

'Infoscions have become very innovative'

CEO Vishal Sikka Says Employees' Innovations Are Making It All Worthwhile For Him, Despite Conflicts With Some Co-Founders

Shilpa Phadnis & Sujit John | TNN

After a great beginning in late 2014 as the first non-promoter CEO of Infosys, Vishal Sikka has had to face some torrid times over the past year. He's had to face criticism from some of the promoters, he's had to deal with three downward revisions in the company's revenue guidance. The company's share price, which was doing very well till the middle of 2016, is now almost down to where it was when he took over. But he clearly has the board's support. And Sikka himself appears unfazed, and confident about the direction he's taking the company in. In an exclusive interaction for over an hour with TOI on video from his innovation hub in Palo Alto, Sikka spoke on a range of issues.

INTERVIEW

Satya Nadella (Microsoft CEO) recently told us that if he celebrated his old revenues, it would be like forecasting the company's death. You say your new initiatives are paying off. So why aren't you breaking this up and showcasing it to the world? Some of your peers have started breaking out digital revenue...

We will start to call out these numbers separately starting this quarter. We have had this PPS (products, platforms & solutions) block, which is 5% of our revenue – it includes all kinds of software including 20 year old software. That's not very interesting. And then there are people who put a mobile interface on an e-commerce store and call it digital. You have to think of it as characterising new, than this absurd lingo of digital. When people ask me what percentage of your business is digital, I tell them it's 100%. I tell them we don't write software for analog computers anymore. Pepsi-

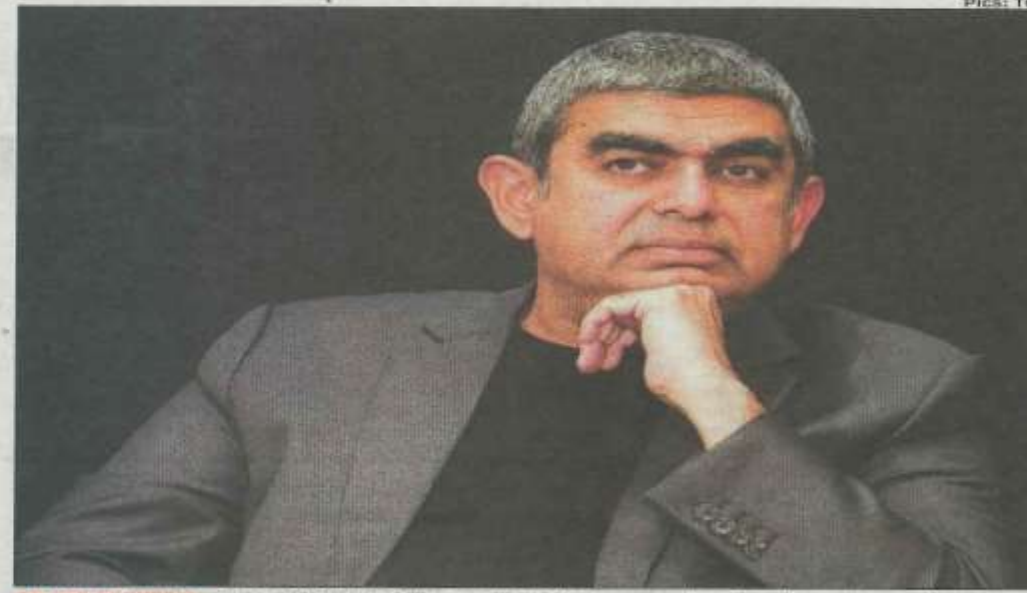
Co's Indra Nooyi has terminology called new products which means products that have been introduced less than three years ago. And Abigail Johnson, CEO of Fidelity, she has a terminology called vitality index. We have to build something like that.

What indicators do you have that your initiatives on innovation and automation are having the desired impact?

The number of customer quotes or public testimonials is way higher than what we used to have, and these are much more in new areas like Mana, Skava, Edge and new services in cyber security. We have a very clear separation – one is the services growth, and the other is the software world where we sell software as a service. The value to Infosys is when software services and people services around them will have an amplifying effect, where our services and Nia (new artificial intelligence platform) create magical scenarios. When I talk about software amplified services, we don't need to brag about it – the results are for anybody to see. You can look at competition and us, and what our revenue growth has been, how



our margins stood out and how the revenue per employee has grown – It's \$62,000, from \$50,000 when I started. That tells you that, despite the downward pressure and commoditisation, the software effect is kicking in. If you look at our business, 65% of our workforce works on 55% of our revenue, and that portion of the business is at \$48,000



ON TOP OF THINGS: Infosys CEO Vishal Sikka says his initiatives towards automation and innovation are paying dividends, and the company will quantify the benefits in the coming quarters

RPP (revenue productivity per person) and the margins there are in single digits. The revenue growth too is in single digits, which means there is tremendous pressure there. We have had 6% or 7% volume growth, with 3% revenue growth. If you look at 35% of our workforce producing 45%

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of our revenue, that revenue is growing at more than 20% and the margins there are higher than the company's margins. The first category is areas like run and operate, it's also very amenable to automation and it requires a different set of imperatives to be brought in, and Nia will make a huge impact on that work. When you look at the 35% (of

workforce), this is generally where we're building the future – customer experiences, digital experiences, cyber security and API (application programming interface) enabling systems, IoT (internet of things), etc. This is stuff that wasn't there 2.7 months ago. This is growing rapidly

But in many cases, while the new is growing, it's just unable to overcome the decline in the old. Take IBM: Its newer services are growing rapidly, yet, quarter after quarter, for 20 quarters now, the revenues have been coming down. How do you see this?

If you look at the transformation in the media or the telco industry, there is a clear sense, like Negroponte (Nicholas Negroponte, founder of MIT's Media Lab) wrote in 1991 in the book *Being Digital*, atoms are being replaced by bits in a very pervasive and rapid way. There is no doubt about that. Older systems are replaced by new architecture. One of the big-

ger questions that businesses ask is, what do we make of this and what does it mean for customer experience and so on. If you look at Uber, in real time you're connected to the entire experience. This is very disruptive to business. The idea that production and consumption can be directly connected is something that has a powerful impact across industries. You have to understand what is happening at the point of purchase, who is buying and why they are buying. This pervasive connectivity is enabled by tech and is completely a new kind of economics that businesses are looking for. We can call it digital transformation. And all these transformations are making up for the old ones. In the services industry, it's a bit more complex. The main business is under pricing and margin pressure. Your ability to take a high margin traditional business and squeeze that to be able to fund the new business, that's a more difficult transformation. But we can see the signs of the strat-

egy working. We have 180,000 software engineers at a time when software is changing the world. We can keep doing the IT stuff, but that would miss the point. We should enable businesses to transform themselves, to take on the true power of tech.

Your 2020 target of \$20 billion in revenue, that now looks far from achievable. Is your variable pay tied to that target? Will the Board change your targets?

With regard to my compensation, let's keep that out. My wife and I are quite surprised at the amount of press that has gone into my compensation. We don't work for compensation. We don't work for compensation. When I came here my friends in the Valley asked me: what are you thinking, you travel to India every month and how is it going to work? The point is not the compensation and the excruciating effort that people have put in analysing individual clauses in my contract. So I don't want to comment on that... you have to talk to the board. Suffice it to say that I'm not doing what I'm doing because of the compensation. It's in the nature of our brains that we tend to forget contexts. You have to go back and see the times and news when I started in 2014 – there was tremendous sense of anxiety, apprehension, worries among customers and stakeholders as to what is going on in the company. When I looked at what was going on, it was clear that the dual journey of automation and innovation has to be embarked upon. In the October board meeting of 2014, we said let us go after \$20 billion, \$80,000 per employee and margins of 30% – not as a financial target. Pravin (COO U B Pravin Rao) told me once that the target for 2010 was \$10 billion. It's an aspiration. We established something to galvanise people's attention around. This is not a target or a goal. We are barely \$10.2 billion now.

When many wrote it like it is an actual target, you never really denied it.

I have always said it's an aspiration, an audacious goal you set for yourself.

You have faced resistance internally to some of your changes. There have been distractions from the promoter group. As a leader, how do you rise above these distractions and take the whole company along with you?

Transformations are always challenging, especially the journey we have embarked on. I don't know if you ever came to a Zero Distance session (Infosys' programme for disruptive business innovation); it is difficult to describe the energy and passion. So I don't agree with the notion that it's a divided house. There is a deep commitment. It's not a one person option but a logically constructed strategy that we need to shift to higher margin services, that we need to bring automation to existing services, that we need to do breakthrough innovation. Alan Kay says everybody loves change except for the change part. It is

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not easy. My own sense is, the youngsters in the company deeply embrace the idea of innovation. Pravin and I have stopped tracking attrition – it's 13-14%. When I started it was 25%. We have roughly 6,000 high-performing Infoscions in front line positions. Attrition in that group is now below 7% and these are signs that not only is the strategy resonating, but that employees deeply care about it.

You clearly have put in a lot of effort. Yet, your revenue guidance for the year looks so disappointing, lower than

Cognizant's...

That's based on our assessment of the business environment. When I first presented my ideas to the board in 2014, the company had completed one-third of a century, and my thoughts were on what the next third of the century would look like. It's a great company. You have to think about transforming the company in the long-term. In the short-term, you have business realities and market realities and that is what shapes the guidance. John McCarthy, the father of artificial intelligence, was the head of my qualifying exams, and he once said articulating the problem is half the solution.

It's good to hear you talking about the long term. Every now and then we hear that Vishal Sikka is sick and tired of the internal bickering and wants to leave the firm. Will you be there to transform Infosys over the long term? I feel a deep sense of commitment to what

I'm doing. An Infosys project manager in Thiruvananthapuram recently noted that at a large bank in the US, there was a loan approval process where every time something needed to be changed, the employees of the bank had to go to the IT people and makes changes. The team built a rule engine that brought down the process from 8 weeks to 6 weeks. There are 9,000 such examples. The fact that they had the confidence to go ahead and do it on their own without any mandate to do so from the organisation... that is what makes it worthwhile.

