Infosys technologies ltd: swot and pestle

INFORMATION TECHNOLOGY

We are using the term information technology or IT to refer to an entire industry. In actuality, information technology is the use of computers and software to manage information. In some companies, this is referred to as Management Information Services (MIS) or simply as Information Services (IS). The information technology department of a large company would be responsible for storing information, protecting information, processing the information, transmitting the information as necessary, and later retrieving information as necessary.

History of Information Technology:

In relative terms, it wasn't long ago that the Information Technology department might have consisted of a single Computer Operator, who might be storing data on magnetic tape, and then putting it in a box down in the basement somewhere. The history of information technology is fascinating! These Information Technology resources for information on everything from the history of IT to electronics inventions and even the top 10 IT bugs.

Modern Information Technology Departments:

In order to perform the complex functions required of information technology departments today, the modern Information Technology Department would use computers, servers, database management systems, and cryptography. The department would be made up of several System Administrators, Database Administrators and at least one Information Technology Manager.

In India, the software boom started somewhere in the late 1990s. Most of the Indian software companies at that moment offered only limited software services such as the banking and the engineering software. The business

software boom started with the emergence of year2000 problem, when a large number of skilled personnel were required to fulfill the mammoth database-correction demand in order to cope up with the advent of the new millennium.

The profile of the Indian IT Services has been undergoing a change in the last few years, partly as it moves up the value chain and partly as a response to the market dynamics. Ten years ago, most US companies would not even consider outsourcing some of their IT projects to outside vendors. Now, ten years later, a vast majority of US companies use the professional services of Indian Software engineers in some manner, through large, medium or small companies or through individuals recruited directly.

The market competition is forcing organizations to cut down on costs of products. The professional IT services on the other hand are becoming increasingly expensive. The offshore software development model is today where onsite professional services were ten years ago. There is a high chance (almost a mathematical certainty), that in less than ten years, the vast majority of IT services (software development being just one of them) from developed countries, will be, one, outsourced and two, outsourced to an offshore vendor.

Despite the global economic slowdown, the Indian IT software and services industry is maintaining a steady pace of growth. Software development activity is not confined to a few cities in India. Software development centers, such as Bangalore, Hyderabad, Mumbai, Pune, Chennai, Calcutta, Delhi, Noida, Gurgaon, Vadodara, Bhubaneswar, Ahmadabad, Goa,

Chandigarh, and Trivandrum are all developing quickly. All of these places have state of the art software facilities and the presence of a large number of overseas vendors. India's most prized resource is its readily available technical work force. India has the second largest English-speaking scientific professionals in the world, second only to the U. S. It is estimated that India has over 4 million technical workers, over 1, 832 educational institutions and polytechnics, which train more than 67, 785 computer software professionals every year. The enormous base of skilled manpower is a major draw for global customers. India provides IT services at one-tenth the price. No wonder more and more companies are basing their operations in India.

The industry is in an expansion mode right now, with dozens of new offshore IT services vendors emerging every day, the industry has a high probability of being subjected to the 80: 20 rule in not too distant a future. In perhaps another ten years, 80 percent of all outsourced offshore development work will be done by 20 percent of all vendors, a small number of high qualities, trusted vendors. Only a few select countries and only the most professional companies in those countries will emerge as winners. India will definitely be the country of choice for offshore software development. It has the potential to become and remain the country of choice for all software developments and IT enabled services, second only to the USA. The third choice could be far distant.

India is among the three countries that have built supercomputers on their own. The other two are USA and Japan. India is among six countries that launch satellites and do so even for Germany and Belgium. India's INSAT is among the world's largest domestic satellite communication systems. India

has the third largest telecommunications network among the emerging economies and it is among the top ten networks of the world.

To become a global leader in the IT industry and retain that position, India needs to constantly keep moving up the value chain, focusing on finished products and solutions, rather than purely on skill sets and resumes. It also needs to be able to package its services as products, rather than offering them as raw material. It needs to be able to recognize and build up on its strengths and work on weaknesses.

Another extension of the IT industry is the ITES (Information Technology Enabled Services) which is a sector dependent on IT sector.

Information technology consulting (IT consulting or business and technology services) is a field that focuses on advising businesses on how best to use information technology to meet their business objectives. In addition to providing advice, IT consultancies often implement, deploy, and administer IT systems on businesses' behalf.

The PC industry is one of the strangest in the world. There is probably no other type of product that is so technologically sophisticated, sells for so much money, and yet is sold by so many companies for so little profit. The severe competition in the industry is the one reason why so many problems are encountered by those who deal with PC vendors. While I consider there to be absolutely no excuse for a company not treating its customers fairly, at the same time I think customers should have some idea of what vendors are up against in this demanding marketplace.

PESTLE ANALYSIS

There are many factors in the macro-environment that will effect the decisions of the managers of any organization. Tax changes, new laws, trade barriers, demographic change and government policy changes are all examples of macro change. To help analyze these factors, managers can categorize them using the PESTLE model.

PESTLE stands for Political, Economical, Social, Technical, Legislative and Environmental. It is a strategic planning technique that provides a useful framework for analyzing the environmental pressures on a team or an organization. It describes a framework of macro environmental factors used in the environmental scanning component of strategic management. It is a part of the external analysis when conducting a strategic analysis or doing market research and gives a certain overview of the different macro environmental factors that the company has to take into consideration. It is a useful strategic tool for understanding market growth or decline, business position, potential and direction for operations. PESTLE factors play an important role in the value creation opportunities of a strategy. However they are usually outside the control of the corporation and must normally be considered as either threats or opportunities.

Kotler (1998) claimed that PESTLE analysis is a useful strategic tool for understanding market growth or decline, business position, potential and direction for operations. The headings of PESTLE are a framework for reviewing a situation, and can in addition to SWOT and Porter's Five Forces models, be applied by companies to review strategic directions, including marketing proposition.

(P)olitical factors

These refer to government policies such as the degree of intervention in the economy. What goods and services does a government want to provide? To what extent does it believe in subsidizing firms? What are its priorities in terms of business support? Political decisions can impact on many vital areas for business such as the education of the workforce, the health of the nation and the quality of the infrastructure of the economy such as the road and rail system, Government rules and regulations can also affect a business heavily. Rules and regulations such as environmental regulations, industry specific regulations, competitive regulations, consumer protection and various kinds of employment laws.

(E)conomical factors

These include interest rates, taxation changes, economic growth, inflation and exchange rates, governments spending levels, unemployment, job growth, tariffs, consumer confidence index and import or export rations. Economic changes can have a major impact on a firm's behavior.

- Higher interest rates may deter investment because it costs more to borrow.
- A strong currency may make exporting more difficult because it may raise the price in terms of foreign currency
- Inflation may provoke higher wage demands from employees and raise costs
- Higher national income growth may boost demand for a firm's products

(S)ocial factors

These often look at the cultural aspects and include health consciousness, population growth rate, demographics (age, gender , race, distribution), career attitudes and emphasis on safety , lifestyle changes, population shifts, education trends, fads, diversity, immigration/emigration, housing trends, fashion, attitudes to work, leisure activities, occupations and earning capacity.

Changes in social trends can impact on the demand for a firm's products and the availability and willingness of individuals to work. Today the aging of population has become a huge problem. This has increased the costs for firms who are committed to pension payments for their employees because their staff is living longer. It also means some firms have started to recruit older employees to tap into this growing labour pool. The ageing population also has impact on demand: for example, demand for sheltered accommodation and medicines have increased whereas demand for toys is falling.

(T)echnological factors

Technological factors include ecological and environmental aspects and can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Technological factors look at elements such as R&D activity, automation, technology incentives and the rate of technological change. New technologies create new products and new processes. MP3 players, computer games, online gambling and high definition TVs are all new markets created by technological advances. Online shopping, bar coding and computer aided designing are all improvements to the way we do

business as a result of better technology. Technology can reduce costs, improve quality and lead to innovation. These developments can benefit consumers as well as the organizations providing the products.

(L)egal factors

These are related to the legal environment in which firms operate. In recent years in UK there have been many significant legal changes that have affected organizations behavior. The introduction of age discrimination and disability discrimination legislation, an increase in the minimum wage and greater requirements for firms to recycle are examples of relatively recent laws that affect an organization's actions. Legal changes can affect a firm's costs (e. g. if new systems and procedures have to be developed) and demand (e. g. if the law affects the likelihood of customers buying the good or using the service).

(E)nvironmental factors

Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, tourism and insurance. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for firms to consider. The growing desire to protect the environment is having an impact on many industries such as the travel and transportation industries (for example, more taxes being placed on air travel and the success of hybrid cars) and the general move towards more environmentally friendly products and processes is affecting demand patterns and creating business opportunities.

Introduction:

Infosys Technologies Ltd. (NASDAQ: INFY) was started in 1981 by seven people with US$ 250. Today, we are a global leader in the " next generation" of IT and consulting with revenues of over US$ 4 billion. Infosys defines designs and delivers technology-enabled business solutions that help Global 2000 companies win in a Flat World. Infosys also provides a complete range of services by leveraging our domain and business expertise and strategic alliances with leading technology providers.

Infosys' offerings span business and technology consulting, application services, systems integration, product engineering, custom software development, maintenance, re-engineering, independent testing and validation services, IT infrastructure services and business process outsourcing Infosys pioneered the Global Delivery Model (GDM), which emerged as a disruptive force in the industry leading to the rise of offshore outsourcing. The GDM is based on the principle of taking work to the location where the best talent is available, where it makes the best economic sense, with the least amount of acceptable risk. Infosys has a global footprint with over 50 offices and development centers in India, China, Australia, the Czech Republic, Poland, the UK, Canada and Japan.

Infosys has over 103, 000 employees. Infosys takes pride in building strategic long-term client relationships. Over 97% of our revenues come from existing customers.

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.

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."

STP Analysis Segmentation

Geographical regions: US, India, Australia, China, UK

Psychographics: MNC, BFSI, Hospitality Sector

Demographic: Population or Employee strength of consumer company: +5000

Targeting

Infosys Technologies Ltd, which offers its core banking solution under the brand ' Finacle', is targeting regional rural banks to achieve higher growth. There are over 90 rural banks in India & they have come up with a solution called ' The Finacle Bank in a Box' for this segment. The expenditure that each rural bank would have to make would depend on its existing level of automation. IT service providers would benefit a great deal if more people

from rural areas were included in the banking services, and Infosys has. The solution will be deployed by a third party who will do the banking transaction on behalf of different banks as the model is expected to be cost-effective

Infosys BPO is targeting the hospitality industry for it's outsources processes offering. The company has formed a strategic alliance with New York-based hospitality consultancy major HVS International The alliance will help Infosys BPO (formerly called Progeon) to target hotels and other customers in the hospitality industry. HVS is a well-known consulting firm in the hospitality segment.

Positioning

Infosys is seeking to move away from its image as a cheap Indian offshore service factory to that of a global business technology (BT) leader. The company is investing in measures to enhance its visibility and footprint across a wider group of client stakeholders and markets. The aim is to position Infosys as a prototype for successful companies in a globalized market environment. While Infosys can justifiably point to its ongoing business growth as a major success story, its corporate positioning suffers from inconsistencies in its underlying messaging.

Furthermore, its product positioning continues to mainly focus on technology and cost-related benefits, which represents a disconnect with Infosys' corporate ambitions.

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.

SWOT Analysis

(S)TRENGTHS:

- 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

- Ability to scale Innovation and leadership.

(W)EAKNESSES:

- Excessive dependence on US for revenues, – 67 % of revenues from USA.

- 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.

- Low expertise in high end services like Consultancy and KPO.

(O)PPORTUNITIES:

- 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.

(T)HREATS:

- 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 movementaffects revenue and hence margins.

- Increased competition from foreign firms like Accenture, IBM etc.
- Increased competition from low-wage countries like China, Indonesia etc.

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 software's. 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

Pestle of Infosys:

(P)olitical:

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.

(E)conomic:

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

(So)cial:

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

(T)echnological:

1. Telephony:

1. India has the world's lowest call rates (1-2 US cents).

2. Expected to have total subscriber base of about 500 million by 2010.

3. ARPU for GSM is USD 6. 6 per month.

4. India has the second largest telephone network after china.

5. Teledensity – 19. 86 %

6. Enterprise telephone services, 3G, Wi-max and VPN are poised to grow.

Internet Backbone:

Due to IT revolution in 90's India is well connected with undersea optical cables.

New IT Technologies:

Technologies like SOA, web 2. 0, High definition content, grid computing, and innovation in low cost technologies is presenting new challenges & opportunities for Indian IT industry.

- Internet Backbone:

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

- 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.

(L)egal:

1. 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.

2. Contract / Bond requirements: Huge debates surrounding the bonds under which the employees are required to work, which is not legally required.

3. 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.

4. Companies operating in Software Technology Park (STPI) scheme will continue to get tax-benefit till 2010.

(E)nvironmental:
Energy Efficient processes and equipments:

Companies are focusing on reducing the carbon footprints, energy utilization, water consumption, etc

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