

2009

STRATEGIC ANALYSIS OF INFOSYS



SUBMITTED TO: Prof. Suhas Rane

SUBMITTED BY:

Shiv Kumar Chaudhari (101)

Anushree Goyal (106)

Shahid Hussain (107)

Ravi Rai (115)

- IT, MBA (Tech.)

Contents

INDIAN IT INDUSTRY - OVERVIEW	3
INTRODUCTION	4
ENVIRONMENTAL SCANNING	5
EXTERNAL ENVIRONMENT - PESTLE ANALYSIS.....	5
OPERATING ENVIRONMENT.....	9
PORTER'S FIVE FORCES MODEL (INDIAN IT INDUSTRY).....	15
SWOT ANALYSIS	16
ESTABLISHED IT/ITeS HUBS in INDIA	17
INFOSYS	18
Vision	18
Mission.....	18
INFOSYS BUSINESS LINES	19
SHAREHOLDING PATTERN - 2008	20
FINANCIAL SUMMARY	21
McKinsey's 7 S Model	24
SWOT ANALYSIS OF INFOSYS	28
SWOT MATRIX & SWOT ANALYSIS OF IBM INDIA	29
BUSINESS MODEL	30
INFOSYS BCG MATRIX.....	31
ANALYSIS OF STRATEGIES OF INFOSYS	32
Corporate level strategies:.....	32
GENERIC STRATEGIES:.....	32
GRAND STRATEGIES:.....	33
STRATEGY SUCCESSFUL OR NOT...??	35
CASE STUDY.....	36
LESSONS TO DRAW	37
Opportunities in IT INDUSTRY	38
REFERENCES	39

INDIAN IT INDUSTRY - OVERVIEW

INTRODUCTION

In an increasingly globalised world, significant complexity and uncertainty is getting attached to the unprecedented economic crisis. The Indian economy has also been impacted by the recessionary trends, with a slowdown in GDP growth to seven per cent. The focus and exponential growth in the domestic market has partially offset this fall and insulated the country, resulting in net overall momentum. The IT-BPO industry in India has today become a growth engine for the economy, contributing substantially to increases in the GDP, urban employment and exports, to achieve the vision of a “young and resilient” India. During the year, the sector maintained its double digit growth rate and was a net hirer. This growth has been fueled by **increasing diversification in the geographic base and industry verticals**, and **adaptation in the service offerings portfolio**. While the effects of the economic crisis are expected to linger in the near term future, the Indian IT-BPO industry has displayed resilience and tenacity in countering the unpredictable conditions and reiterating the viability of India’s fundamental value proposition. Consequently, India has retained its leadership position in the global sourcing market.

The Indian IT-BPO industry is estimated to achieve revenues of USD 71.7 billion in FY2009, with the IT software and services industry accounting for USD 60 billion of revenues. During this period, direct employment is expected to reach nearly 2.23 million, an addition of 226,000 employees, while indirect job creation is estimated to touch 8 million. As a proportion of national GDP, the sector revenues have grown from 1.2 per cent in FY1998 to an estimated 5.8 per cent in FY2009. Software and services exports (including BPO) are expected to account for over 99 per cent of total exports, employing over 1.76 million employees.

While the current mood is that of “cautious optimism,” the industry is expected to witness sustainable growth over a two-year horizon, going past its USD 60 billion export target in FY2011. While the industry has significant headroom for growth, competition is increasing, with a number of countries creating enabling business environments aimed at replicating India’s success in the IT-BPO industry. Hence, Concentrated efforts are required by all stakeholders to address the current challenges, to ensure that India realizes its potential, and maintains its leadership position.

ENVIRONMENTAL SCANNING

EXTERNAL ENVIRONMENT - PESTLE ANALYSIS

Political

1. **Political stability:** Indian political structure is considered stable enough expect the fact that there is a fear of 'hung parliament' (no clear majority).
2. U.S. government has declared that U.S companies that outsource IT work to other locations other than **U.S. will not get tax benefit.**
3. Government owned companies and PSUs have decided to give **more IT projects to Indian IT companies.**
4. **Terrorist attack or war.**

Positive

Deep Negative

Positive

Negative

Economic

1. **Global IT spending (demand)**
2. **Domestic IT Spending (Demand):** Domestic market to grow by 20% and reach approx USD 20 billion in 2008-09 - NASSCOM
3. **Currency Fluctuation**
4. **Real Estate Prices:** Decline in real estate prices has resulted reducing the rental expenditures.
5. **Attrition:** Due to recession, the layoffs and job-cuts have resulted in low attrition rate.
6. **ECONOMIC ATTRACTIVENESS** due to cost advantage and other factors.

Negative

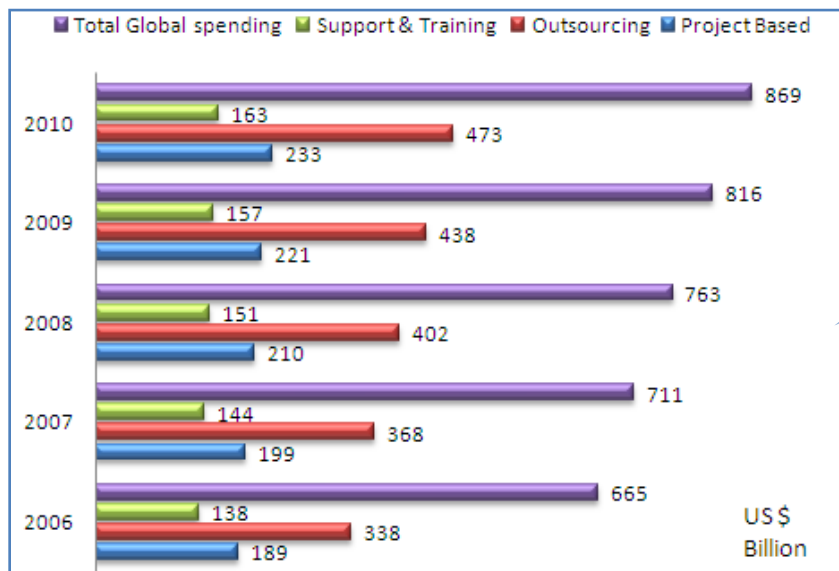
Positive

Negative.

Mildly positive

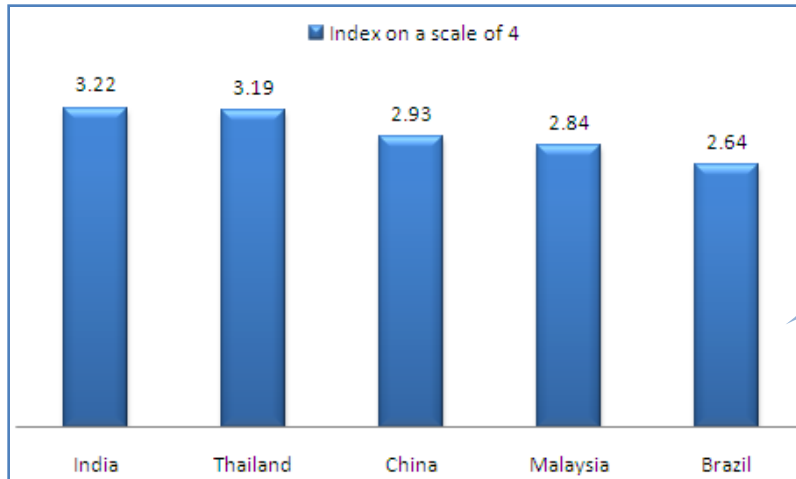
Mildly positive

Positive



The Global IT spending is expected to decline steeply below the expected levels of \$869 billion by 2010.

Figure: Break up of Total Global IT Spending



India continues to be the leader in terms of **“Financial Attractiveness”**

Figure: Financial Attractiveness of Top 5 Global Services Locations on a scale of 4

Social

- 1. Language spoken:** English is widely spoken language in India, English medium being the most accepted medium of education. Thus, India boasts of large English speaking population.
- 2. Education:** A number of technical institutes and universities over the country offer IT education.
- 3. Working age population**

Highly positive

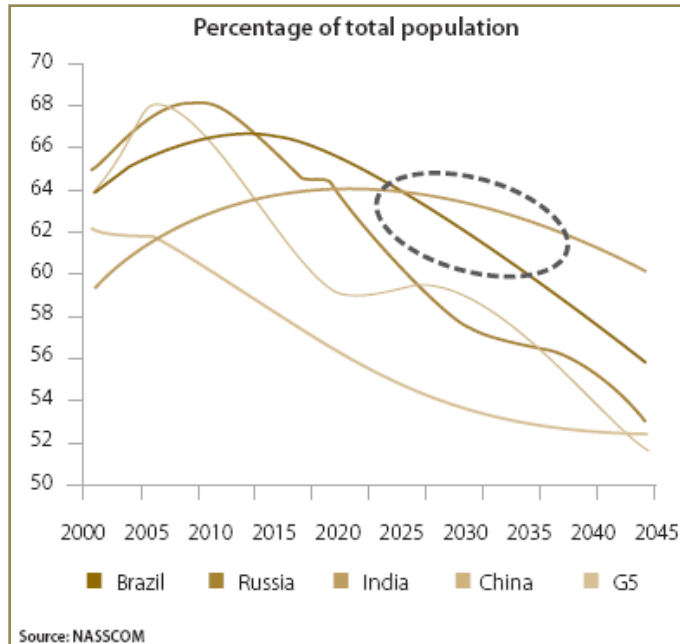
Highly Positive

Positive

	2006-07	2007-08 F
Number of Engineering Graduates	501,000	536,000
Degree (four year course)	270,000	290,000
Diploma & MCA (three year course)	231,000	246,000
Number of IT (Computer Science, Electronics, Telecom) professionals	280,000	303,000
Engineering IT graduates (degree)	162,000	180,000
Engineering IT graduates (diploma)	118,000	123,000

India creates a large pool of skilled IT professionals each year, to meet industry requirements

Figure: Number of IT graduates in India



As per NASSCOM Strategic Review report, India is one of the few countries to have an increasing share of working population.

Figure: Working Population as a percentage of Total population

Techno logical

1. Telephony:

- India has the world's lowest call rates (1-2 US cents).
- Expected to have total subscriber base of about 500 million by 2010.
- ARPU for GSM is USD 6.6 per month.
- India has the second largest telephone network after china.
- Teledensity – 19.86 %
- Enterprise telephone services, 3G, Wi-max and VPN are poised to grow.

Highly Positive

- Internet Backbone:** Due to IT revolution of '90s, Indian cities and India is well connected with undersea optical cables.

Positive

- New IT technologies:** Technologies like SOA, Web 2.0, High-definition content, grid computing, etc and innovation in low cost technologies is presenting new challenges and opportunities for Indian IT industry.

Positive

Legal

- 1.
2. **IT SEZ requirement:** IT companies can set up SEZ with minimum area of 10 hectares and enjoy a host of tax benefits and fiscal benefits.
3. **Contract / Bond requirements:** Huge debates surrounding the bonds under which the employees are required to work, which is not legally required.
4. **IT Act:** Indian government is strengthening the IT act, 2000 to provide a sound legal environment for companies to operate esp. related to security of data in transmission and storage, etc.
5. Companies operating in **Software Technology Park (STPI) scheme** will continue to get tax-benefit till 2010.

Positive

Negative

Positive

Mildly positive

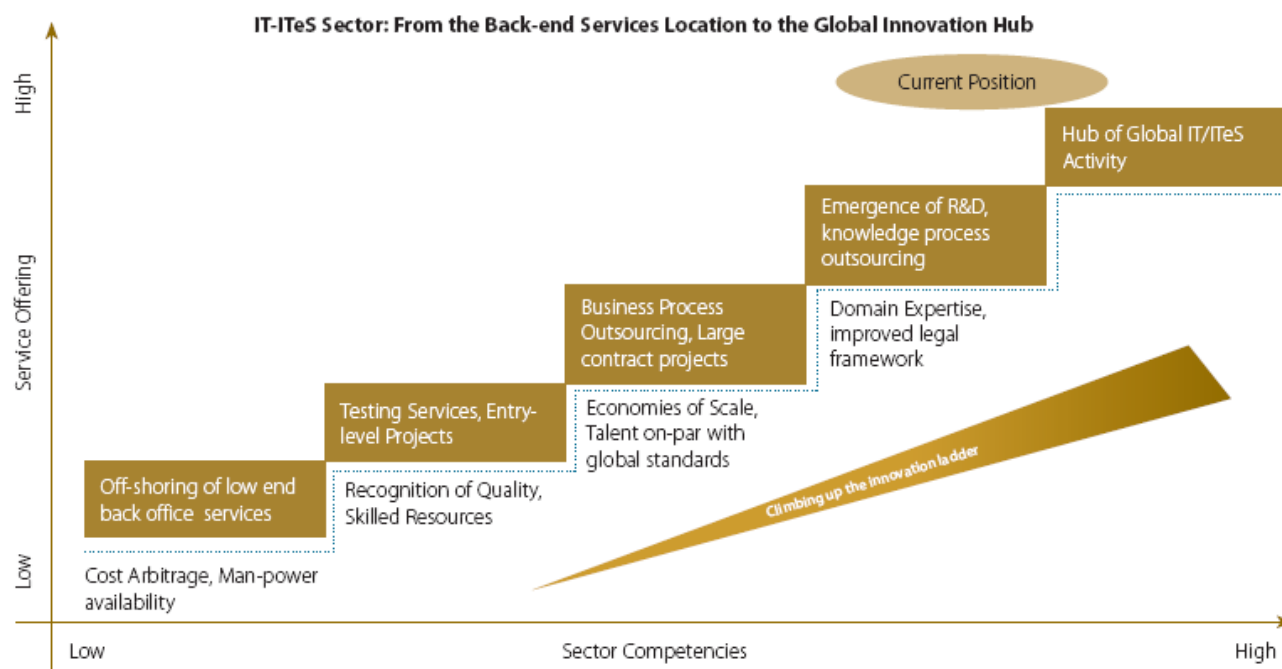
Environmental

Energy Efficient processes and equipments: Companies are focusing on reducing the carbon footprints, energy utilization, water consumption, etc.

Positive

OPERATING ENVIRONMENT

Current Position of IT – ITES Sector of India

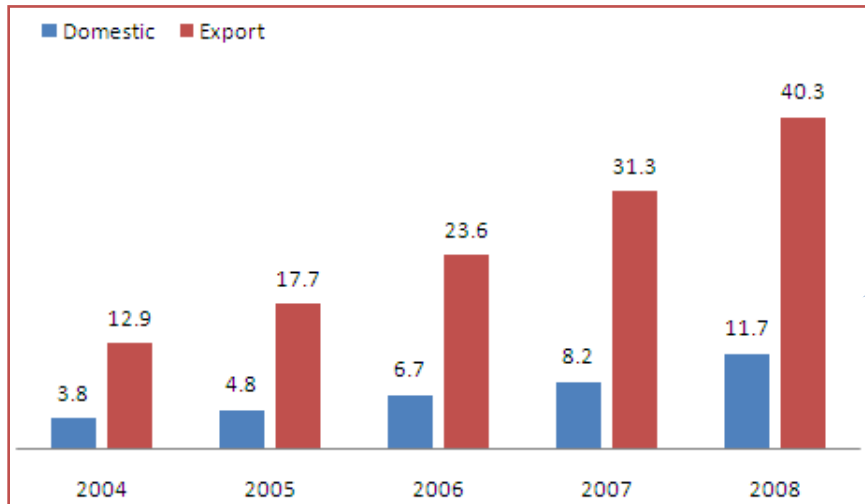


INDIAN IT INDUSTRY SECTOR

Figures in US \$ Billions

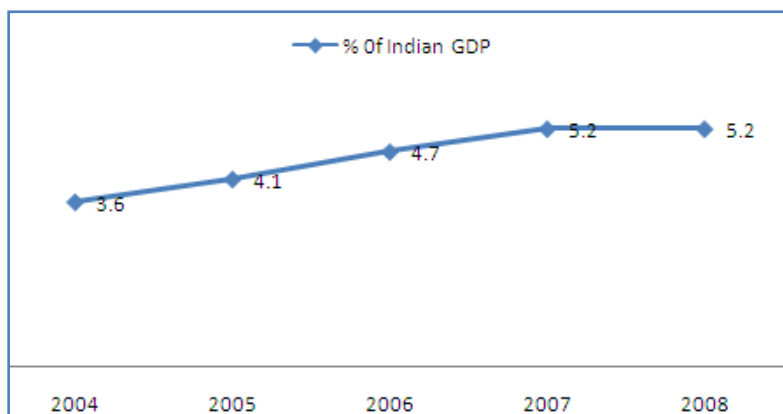
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
IT Services	10.4	13.5	17.8	23.5	31.0
-Exports	7.3	10.0	13.3	18.0	23.1
-Domestic	3.1	3.5	4.5	5.5	7.9
BPO	3.4	5.2	7.2	9.5	12.5
-Exports	3.1	4.6	6.3	8.4	10.9
-Domestic	0.3	0.6	0.9	1.1	1.6
Engineering and R&D, Software Products	2.9	3.8	5.3	6.5	8.5
-Exports	2.5	3.1	4.0	4.9	6.3
-Domestic	0.4	0.7	1.3	1.6	2.2
Total Software and services revenues	16.7	22.5	30.3	39.5	52.0
-of which Exports are	12.9	17.7	23.6	31.3	40.3

1. MARKET SIZE:



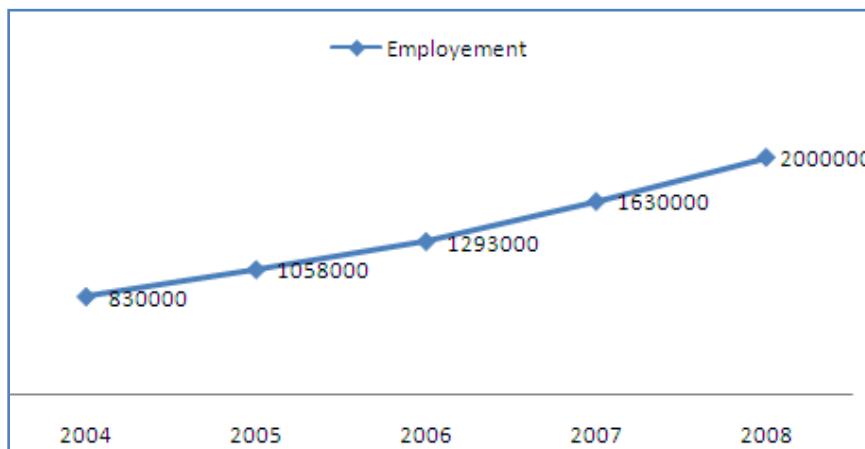
More than 80% of revenues come from Exports and only 20% from domestic business

Figure: Revenues from domestic and export (in USD billion)



IT industry contributes to around 5.2% to Indian USD 1 trillion GDP.

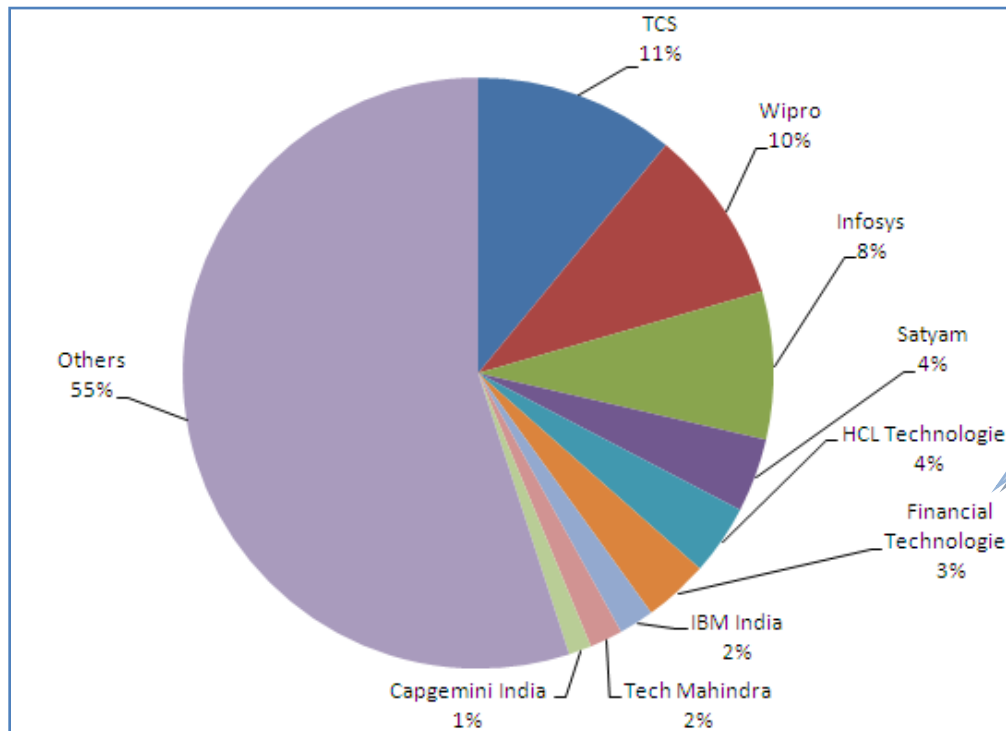
Figure: Contribution of IT industry to Indian GDP



IT industry provides direct employment to more than 20 lakh people, indirect employment number goes far beyond..!!

Figure: Number of employees in IT Sector (Direct employment)

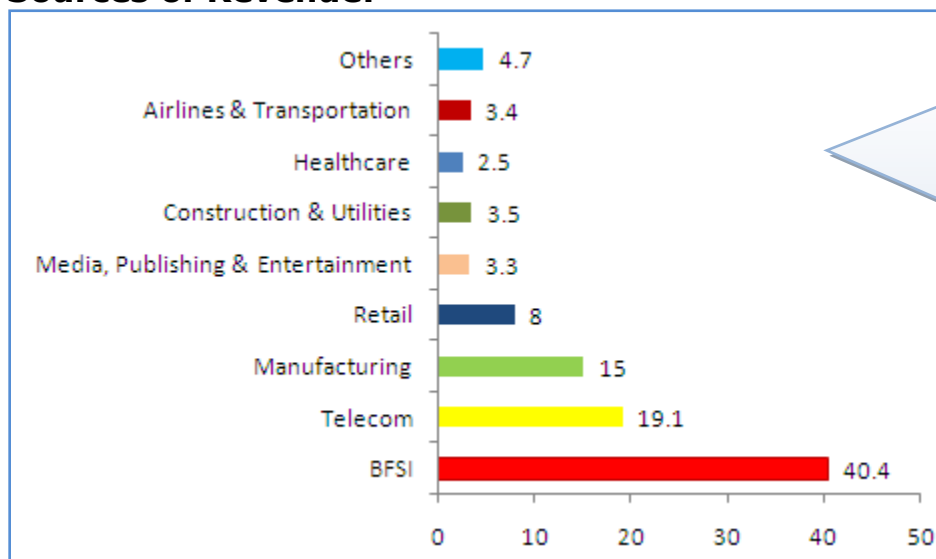
2. MARKET SHARE:



Indian IT market is dominated by a few large companies with presence of a number of small and medium companies

Figure: Indian IT industry Revenue Break-up by company

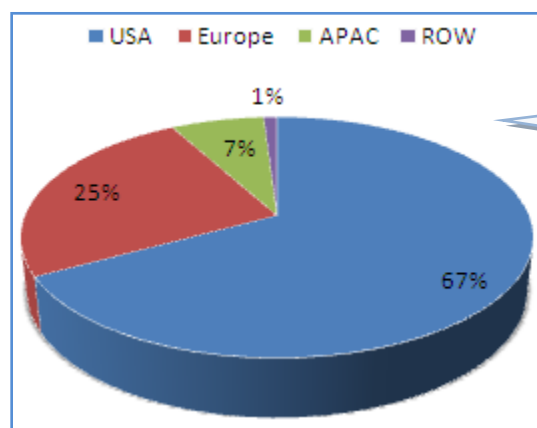
Sources of Revenue:



IT industry is largely dependent on Banking and financial industry. With the decline in these sectors, the revenue from these is expected to decline, hurting the bottomline of IT majors. This calls for exploring new verticals.

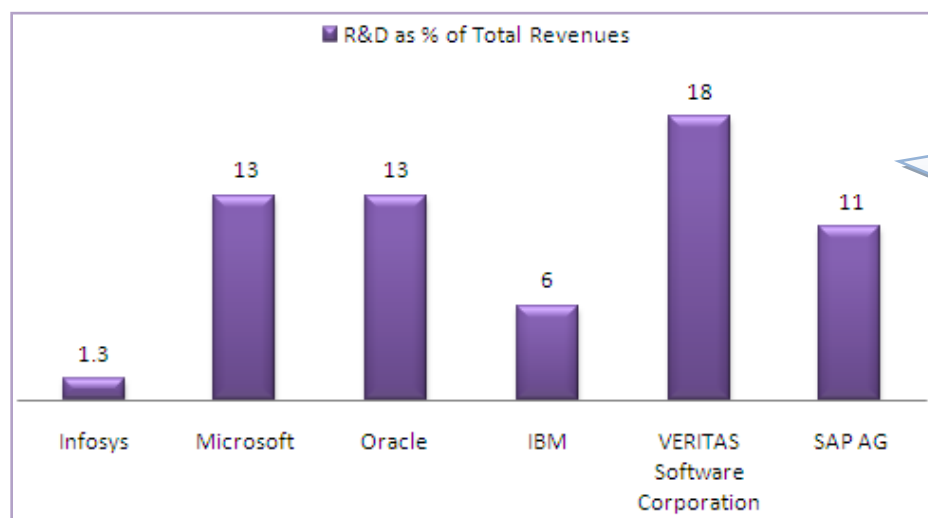
Figure: Indian IT industry Revenue Break-up by sector

Revenue By Geography



The Americas and Europe continue to be the key markets for the Indian IT-ITeS sector.

Figure: Indian IT industry Revenue Break-up by Country of Presence (Geography)



As compared to International IT giants, Infosys and other Indian companies are lack in R&D spending.

Figure: R&D Spending of IT majors.

3. CUSTOMER PROFILE:

Sector	Major Clients - Domestic	Major Clients - Global (Export Market)
Govt. and public Sector Companies	Railways, LIC, MMRDA, BMC, BPCL, ONGC	British Govt., Australian Govt., Saudi and Kuwait Govt.
BFSI	HDFC, ICICI Bank, Citi Financial India, ABN AMRO India, NSE, BSE, Max New York life, India Bulls Financial	AIG, Bank of America, UBS, J P Morgan, Barclays, Goldman Sachs, Morgan Stanley
Telecom	Airtel, Vodafone, Reliance Communications	British Telecom , AT & T, SingTel, Telstra, Vodafone
Manufacturing	Tata Motors, Tata Steel, L & T, RIL	Ford Motors, GM, Exxon Mobil
Others	Pantaloon India Ltd, Tata Sky, DLF, Apollo Hospital	Pfizer, Walmart, British Airways

BT (British Telecom) is Infosys' largest client – contributing 6.9% to Infosys revenue.

Recent Announcement of Large IT Projects:-

Region / Company	Most Likely IT Players/ Short – listed Companies
AUSTRALIA – Telstra, Qantas, National Australian Bank	Infosys, Satyam, IBM, EDS
JAPAN – Nissan Motor Corp	TCS, Wipro, Infosys, Patni
INDIA – LIC	TCS, Infosys, Wipro, L&T Infotech
UK – Dept. of works and pensions, HM Revenue and Customs, Ministry of Justice (Worth US \$ 2-3 Billion)	TCS, Infosys, Wipro, Accenture, Atos Origin

Clients	Dec-08	Sep-08	Dec-07
Number of Clients	583	586	530
Added during the quarter	30	40	47
Accounting for > 5% of revenue	1	1	1
Client Concentration			
Top client	6.2%	7.6%	9.5%
Top 5 clients	17.3%	18.6%	21.6%
Top 10 clients	27.2%	28.0%	32.5%
Repeat business	97.1%	99.8%	96.3%
No. of clients with annual revenues > US\$ 1-mln			
1-10 million US\$	221	231	224
10-30 million US\$	65	60	51
30-50 million US\$	17	14	13
50-100 million US\$	16	15	13
100+ million US\$	4	5	4

4. SUPPLIERS:

1. Employees/Professionals.
2. Manpower suppliers like Manpower ITeS, Quest, Ma Foi, etc.

Global footprint of IT / ITES Companies

	Central & Eastern Europe								Latin America				Asia Pacific				North America
	Companies	Czech Republic	Hungary	Poland	Romania	Slovakia	Argentina	Brazil	Chile	Mexico	China	Malaysia	Philippines	Vietnam	Canada		
Foreign IT / ITes Companies	Accenture	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓		
	ACS	✗	✗	✓	✗	✗	✗	✓	✗	✓	✓	✓	✓	✗	✓		
	Atos Origin	✗	✗	✓	✗	✗	✓	✓	✓	✓	✓	✓	✗	✗	✓		
	Capgemini	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓		
	CSC	✓	✗	✗	✗	✓	✗	✗	✗	✗	✓	✓	✗	✗	✓		
	EDS	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✗	✓		
	HP	✗	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓		
	IBM	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
	Logica CMG	✓	✓	✓	✗	✗	✓	✗	✓	✓	✓	✓	✓	✗	✓		
	Microsoft	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Oracle	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
SAP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓			
Sun Microsystems	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
	Cognizant	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✓	✗	✗	✓		
	Genpact	✗	✓	✗	✓	✗	✗	✗	✗	✓	✓	✗	✓	✗	✗		
	HCL	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗	✓		
	Infosys	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✓		
	Patri	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓		
Satyam	✗	✗	✓	✗	✗	✗	✗	✓	✗	✓	✓	✗	✗	✓	✓		
TCS	✗	✗	✓	✗	✗	✗	✓	✓	✓	✓	✓	✓	✗	✗	✓		
Wipro	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✓	✗	✗	✓		

Fortegun IT / ITES Companies

Indian IT / ITES Companies

Sources: Company web sites, Software and IT Services (Europe), February 2007 - Lehmann Brothers, and CZECHINVEST.

PORTER'S FIVE FORCES MODEL (INDIAN IT INDUSTRY)

Threat of Substitutes:

1. **Other offshore locations** such as Eastern Europe, the Philippines and China, are emerging and are posing threat to Indian IT industry because of their cost-advantage. However, this should have an impact only in the medium to long term.
2. **Price** quoted for projects is a major differentiator, the quality of products being same.

Medium

Bargaining power of supplier:

1. Due to **slowdown, the job-cuts, the layoffs** and bleak IT outlook.
2. Demand and supply of IT professionals is no longer that favorable to employees.
3. **Availability of vast talent pool** – freshers and experienced.

Shift from high to low

RIVALRY AMONG FIRMS: High

1. Commoditized offerings
2. 'low-cost, little-differentiation' positioning.
3. high industry growth
4. Strong competitors – few numbers of large companies.

Very High

Bargaining Power of Customers:

1. **Large number of IT companies** vying for IT projects – resulting in high competition for projects.
2. **Huge decline in IT expenditure:** Indian IT sector is dependent on USA and BFSI in particular for majority of its revenues, and with the recent financial crisis, the new spending from these has reduced tremendously.
3. However, for the existing products and services, the clients continue the old companies.

Low

Barriers to Entry

1. **Low capital requirements.**
2. **Large value chain,** space for small enterprises.
3. MNCs are ramping up capacity and employee strength.

SWOT ANALYSIS

STRENGTHS

- **Cost advantage** – most financially attractive country in a study by A T Kearney on global IT destinations
- **Breadth of service offering** – end to end solutions including high end services like IT consultancy and KPO
- **Ease of scalability** – more than half of India's population is less than 25 years old. English speaking IT – ITES professionals growing at a good pace
- **Quality and maturity of process** – many players have quality standards such as CMM to differentiate from other low cost advantage countries
- **Global and 24/7 delivery capability** – excellent internet backbone and telecommunications facilities enabling companies to develop 24/7 delivery capabilities from India itself

WEAKNESSES

- **Excessive dependence on USA for revenues** – US Companies are cutting down IT budget hence revenues to be hit hard of Indian IT firms
- **Excessive dependence on BFSI sector for revenues** – Banking sector is facing a crisis globally and is going to spend less on IT
- **High rates of attrition** – Although slowdown in global economy has lowered attrition rate but the industry still faces high attrition rates as compared to other sectors
- **Decreasing competitive advantage** – rising salary expenses is taking away the cost advantage enjoyed by India.

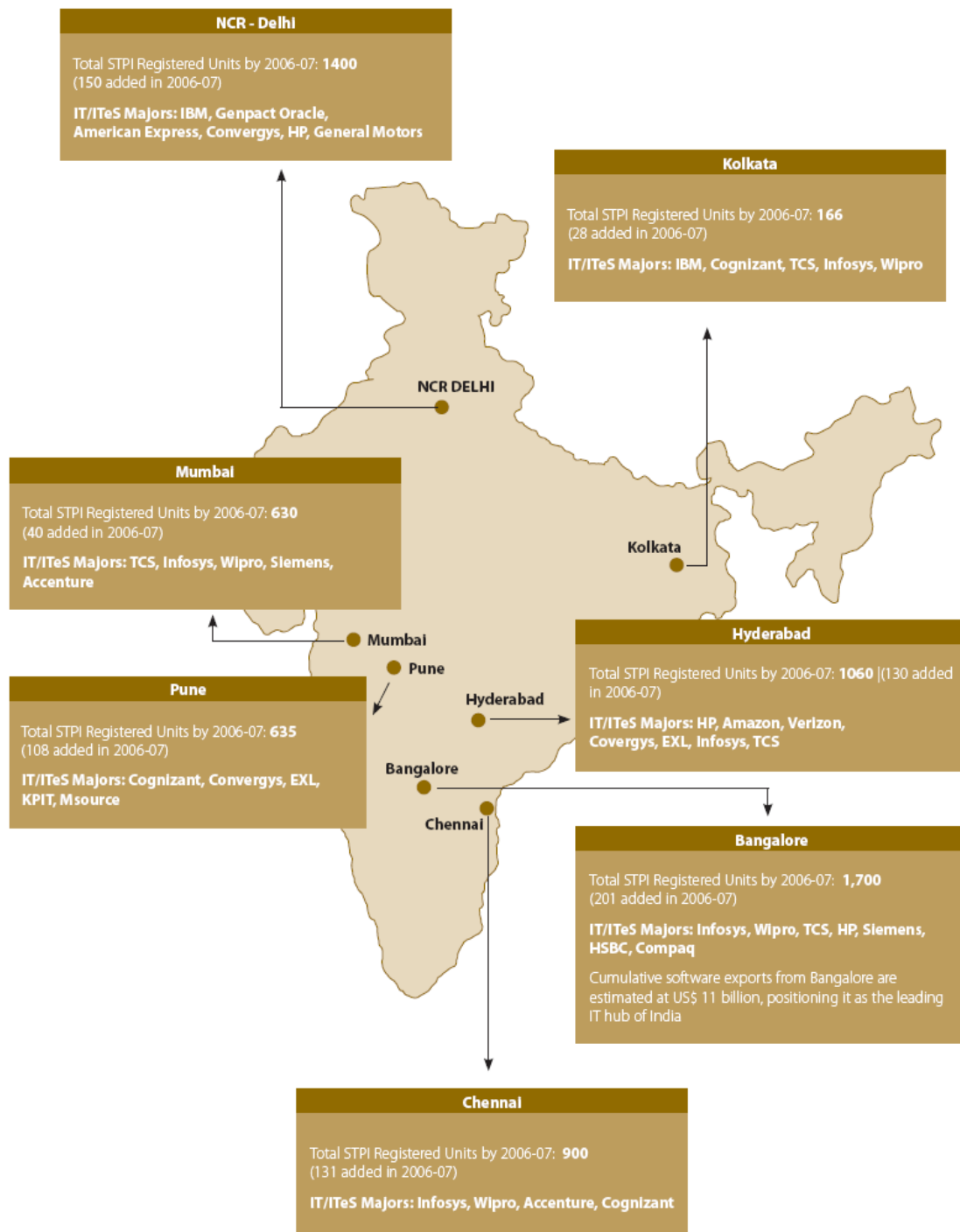
OPPORTUNITIES

- Greater scope for product innovation
- Increased focus on high end work like consulting and KPO
- Domestic demand for IT services is to grow at 20 %
- Greater scope to service domains other than BFSI such as Transportation, Infrastructure, etc.
- Satyam fiasco – Likely to have positive impact on business considering corporate governance, possibility of shifting of business, getting higher incremental business from overlapped clients, and winning new business from new clients

THREATS

- Global economic slowdown may continue for several years – hence low IT spending globally
- US Govt. against outsourcing
- Shrinking margins due to rising wage inflation
- Rupee-dollar movement affects revenue and hence margins
- Increased competition from foreign firms like Accenture, IBM etc.
- Increased competition from low-wage countries like China, Indonesia etc.
-

ESTABLISHED IT/ITeS HUBS in INDIA





POWERED BY INTELLECT
DRIVEN BY VALUES

INFOSYS

Vision

"To be a globally respected corporation that provides best-of-breed business solutions, leveraging technology, delivered by best-in-class people."

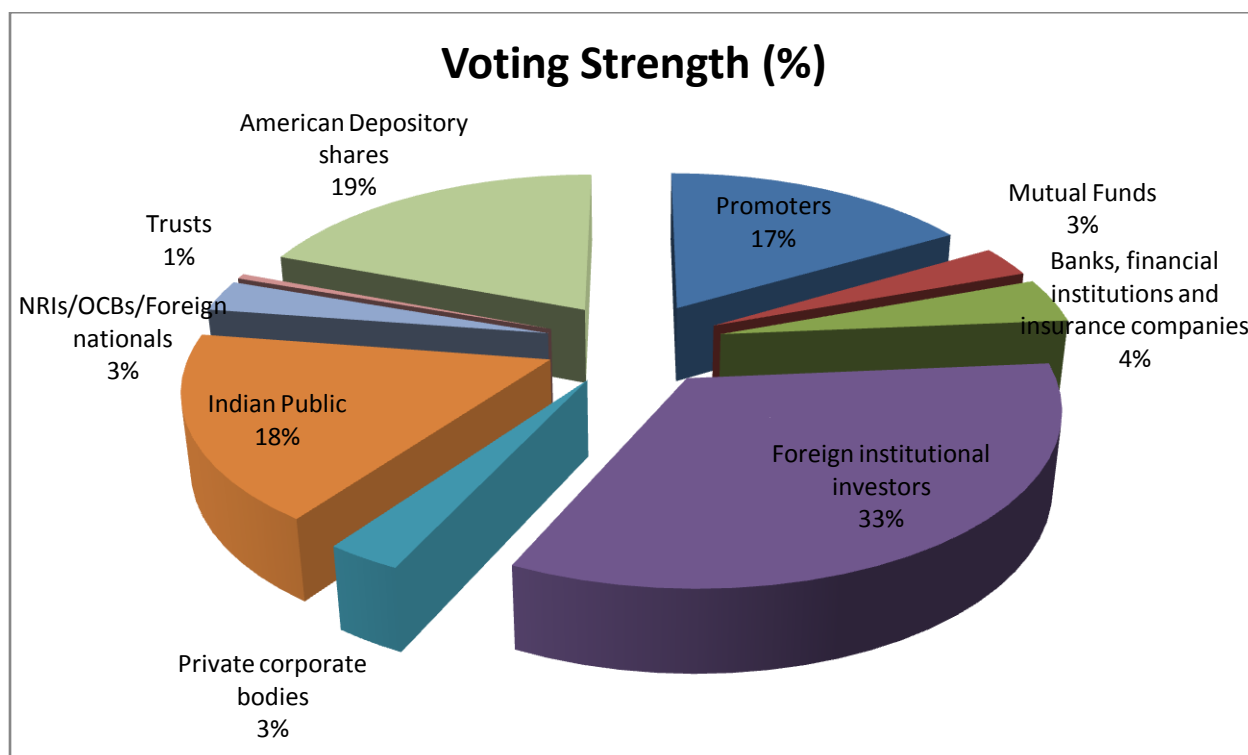
Mission

"To achieve our objectives in an environment of fairness, honesty, and courtesy towards our clients, employees, vendors and society at large."

INFOSYS BUSINESS LINES

Insurance Healthcare & Life Sciences (IHL)	Banking and Capital Markets (BCM)	Communications Media and Entertainment (CME)	Energy, Utilities and Services (EUS)	Retail, Consumer Product Goods and Logistics (RET)	Manufacturing (MFG)	New Markets and Services (NMS) Australia, China, Mexico	India Business Unit (IND)	Infosys BPO
								Infosys China
								Infosys Australia
								Infosys Mexico
Consulting Solutions (CS)								
Enterprise Solutions (ES)								
Product Engineering and Validation Services (PEVS) - PED, PLES, IVS								
Infrastructure Management Service (IMS)								
Software Engineering and Technology Labs (SETLabs)								
System Integration Services (SI)								
Corporate Sales and Marketing (CSM)								
Infosys Leadership Institute (ILI)	Tech Services	Information Systems (IS)	Quality	Human Resources (HR)	Education & Research (EBR)	Security Audit & Architecture (S&A)		

SHAREHOLDING PATTERN - 2008



Category	Number of Shareholders	Voting Strength (%)	Number of Shares Held
Promoters	19	16.52	9,44,95,978
Mutual Funds	184	2.92	1,67,18,693
Banks, financial institutions and insurance companies	71	4.20	2,40,36,054
Foreign institutional investors	563	33.36	19,08,21,914
Private corporate bodies	4,066	2.86	1,63,48,351
Indian Public	5,42,914	17.52	10,01,92,778
NRIs/OCBs/Foreign nationals	7,696	2.95	1,68,69,562
Trusts	48	0.50	28,55,406
American Depository shares	1	19.17	10,96,57,022
Total	5,55,562	100.00	57,19,95,758

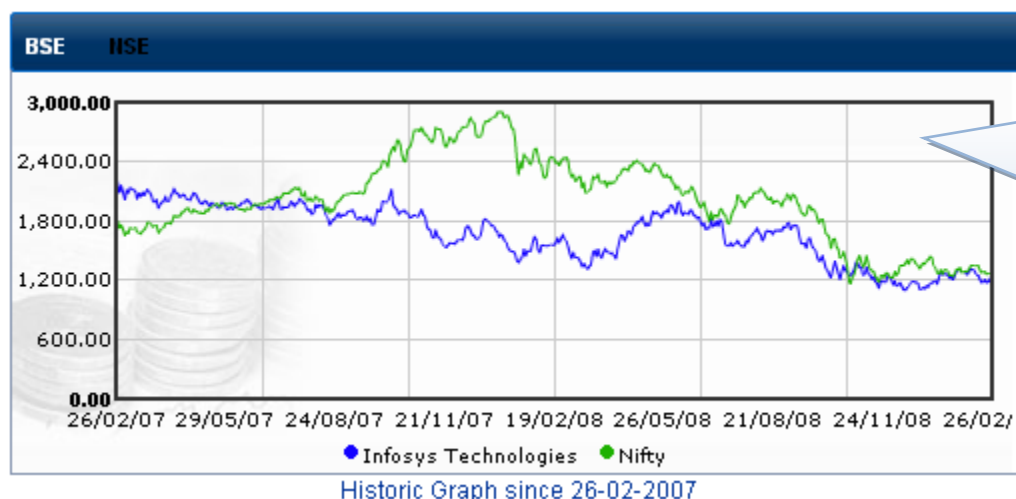
FINANCIAL SUMMARY

IFRS

Revenues:	US\$ 4,684 million
Net Income after taxes:	US\$ 1,273 million
Earnings per ADS:	US\$ 2.23 (basic)
Total assets:	US\$ 4,216 million
Cash and cash equivalents:	US\$ 1,948 million

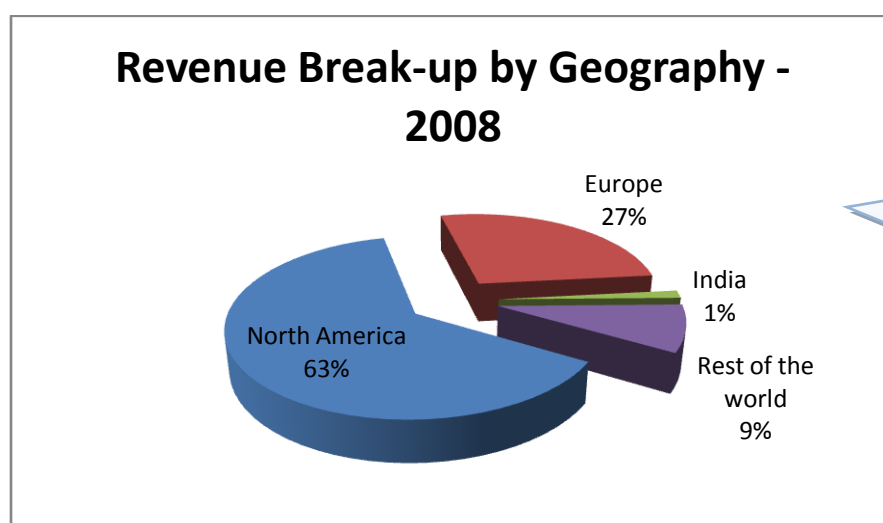
Indian GAAP

Total Income :	Rs. 20,290 crore
Net profit after taxes :	Rs. 5,621 crore
Earnings per share (Rs. 5) :	Rs. 98.26 (basic)
Total assets :	Rs. 17,516 crore
Cash and cash equivalents	Rs. 9,686 crore



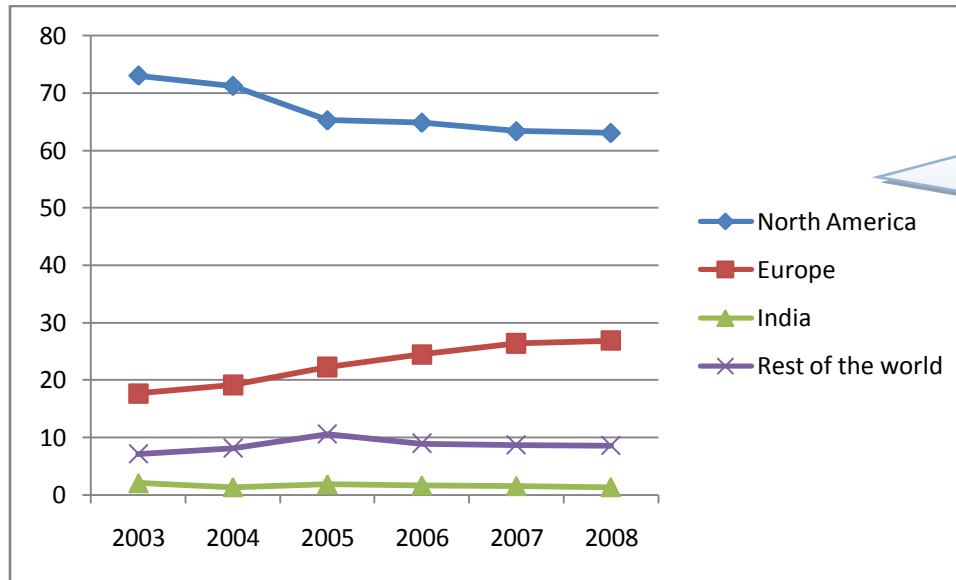
Infosys always beats stock market expectations. It believes in "delivering more than expectations".

Figure: Infosys Stock performance on NSE over last one year.



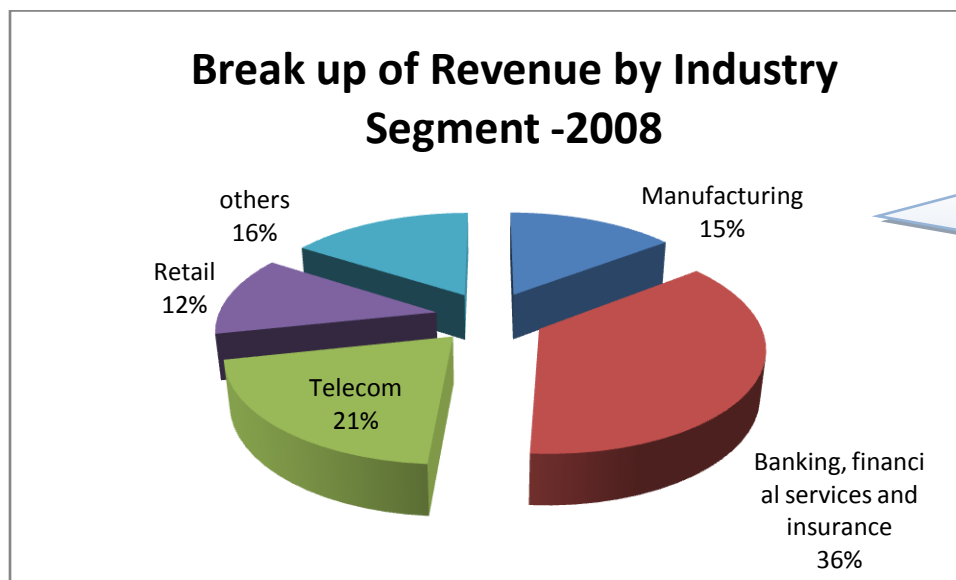
Infosys is highly dependent on North American and European markets for 90% revenues...!!

Figure: Revenue Break up by Geography - 2008



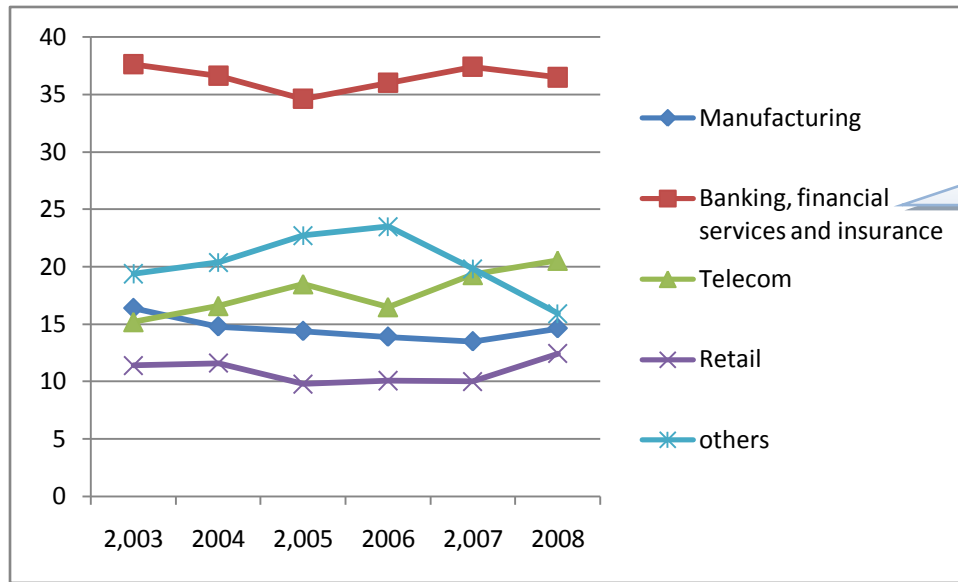
Revenues from US have declined and that from Europe improved.

Figure: Revenue growth from different geographical segments over years.



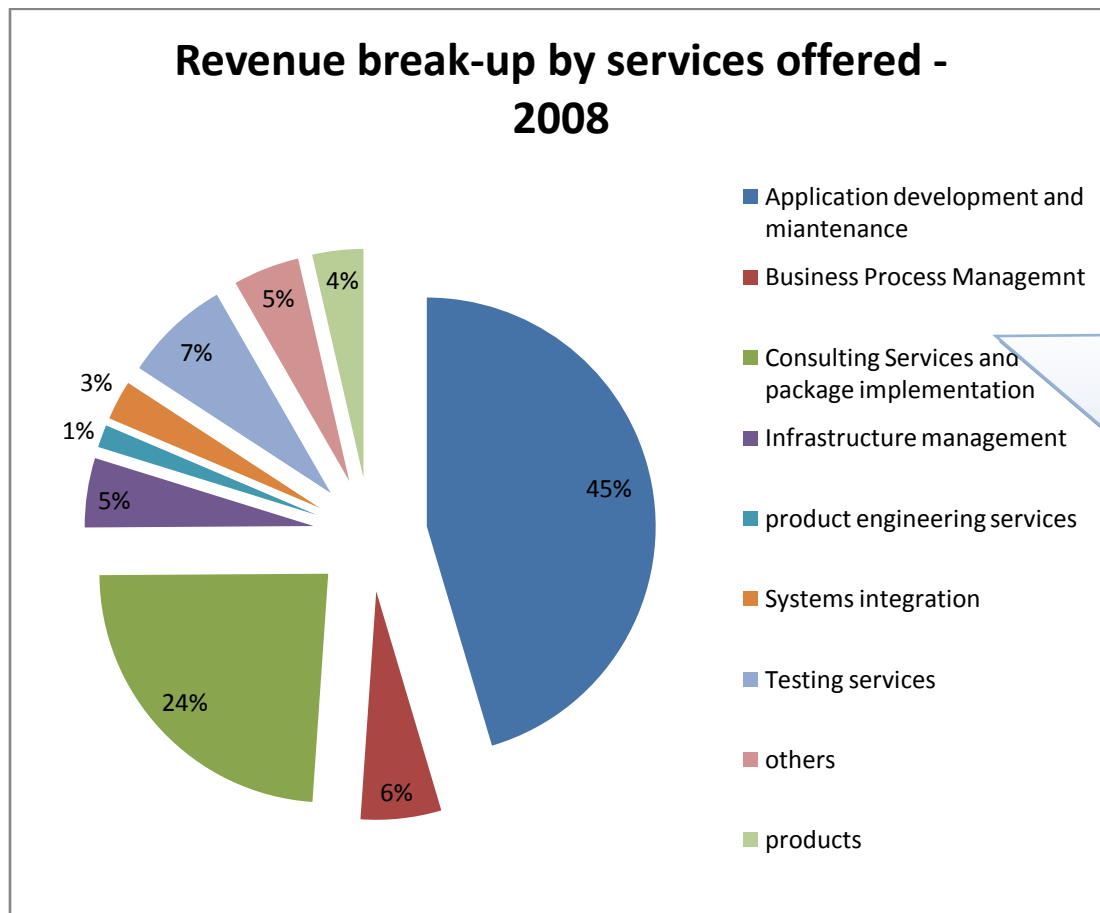
BFSI and Telecom contribute more than 50% to revenues.

Figure: Revenue Break up by Industry Segment- 2008



Focus must shift from BFSI sector to other sectors.

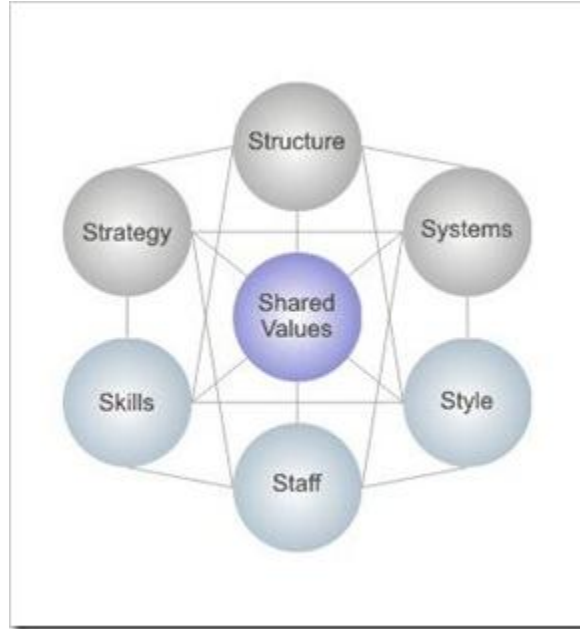
Figure: Revenue growth from Industry segments over years.



Infosys must move up the value chain – concentrate more in consulting, BPO and KPO business.

Figure: Revenue Break up by Services offered- 2008

McKinsey's 7 S Model

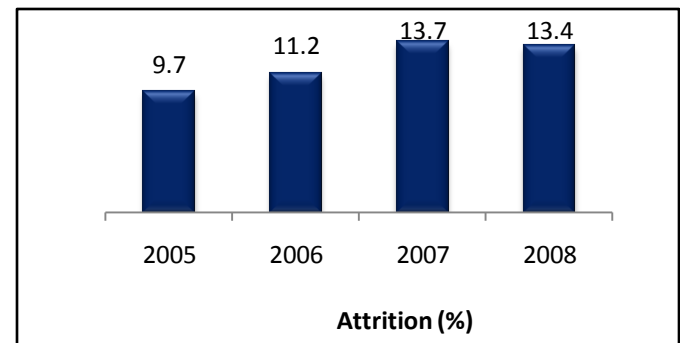


Leadership Style:

Infosys believes that leadership is one of the most essential ingredients of organizational success which is provided by its Chairman, **N R Narayanmurthy**. Leadership is based on high business vision and predominantly supportive styles. There is emphasis on developing leadership qualities among employees. For this purpose, it has established “**Infosys Leadership Institute**”. Top management emphasizes on open door policy, continuous sharing of information, takes inputs from employees in decision making, and builds personal rapport with employees. As we have seen over last few years, we have seen smooth transition from N R Narayanmurthy to Nandan Nilakeni and from **Nandan Nilakeni** to **Kris Gopalkrishnan** without any adverse effects on the company outlook and each one has proved to be an able leader taking company forward.

Staff (Human Resources):

Since Infosys is in **knowledge-based industry**, it focuses on the quality of the human resources. Out of total personnel, about **90 per cent are engineers**. At the entry level, it emphasizes on selecting candidates who find the company's meritocratic culture satisfying, superior academic records, technical skills, and high level of learn ability. The company emphasizes on training and development of its employees on continuous basis and **spends about 2.65 per cent of its revenues on up gradation of employees' skills**, and around 50% as employee costs. In spite of thousands of people joining every month, Infosys has been able to maintain its training standard mostly due to its highly matured processes capabilities and investment in infrastructure.



Strategy:

Infosys has adopted a **client-focused strategy to achieve growth**. Rather than focusing on numerous small organizations, it **focuses on limited number of large organizations throughout world**. In order to cater its clients, the company emphasizes on custom-built softwares. Another differentiating factor for Infosys is that it **commands premium margins**. Company does not negotiate over margins beyond a certain limit and some time prefers to walk-out rather than compromise on quality for low-cost contracts. This has helped in building an image for quality driven model rather than cost-differentiating model.

Increase business from existing and new clients: Infosys has focused on expanding the nature and scope of engagements for the existing clients by increasing the size and number of projects and extending the breadth of its service offerings. For new clients, it provides value added solutions by leveraging its in-depth industry expertise. It increases its recurring business with clients by providing software re-engineering, maintenance, infrastructure management and business process management services which are long-term in nature and require frequent client contact.

Expand geographically: Infosys plans to establish new sales and marketing offices, representative offices and global development centers to expand its geographical reach. It plans to increase presence in China through Infosys China, in the Czech Republic and Eastern Europe directly and through Infosys BPO, in Australia through Infosys Australia and in Latin America, through Infosys Mexico.

Enhance solution set: Infosys focuses on emerging trends, new technologies, specific industries and pervasive business issues that confront our clients. In recent years, it has **added new service offerings, such as consulting, business**

process management, systems integration and infrastructure management, which are major contributors to its growth.

Develop deep industry knowledge: Infosys has **specialized industry expertise** in the financial services, manufacturing, telecommunications, retail, transportation and logistics industries.

Enhance brand visibility: Infosys invests in the development of its premium brand identity in the marketplace by participating in media and industry analyst events, sponsorship of and participation in targeted industry conferences, trade shows, recruiting efforts, community outreach programs and investor relations.

Pursue alliances and strategic acquisitions: Infosys is known for its organic growth (risk averse) strategy though it has strategic alliance with leading technology providers take advantage of emerging technologies in a mutually beneficial and cost-competitive manner.

Shared Values:

Values are important part of Infosys's organizational culture. In fact its tagline depicts how much emphasis it lays on core values. The core values are:

- **Customer Delight:** A commitment to surpassing customer expectations.
- **Leadership by Example:** A commitment to set standards in business and transactions and be an exemplar for the industry and teams.
- **Integrity and Transparency:** A commitment to be ethical, sincere and open in our dealings.
- **Fairness:** A commitment to be objective and transaction-oriented, thereby earning trust and respect.
- **Pursuit of Excellence:** A commitment to strive relentlessly, to constantly improve ourselves, our teams, our services and products so as to become the best.

Organizational Structure:

The company has adopted a **free form organization devoid of hierarchies**. Everyone is known as associates irrespective of his position in the company. Software development is undertaken through teams and the constitution of teams is based on the principle of flexibility. A member, who might have been team leader in one project, may be replaced by another member of the same team for another project. This system not only helps in creating the feeling of equality but also helps in developing project leaders.

Skills:

From last year, Infosys has made it mandatory for every employee to clear a predefined certification, domain as well as technical, in order to be eligible for appraisal. This is just one of the initiatives taken by Infosys which signifies the efforts taken for building competencies. Apart from internal initiatives like knowledge management, Infosys has been **CMM-Level 5 certified for its process capabilities**. Infosys has entered the Balanced Scorecard Hall of Fame for Executing Strategy for achieving breakthrough performance results using the **Balanced Scorecard (BSC)**.

SWOT ANALYSIS OF INFOSYS

STRENGTHS

- Leadership in sophisticated solutions that enable clients to optimize the efficiency of their business
- Proven **"Global delivery model"**
- Commitment to **superior quality** and process execution
- **Strong Brand** and Long-Standing Client Relationships
- Status as an **employer of choice**
- Ability to **scale**
- **Innovation and leadership**

WEAKNESSES

- Excessive dependence on US for revenues – 67 % of revenues from USA
- Excessive dependence on BFSI sector for revenues – 36 % of revenues from BFSI
- Weak player in domestic market. Only 1 % of revenues from India – low as compared to peers
- Low R & D spending as compared to global IT companies – only 1.3 % of total revenues
- Rising wage bill – 42.9 % to 44.8 % of revenues
- Low expertise in high end services like Consultancy and KPO.

OPPORTUNITIES

- **Domestic market set to grow by 20%.**
- Expanding into **new geographies** – Europe, Middle East, etc
- Infosys is **cash rich** (Around US \$ 1 Billion) - **Acquiring companies** to increase expertise in Consultancy, KPO and package implementation capabilities
- **Opening offices** and development centers in cost advantage countries such as those in Latin America and Eastern Europe.

THREATS

- The **economic environment, pricing pressure and rising wages** in India and overseas
- **Intense competition** in the market for technology services could affect cost advantages.
- **High dependency** on a small number of clients, and the loss of any one of the major clients could significantly impact business.
- **Failure to complete** fixed-price, fixed-time frame contracts **within budget** and on time
- **Currency fluctuations**
- **Termination of Client contracts** can typically be terminated without cause and with little or no notice or penalty.

SWOT MATRIX

	STRENGTHS	WEAKNESSES
OPPORTUNITIES	Aggressive strategy for expansion of ADM, BPO, and software products into emerging markets – India, EU, Middle-east.	Acquisition of KPOs, IT consultancy companies in domains of Package implementation, BFSI, Retail, Manufacturing and telecom
THREATS	Diversification: Increase business from existing clients, and service more verticals like Airlines, Telecom, healthcare.	Divestiture: Drop consultancy business in domains of transportation, construction and utilities.

SWOT ANALYSIS OF IBM INDIA



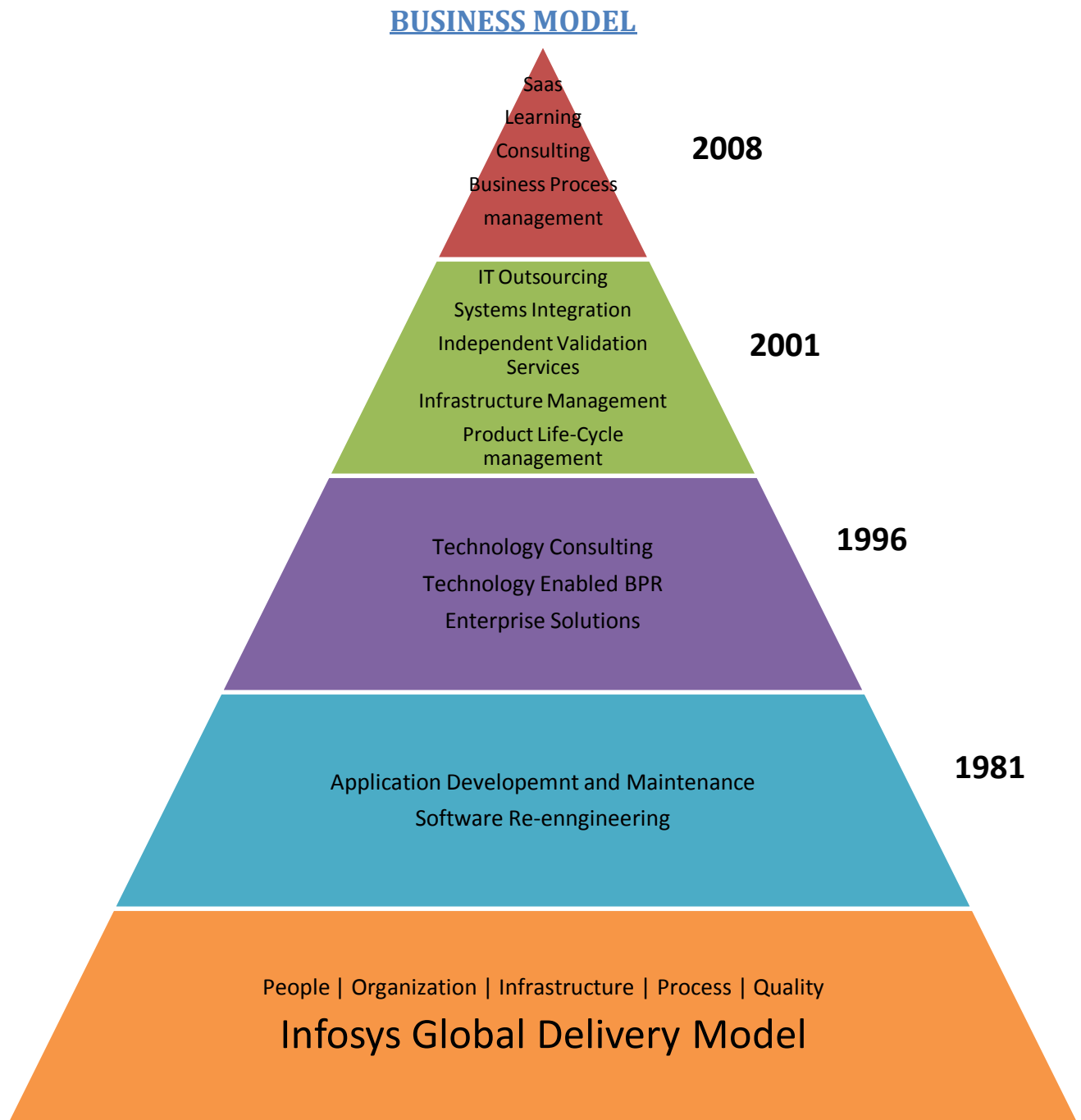
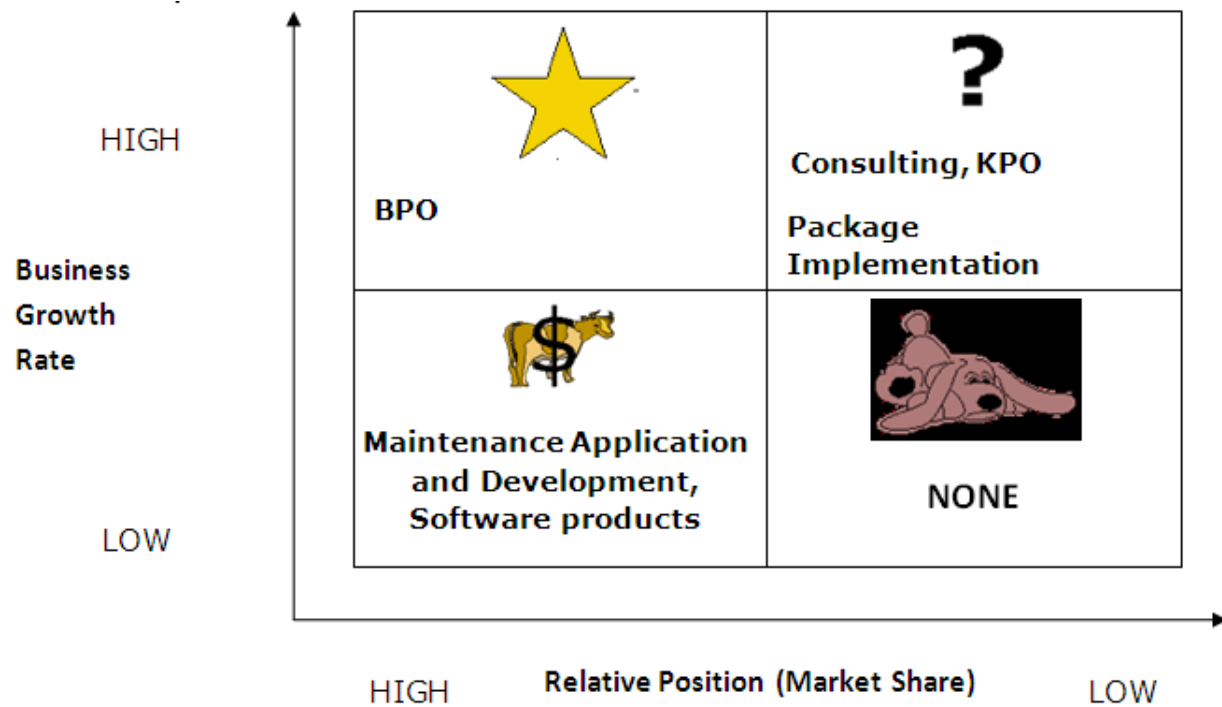


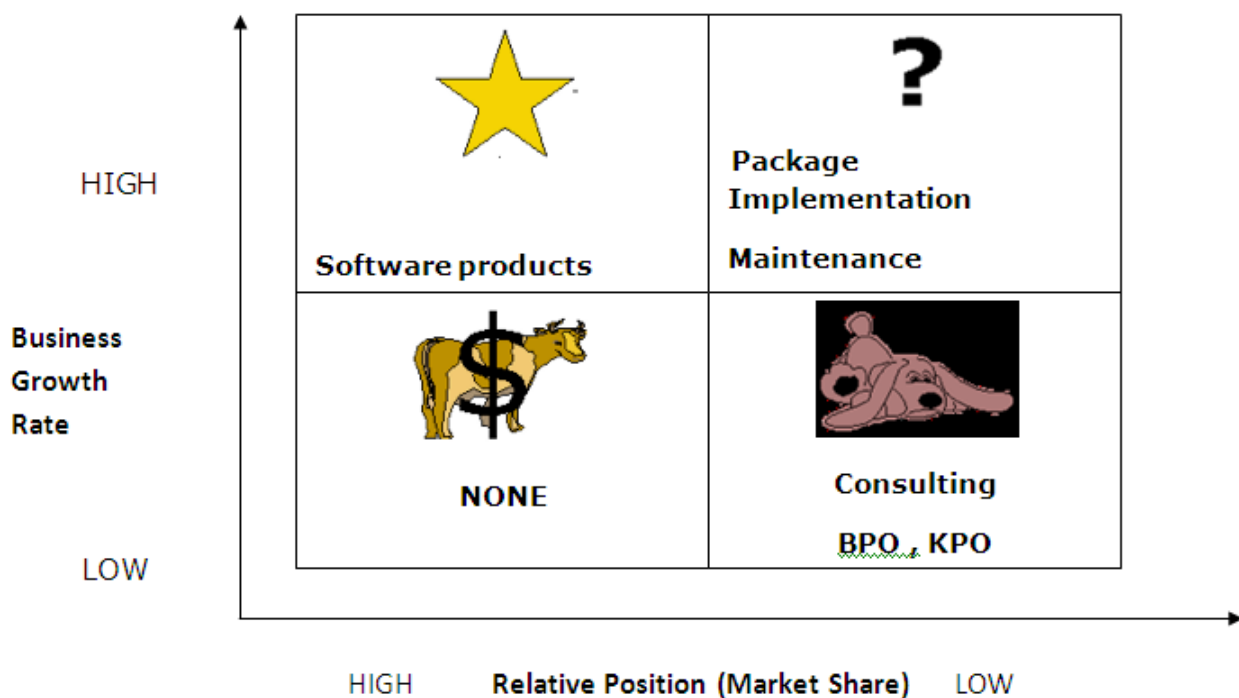
Figure: NEXT GENERATION BUSINESS MODEL

INFOSYS BCG MATRIX

USA



INDIA



ANALYSIS OF STRATEGIES OF INFOSYS

Corporate level strategies: Core Strategies:

Global Delivery Model – Producing where it is most cost effective to produce & selling where it is most profitable to sell.

Moving up the Value Chain – Getting involved in a software development project at the earliest stage of its life cycle.

PSPD Model – “Predictability of Revenues, Sustainability of Revenues, Profitability, De-risking” for risk management.

Firm believer in
“Organic growth”
and **acquire** only
those companies in
line with strategic
goals.

Actions Taken:

1. To maintain low-cost advantage they have opened offices in Czech Republic, Mauritius, Poland, Philippines, Thailand and Mexico.
2. Invested in developing training centers -
3. Improved quality capabilities – CMM level 5i company.
4. Infosys Consultancy established to provide high end services in value chain.
5. Has hedged currency for more predictability of revenues (risk management).

GENERIC STRATEGIES:

1. **Low cost** Global delivery 24/7 Model.
2. Little **differentiation** in low-end services of value chain; high differentiation in high end services of value chain like software products and package solutions.
3. **Focus** on quality, customer relationship management, timely-delivery.

GRAND STRATEGIES:

Ansoff's Matrix:

	Current Market	New Market
Current Product	Market Penetration Strategy	Market Development Strategy
New Product	Product Development Strategy	Diversification Strategy

MARKET PENETRATION STRATEGY:

Current Markets: USA and Europe

Current Products: ADM, BPO, KPO, consultancy services (in BFSI, manufacturing and retail) and software products (financial products).

Recommendation: As most large clients in US and Europe are cutting costs, Infosys needs to be more aggressive on cost and quality front.

Result of strategy: Unlikely to yield good results

MARKET DEVELOPMENT STRATEGY:

New Market: India, Middle-east and Australia

Current Product: ADM, BPO, KPO, consultancy services (in BFSI, manufacturing and retail) and software products (financial products).

Recommendation: Since these are fast developing IT market, Infosys needs a paradigm shift in focus from US and EU markets to these markets.

Result of strategy: Likely to yield good result.

PRODUCT DEVELOPMENT STRATEGY:

Current Market: USA and Europe

New Product: Consultancy and package implementation services in relatively growing sectors esp. healthcare, life sciences and aviation sector, and KPO services.

Recommendation: Concentrate on building expertise in these domains by strategic acquisitions.

Result of Strategy: Likely to have good result. (better the company acquired, the better the result).

DIVERSIFICATION:

New Market: India, Middle-east and Australia

New product: Consultancy and package implementation services in relatively growing sectors esp. healthcare, life sciences and aviation sector, and KPO services.

Recommendation: Changing Brand image from low value service provider to high value service provider.

Result of Strategy: Difficult to achieve overnight (possible in long term)

OTHER STRATEGIES:

CONCENTRATION: 90% of Infosys revenues from American and European nations.

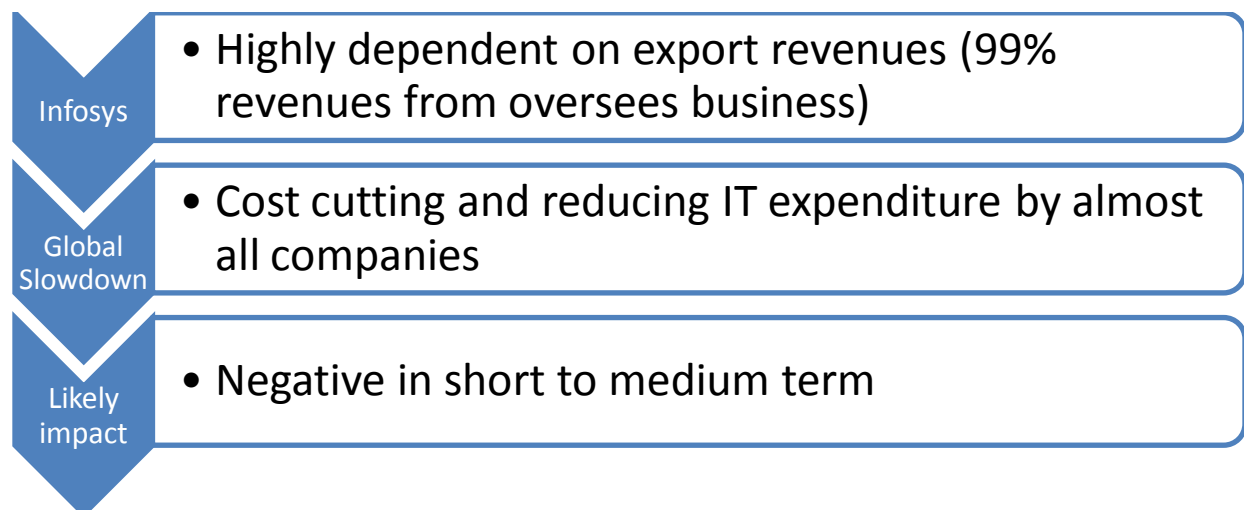
VERTICAL INTEGRATION: Infosys recently made a bid to acquire a European major – Axon consultancy to improve its business in European markets, but finally called off the deal due to high valuation. Otherwise, Infosys has always believed in organic growth.

INNOVATION: The Software Engineering and Technology Labs (SETLabs) at Infosys is the center for applied technology research in software engineering and enterprise technology. SETLabs conducted 24 Innovation Workshops with customers from the US and Australia, to identify research collaboration possibilities. Infosys promotes a favorable work environment that encourages innovation and meritocracy.

STRATEGY SUCCESSFUL OR NOT...??

Infosys is a one of the most successful Global IT Company.

PRE- SUB-PRIME MORTGAGE CRISIS	POST SUB-PRIME MORTGAGE CRISIS
GRAND SUCCESS	Organic growth strategy will only lead to loss of competitive edge & competitors will overtake soon
It has grown from under US \$ 1 billion to more than US \$ 4 billion revenues in less than a decade. It was also the first IT Company from India to be listed on NASDAQ stock exchange. Reasons: Acquisition by IT companies increase revenues but negatively impacts bottomline. Infosys avoided acquisitions and maintained the margins.	Reasons:- - IT Services Market has matured → Consolidation amongst IT players is key High margins eroding → no longer 30 % margins possible Difficult to add revenues organically → due to global slowdown
Always a ' BUY ' - Most favored company by Investors	'Underperformer' rating by most brokerages – to be seen 'cautiously'.
RECOMMENDATION: Consolidation and strategic acquisition	

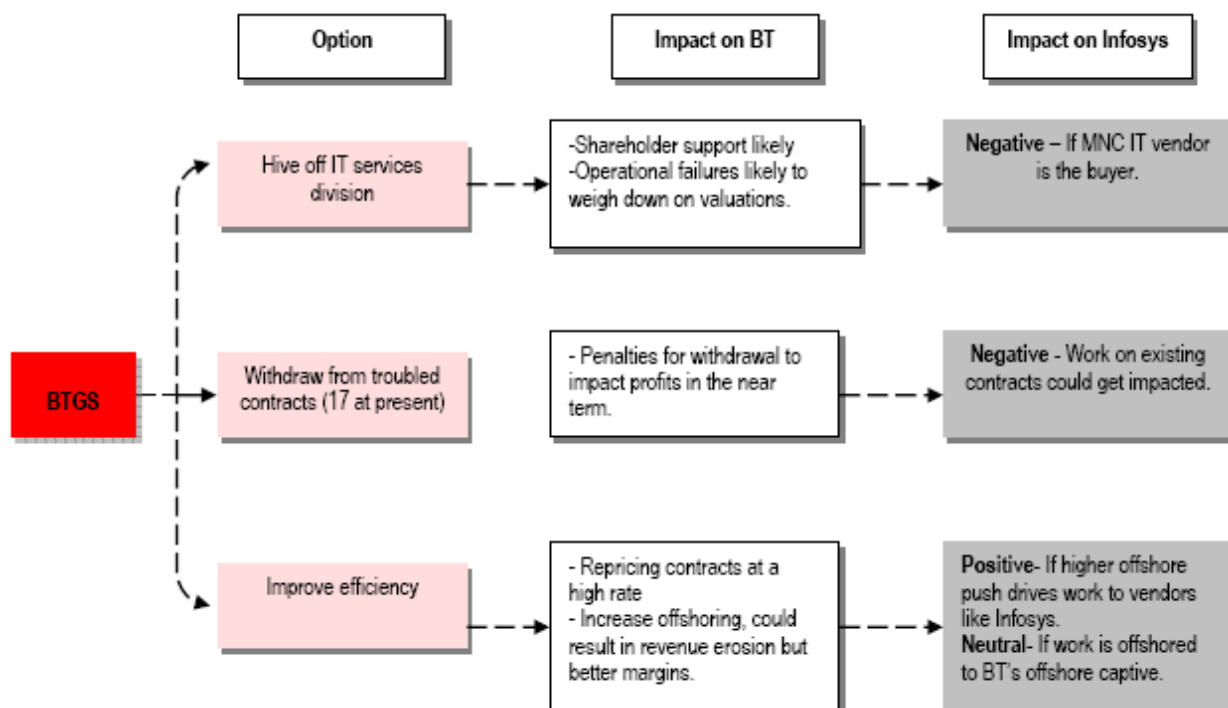


CASE STUDY

BRITISH TELECOM –

Largest client of Infosys in terms of revenues contributed – (9.1% of total revenues in FY2008). However, BT has taken £ 340mn write-downs. Thus future BT strategies can have one of the following impacts on Infosys:

SCENARIOS AND IMPACT



BT will remain to be a wild card for Infosys.

Exhibit 3: BT is crucial to growth in FY10E – Scenario Analysis

	FY07	FY08	FY09E	FY10E				
BT revenue (US\$ mn)	218	381	322	241	273	322	370	402
Growth YoY (%)	115.7	75.3	-15.6	-25.0	-15.0	0.0	15.0	25.0
As % of total revenue	7.0	9.1	6.9	5.6	6.2	7.2	8.2	8.8
Growth contribution (%)	12.4	15.1	-12.0	-22.8	-17.7	0.0	27.4	84.2
Total revenue (US\$ mn)	3,090	4,178	4,674	4,321	4,402	4,450	4,498	4,579
Growth YoY (%)	43.6	35.2	11.9	-7.5	-5.8	-4.8	-3.8	-2.0

Source: Company data, JM Financial. Base case scenario.

CONCLUSION: The global slowdown will impact the revenues of Infosys as it is dependent on large international behemoths (which are in troubled waters).

LESSONS TO DRAW

1. “Do not put all eggs in one basket”

Companies must provide diverse services to refrain from being over-dependent and increasing exposure to the vulnerabilities of few sectors/companies/geographies.

2. Provide more high-end services in value chain (3rd WAVE in IT)

There is a move required from ADM (Application Development and maintenance), BPO to Consulting and Package Implementation, etc.

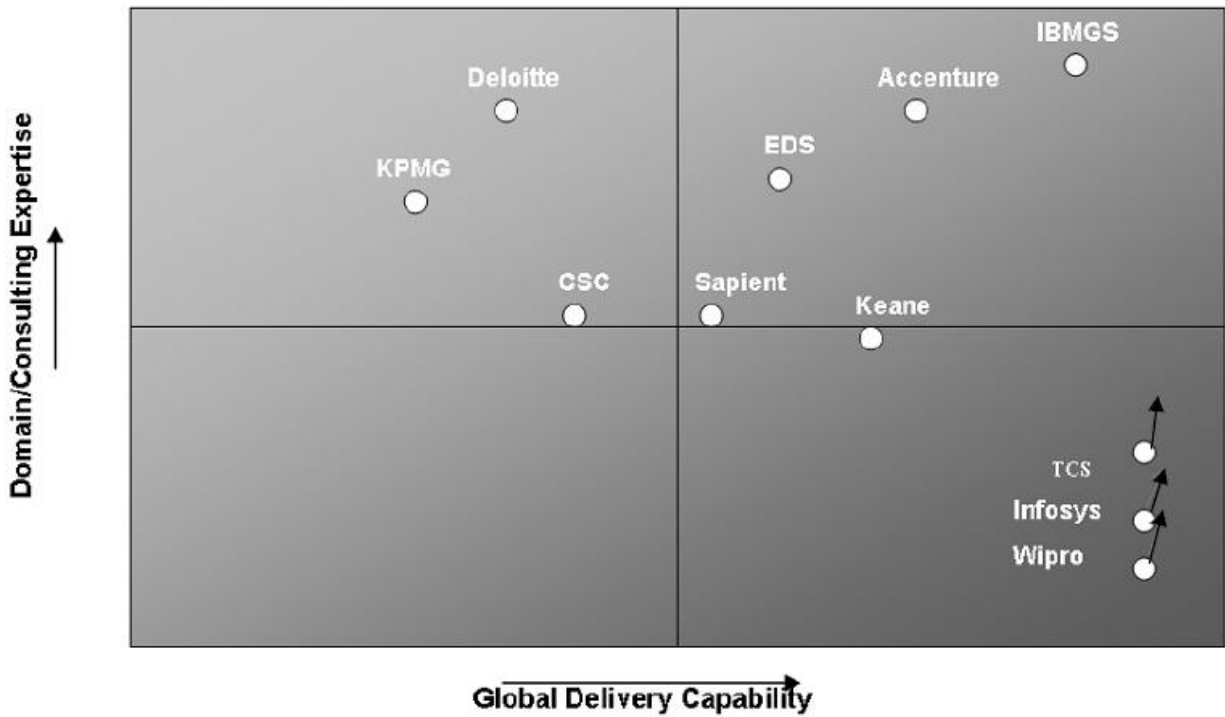
3. Shift in focus from Low cost advantage to high quality services.

4. Consolidation and strategic acquisitions are essential for future growth of revenues.

5. Quickly adapt to high growth markets is necessary: In FY2008, Indian domestic market grew by 20%, but Infosys revenue from India declined to 1%, unlike other IT companies.

Opportunities in IT INDUSTRY

Consulting – Key IT Growth Driver



This represents huge opportunities for Indian IT players in consulting domain.

REFERENCES

Research Reports:

1. Indian IT/ITes Industry: Impacting Economy and Society: 2007-08 – A NASSCOM and DELIOTTE Study
2. IT/ITeS – Market and Opportunities – IBEF (India brand equity Foundation)
3. NASSCOM Strategy Review – 2009, 2008, 2007.
4. Annual Reports and Quarterly reports, Infosys – 2008-09, 2007-08, 2006-07, 2005-06, 2004-05, 2003-04.
5. Investor Presentations, Infosys - 2008-09, 2007-08, 2006-07.
6. NASSCOM – McKinsey Report – 2005.
7. JM Financial – Report on Infosys – February 2, 2008
8. Emerging Destinations for IT/ITeS Industry – NASSCOM and KPMG Report.

Newspapers:

1. Economic Times
2. Mint

Magazines:

1. Business Week
2. Outlook Money

Websites:

1. www.finance.yahoo.com
2. www.moneycontrol.com
3. www.infosys.com
4. www.nasscom.org and www.nasscom.in
5. www.ncaer.org
6. www.mait.com/it-policies.php#schemes