

TELECAST: CNBC TV18

DATE: October 19, 2010

## **Mphasis gives its organizational structure a facelift**

Technology firm Mphasis worked with Boston Consulting Group and got them to help revamp their business and have now come in with a new organisational structure, says CEO and director of the company Ganesh Ayyar. In an exclusive interview with CNBC-TV18's managing editor Udayan Mukherjee, he says there will be three critical aspects in their transformation - vertical approach, emerging market approach and the concept of incubation engine.

Below is a verbatim transcript of his interview.

### **Q: What did BCG come back with in terms of a revamp?**

A: They worked with us and together we looked at best practices not only in the IT industry but all across as well. If you look at our run rate, this year we will exceed USD 1 billion. The question then became - what did we need to do, to go to the next level of growth.

We started looking at various structures, various transformation models and ultimately the structural piece has now been decided. We have announced the structure internally. BCG worked on providing us the information, best practices in organizational design etc and today we have arrived at the structural element of transformation.

### **Q: Take us through what exactly is the new organizational structure?**

A: Let me begin with our areas of strength. Instead of looking at lines of business which used to be BPO, ITO and applications, we are going more towards vertical. We are extremely strong in banking, capital market, insurance and healthcare. So we are going to have a vertical approach towards them and this is almost being made like a business unit with profit responsibility. We are introducing a concept called emerging markets which is going to be a hot theme as not many companies had succeeded in the IT industry especially in the IT services industry to create an end-to-end model. We are going to be creating an end-to-end model for emerging markets, which includes India. Tremendous focus is going to be there.

Third element which we are introducing is the concept of incubation engine. We will do an internal VC where we are going to incubate four businesses because some of these businesses will succeed and some may not. These four businesses are going to be clubbed under a new venture and will be managed almost like a VC funded separate standalone business.

These are the three critical aspects of our transformation that we have worked on, that is what is reflected in our new structure. This is going to result in sustained value for our shareholders. We want to energize our growth in direct business while sustaining our business with HP.

### **Q: When you say emerging markets, how much of your business today comes from what you would classify as emerging markets at Mphasis and is part of this diversification away to the non-traditional markets, partly to do with the fact that HP's business will decline overtime?**

A: It has less to do with HP's business declining. I was recently reading an article which talks about how Bajaj is emerging as a force to reckon with in emerging markets in the auto industry and that is an end-to-end approach. India is one of the emerging geographies.

We certainly want to grow India as a business. At the same time we are looking at other emerging geographies as well and creating the entire value chain – not just the sales engine alone. That is going to be our focus. Today, the amount of business that we get is in single digits, in percentage terms and we certainly want to grow it much bigger because the economies are growing and customers are buying. It is a different type of buying behaviour which is what we want to tap into.

**Q: These new businesses that you spoke about like incubating nearly like VCs, what kind of businesses would those be?**

A: We have an interesting business where we introduced a product in the healthcare insurance payee segment in the US called Javelina which we introduced and we have sold four licenses. We developed this product ground up, based on the existing platform which we had.

Hospital administration is the second business and as far as the third and fourth business is concerned, stay tuned, we will be announcing it soon. What we hope to do is to have mini-CEOs here who will have complete flexibility and freedom to grow the business, channels of business and who will ultimately be held accountable for growth. So it is almost like a start-up that we want to manage.

**Q: Any internal targets on revenues that you have also set out now that you have crossed the billion dollar mark? How soon can you take it from USD 1 billion to USD 3-4 billion and join the club of the big boys?**

A: I don't know whether joining the club of the big boys is the right objective because they are big. The focus is to run the race for the next billion dollars and do it faster than what we have done. For us to come to reach USD 1 billion we have taken almost 12 years, we certainly don't hope to take 12 years for the next billion and do it at a rate which is faster than the market growth rate.

This is our focus that we will do it with a level of specialization that will bring value to the customer because at the end of the day, revenue is the outcome. That has to happen when customers buy from you, customers grow with you and that is where we are focussing on to create value for our customers.

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