce by vehicles used to transport company’s staff.

9.d) Sabbatical Leave

The Infosys Technologies Ltd has given option of a one-year sabbatical to engage themselves in philanthropic activities. The employees will get 50 per cent of their salary during the period.

9.e) Cost Saving Ideas….. Welcome Initiative

Infosys has set up a portal where employees can submit cost saving ideas such as power cost by way of ensuring all computers and lights are switched off at the end of the day. So far the company has apparently received over 1000 such ideas.

10. Effective Receivable Management……

As part of transformation in receivable management area Infosys Technologies Ltd has initiated a measure by means of which the company was able to reduce day’s sales outstanding receivables from 72 days in the fourth quarter of 2007-08 to 62 days in fourth quarter of 2008-09. A low ‘Days Sales Outstanding’ means that it takes a company fewer days to collect its accounts receivables.

11. Maintenance Service – A New Revenue Model

With clients holding back their investment in new IT solutions (they were postponing the investment in new IT solutions) resulting into increased demand for maintenance of existing technology. Realising this phenomenon, Infosys Technology Ltd has implemented a new ticket based pricing model for its maintenance services, where the clients is billed for the number of upkeep requests or the number of devices managed. This has resulted into generating 21.9 percent of its revenue from maintenance services during the year 2008-09.

The model represent the out come of these innovative practices in the form of benefits Infosys Technologies Ltd do carry towards clients and for the company itself. From the model-1 we can note that the benefits Infosys Technology Ltd could offer to its clients by means of adopting innovative management practices are faster & cost effective execution of Projects, developing new talent, improved Bandwidth utilization, reduced cable cost, Mgt. efficiency improvement, strengthened Data Security, better price at the same time the company could enjoy host of benefits such as revenue improvements, retaining customers, HR skill enhancement, improvement in business, more revenue from same relationship, cost savings, faster receivables collection. These innovative practices are boon for both the company as well as clients. The Mode-2 exhibit the input (innovative practices) –output (Benefits) relationship of the TCS Ltd. Here we found that the key benefits delivered to the clients was new and cost effective products. At the same time TCS Ltd was in a position to enjoy the fruits in the form of confidence building, positioning itself as job creator in host country, retaining customers, cost savings, payment risk reduction and improving Global network.

Conclusion

> The new Pricing mode i.e. fixed price contract mode adopted by Infosys’ Technologies Ltd has helped the company to increase
its fixed price project revenues by more than four percentage points in fiscal year 2009 to 35.4 per cent indicating fixed price is a better modle at the time of recession.

- BSM & ESF (Better Service Mix & Existing Client Focus) initiative has helped Infosys Technologies to retain existing customers but also resulted in increase in ARPC to $8.05 million in 2008-09 from $7.76 million in 2007-08. This initiative has also helped the company to increase its repeated business to 97 percent.

- Effective Bench Management practice has helped Infosys Technologies to use its manpower effectively. This initiative will also help in reduction of cost and system improvement within the company.

- Infosys Technologies Ltd is planning to explore newer geographies to meet their profit objective. Expansion into new geographies like Eastern Europe, Asia, and Latin America will provide significant opportunities in the coming years.

- Infosys Technologies Ltd has devoted its focus towards building long term relation with clients. The company has adopted cross selling modle to accomplish the said objective. This modle helps to get more revenues from the same relationship.

- Creative Cost Reduction practices adopted by Infosys Technologies Ltd such as save $10 Each, Log in on time; Voluntary Cut in Discretionary Expenses, Sabbatical Leave, Cost saving ideas, has helped the company in saving billions of rupees.

- Infosys Technologies Ltd has identified five strategic areas such as business transformational deals, large outsourcing deals, new engagement modles, execution management and talent management as means of transform the company and to face the menace of the slowdown. The innovation in transformation deals will help the company get more revenues in consulting and business transformation space. The large outsourcing deals will help the company to reposition itself. New engagement modles, execution management and talent management are expected bring more revenue to the company in the next few years.

- Infosys Technologies Ltd is focusing on innovation in convergence technology, Virtualisation Technology, Cloud Computing, Internal and Productivity Solutions which will helps the clients to minimise their cost and improve the productivity thereby bringing more business for Infosys Technologies.

**Suggestions**

- In the present economic scenario, corporate entities around the world are looking for new ways to do business, searching for new markets, better attention towards corporate governance, customers expectations have changed now they are demanding higher customer services. Hence Infosys Technologies Ltd must focus towards these critical requirements of clients.

- There should be continuous innovation towards developing better products (IT solutions) at lowest cost possible.

- During downturn period foreign exchange risk is too high hence to mitigate foreign currency risk, Infosys Technologies Ltd should use foreign currency swap subject to they are planning to raise fund from international markets for their growth plans.

- Infosys Technologies Ltd should consider outcome based pricing modle as a means to battle out GFM. During the period of economic slowdown in particular, corporate entities are looking for solution which measures outcome of solution. Hence, it is suggested that the company should develop a new business modle like solution outcome modle to address this issue.

- Infosys Technologies Ltd should take cover for cross broader receivables from Export Credit Guarantee Corporation of India ECGC provides credit risk insurance to policyholders against payment delinquencies of importers.

- Notwithstanding a difficult economic environment, the Indian small and medium enterprises are keen to invest and adopt green initiatives. Green initiatives refer to initiatives taken by companies to reduce cost and consumption of energy including fuel these initiatives includes environmental audit, purchase of emission cards, improvement in supply chain efficiency, retrofit of existing server rooms, use of virtualization technology to their servers, consolidation of their storage systems. These initiatives will leads to savings in operational expenditure, lower space and power and higher return on investments. All these areas offer great business opportunity for IT firms in the time of crisis.

The Indian corporate have worked out ways and means to deal with the global financial meltdown. Innovative strategies have helped Infosys Technologies Ltd to give improved results in fourth quarter of 2008-09 compared to previous quarter.

The global financial meltdown offers both challenge and opportunity to the technology sector. Infosys Technologies has to use this downturn as an opportunity to learn, study the market carefully and design strategies accordingly.

The company should look for servicing customers in new ways. The financial meltdown has ensured that the company has implementing cost-cutting strategies. If implemented above suggestion with true spirit, it may be of great help in managing global financial meltdown and will help in improving bottom-line.

**Suggestion for future research**

As we know the management practices do changes across industries in general and firms in particular. At the same time quantifying of benefits is tedious task. Hence the study suggest for further research to look into more detail and develop a framework for management practice to be adopted by IT firms. At the same time a quantitative modle can be developed with respect to benefits derived by virtue of emulating those practices.

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Dr. N Maruti Rao is an alumnus of IIM-A (FDP) and he holds doctoral degree. He has teaching experience of over a decade. Currently Dr. N Maruti Rao is serving as Assistant Professor in Finance and General Management at Kousali Institute of Management studies, Karnataka University Dharwad. He has published 8 papers in various refereed journals and 5 papers in edited books. He presented papers in 10 National and 8 International conferences within India and one outside India (International Conference conducted by Institute of Management Technology, Dubai). He served on board of examiners and member Board of studies, Karnataka University Dharwad.