



Infosys BPM: from Legacy BPO to Digital BPM

A Custom Paper for Infosys BPM Ltd.



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Infosys and ‘Navigate your Next’ to a Live Enterprise

Infosys Group’s corporate ‘Navigate your Next’ positioning centers on how it supports large enterprise clients in their digital journey to become ‘future-ready enterprises’ via the Infosys Digital Navigation Framework. Infosys looks at an organization’s digital transformation journey in terms of five dimensions. This ‘digital pentagon’ covers:

- **Experience**: enhancing the experience of end-users such as a customer, employee, supplier, etc.
- **Insight**, using decisions based on data and analytics to drive improved outcomes
- **Innovate**, using industry platforms and emerging technologies to increase effectiveness and/or build new business models
- **Accelerate**, applying intelligent automation to amplify efficiency
- **Assure**, ensuring and augmenting compliance through, e.g., cyber resiliency, or testing automation.



Infosys Group has taken the concept of the Live Enterprise and its analogy to living organisms and applied it to the whole notion of digital transformation. It describes a Live Enterprise as being a sensing-feeling, responding organization that is continuously evolving, innovating and “always learning”, capable of reimagining business processes and employee experiences, with intelligent automation embedded, driving hyper productivity and enabling fluid operating models. And in the environment of the COVID-19 pandemic, the messaging has evolved to emphasize one attribute that a living organism must possess in order to survive: resilience. *‘Being Resilient: That’s Live Enterprise’*.

Infosys BPM

Infosys BPM is closely aligned with Infosys’ corporate messaging around ‘Navigate your Next’ and the dimensions of its digital pentagon, particularly with respect to its capabilities, people & skills, and offerings – also what this means for strategic priorities for the business.

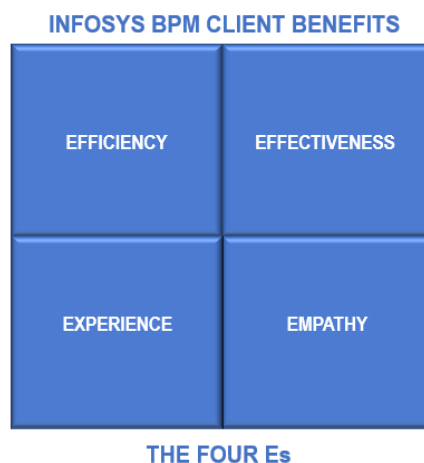
A change in company name in December 2017 from Infosys BPO to Infosys BPM was significant, the alteration of just one word (replacing Outsourcing with Management) marking a development in Infosys’ positioning in Business Process Services. It reflects both a broad market evolution in these services, a market that has moved on a long way from traditional early stage ‘lift and shift’ engagements where the principal benefit sought by clients was offshore lower-cost delivery, and a more proactive, assertive stance by Infosys BPM, for example in managing end-to-end and more complex business processes.

Infosys BPM’s positioning centers around the reimagination of business process management with an integrated people plus software approach ‘humanware plus technology’) and a ‘Digital BPM’ model that aligns with Infosys Group’s’ digital pentagon. The emphasis has shifted from efficiency to business value.

‘The four Es’

Infosys BPM emphasizes that it can deliver to clients a range of benefits that can be classified in what Radhakrishnan refers to as the ‘four Es’:

- *Efficiency*, productivity improvements, including from process simplification and automation
- *Effectiveness*, a combination of error-free business processes and insights-led business parameter improvement
- *Experience* improvement, reshaping the experience of the employee, supplier, customer or whoever is touched by any interaction in the process through digital innovation, including design thinking BPaaS and STP
- *Empathy* in the service design and delivery, again with a strong focus on experience improvement.



Underpinning all of these are Infosys’ assets and capabilities in areas such as business excellence frameworks, process reengineering, intelligent automation, and analytics.

Of these four types of benefit, Infosys posits that *Efficiency* and *Effectiveness* are essentially becoming table stakes in the delivery of BPS, whereas its concomitant focus on *Experience improvement* and on *Empathy* in the service design has the potential to be more impactful in terms of reimagining and transforming business processes.

Infosys BPM is looking to differentiate from some other large BPS providers that have a more single-minded emphasis on the application of Intelligent automation (blending RPA, OCR, workflow tools and cognitive solutions) to achieve zero touch processing. This is important: a perception we have heard more than once in the last year from large enterprises reviewing their short lists of vendors bidding for sizeable new opportunities in some areas of BPS, is that Vendor X or Vendor Y has led with, and focused too strongly on, the technology and not considered enough of the specifics of the business challenge or business opportunity the client is looking to address or optimize.

Infosys BPM's CEO Anantha Radhakrishnan places a strong emphasis on what he calls 'igniting employee minds', developing the mindset of employees deployed on service delivery from that of being an order taker to one that is more consultative, assertive, collaborative, and solution-oriented. This involves nurturing a learning culture and challenging employees at all levels to become design thinkers and problem solvers (not just problem finders). As well as design thinking and problem-solving skills, the ambition is for all delivery employees to also have strong business domain understanding and exception handling skills. And there is a clear drive to develop, across the board, skill sets required for activities at L2 and above.

The ability to leverage corporate capabilities such as data analytics and reporting, process reengineering, and various types of intelligent automation, or disruptive technologies such as blockchain then becomes more powerful in developing and providing a BPM service that can genuinely support organizations in their digital transformation journeys, not just a lift and shift service that adds a layer of automation on top of labor arbitrage.

Is the rebranding & evolution in positioning at Infosys BPM succeeding?

The evidence indicates yes: the company has been enjoying double digit topline growth and winning some large transformation deals against stiff competition (in some instances including well-established incumbents), with some major new logo clients. And with existing clients, we hear CSAT scores are improving.

Infosys BPM today is a scale operation, with around 43,000 employees serving over 200 clients, operating in 33 delivery centers across 14 countries.

INFOSYS BPM: A SCALE OPERATION



This year the company has crossed its first \$1bn annual revenue milestone, achieved by a combination of strong double-digit organic growth and several large structured deals, including the creation of two JVs.

With its 'Digital BPM' offerings, Infosys posits that clients can expect more than an old-style BPS lower-cost service achieved primarily through labor arbitrage. This claim merits investigation: to what extent is Infosys BPM managing to reshape new and prospective clients' expectations of what it can provide, and with long standing clients, is it succeeding in enhancing their experience of the services that Infosys BPM is providing?

Over the last year we have spoken with several Infosys BPM clients, some whom have very longstanding relationships with Infosys, others who have been clients for just a short time. And there was a definite consistency in what they told us.

A recurring comment is how well Infosys BPM has developed under its current leadership and become a proactive, business outcome-focused, solution-oriented, and confident organization.

SSP Group: Loss prevention analytics helps drive gross margin expansion

SSP Group plc (SSP) operates food and beverage concessions in travel locations across 33 countries. The company operates food courts, cafes, restaurants, bars, lounges and stores, doing the recruitment and managing the unit in over 500 travel locations, including around 130 airports, over 280 train stations, and motorway service stations. In total, SSP operates over 2,600 units for international brands such as Burger King and Starbucks, local brands, also its two proprietary brands, Upper Crust and Ritazza.

SSP's relationship with Infosys started around six years ago with a standard BPO engagement around accounts payable and receivable functions in what was essentially a lift and shift outsource: SSP had a lot of legacy systems with no standard processes. The geographic scope of the engagement began in the U.K. before being rolled out to other geographies.

One of the group's strategic priorities in recent years has been a waste and loss minimization program, one of three corporate initiatives undertaken to improve its gross margin. Historically, SSP was operating with an XBR loss prevention and data analytics system across most of its countries and all loss prevention analysis was done locally, at country level. This approach meant there was an inconsistent approach and quality of analysis across the countries. Also, local management was not necessarily prioritizing the loss prevention program.

When it became a key initiative at group level for optimizing gross margin, SSP adopted a two-fold approach: replacing XBR with Apriss Secure, and outsourcing a centralized loss prevention analytics service to Infosys. One of the immediate benefits of outsourcing to Infosys meant a single team reporting directly to the Director of Business Controls, and one that was dedicated solely on loss prevention analysis.

There were two key metrics for Infosys:

- To increase the number of cases to be investigated: SSP was looking to double the number of cases for investigation to over 300 per month
- With the cases being investigated, to increase the rate of successful conversions to action: a case converted to a true positive. (A post investigation action might mean process change, or employee training, or discipline, or at the most extreme case, dismissal).

In essence, this required Infosys to drive more analysis of the data and to identify more successful investigations around unaccounted losses in the countries from that analysis.

The program started with SSP's U.K. business (which accounted for over 30% of SSP's global revenues in its FY18) and a 2-month PoC. The Infosys initial team of analysts (which is based in Pune) spent a couple of days training in Mumbai in SSP's JV (with Travel Food Services). The PoC was successful, and having proved the concept in the U.K., SSP began to roll out the service to other major countries. SSP highlights that the global rollout was completed faster than expected because of Infosys' speed in onboarding and training. Infosys now has a team of around 11 analysts providing this service.

So how successful has this analytics BPM outsource been, and how important has this been for SSP's business? Well, enough for it to gain a special mention in one of the group's investor presentations.

Outsourcing to Infosys helped drive an improved focus on waste and loss management leading, even before the rollout was completed, to:

- ‘Significant improvement’ in analytic capabilities
- 200% increase in cases investigated
- Major improvement in the resolution rate, from around 50% to around 78%.

This kind of analytics service was new to Infosys; the client has been impressed by the speed with which Infosys picked up on the concept of loss prevention and its subsequent ability to analyze the data without prior industry knowledge. Infosys’ acquisition of domain knowledge was faster than SSP expected. This led to a faster-than-expected roll-out, which took place over just two quarters rather than the three expected.

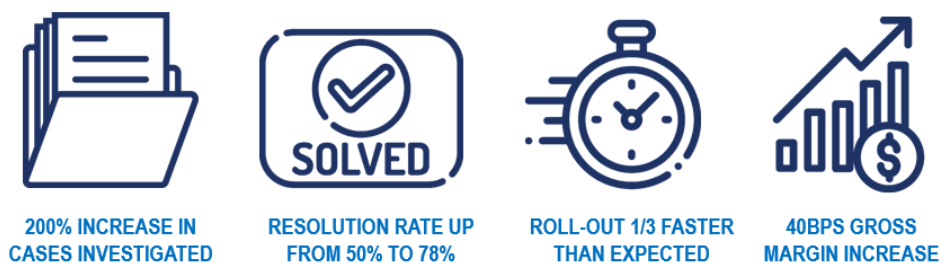
To better understand the client’s business, the Infosys analytics team built up a database to understand some of the specifics of different units across the SSP portfolio: for example, a Burger King unit within one airport may have very different hours of opening and variations in Average Transaction Value (ATV) at different times from other Burger King units in other sites. This reference document has helped improve the quality of analysis of the Point of Sale (POS) data at the individual store level and decrease the time taken to analyze an unaccountable loss.

Both the increase in the number of cases, and the improvement in the conversion of the cases into successful investigation, exceeded expectations.

And there was a third unexpected benefit. SSP’s Director of Business Control highlights that SSP is now able to understand from those cases many more common issues across the group where previously they would have stayed in country. One example was a configuration in the Point of Sale system around error corrections, preventing voiding of transactions. Also, Infosys’ analysis picked up on possible fraudulent behavior in some split transactions (split checks) in the table service delivery of some units, when a cashier splits a transaction off and pockets the money for one part of the transaction. The Infosys team, working on Appriss Secure, helped highlight these cases for investigators to follow up.

Historically, the rate of unaccountable losses across all countries was around 0.8% of SSP’s total revenue. While the data is not available to show the impact of Infosys’ analytics services on SSP’s gross margins, it helped identify a significant level of fraud per annum. SSP gross margin improved by 90 bps in FY18: around 40 bps of this improvement was attributed to the various gross margin initiatives it has been implementing.

SSP: LOSS PREVENTION IMPROVEMENTS



The Infosys team has been working on new areas of analysis, for example looking at a set time after an unaccounted loss has been identified to analyze the subsequent level of improvement in both margin and sales in that unit.

SSP has been impressed by Infosys throughout the program and is looking at broadening the scope beyond loss prevention analytics to broader commercial analytics, for example looking at inventory data to help it better manage waste in other areas.

This outsource was never about cost take-out from labor arbitrage (in terms of headcount, the central analytics team provided by Infosys is the same size as the legacy decentralized analytics personnel). The loss prevention analytics service being delivered by Infosys BPM to SSP has clearly led to an insights-led business parameter improvement, in this case a direct line to gross margin expansion. The client has been impressed by the attitude of the personnel in the team, for example in the speed of learning about what loss prevention means in their business and their approach to learning about the specifics of all the units in each site: evidence of ‘employee minds having been ignited’.

Rio Tinto: The evolution of a long-term relationship

Rio Tinto is one of the world's largest metals and mining corporations, with £43.2bn of revenue in 2019 and operations in over 50 countries.

The group is primarily organized into four operational businesses:

- Aluminum products
- Copper products and diamonds
- Energy (uranium) and industrial minerals
- Iron ore.

These operating groups are supported by separate divisions providing exploration support and functional support. In 2017, Rio Tinto started to set up a commercial group, which provides support to the product groups in sales & marketing, procurement, marine & logistics, and marketing analysis activities.

Other corporate initiatives include supporting regional economies through its procurement processes; for example, in Australia, local businesses can use a portal to find and bid for contracts: in 2019, Rio Tinto spent A\$2bn on goods and services from local Western Australian businesses, and in Mongolia over half its regional spend goes to Mongolian suppliers.

Rio Tinto's business is driven by commodity demand cycles.

In contrast to SSP Global, Rio Tinto is a very longstanding client of Infosys, the relationship beginning in 2005 with IT services such as SAP support. The initial BPO contract award to Infosys in 2008 was to set up an offshore center and provide procurement transaction processing support for Rio Tinto operations in Australia, France, and the U.S. A year later, the contract was expanded, both in terms of geographic coverage and also to include some sourcing support activities. Services are provided from Pune, which serves English speaking countries, and Lodz, Poland, which serves Europe and French-speaking Canada.

The main initial driver of the outsource was cost reduction: at that time, the fully-loaded cost in Australia of a procurement professional was around four times that for an equivalent Pune-based resource. As such, the principal benefit sought in a lift and shift outsource for simple activities like PO creation was labor arbitrage. In addition, Rio Tinto was looking to achieve a level of global process standardization from outsourcing, and to that effect outsourced to Infosys some P2P work that was being done in South Africa even though there was not a cost reduction benefit.

The scope of the services provided by Infosys BPM has expanded and evolved significantly since those early awards.

A few years later, the scope of services provided by Infosys BPM expanded from purely transactional to more complex L2 activities. Again, the primary focus was on efficiencies in the procure to pay cycle. Rio Tinto was also challenged by differing priorities within its business units and was looking to reduce to amount of vendor-based rework.

In 2016, Rio Tinto elected to expand the scope again, with Infosys handling most P2P activities globally, Rio Tinto maintaining just a small retained team.

In 2019, Infosys BPM began its third five-year contract with Rio Tinto, and currently provides the following source to pay services:

- Sourcing and contract support services, including activities such as catalog management, contract management, and market research
- P2P services include activities such as PO creation, accounts payable, cash management (vendor payments), and credit card expense management. To give a sense of the scale of activities, Infosys is processing around 110k POs monthly
- Master data management (MDM) services. When Rio Tinto deployed a single instance of SAP for S2P processes globally, Infosys BPM provided support to the MDM team in data conversion. Other activities have included data cleansing and reclassification of spend categories, primarily in MRO.

The pricing mechanism has evolved from the initial T&M based pricing: in the latest contract, the pricing is heavily transaction-based. This is a sizeable contract with significant volumes. For example, if we look just at Rio Tinto's operations in Australia, in terms of Level 1 work, around 30,000 PO lines are being processed in India by Infosys BPM each month, and around 15,000 line items in Lodz, and in terms of Level 2 work, Infosys BPM is processing around 6,000 items each month.

One of the areas where the services provided by Infosys BPM have evolved in recent years is in reporting. Infosys now has a dedicated reporting team, including a data scientist, for Rio Tinto, and has developed a suite of reports in Tableau or Power BI to assist its business in areas such as:

- Payments on time
- Delivery performance
- Vendor scorecards for sourcing personnel to use in supplier negotiations
- Transactional-based pricing and project reporting
- Overpayment: Infosys has identified around \$8m in overpayment recovery opportunities to date.

Among the benefits delivered from the service, Infosys' reporting has supported a WC optimization initiative (a key focus during an industry downturn) looking at excess inventory by identifying opportunities for cost savings of around \$415m in immovable inventory capital, plus further savings in obsolete inventory capital.

This analytics service, paid for at a monthly fixed rate, is highly regarded by the client.

Rio Tinto highlights that Infosys has built up a highly competent reporting team, one that is skilled not just in analyzing but also in interpreting the data, able to pick up data anomalies and providing suggestions for what Rio Tinto should look at.

Infosys also developed a supplier portal, enabling suppliers to view invoices and see when they are getting paid (Rio Tinto has now replaced this with a cloud-based portal which enables discounts for early payments).

As is common with BPS engagements, Infosys is committed to an agreed pricing reduction every year: after the initial benefits of labor arbitrage, automation, and reducing the level of rework have been key to achieving ongoing efficiencies in the service. While initial automation was done primarily through macros and avatar tools, the focus in recent years has evolved to RPA, starting with Rio Tinto's operations in North America. In 2017, Rio Tinto selected UiPath as its preferred RPA tool globally; Infosys BPM is working on using that in procurement in areas including service desk automation and service entry sheet automation.

2019 saw a stronger push on RPA and adding layers of AI, for example using voice recognition technology to support requisitioners, predicting some questions and also providing guidance on what next actions. Infosys is looking for significant benefits from the application of intelligent automation to Rio Tinto’s sourcing and procurement operations.

With a small retained organization, Rio Tinto’s procurement function looks to Infosys to ensure it is keeping abreast of developments in relevant technology and continuing to move forward in its operations. This is a major change in the relationship from its early days, when Rio Tinto saw Infosys as primarily an offshore service provider. Today, Rio Tinto’s procurement function expects Infosys, leveraging its own expertise and the experience from working with other clients, to help it be best in class.

All of Radhakrishnan’s ‘four Es’ can be seen at play in this outsource:

- Efficiency, initially from labor arbitrage, then process simplification, now from automation
- Effectiveness, for example the dedicated reporting team providing insights that have made a significant contribution to WC optimization
- Experience improvement, for example the early supplier portal, the way the analysis and reporting service has matured, the current development of chatbots to support requisitioners
- Empathy: Rio Tinto has three major IT services and BPO providers: Infosys is highly regarded for being flexible in the way it engages with the client.

RIO TINTO: APPLYING THE FOUR Es

<p>EFFICIENCY</p> <p>Labor arbitrage, process simplification, automation</p>	<p>EFFECTIVENESS</p> <p>Dedicated reporting team delivering significant WC optimization</p>
<p>EXPERIENCE</p> <p>Improved supplier portal, analysis & reporting; development of chatbots</p>	<p>EMPATHY</p> <p>Infosys highly regarded for flexibility of engagement</p>

The quality of the reporting and analytics service being provided today illustrates how the nature of back-office services provided by Infosys BPM has evolved over the last decade, and how some personnel have gained high-level functional and business domain skills and become more consultative and solution-oriented in their approach. The importance of this emphasis on ‘people plus software’ should not be underestimated: as the nature of the processes being done by people gets concentrated to higher-level activities, so too does the importance of higher skills development.

A recurring comment we have heard from several clients is how Infosys BPM under its current leadership has evolved from what was more of a transactional mindset, focusing on meeting SLAs, to one that is more proactive, business outcome-focused, solution-oriented, and confident.

Microsoft: Revenue Assurance, a Business-Critical Operation

Microsoft needs no introduction.

Microsoft first became a client of Infosys BPM for these services in 2008, when Infosys BPM took over work from an incumbent provider. Services that Infosys BPM is providing to Microsoft globally include revenue processing and processing of incentive payments to Microsoft Channel Partners. As such, the work it does is touching around \$115bn of Microsoft revenues each year. And the processing work is complex, touching many products which are constantly being refreshed, and multiple incentive programs that have many pricing levels.

The volume of transactions has increased significantly over the last twelve years, and today these services are being delivered by around 2,000 Infosys BPM employees, based in locations in Reno NV, Dublin, Singapore, Manila (two centers), Poland and Hang Zhou, with a few resources also in India.

“Infosys has done very well for Microsoft”

The relationship between Microsoft and Infosys Group is rich and multi-faceted: Microsoft is a strategic Partner to Infosys, a major Technology supplier, and also a major Client.

Microsoft highlights a range of attributes of Infosys BPM that it appreciates as a client, among them its:

- Extensive and detailed product knowledge: as a major Microsoft user, Infosys BPM understands Microsoft products and how these are used. In the hi-tech sector this is particularly important
- Empathy with other channel partners, with a deep understanding of how Microsoft channel partner incentives works, also of the importance of channel partners being paid in a timely manner
- Identity with the client: Infosys similarly understands the importance of the revenue processing process. And “the agents breathe Microsoft”
- Flexibility: Microsoft has a very cyclical business, with a steep hockey-stick in volumes towards the end of each quarter. The services being provided by Infosys are manually intensive, and towards the end of Microsoft’s year this can require doubling or even trebling the number of agents to handle volume spikes. Infosys manages this without fail
- Seamlessness of operational management regardless of location of delivery
- Technology capabilities in approaching process simplification and transformation
- Applying the knowledge it has gained from providing a service to drive both process and service improvement. An example is its work on reducing the number of breaks in channel partner incentive payment processing to improve the first pass yield: out of the millions of transactions processed each month, a large number do not complete on the first pass. A transformation team from Infosys looked at how agents spend their time when breaks occur, also at the types of activities that need to be done by Microsoft or a channel partner in resolving any errors. As well as providing some predictions of when breaks might occur, they suggested some healing practices for compressing the resolution time. Infosys also used the information they have for root cause analysis of reworks, including when the cause can be traced back to Microsoft or a channel partner error. Infosys BPM has significantly improved the level of reporting to channel partners, which has helped with clarity.

Microsoft is, unsurprisingly, a demanding client and has at times asked Infosys BPM to step up with some challenging task for transformation - and its perception is that Infosys has indeed stepped up.

Microsoft and Infosys BPM have been working together at automation opportunities, using Microsoft solutions such as its PowerAutomate product. Infosys and Microsoft started with low hanging fruit in areas such as data entry for process streamlining, moving on more recently to automating validation activities, which of course provides further intelligence on why breaks are happening.

Process optimization and intelligent automation have helped further reduce the operational costs of running an environment that was, to quote Microsoft, “not running with fat to start with”.

In the introduction, we noted the Infosys Group tagline ‘*Being Resilient: That’s Live Enterprise*’. The resilience of the Infosys BPM service delivery is evident in the services that it has continued to deliver to Microsoft throughout the current pandemic: 100% of the delivery was shifted to remote working with no significant impact on CSAT levels. Each time Microsoft launches a new product or service, there is some related tweaking of the business process management in revenue servicing; and this is something that is particularly demanding when training a dispersed workforce.

And finally, Microsoft highlighted that the empathy evident in Infosys BPM’s CEO Radha’s personal connection with Infosys employees and his emphasis on ‘igniting employee minds’ has made for a different type of working environment, commenting, for example, “*what he has bottled is something unique*”.

About NelsonHall

NelsonHall is the leading global analyst firm dedicated to helping organizations understand the ‘art of the possible’ in digital operations transformation. With analysts in the U.S., U.K., and Continental Europe, NelsonHall provides buy-side organizations with detailed, critical information on markets and vendors that helps them make fast and highly-informed sourcing decisions. And for vendors, NelsonHall provides deep knowledge of market dynamics and user requirements to help them hone their go-to-market strategies. NelsonHall’s research is rigorous and all-original, and widely respected for the quality, depth and insight of its analysis.

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