



THE INFOSYS PHENOMENON

What we can learn from its rapid, profitable growth in global outsourced IT services

By Professor Georges Haour (September, 2007)

IMD

Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11
Fax: +41 21 618 07 07
info@imd.ch
<http://www.imd.ch>

As we look for models of corporate success, European and North American ethnocentric ways need to rapidly yield to being much more curious and knowledgeable about Asia's ascending actors. The IT services company Infosys is a striking example of successful, profitable growth.

Early days of Infosys

Infosys was founded in 1981 by seven computer engineers. Their vision for the company did not have much to do with revenues and profits. They wanted to create the most respected company in India. For its customers, the company would deliver on promises and meet expectations. For its employees, it would create an open, fair meritocracy. For investors, it would provide consistent financial performance.

Infosys got its first real break from the German technology company Bosch. It moved from Mumbai to Bangalore, in order to be close to Bosch's data center. It subsequently carried out application maintenance and software development for General Electric, Schlumberger, Siemens, Airbus and Crédit Suisse, delivering these services out of its offices in India.

In 1993, Infosys went public on the Indian stock market and shifted strategy to focus on selected vertical markets. The 1991 liberalization of the Indian economy, India's plentiful and lower cost, skilled labor, and a time difference enabling round-the-clock operations for US/European companies, fuelled the growth of Infosys and India's emerging software industry.

Mid-2007, Infosys counted 72,000 staff working in 22 countries. With sales of \$ 3,1 billion per annum, its profitability is better than the average in this industry.

Ingredients for success

One element of Infosys' operational excellence is its Global Delivery Model, based on doing work where it adds most value – that is, utilizing the best global resources with the lowest associated cost and at the highest possible quality. Reliable telecom infrastructure and India's low-cost skilled manpower allowed most of the work to be conducted offshore. Onsite aspects of the project are limited to those aspects requiring market proximity and customer interaction. The resulting ratio of 30:70 onshore/offshore provides a strong customer focus, as well as significantly reduced delivery costs. Thus, close to 45,000 Infosys employees are based in India.

Customer satisfaction is another key to Infosys' breakneck rate of profitable growth. Over a 25-year period, the company has successfully completed more than 20,000 projects with a 99.998% error-free record. Over 93% of the projects were delivered on time and on budget, far above the industry average of 30%. Such high customer satisfaction rates have resulted in 95% of clients coming back to Infosys for further projects.

Building on such exceptional customer satisfaction, Infosys proactively seeks to expand the scope of the work it does with existing clients, further fueling revenue growth. Infosys fully understands that in the business of outsourced services, lower cost alone is not sufficient. Quality, reliability, speed and customer orientation are fully part of the equation.

Infosys' concern to provide its customers with a competitive advantage led to the creation, in 2001, of the Corporate R&D unit SETLabs (Software Engineering and Technology Laboratories). This unit develops methodologies, frameworks and tools to drive efficiency in project execution and delivery. SETLabs help clients with development projects, addressing specific technology or business problems, while also looking into radical innovations and long-term strategic issues supporting business process innovation for the customers. By mid 2007, SET Labs had grown to 500 consultants and software engineers, filing numerous patent applications.

Concerning staff training, Infosys massively invests in technical and management education. Young staff joining the firm typically follows a four month course. This is carried out in Infosys' training center in Mysore, West of Bangalore, where 6 000 employees can be trained simultaneously. This contributes to Infosys having a staff much lower staff turnover than is typical in the industry.

Today, Infosys' market capitalization is \$30 billion. Revenues have consistently grown at over 50% annually through the past decade. As a result, it took 23 years for Infosys to reach \$1 billion in revenues, but only 23 months to reach the \$2 billion mark.

What can we learn from the Infosys experience?

I believe that the remarkable success of Infosys suggests that following elements were key:

- At the core, the creation of a widely respected meritocracy combining engineering excellence with a relentless customer orientation
- A no nonsense approach: speed and frugality
- A sincere and acute focus on employee satisfaction and skills development
- Agility: in a highly competitive environment, adapting constantly and anticipating the future through on-going business process innovation.

Georges Haour teaches innovation management in the Orchestrating Winning Performance program. His latest book is *Resolving the Innovation Paradox*. This text is derived from his recent IMD case study, first used at Orchestrating Winning Performance in June 2007, and now used in several IMD programs.

THE INFOSYS PHENOMENON | What we can learn from its rapid, profitable growth in global outsourced IT services

RELATED PROGRAMS



ORCHESTRATING WINNING PERFORMANCE - <http://www.imd.ch/owp> **The 6-day global business program - The fastest way to bring yourself up to date and stay ahead**

Program Directors Peter Lorange, Bettina Buechel and Dominique Turpin

- For individuals and teams who seek the latest management thinking and practical, innovative solutions for their business
- A unique energizer: boost your performance, broaden your perspectives and expand your global network
- Network and design the program that suits you