

### Briefing Notes

## L&T Infotech Disrupting BPO via Automation

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# Briefing Notes – L&T Infotech Disrupting BPO via Automation

## Summary

In ISG's recent briefing with L&T Infotech, they shared some interesting insights about their automation business, focusing on automating back-office processes as a first key step in digital transformation. L&T Infotech has around 1,200 resources working in its automation practice assisting clients in reducing cost and improving time-to-market through automation in areas of business operations, applications, and infrastructure. The application and infrastructure automation solution leverages their MOSAIC™ digital transformation platform, whereas business processes are automated through their Business Process Automation (BPA) service offering. Our discussion revolved around their BPA approach, especially regarding how pure-play ITO service providers like them are gradually disrupting the business of traditional BPO players.

*Key Takeaways:* We believe that L&T Infotech has a sound approach towards automation that prioritizes and recommends back-end automation as the first logical step towards achieving digital business transformation. Additionally, L&T Infotech does not offer traditional BPO services. Thus, by offering automation solutions, they do not run the risk of cannibalizing their own business. This allows them to be more aggressive in their go-to-market than traditional BPO service providers who might risk cannibalizing existing business – enabling L&T to potentially disrupt markets and business.

## Briefing Notes

BPA solutions are disrupting the FTE-driven traditional services business by achieving far superior business results across the value chain. ISG research and analysis indicates that the BPA industry is poised to grow at a CAGR of 60% over the next four years. L&T Infotech is clearly looking to ride this wave of extraordinary growth.

L&T Infotech believes that the key drivers behind adoption of BPA among its clients are the needs for efficiency and improved customer experience. BPA also leads to cost savings in the long term, but our analysis suggests that it should be a secondary criterion for clients while embracing automation. In fact, L&T's own analysis, the annual cost of digital labor (i.e., usage of BOTS) is about one-third the cost of manual offshore labor. However, the initial cost of implementation can range from \$12,000 – \$15,000/employee. This suggests that it can take two years to achieve ROI. ISG concurs with L&T Infotech's explanation. We believe that upfront cost is one of the biggest barriers for slow adoption of automation within back-offices of client organizations. That being said, this in no way should be an excuse to not tap the humongous potential for business improvement, including compliance, agility, and most importantly a better utilization of customer data.

L&T Infotech's major automation customers belong to the BFS, Travel, and Insurance sectors, and are primarily based in the UK and the US. Key areas of automation focus for L&T Infotech include human task automation (e.g., user interface for data and decision capture), straight-through processing (e.g., processes having system tasks, logic to be externalized), digitization (e.g., document centric tasks, document creation and dispatch), and machine intelligence (e.g., repetitive tasks automation, historical data analytics-based decisions).

L&T Infotech's BPA offering includes the use of BOTS, orchestrators, digitizers, and machine intelligence along with third-party software tools to solve customer back-end problems, essentially playing the role of system integrator responsible for bringing in the right tools and weaving everything together in a client's environment. We believe that the absence of L&T Infotech-proprietary tools should not be a cause of concern, as we very seldom come across service providers that have developed their own tools to cater to this space. Major

functions performed under L&T Infotech's BPA offering along with the tools used are listed below:

1. UI Automation enabled through Blue Prism, Automation Anywhere, and other RPA tools;
2. Business process modelling and management enabled through orchestration partners such as Software AG, Tibco, Microsoft, and IBM;
3. Cognitive Optical character recognition and document management systems enabled through KOFAX, EMC Documentum, OmniPage Ultimate;
4. Machine learning and Analytics powered by GridGain, Drools, Spark, WEKA, and Cloudera Impala

The implementation roadmap starts by automating functions in a non-intrusive way (data/document digitization, UI Automation), then moving into automation mode with minimal intrusion (rules externalization, application integration, business process management), and finally looking at transforming the business itself leading to fully integrated application landscape, cloud-enabled solutions, and business process re-engineering and leveraging cognitive platforms. L&T Infotech has been able to achieve success through application of this framework across 20+ organizations. One of the interesting cases discussed involved reducing the loan payout time for a UK-based bank from 2 days to 18 minutes.

### **Net Impact**

Some of the major challenges for clients attempting to automate business processes have been a lack of effective change management strategies and a narrow focus on cost savings. The advent of global Digital Business positions BPA solutions as a means to develop competitive advantage, producing ample opportunities for companies like L&T Infotech.

ISG believes that L&T Infotech is in the right business at the right time; however, we believe they need to be more aggressive in hunting for new clients, as a majority of L&T Infotech's current BPA clients are from its existing clientele. We suggest that the company will be more successful if it can find more new clients while cross-selling to existing clients.

Because of its go-to-market approach, L&T Infotech might not have as much of an advantage over competition in terms of intellectual property or scale but with the industry itself going through a nascent stage, these factors can be somewhat discounted. Additionally, L&T Infotech does not have the broad and deep BPO services baggage that weighs down some of the more traditional providers, allowing L&T Infotech to win business with a narrower focus and a more nimble structure.

### **Summary Facts**

- L&T Infotech is headquartered in Mumbai, India.
- L&T Infotech's Automation practice has more than 1,200 employees serving more than 20 clients.
- Most of its Automation clients are based out of UK or the US.
- Its key competitors include Western heritage service providers (like Capgemini, Accenture, IBM); India Heritage tier-1 (like Wipro, TCS, Infosys) and tier-2 providers (like Mindtree, ITC Infotech); and multiple engineering services firm.



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