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Infosys Consulting

Steve Pratt was under the gun to hire, and hire quickly. Two years into his tenure as chief executive of Infosys Consulting, this seemed the normal state of affairs. The firm had grown from its founding in mid-2004 to over 200 consultants, and such rapid expansion pleased the high-aspiration leadership team of parent company Infosys Technologies Limited (Infosys). But to meet Infosys Consulting's goals for continued growth, Mr. Pratt and his colleagues would have to sustain or even build upon their impressive track record of hiring top talent.

Mr. Pratt eyed his audience of attentive MBAs in the midst of defining their career ambitions and proceeded with the pitch he had delivered many times. "Infosys Consulting is working day and night to be the world's greatest training ground for future CEOs," he began.

He knew that strategy consulting firms such as McKinsey and Bain made similar claims, but he believed Infosys Consulting offered more. Indeed, learning the basics of strategy and competition were imperative steps in any executive's development, and strategy firms certainly offered experience in that area. But CEOs also needed to master the operations of complex organizations that employed tens of thousands of people around the world. Further, these chief executives needed to understand how to create change in such organizations. Any set of complex operational changes demanded a sophisticated understanding of the potential and limitations of information technology (IT).

Only Infosys Consulting offered experience in all of the above.

Origins

When Agilent Technologies separated from Hewlett-Packard in 1999, Agilent turned to Deloitte Consulting to assist with the complex IT transition. Mr. Pratt, with over 15 years' consulting experience, led the engagement. Agilent became an ongoing client. A few years later, Agilent's CFO asked Mr. Pratt for some help in reducing costs, and Mr. Pratt pointed out that Deloitte's professional fees were a large cost item.

Meanwhile, a longtime friend and colleague of Mr. Pratt's, Raj Joshi, was busy building a partnership between Deloitte and an IT firm in India, trying to get Deloitte ahead of an offshoring wave that he believed would transform the industry. The two talked. Soon, to reduce costs, Agilent became the first client that Deloitte served using a global delivery model (GDM).

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Mr. Pratt was stunned by just how well the arrangement worked. He and Mr. Joshi began writing an operating guide for separating the work that had to be done on the client site from that which could be completed on another continent. The two began to consider the implications for Deloitte.

After nearly 12 years with Deloitte, Mr. Pratt had accrued considerable influence. At one point, he had launched a new customer-relationship-management practice and built it to a $750 million operation. Inspired by the importance and potential of a GDM for IT services, he engaged Deloitte's strategy group in a discussion of what it would look like to take the entire firm in the same direction.

Discovering that the leadership team within Deloitte was less excited about tackling such a mammoth change in the firm's operational strategy, Mr. Pratt and Mr. Joshi decided they would find another way. Mr. Joshi previously had approached Infosys about a partnership with Deloitte. Although Infosys's founders knew Mr. Joshi, they declined at the time because they viewed Deloitte as a competitor.

It was time to return to Infosys.

When Mr. Pratt and Mr. Joshi arrived at Infosys's headquarters in Bangalore, they were surprised to find the entire board of directors present for the meeting. They presented their idea for a new firm: "Let's combine high-end consulting with your GDM and take on the consulting industry." They described how Infosys's GDM, an incredibly efficient machine for delivering custom IT solutions, would enable the company to undercut the competition. They explained how even with lower prices, Infosys could invest more in its people and achieve higher quality. They described how the firm would be quicker than its competition because it could literally work around the clock. In brief, Infosys could be better, faster, cheaper.

Chairman Narayana Murthy invited Mr. Pratt and Mr. Joshi to take a walk around the Infosys campus. One hour later they returned. Mr. Murthy said, "Let's do it." Within a few months, they had ironed out all of the details and acquired $20 million in funding to start building a world-class consulting team.

Expanding the Value Proposition at Infosys

For about three years prior to this decision, Infosys had been building a presence in consulting. All of the company's Integrated Business Units (IBUs), industry-focused groups within Infosys, were working independently to expand their capabilities.

The company viewed a consulting offering as an important improvement to its business model. In the typical scenario (without a consulting capability), a potential client, most often a corporate IT group, would contact Infosys with a specific programming request. The potential client already would have conducted a great deal of analysis, proven that the investment was worthwhile by making detailed cost calculations, and even drawn up clear specifications for the desired software functionality. The potential client might have weighed a choice to buy a packaged solution and customize it for their needs, do all of the programming themselves, or hire Infosys or a competitor to do the programming for them. Purchasing practices in many companies dictated that Infosys provide a detailed written response to all potential clients' requests for proposal (RFP).

With a consulting capability, conversations with clients could start in a much different way. The head of a business function rather than the head of IT would open the dialogue. The conversation would target unsolved business problems, not uncompleted programming tasks. And Infosys would have the opportunity to expand its focus from the budgetary and schedule considerations of delivering software to total client impact—on operational change, competitiveness, and profitability. To the extent that Infosys consultants could engage in conversations at higher and higher points within their clients' organizations, they would be able to tackle higher value problems and, as a result, raise their fees.

Thus, the addition of consulting services to Infosys's collection of offerings was a linchpin in the transformation from "custom software provider" to "end-to-end solutions provider" that Mr. Murthy visualized. By bringing on experienced players like Mr. Pratt and Mr. Joshi and giving them a charter to build a new business, Mr. Murthy expected to accelerate the transition.

Adding consulting services was also one aspect of Infosys's plan to break the close coupling between revenue growth and head-count growth. The company's employee base of more than 50,000 had raised concerns about how long its human-resources intensive business model could be sustained.

Consultants earned much higher fees than programmers, and that would raise the average revenue productivity of an Infosys employee, a closely watched metric. Just as important, a consulting relationship that was joined seamlessly with an IT services group could lead to higher fees for IT services.

Developing a Vision for Infosys Consulting

The notion of an "end-to-end" consulting firm—a single firm that could operate from the highly esoteric world of strategic analysis to the very practical but extremely technical world of information technology—was not original. Many firms in the IT world aspired to the same, including giants IBM and Accenture. But in Mr. Pratt's view, none had done it well. Efforts to combine IT services with business consulting services tended to fall victim to several common pitfalls.

Comfortably integrating cultures posed one such pitfall. "You were either a prima donna [consultant] or a propeller-head [programmer]," described Mr. Pratt, reflecting on observations of other firms. It was also easy to leave skill gaps in the spectrum between strategy consultants and technologists, as Mr. Pratt and his colleagues learned from studying the struggles A.T. Kearney and Electronic Data Systems (EDS) faced. Strategy firm A.T. Kearney focused on high-level strategy, while EDS focused on data centers and core IT infrastructure. That left a range of operational capabilities out of the picture.

To ensure they fared better than companies that had tried to combine consulting with IT services in the past, Mr. Pratt and his colleagues became students of history. They drew as many lessons as they could from the successes and failures of other firms and set out to design an approach that would outperform.

Nothing was more important than developing a strong partnership with Infosys. Romil Bahl, Infosys Consulting's third founding partner, a former head of EDS's consulting services and a longtime friend and colleague of both Mr. Pratt's and Mr. Joshi's, elaborated:

> I believe that our consulting services are higher in quality and sophistication than those of our direct competitors. But it will be hard to differentiate on that basis alone, at least in the short term. We have to assume that our relationship with Infosys is our most important competitive advantage. With the Infosys GDM behind us, we can assume complete accountability not just for developing strategies and solutions, but delivering them end to end.

Infosys Consulting planned to offer strategic services but intended to focus on serving clients that faced complex operational and organizational change, serving them in ways that led to tangible and measurable bottom-line impact. The Infosys Consulting brand would stand for deep insight into technology-enabled change plus a low-cost, high-quality capability to fully implement new IT systems.

Expectations

For their $20 million investment, the leadership team at Infosys expected quick financial results. They not only expected Infosys Consulting to grow rapidly, they wanted evidence that it could change Infosys's existing client relationships from tech focused to business focused.

Although it was hard to benchmark financial goals against any comparable consulting startup, Mr. Pratt and his colleagues were comfortable with the expectations because they knew they would be able to leverage Infosys's presence; they were not starting from scratch.

Infosys Consulting also faced a challenge in that Infosys was accustomed to high predictability in its forecasts. In company jargon, every leader was expected to make his or her operations "PSPD"—predictable, sustainable, profitable, and de-risked. Forecast accuracy was a visible metric within the company, and Infosys had proven successful in offering accurate Wall Street guidance. One reason the company was able to achieve such high levels of accuracy was because its core business operated on long-term contracts for ongoing software applications development and maintenance.

Mr. Pratt and his colleagues drew up a detailed strategy for Infosys Consulting, with projections by industry. The strategy quickly proved an act of imagination. Soon after it was written, the two men recognized the reality—they needed clients. At least early on, they would be happy with a client in any industry. Their first was in the financial services industry: Institutional Shareholder Services, where they had a relationship with the CEO.

Building Infosys Consulting

Part of Infosys's expectations was that Infosys Consulting would hire only the top 10 percent of talent. Mr. Murthy explained the rationale:

> You have to hire A players. If you hire B players, they will hire C players, and the C players will hire D players, and pretty soon you have a bunch of idiots running the company.

Hiring was demanding for the partners. As Mr. Joshi recalled,

> Just hiring the first 100 people is a huge amount of work, especially when you are also responsible for selling and delivering consulting services to clients. Of course, we also had to think about developing some intellectual capital for Infosys Consulting. The founding team did all of this.

Mr. Pratt and his colleagues considered carefully the kind of culture they wanted to create. First, they wanted to eradicate the arrogance that had become pervasive among consultants in the late 1990s and replace it with Infosys's values, among them integrity, fairness, egalitarianism, a commitment to learning, and, in starkest contrast to the typical consulting firm of years past, humility. Mr. Pratt elaborated:

> Humility is about respecting your client. It does not mean you have to be a wimp. We want confidence without arrogance. Arrogance does not work at Infosys and, in the long run, it doesn't work with clients either.

The strongest value within Infosys was commitment to client service. To reinforce this value, Mr. Pratt instituted a practice of tying each consultant's *compensation* to client *evaluations* of the consultant's performance.

While adopting these foundational values, Mr. Pratt also recognized that he would have to differentiate his organization from his parent company if he wanted to attract top talent. Infosys Consulting would need a distinct brand identity. Its work would have to be perceived more as "art," distinct from Infosys's work as "science." Infosys Consulting would also have to alter the corporation's compensation norms. Top consultants would not be attracted easily to an upstart consulting division within a massive IT services firm.

Nonetheless, Mr. Pratt and his colleagues put together an impressive team, primarily by attracting experienced consultants from rival firms. Early hire Ming Tsai, for example, was the former head of IBM's global retail practice. The team continued making experienced hires until they had recruited 22 practice leaders.

Infosys CEO Nandan Nilekani described his perspective on the Infosys Consulting team:

> We decided to launch Infosys Consulting in order to expand our capabilities so that we could solve client problems at a more strategic level. To attract the best possible candidates who could help us build this capability, we needed a distinct and separate brand. We considered an acquisition but were concerned about a culture clash. Instead, we hired a top management team, one made up of top partners with deep experience. Then we let them do the rest, and they have proven able to attract great talent.

At junior levels, Infosys Consulting hired predominantly from top MBA programs in the United States; there were limited opportunities for Infosys employees who were involved in consulting-like activities to make a lateral transfer into Infosys Consulting. The company also began building an India team, planning to push the global delivery model into their consulting work, not just software development.

To facilitate interaction with Infosys, Infosys Consulting adopted a similar organizational structure. It created "vertical" groups focused on specific industries and "horizontal" groups focused on specific skill sets. Although the overall structure was similar, Infosys Consulting created its own definitions of roles and responsibilities at each level.

Early Operations

In early sales conversations, Infosys Consulting's founding partners took a bottom-line approach to describing the benefits of having the company as a business transformation partner. They talked early and often about the return on investment that could be achieved in a given project and encouraged clients to measure their results. They found that because Infosys was so positively perceived by existing clients, it was easier to arrange meetings with prospective clients than had they been building an independent consulting firm from scratch.

In the first few quarters, early sales successes helped build Infosys Consulting's credibility within Infosys. Soon, Infosys Consulting was flooded with requests from client leads within the parent company. Each wanted to partner with Infosys Consulting on sales calls. Early on, Mr. Pratt and his colleagues tried to fulfill as many requests as they could, but by the end of 2004, it was clear they were trying to do too much. Some of their partners within Infosys were disappointed with the strength of the follow-through after initial sales conversations. Infosys Consulting retrenched and prioritized, naming a finite number of target accounts and service offerings. The first half of 2005 was a slower period.

As Infosys Consulting gained experience in delivering work with Infosys, it developed a typical staffing model. Its goal was to build teams with a set ratio of consultants to IT services personnel. The company called it the "one-one-three" model, which indicated a standard that for every consultant involved, there were four Infosys employees involved, of which three were based in India. (Within Infosys Consulting, the ratio of consultants to partners was 10 to 1, a ratio similar to their competitors'.)

A typical assignment started with an evaluation of client needs, lasted a few weeks, and involved only a few consultants. Then the project would move into an implementation phase, which could involve 50 people in total, following the one-one-three model.

New hires to the Infosys Consulting team typically were unfamiliar with the GDM. As a result, Infosys held a number of workshops with Infosys Consulting to train them on the benefits and potential pitfalls.

Just as Infosys broke down each task in software development, analyzing which task demanded client interaction and which could be accomplished overseas, Infosys Consulting analyzed each task in the consulting process. The consulting firm concluded that library research, analytics, creating presentation materials, and building knowledge management systems were among the tasks that could be accomplished easily overseas.

In time, through a period of experimentation in which Mr. Pratt felt they may have gone too far in moving tasks offshore, Infosys Consulting zeroed in on its own GDM. It found roughly 30 percent of consulting work could be accomplished offshore. Though this was a meaningful advantage over firms that did all work locally, it was substantially less than the 70 percent or more of the IT services work that could be moved overseas. The Infosys Consulting team also discovered that planning the amount of consulting work to be accomplished offshore was more difficult because it was harder to precisely lay out each step in advance.

Infosys Consulting demonstrated its potential to change the relationship between Infosys and its clients early. Chandra Shekar Kakal, Infosys's head of enterprise solutions, a group that helped clients install packaged software from companies like Oracle and SAP, noted that his group was more frequently drawn into higher-level conversations about business process redesign and managing organizational change. Similarly, Joydeep Mukherjee, head of delivery for the energy, utilities, and resources IBU, commented that by working with Infosys Consulting, he had repositioned Infosys in his most important client's mind from "software house" to "business transformation partner." The client had seen how often projects go awry in the transition from strategy and process redesign to IT implementation, and recognized that the one-two punch of Infosys Consulting and Infosys solved the problem.

Towards the end of 2005, business accelerated again, this time driven as much by a hot market as by internal interest from Infosys.

Governance

Mr. Pratt reported to an Infosys Consulting board of directors. Several directors served on the boards of both Infosys and Infosys Consulting. In this way, the company assured the congruence of goals for both units.

Infosys Consulting was also tightly integrated with the strategic and operational planning cycles of Infosys. Each quarter, Mr. Pratt participated in two-day meetings in which the senior management team reviewed the operating plans of every unit. In addition, every two weeks, Mr. Pratt participated in "best estimates" calls in which all unit heads updated their expectations for the quarter.

This practice inevitably led to a measure of competitiveness between units. It was natural for the group to seek common metrics for making performance comparisons between units. Mr. Pratt described the environment:

> There is amazing attention to detail in the numbers, and there is certainly pressure to hit the same metrics and standards.

However, Mr. Pratt was successful in persuading the group that Infosys Consulting needed to be evaluated differently. Most significantly, given that the business was still small and included projects that were shorter term, Infosys Consulting could not be held to the same standards for predictability. Sanjay Purohit, Infosys's head of strategy, described his perspective:

> We measure forecast accuracy routinely. Stable service lines are expected to achieve above 85 percent accuracy—and actual accuracy is around 92 percent—and they are expected to project their performance two years out. But for new units, like Infosys Consulting, forecast accuracy may be as low as 50 percent. What if you have only three clients and one unexpectedly drops? The objective for Infosys Consulting is to establish a service, not to achieve predictability, though they are getting better at that quickly.

Mr. Pratt felt that because Infosys Consulting had been set up as a separate legal entity, with separate management systems, it was easier to make a case that a given metric and standard did not apply. If they had been on the same systems, the pressure to live by the same rules would have been much higher because Infosys was very process driven and it was hard to create exceptions. Of course, there were added administrative costs associated with operating on separate systems but, according to Mr. Pratt, Infosys Consulting was aggressive about automating management systems and, thus, these costs were minimal.

Building a Partnership with Infosys

To create a productive relationship with Infosys, Mr. Pratt and his colleagues worked on persuading Infosys client leads that there was value to both sides in the partnership. It could be a symbiotic relationship.

Still, building relationships was a delicate proposition. It was natural for a client lead within Infosys to be uncomfortable with a new business unit trying to develop a relationship with the client at a more senior level. After all, the client leads perceived that their most important task was strengthening the client relationship. Instinctively, they worried about losing control of the relationship as well as the possibility that Infosys Consulting might damage the relationship.

In Mr. Bahl's estimation, approximately one-third of Infosys client leads were eager to explore collaborations—more than enough to keep Infosys Consulting busy. Another one-third first watched closely for signs that Infosys Consulting was succeeding; they worried that one poorly received Infosys Consulting project could sink a much larger client relationship. The final one-third showed little inclination to collaborate.

To build productive relationships, Mr. Bahl emphasized the importance of getting in a room together and talking through the issues—specifically, talking through as many possible client scenarios as possible, with facts and concerns clearly understood. When this was possible, Infosys teams invariably appreciated the consultants' tone. Mr. Pratt recognized the value in the approach as well, reflecting that if he could have the opportunity to do anything differently in the first two years, it would be to spend more time getting to know business heads on a personal level.

> In a global operation, it is impossible not to rely on email. We don't even have voice mail. People here are focused on efficiency. They type very short messages. It makes it difficult to know people. Often, when you don't know someone well, you understand only the content of the email, not the intent behind it.

Mr. Nilekani was one of many at Infosys who believed that choosing the right performance measures and incentives could make a big difference in building a constructive partnership. The company designed the incentives to produce a combination of mutual accountability and mutual rewards. For example, both Infosys and Infosys Consulting were credited with revenues for the full project, and both were held accountable when clients were dissatisfied with results. For accounting purposes, there was also a system for allocating revenues between the two units, but individual incentives were based on combined revenues. This system alleviated a natural tendency to compete for ownership of certain tasks of a client engagement in order to bulk up numbers.

Once an Infosys client lead made the decision to collaborate with Infosys Consulting, there were additional operational challenges to tackle. Both partners had much to learn from each other. Infosys Consulting was experienced in managing large consulting programs; Infosys had a deeper understanding of the global delivery model demands.

In sales, both sides had to be on the same page when approaching the client. What value proposition was the company offering? Who would lead which parts of the conversation, with whom, and when? When was it time to talk about broad business challenges and when was it time to talk about specific engineering requirements? In initial sales calls, Infosys Consulting needed to reposition perceptions of Infosys as an IT service provider to Infosys as a business transformation partner. This was a difficult task, especially with established Infosys clients who had developed a set of expectations based on the existing Infosys model.

Another operational challenge in delivering work was defining which group was responsible for each task in a client engagement. The general guideline that Infosys Consulting solved business problems and Infosys solved technology problems was only a starting point, but in 2006 there were still several gray areas.

If Infosys and Infosys Consulting were to take the value of their partnership to its fullest potential for their clients, there could be no loss in continuity as projects moved from business design to technology implementation. Although the consulting group typically created a "final" document—often as long as 200 pages, detailing new business processes and defining technical requirements—responsibility was never completely handed off from Infosys Consulting to Infosys. In fact, delivery managers from both sides participated in management meetings from the beginning to the end of every engagement. As an added precaution, Infosys and Infosys Consulting designed process overlaps—that is, transition work steps that were purposely overstaffed so that personnel from both sides participated.

Naturally, there were differences in opinion about how to manage client engagements. According to Mr. Bahl, the best way to resolve these disagreements was to frequently ask a simple question: What is in the *client's* best interest?

In fact, this constant refrain had on occasion resulted in Infosys Consulting advising clients to put a stop to Infosys projects until fundamental questions about business strategy and organization had been addressed. While that inevitably cost Infosys in the short run, Mr. Bahl believed clients tended to remember and call back.

Through 2006, Infosys Consulting did not experience difficulties in staffing a sufficient number of software engineers to the projects they sold, though several project start dates had to be delayed one or two weeks. Infosys was a much larger company and had sufficient slack in its staffing system to handle whatever work Infosys Consulting generated.

Mr. Mukherjee, after working deeply with Infosys Consulting, reflected on both the benefits and challenges of the partnership:

> As long as we create a sense that we are all on the same team, it works. Today, we are collaborating well, and Infosys Consulting helps us get into a stronger position against the competition and set higher prices. We just have to avoid getting into situations where we are trying to one-up each other.

Infosys Consulting was collaborating much more heavily with some IBUs than with others, essentially due to client demands and the eagerness of Infosys client leads to work with the company. In addition, some Infosys business units were less of a natural fit for consultants because their work was less coupled with consulting work. For example, Infosys business units focused on IT infrastructure management and software validation testing were less likely to be naturally linked with business transformation efforts. They were predominantly technical in nature.

By contrast, the enterprise solutions group collaborated heavily with Infosys Consulting, as clients implementing enterprise systems were generally involved in large-scale organizational transformation. In fact, nearly half of Infosys Consulting's work was in partnership with this group. Mr. Kakal reflected on the value of working with Infosys Consulting:

> Our group has built a solid track record in implementing enterprise solutions. With Infosys Consulting, we are able to combine this capability with skills in business process redesign and change management, and we can offer our clients an end-to-end solution.

Conclusion

Following a year in which Infosys Consulting had grown over 700 percent, Mr. Pratt reflected:

> Because Infosys has performed so well for 25 years, there are astonishingly high expectations—not just for outcomes, but for predictability of outcomes. Infosys is accustomed to predicting revenues three quarters out nearly perfectly. We don't know where we are going to get half of our revenue three quarters out. I sometimes feel like we are sprinting towards a cliff, and yet we keep managing to move the cliff out.

Asked if he would do anything differently if he could start over, Mr. Joshi replied, "There is so much opportunity out there, so much potential, I would go even faster." Mr. Pratt responded, "That is very hard to imagine."