Disruption in Sight, Indian IT Sells Automation

DANGER WITHIN: Companies are looking at ways to incentivise their sales forces to sell automation even when it cannibalises their own revenue

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Mumbai: Indian IT companies are looking at ways to incentivise their sales forces to sell automation even when it cannibalises their own revenue, as they focus on disrupting themselves before someone else does it.

Sales executives have typically been rewarded based on the size of the deals they bring in and, to a smaller extent, the gross margin of those deals. With salaries that begin at ₹1 crore and stretch into several crores — depending on where they are based or their responsibilities — top performing sales heads receive enviable perks such as luxury cars, the latest iPhones and international holidays.

But the fear that other players will swoop in with lower prices due to automation is forcing IT companies to provide automation themselves and look to boost the profitability of the deals and the way their top sales executives perform.

PONDERING OVER THE FUTURE

SALVADOR DALI *Automatic Beginning of a Portrait of Gala (unfinished)*

Sales people are being told to push automation in every deal

Even larger IT firms like Infosys and HCL are looking at incentivising sales forces to sell automation offerings

IT cos are looking at ways to provide automation themselves, boost profitability of the deals and the way their top execs perform

HCL Tech's DryICE automation platform has impacted 90% of new wins over 18 months

Infosys is moving its sights to automation of time-material deals & onsite staff

"We are telling our sales people to push automation in every deal. And, because size matters for a sales person, when we do their year-end evaluations we add back the amount lost due to automation into their deal wins for the year," R Srikrishna, chief executive officer at Hexaware, told **ET**.

Srikrishna added that IT companies would be forced to do this because it was a case of 'disrupt or be disrupted.'

Growth in the $160-billion Indian IT sector has slowed over the past few years, with projected growth rates reaching levels last seen in the aftermath of the financial crisis. Nasscom has projected a 10-12% revenue growth for the industry — a target which many analysts say will be hard to meet.

And now, even larger IT companies like Infosys and HCL Technologies are looking at incentivising their sales forces to sell their automation offerings. "We are not just looking at the size of the deal, but also the margin of the contract. Automation has to be a part of what you are selling because clients want the outcomes that only automation can bring. And in some cases, are asking for the benefits of the automation up-front when the contract is signed," Kalyan Kumar, chief technology officer at HCL Technologies said.

The company's DryICE automation platform has impacted 90% of its new wins over the past 18 months and is active at over half of the company's total customer base. Infosys, which had focused its automation efforts on fixed-price contracts, is moving its sights to even time-material contracts and on-site employees. Automating time and material would have an immediate impact to the top-line though the company hopes to offset that by using more profitable platforms.

RAVI KUMAR S
Chief Delivery Officer, Infosys

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"Our belief is do not go and oppose commoditisation, but embrace commoditisation by doing this. That is what we kind of told our teams," Ravi Kumar S, chief delivery officer at Infosys, told analysts at the company's analyst day last month in Pune.

Analysts say that Infosys has already begun countering a possible drop in the top-line.

"Infosys has been encouraging its employees (both on delivery and sales sides) to shrink project size to favour customers wherever possible (hoping to gain a larger share of customer wallet by doing this proactively and thus compensate for the loss of revenue)," Girish Pai, analyst with Nirmal Bang, said in a note.

Sagar Rastogi, analyst with Ambit Capital, said the Bengaluru-headquartered firm was also 'rewarding sales people explicitly for automation initiatives.'

But analysts say the industry, and the market, should be prepared to face a period of uncertainty over results. "The companies are confident that they can self-cannibalise but then to grow, you need capabilities in the digital business. We are still seeing that play out because we have not seen them take share from multinationals like Accenture. Falling revenues, even though they are more profitable, will not be a good sign," an analyst with a Mumbai-based brokerage said. He declined to be identified.