THE GLOBAL SIX SIGMA AND BUSINESS IMPROVEMENT AWARDS

Infosys BPO Ltd. – NOMINATION for Best Achievement of Organizational Business Improvement in Transactional Services

1. The strategic objectives and scope of the business improvement deployment

Infosys BPO Ltd., a $ 250 Mn provider of business process services worldwide is a six year old subsidiary of Infosys Technologies Limited. Its 16300+ employees are involved in providing end-to-end business process outsourcing services to clients worldwide in multiple industry segments (verticals) - Banking & Capital Markets, Hitech & Discrete Manufacturing, Insurance, Healthcare & Life Sciences, Communication Service Providers and in Emerging Markets. More than 80% of 'processes' are related to transaction processing.

With increasing levels of maturity of the BPO industry, clients are not satisfied with just efficient and cost effective provision of service delivery. Infosys BPO quickly realized that a key differentiating factor would be the ability of the company to be able to help change the way clients run their businesses. This would of course go beyond just small improvements that were being made to business processes that are run for its clients. *Value addition* has quickly become a *differentiator* from a *delighter* a few years ago. A constraining factor was this – the business model of the industry was against providing large benefits to clients. Productivity improvements, for example, could result in loss of revenues as lesser number of associates would be required for processing.

There is another organizational imperative. Along with employee attrition and high wage-inflation that are characteristic of the BPO industry, the weakening of the US Dollar against the Indian Rupee and other currencies threatened to affect the margins of the company. With no control over macro-economic factors, there was tremendous pressure to reduce costs – again, more than 40% of the costs were related to salaries that could never be within the scope of a change program.

A third driver was the relentless focus on Operations Excellence, a crucial ingredient to providing *noise-free* services and unique experiences to clients and retaining the business that could easily go elsewhere. Simplification and standardization were key to achieving this.

While a formal Six Sigma program had been in force since early 2005, to provide long term competitive advantage and short term cost reduction, Amitabh Chaudhry, the CEO of Infosys BPO set forth, among others, the following objectives in Feb 2007 during the annual Strategic Planning Exercise
- Develop organizational capabilities to act as Trusted Transformation Partner for our clients
- Provide *transformational* benefits equaling at least 4% of revenues of the organization (as part of an initiative on Operations Excellence
- Improve margins by at least 1 percentage point by reducing costs
- Develop innovative delivery models to delink revenues from employee head count
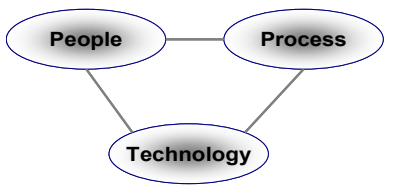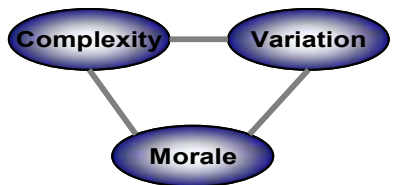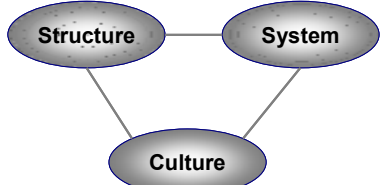
The long term strategies and short term objectives were clear – there was to be demonstrable change in the culture of the organization with a strong focus on improvement as indicated by improvement projects implemented for clients and internally – *even if it implies loss of revenue in the short term*. To drive these intent, transformational benefits has been included into the score card of all Operations Heads and their managers.

2. The business improvement implementation and timelines

Infosys BPO runs a large number of transactional processes for its clients. While some of them are end-to-end, many of them involve only a part of a process while others are performed by the clients. More over almost all processes are IT enabled with manual activities performed primarily on computers.

Infosys BPO's approach to improvements revolves around three sets of 'triads' as indicated in the next page. Based on them, our improvement strategies encompass two broad approaches:
- Six Sigma, primarily to reduce variability in processes
- Strategic Transformation & Reengineering (STAR) which is Infosys BPO's customized approach to **Lean**, to address process complexity

Process improvement typically necessitating changes to all 3 elements of a 'system' – People, Process & Technology	**To improve a process, it is necessary to address** – Variation – Complexity – Morale of people	**Changes in Structure and Systems (processes, tools, etc.) can drive cultural and behavioral changes** Reducing complexity and variation can impact culture

A systematic approach is followed to identify and prioritize projects. One, periodic workshops are conducted in various client engagements / work areas focusing on key operational metrics and pain-areas (for clients and for us). Results from Process Audits, a feature of our Service Reliability Framework, are additional inputs to such workshops. Other inputs to such workshops include the cost drivers and focus areas identified by Finance at the commencement of every financial year.

Two, an expert team of process consultants conduct STAR assessment to identify opportunities for improvement. Third, our training curriculum for Six Sigma includes the 'hows' of project identification. Thus combinations of proactive and reactive as well as a top-down & bottom-up approaches are adopted for identification of projects.

The Six Sigma training & competency building program has been benchmarked with similar ones in the industry and those conducted by leading training organizations. The training content has been customized for office/ transaction processes and calendarized. For example, the Black Belt training is run for 160 classroom-hours. The most sought-after training program in the company is undeniably those related to the change initiatives.

Employees, on completion of training are required to work on a project of the appropriate level (YB, GB, and BB) from the list of projects identified. As most employees work 'for a client', they are mentored and guided by their respective Operations Quality Managers (Black Belts) who have a good understanding of the business context of the client and operational issues as well the domain.

The overall improvement program is steered / supported by a group of dedicated MBBs / BBs. The over all progress and implementation of projects are tracked and reviewed periodically by this central team to check for 1) appropriateness of the tools used 2) timeliness 3) contribution of each team member etc. A workflow tool to track, review and manage projects in a disparate environment is currently being implemented.

The SBU heads review projects for their set of clients on a monthly basis as part of their monthly Performance Review. The CEO reviews major projects on a monthly basis.

On completion, the Operating Head of the concerned process/ department certifies completion as well as the extent of benefits claimed. If the benefits accrue to a client, a signoff from the client is obtained as part of Gain Sharing Mechanisms in place with most clients. Even if there are no financial benefits to a client, projects resulting in process changes necessarily need client approval for implementation.

On completion of the project, those with financial benefits are sent to the Finance Department for validation and certification of the benefits claimed. Information on the benefits certified is shared with the Board of Directors of the company every quarter and with the Executive Council every month.
A Reward & Recognition program is in place to encourage project completion and certifications.

3. The size of the deployment challenge

Infosys BPO services about 40 major clients and runs around 900 *processes* in the areas of Finance & Accounting, Order Management, Procurement, Human Resources, Knowledge Services, Customer Services, etc. These spread across 13 centers world-wide.

With a 70% annual growth rate, focus can tend to concentrate only on delivery rather than improvements. High levels of attrition can lead to knowledge loss about client processes and to reduction in improvement skill availability/ domain expertise. We also have a limited view of client processes as many of them are not end-to-end. Many clients place restrictions on changes to processes and technology for business reasons. Operational data, a key requisite to drive improvements is present in client systems and are not always available to us. Lastly, many client process owners are more focused on process stability and change management with client IT organizations is a big challenge.
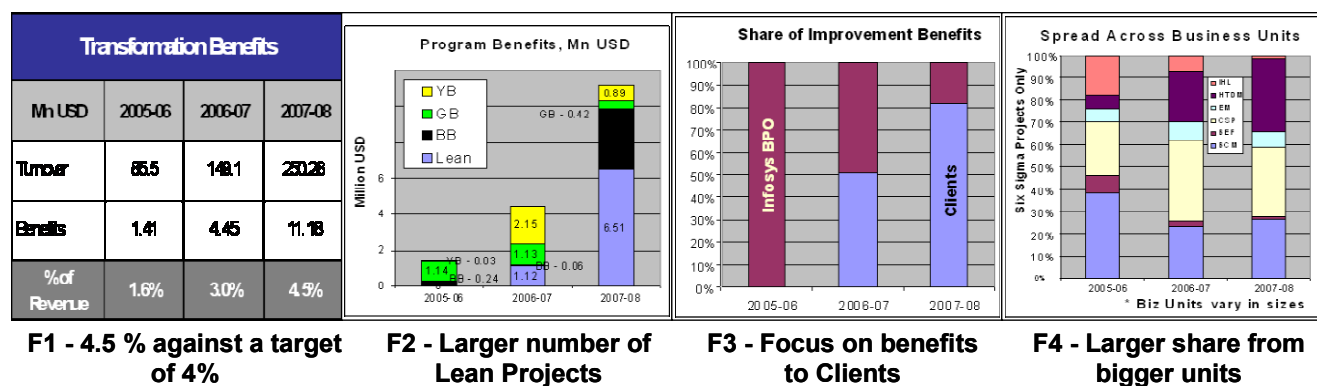
The table alongside seeks to relate how various mechanisms indicated below have been adopted to overcome these challenges
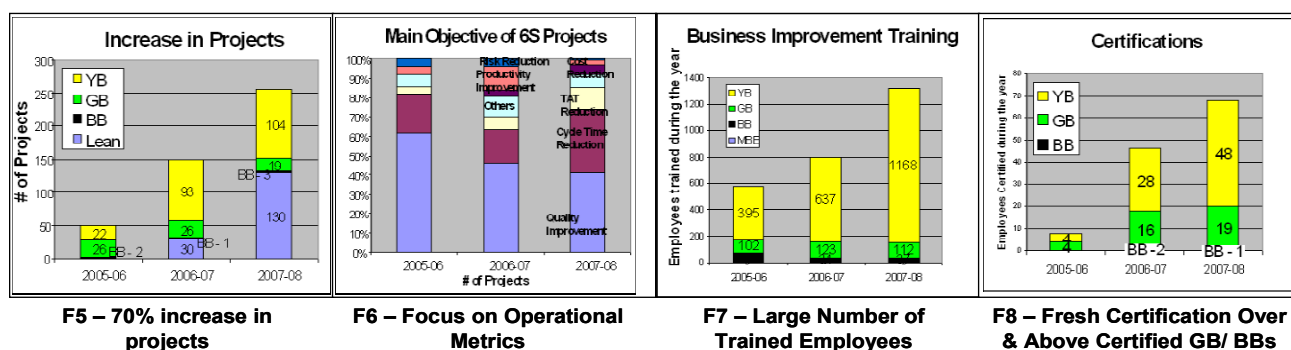
- Complexity Model – have developed a model to measure process complexity; used to drive complexity reduction (COML)
- 6S Training Academy (TRG)
- Deployment through Balanced Scorecard (BSC)
- Governance, including consulting model – identify improvement ideas for clients to implement on their own (GOV)
- Knowledge Management – multiple mechanisms used to capture & reuse knowledge (KM)
- Performance Management System – IT tools to capture operational data (OEMS)
- Gainsharing Mechanisms to share benefits with clients (GAIN)
- Local Business Improvement teams (LOCL)
- OpEx Initiative – company's focus on Operations Excellence (OPEX)
- Competency Development – YB/GB/BB training prerequisites for employee promotions to higher levels; mandatory certification programs for domain competency building (CODE)
- Data Security, IP protection mechanisms, part of data security framework and certification requirements. Infosys BPO is certified for ISO 27001 and TR19 for disaster recovery (DATA)

Challenges	Mitigation Mechanisms										
	COML	TRG	BSC	GOV	KM	OEMS	GAIN	LOCL	OPEX	CODE	DATA
Varied Domains					*					*	
Large No. of processes	*			*	*						
Geographical Spread					*				*		
Growth Rate			*				*		*		
Attrition					*					*	
Skill Aavailability		*						*		*	
Restricted Process Scope				*						*	
Client Restrictions				*			*				*
Data Availability				*		*					*
Fragmented Processes	*				*						
Change Management				*	*		*	*			
Process Complexity	*				*	*			*		

4. The impact of Business Improvement deployment and the organizational results of Business Improvement deployment
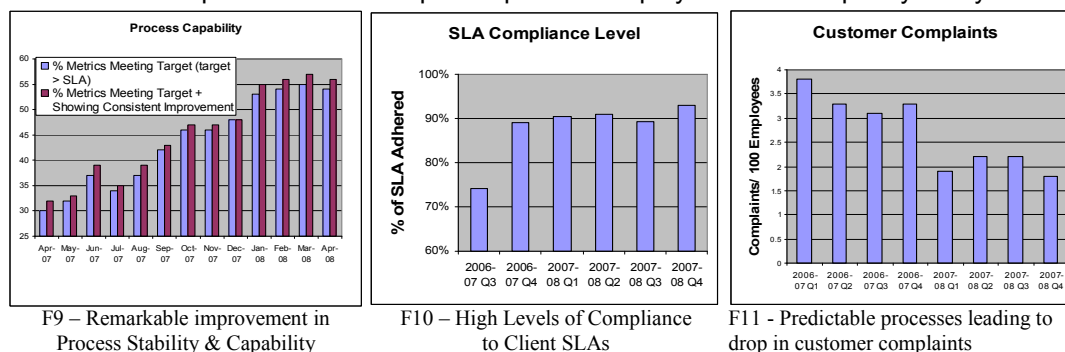
While there has been a tremendous increase in the number of projects, people trained & certified and the benefits from the business improvement program as can be seen in the graphics (F1 to F8), there have been far larger gains from a business perspective.

Transformation Benefits			
Mn USD	2005-06	2006-07	2007-08
Turnover	85.5	148.1	250.28
Benefits	1.41	4.45	11.18
% of Revenue	1.6%	3.0%	4.5%

F1 - 4.5 % against a target of 4%

F2 - Larger number of Lean Projects

F3 - Focus on benefits to Clients

F4 - Larger share from bigger units

| **F5 – 70% increase in projects** | **F6 – Focus on Operational Metrics** | **F7 – Large Number of Trained Employees** | **F8 – Fresh Certification Over & Above Certified GB/ BBs** |

In a highly transaction intensive industry, meeting and exceeding client SLAs (Service Level Agreements) is a demanding task. The improvement programs have led to an increase in the proportion of metrics meeting the SLAs as shown in Fig F10. This needs to be seen in the context of new processes (increasing at 70% pa) reaching steady state only over a period of time.

Operations have targets higher than contracted SLAs and are increased every year. The proportion of total process metrics meeting and exceeding these targets has increased over the past year from 30% to 54% (against an annual target of 48%; many of the metrics are currently not measurable because of client IT systems dependencies and hence the moderate target). This phenomenal improvement in process capability is also reflected in the drop in customer complaints per 100 employees over the past year by about 40%.

F9 – Remarkable improvement in Process Stability & Capability

F10 – High Levels of Compliance to Client SLAs

F11 - Predictable processes leading to drop in customer complaints

More importantly, as the Business Units heads concede, the business improvement program has contributed significantly to renewal of contracts by demonstrating additional customer value as well as to winning new businesses. Significantly, clients are increasingly requesting Infosys BPO support for their Process Excellence programs leading to an additional, highly profitable revenue stream for the company. Such opportunities also serve to enhance the capabilities of our Business Improvement experts.

The CFO, Abraham Mathews is delighted because Infosys BPO has amongst the best margins in the industry. The focus on cost reduction in a challenging environment definitely paid off.

In recognition of Infosys BPO's focus on client transformation initiatives and its willingness to share its experiences with the rest of the nascent BPO industry, the CEO was invited to contribute a paper on business transformation at the recently concluded premier summit organized by the industry's main trade body in India - NASSCOM.

Patent applications are being processes for two tools that were developed as a result of some lean projects.

Based on the confidence generated by the improvements over the past few years, Mr. Amitabh Chaudhry and the Executive Council have mandated two key objectives for the current year – a) the target for transformational benefits has been increased from 4% to 5% of revenues and b) 19 special Six Sigma project teams consisting of senior executives have been setup with a view to increasing margins by 0.6 percentage points. The CFO, Abraham Mathews is the Sponsor for these projects.

The biggest benefit to the organization though, is the higher level of participation visibly seen in various Operations Excellence initiatives.