

NEAT EVALUATION FOR INFOSYS:

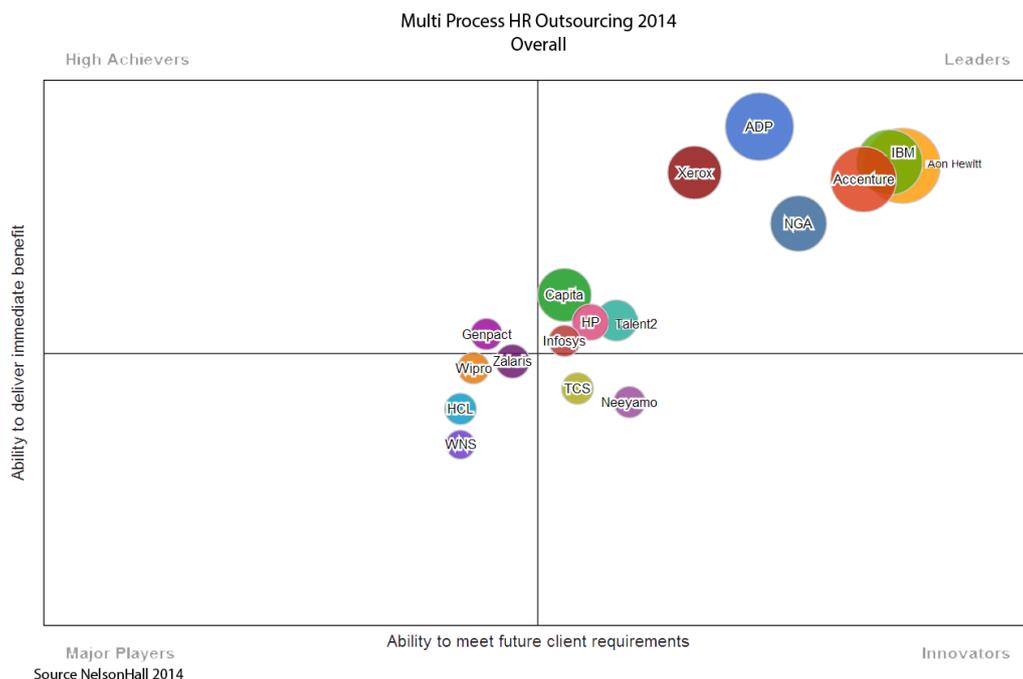
Multi-Process HR Outsourcing

Market Segment: **Overall**

This document presents Infosys with the NelsonHall NEAT vendor evaluation for Multi-Process HR Outsourcing (Overall market segment). It contains the NEAT graphs of vendor performance, the latest market analysis summary for MPHPO, and a summary vendor analysis of Infosys in MPHRO. An explanation of the NEAT methodology is included at the end of the document.

The vendors researched are: Accenture, ADP, Aon Hewitt, Capita, Genpact, HCL, HP, IBM, Infosys, Neeeyamo, NGA, Talent2, TCS, Wipro, WNS, Xerox, and Zalaris.

NEAT Evaluation: MPHRO (Overall)



Buy side organizations can access the NEAT tool [here](#).

Multi-Process HR Outsourcing (MPHRO): Market Summary

Buy-Side Dynamics

Buyers of MPHRO services can be grouped into four market segments:

- Multi-country standardization: buyers seeking consistent information and processes regionally or globally
- Client-specific shared service transformation: buyers seeking to make HR more effective by transforming existing services to best practice
- Core business focus: buyers experiencing high growth and a need to focus attention on go-to-market or other HR strategies
- Technology-led HR service enhancement: buyers looking to update legacy HR systems and processes.

The principal benefits derived from each market segment vary, as follows:

- Multi-country standardization: compliance with local legislation within each HR process area, and consistent information and processes across multiple countries
- Client-specific shared service transformation: improved performance, communication, functional support, and reporting globally; and access to additional services such as healthcare exchanges
- Core business focus: access to expertise and technology to yield productivity improvement, and a quick rollout with little to no time investment
- Technology-led HR service enhancement: latest HR technology, improved self-service functions, mobile capabilities, and refreshed processes; and a way to avoid a separate major investment in technology.

Average contract length for all MPHRO contracts in 2013 remained relatively stable at 6 years. By market segment contract duration varies, with shared services transformation contracts longer than the other market segments. Within each respective segment contract durations are expected to remain relatively stable over the next 12 to 24 months, but may shorten, including within the shared service transformation segment, due to a shift toward cloud-based platforms combined with MPHRO.

The primary pricing mechanisms used in MPHRO contracts are FTE-based and per employee, which is typically paired with a one-time implementation fee; together, they account for >80%.

Market Size & Growth

The global MPHRO market was valued at \$3.3bn in 2013 and is forecast to grow at 5.5% per annum, to reach \$4.3bn in 2018. Growth is global, with the U.S. accounting for ~40% of activity.

The shared service transformation market segment accounts for ~40% of MPHRO revenues due to high TCVs, and will continue to grow mainly as a result of contract expansions and renewals. The multi-country standardization and core business focus segments have the highest CAAGRs through 2018.

The MPHRO market is dominated by the private sector, with the public sector accounting for ~8% of the market. Top verticals for MPHRO are financial services, manufacturing, and business / professional services. The financial services and business services sectors grew 4% and 3% respectively in the last year. These two verticals, along with manufacturing, are expected to increase, with demand for other sectors remaining steady.

Success Factors

The leading vendor selection criteria by market segment are:

- Multi-country standardization: geographic presence and capabilities in all countries targeted by the client
- Client-specific shared service transformation: functional support for the entire HR service spectrum and demonstrating significant cost reduction
- Core business focus: fast roll-out and proven experience via references and recommendations
- Technology-led HR service enhancement: quick implementation and enhanced ESS / MSS capabilities with more functionality including mobile access.

The critical success factors for MPHRO by market segment include:

- Multi-country standardization: supporting operations across a wide range of countries for large global multinationals, rolling out standardized HR admin and payroll to create a global system of record, and providing standard technology in support of talent management functions
- Client-specific shared service transformation: offering onshore, nearshore, and offshore delivery models to support client operations in various locales; providing BPO support directly or through a partner for all HR services; ability to work with existing client HR technology; and supporting client operations across a wide range of countries
- Core business focus: rapid deployment of HR services with access to HR expertise when needed, rolling out standardized HR admin and payroll as a core offering, and providing BPO support within talent management services
- Technology-led HR service enhancement: providing standard technology for HR admin and payroll that includes talent management functions, supporting a variety of platforms based on varying client needs including size and geography, deploying technology and HR services relatively quickly, and rolling out standardized HR admin and payroll.

Outlook

Over the next few years:

- MPHRO offerings will continue to be structured around a core model; benefits and recruitment services will continue to be the most popular add-ons for the next 12-36 months. Learning and performance management / admin within MPHRO deals will pick up in the next 3-5 years as the focus shifts to training employees and monitoring performance
- MPHRO contracts with three different HRO service lines will continue to lead activity in 2014, however the gap between contracts with three service lines versus two will narrow in 2014; demand for end-to-end MPHRO deals will be practically non-existent
- Workday use will increase in MPHRO contracts; other cloud-based platforms such as Employee Central will penetrate the MPHRO space as well. Momentum among existing MPHRO clients for cloud-based platforms is expected to pick-up significantly by 2017
- Proportion of mid-market clients will outnumber large market activity by 2016, as MPHRO becomes more affordable, driven by the inclusion of cloud-based technologies.

Vendor Analysis Summary for Infosys

Overview

Across its HRO business, Infosys has ~18 external clients, up from ~15 in 2012.

The company is still relatively new in the MPHRO space. From 2010 to 2012, Infosys increased its MPHRO client base from 3 to 6 clients, and added another 3 clients in 2013.

Infosys' MPHRO offering includes:

- Payroll
- Recruitment
- Learning and development
- Benefits administration
- Workforce administration.

Other administrative services included with its MPHRO offering are compensation administration, performance management support, succession and career planning administration, and relocation support.

Infosys' core MPHRO bundle is focused on providing HR administration and data support, payroll, time and attendance, HR helpdesk, and HRIS administration.

In the last year, Infosys has developed its HR analytic capabilities across workforce management, employee engagement, and training and development. Also, it now has a predefined report factory which produces ongoing metric-based reporting.

Future developments for its analytics offering include creating a dashboard for the CHRO.

In the last year, Infosys has experienced a sudden increase in demand for learning services. As a result, Infosys has enhanced its learning offering to provide learning program design, development, deployment, and administration including translation and localization of learning content as per client requirements.

Currently, Infosys' MPHRO contracts only include learning administration. One of the company's wider initiatives is to be viewed as a learning specialist, specifically within the financial services and pharmaceutical industries. This, in turn, could potentially make its other learning services, such as content development, more attractive to its MPHRO clients.

The company has 9 external MPHRO clients consisting of both mid (500 – 15k employees) and large market (>15k employees) clients. Approximately 65% of its MPHRO clients are from the large market.

Infosys provides its MPHRO services to clients with employees in ~11 countries. By geography, its top countries for MPHRO services are Australia, the U.S., and the U.K. The company does not have any dedicated Latin America MPHRO clients, but it does serve a small population of client employees in Mexico and Chile.

There are ~1,300 employees deployed in Infosys' HRO business. Approximately 85% of its HRO employees are located in India. In total, Infosys has seven service centers focused on delivering HR BPO services.

Financials

NelsonHall estimates that Infosys' FY 2013 HRO revenues accounted for ~7% of its BPO revenues at ~\$26m.

NelsonHall estimates that FY 2014 MPHRO revenues are ~\$16m, up from \$14m in FY 2013.

Infosys is targeting double-digit revenue growth of ~12% - 18% for its MPHRO business for FY 2015, mostly due to pipeline activity from Asia Pacific.

The breakdown of Infosys' MPHRO revenues by geography is estimated as approximately:

- 55% or \$9m: Asia Pacific (primarily Australia; also India, Japan, and Singapore)
- 25% or \$4m: North America (primarily the U.S., with some revenues in Canada)
- 20% or \$3: Europe (nearly all from the U.K., with some from the Netherlands, Germany, France, and Sweden).

Strengths

- Large BPO client base and ability to expand these contracts to include MPHRO services (all of Infosys' existing clients are part of a wider, multi-tower BPO deal)
- Enhanced learning offering including program design, development, deployment, and administration
- Enhanced analytics capabilities for workforce management, employee engagement, and training and development
- More than 65% of its MPHRO clients include at least one HRO service beyond its core offering of HR administration, payroll, and HRIS
- Expanded payroll partner network in Europe (important to its MPHRO offering since payroll services are included in 90% of its MPHRO contracts)
- Ability and success in leveraging the Infosys TalentEdge platform (based on Oracle PeopleSoft); ~40% of MPHRO clients use TalentEdge, which includes self-service and access to mobile and smart phone devices for basic self-service transactions.

Challenges

- Low visibility in the marketplace as a MPHRO provider, with no announced contract wins
- Increasing the take-up rate for learning and recruitment services beyond administrative support
- Increasing the take-up rate of its benefits administration offering with MPHRO clients
- Potential lack of focus in expanding its MPHRO offering outside its key markets of the U.S., Australia, and the U.K. (revenues generated in other geographies stems from clients headquartered in these three key markets).

Strategic Direction

Infosys primarily targets organizations outsourcing multiple BPO processes such as F&A, HR, procurement, etc.

To expand its MPHRO client base, Infosys will target its other BPO clients, namely its large F&A outsourcing client base, as well as its standalone HRO client base.

In total, Infosys has 9 standalone HRO clients (4 payroll clients, 4 RPO clients, and 1 learning BPO client). In 2013, the company expanded services with a standalone HR client for which Infosys was providing a recruitment tool. Its standalone HRO clients as well as HR-technology only clients (e.g., Hudson to which Infosys is supplying its TalentEdge platform) will serve as the gateway for its MPHRO business.

To grow its HRO business and make its MPHRO offering competitive, Infosys is focused on enhancing its HRO service offerings. Specific examples include:

- Leveraging its analytics capabilities to provide insight and add value for HR business leaders (current take-up rates have been low within the MPHRO client base)
- Strengthening its learning BPO offering within the financial services and pharmaceutical industries
- Leveraging its partner network in Europe for multi-county payroll.

Other initiatives that the company may engage in include:

- Acquiring a HR and payroll vendor in Continental Europe
- Expanding its HR presence at its other BPO delivery locations.

Outlook

- Mid-teen double digit revenue growth due to new MPHRO contract wins
- Expect to add one to three new MPHRO clients within the next year and expand the scope of one to two existing contracts to include other HRO services
- Increased take-up rate for three year MPHRO contracts
- Implementing SMS text messaging services in the next 12 - 18 months
- Likelihood of establishing a HR presence at some of its other BPO delivery locations (contingent on client demand)
- Marginal increase among current MPHRO client base for its HR analytics offering
- Possibility of an acquisition focused on strengthening its HR and payroll capabilities.

NEAT Evaluations for Multi-Process HR Outsourcing

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers:** vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Exhibit 1: 'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
MPHRO offerings	<ul style="list-style-type: none"> Range of MPHRO processes covered Payroll capability Benefits admin capability Recruiting capability Learning capability Workforce development services capability Range of other HR processes
MPHRO delivery	<ul style="list-style-type: none"> Delivery in support of U.S. and Canada Delivery in support of U.K. Delivery in support of Continental Europe Delivery in support of APAC Delivery in support of LATAM Channel support capability Application of platforms Application of other enabling technologies Application of analytics Range of HR processes delivered Range of countries supported Ability to take over client services
MPHRO customer presence	<ul style="list-style-type: none"> Level of customer presence overall Level of customer presence in N. America Level of customer presence in EMEA Level of customer presence in APAC Level of customer presence in LATAM Level of customer presence in large organizations (more than 15k employees) Level of customer presence in mid-market (500-15k employees) Level of customer presence in single country MPHRO Level of customer presence in multi-country MPHRO
MPHRO benefits	<ul style="list-style-type: none"> Level of cost savings delivered Level of employee self-service

Exhibit 2: ‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Suitability to deliver future benefit	<ul style="list-style-type: none"> Recent service development Planned delivery development Recent delivery development Planned service development New wins and expansions Client innovation Future suitability R&D and acquisitions Commitment to MPHRO

This is one of four separate NEAT market segment evaluations for MPHRO, which are:

- Overall
- Client-specific Shared Service Transformation
- Multi-country Standardization
- Technology-led HR Service Enhancement.

For more information on these and other NEAT evaluations, please contact the NelsonHall relationship manager listed below.



research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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