



Infosys Business Platform

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About Infosys

Infosys Technologies Ltd. (NASDAQ: INFY) defines, designs and delivers IT-enabled business solutions that help Global 2000 companies win in a flat world. These solutions focus on providing strategic differentiation and operational superiority to clients. Infosys creates these solutions for its clients by leveraging its domain and business expertise along with a complete range of services.

With Infosys, clients are assured of a transparent business partner, world-class processes, speed of execution and the power to stretch their IT budget by leveraging the Global Delivery Model that Infosys pioneered.



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Executive Summary

Organizations today are influenced by emerging and unpredictable forces. From the days of minimizing costs and improving productivity, organizations are now striving to maintain competitive edge in the ever changing global marketplace by becoming more agile and nimble. Compliance to stringent regulatory guidelines and achieving desired returns for the large and demanding investor community is an important corporate level mandate for today's leading organizations.

Outsourcing has been the primary choice to improve business performance and attain cost efficiency. The surge of outsourcing is also exposing new areas where collaboration is required and a new way to look at business processes.

One such model being actively considered by organizations is "Managed Service Model". Such an engagement elevates the client provider relationship to a partnership level and provides avenues for higher value creation based on

innovation and intelligent bundling of service delivery elements to manage risk, performance and cost

Infosys with its deep technology expertise, together with process execution experience has defined the strategy for providing transformational value through outsourcing by innovatively using technology and process execution, Business Platform model is poised to create enhanced value through technology led differentiation and operational excellence.

Infosys Business Platform enables customers move to a best in class state in managing end-to-end processes based on agreed SLA's with minimum of change management effort; at a business value based variable pricing. A hosted model, based on Best-in-Class process coupled with innovative technology enables excellent service delivery, leading to cost savings through economies of scale, scope and usage of latest and best process and technology.

Business Platforms – A paradigm shift to Outsourcing

In a business environment increasingly driven by disruptive shifts in the global economy, organizations are locked in an ongoing struggle to cut costs, streamline processes and innovate operations. To achieve these objectives organizations are looking for value creation beyond the traditional outsourcing model.

This has motivated service providers to develop unique and innovative service delivery models by bringing together technology and process outsourcing expertise.

Key Challenges

Organizations have viewed the outsourcing model in a fragmented manner. The business processes (execution level) and the IT systems (deployment & maintenance) have been long served by different outsourcing partners in the traditional outsourcing models.

This creates significant challenges in terms of governance, operational reliability and hinders

innovation. Organizations adopting this model lack agility due to locked in fixed cost structures created by commitment to technology investments. Post deployment the organization has to bear the same cost irrespective of the pattern in the usage – leaving it with no option to modulate expenditure as per the utilization.

Additionally the long gestation period for such investments impedes faster business value realization. Long implementation cycle projects find it difficult to keep pace with changing business requirements. New implementations undergo a painful & slow evolution thereby delaying “time to market”

Operational reliability in terms of business level performance is hampered due to the absence of a single integrated view of business performance. A fragmented IT organization consisting of various service providers for application development & maintenance, process outsourcing and IT infrastructure creates non compatibility.

On the other hand it also requires more governance and coordination, which keeps the client management away from strategy formulation and deployment.

In the wake of these challenges organizations have realized the need for an alternative service delivery model.

Business Platforms – The Way Forward

The challenges stated above can be better addressed by adopting a model where the service provider owns and manages the technology along with process outsourcing. An innovative service delivery model, wherein end-to-end processes are offered as “Managed Services”, on a standardized “Business Platform” based on a best-of-breed ERP solution, hosted, managed and maintained by the service provider can prove to be an effective approach.

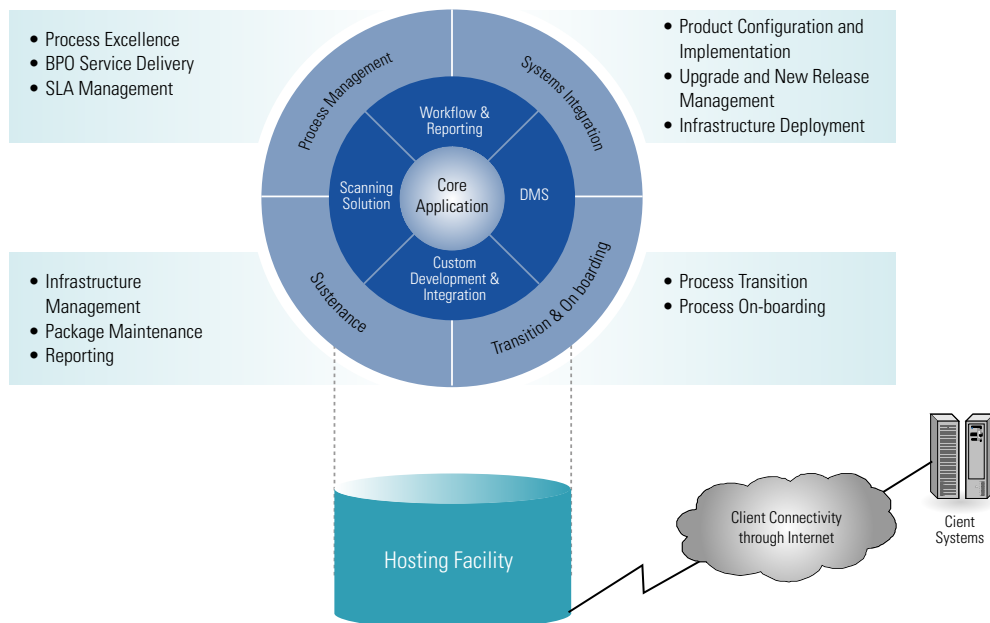
This bundling of technology, and process outsourcing helps synergistic value creation, delivers

transformational value and additional cost-savings using strategies such as technology innovation, process standardization and optimization based on scale

Service providers make the initial investment required to design build and operate the platform for a specific business process like procurement, HR etc. Service providers design the platform based on the specific need of the business process and also develop the partner ecosystem required to develop the platform. Platform has best in class processes which are pre-configured and comply with the standard business requirements. This approach enables faster implementation and reduces risk. The ownership of business outcomes and the underlying technology to deliver the business process enables the service provider to have an integrated approach.

At the same time doing the operations for multiple clients provides scale to justify investments and fosters innovation.

Platform provides a blended service for process execution for multiple clients



Infosys Business Platform is an integrated solution for managing the non –core business function. The platform provides best in class processes enabled by an integrated application suite with ERP at its core. These applications are deployed on a scalable infrastructure, hosted in state of the art data centers for global delivery. - A truly “Win in the Downturn” service model

Clients benefit from this approach as they do not have locked in fixed investments and they use platform on a pay per use model. They also partner with only one vendor for managing a specific business process and hence the governance is much easier.

The Business Platform enables customers to adopt best in class state processes with minimum change management effort. This transfer of responsibility for managing specified processes, application and technology enables customers to shift focus from transaction management to strategic, transformational initiatives.

Business Platforms - operational framework

Business demands are forcing organizations to adopt different methods of outsourcing across process, technology and operation areas. Organizations have been experimenting with such models and have met with limited success in the respective areas. The fundamental challenge of achieving an operation framework that is delivering from day one, decoupling value from cost over a unified context of business, operation and technology considerations, still remains under achieved. Operational excellence with such a framework implies the following:

- Instant conversion of advantages that are available in the integrated technology and operation setup to business competitiveness
- Enhancement of business efficiency riding on flexibility to plug-in best of breed local functionality over the foundation of steady best practice configured process
- Minimize time to begin executing the pre-configured process.
- Scalability in architecture to absorb the fluctuations from the business, operation and technology turns
- Eliminate loss of advantages from isolated execution of outsourcing strategy

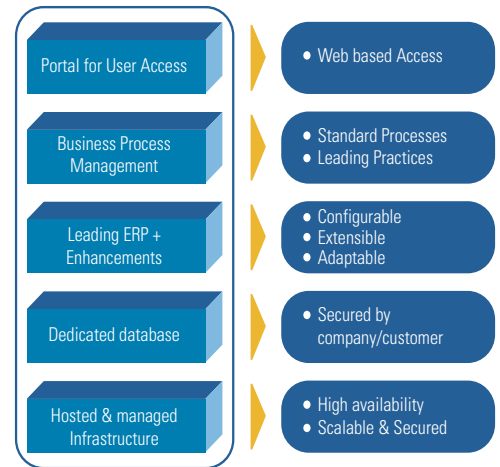
The business platform from Infosys provides on demand readymade platform for organizations to innovate on operational excellence with the following highlights:

Scalable operations framework to meet business demands

Business platform provides a scalable architecture model that provides agility needed to respond to the business process demands. Platform model provides the service provider flexibility to manage the scale and scope as per the client requirements without impacting investments made by clients.

The process oriented platform design provides the service provider the ability to respond to clients need in an effective manner. Fluctuations in client's requirement caused due to cyclical variation in business cycles are managed through the scalability and extensibility in the infrastructure and application layer.

Clients are shielded from the cost of ramping up or down because of the operating leverage provided in a multi-client set up.



Tap into advantages of multi-vendor ecosystem

The architecture builds on SAP's netweaver stack to enable communication across application boundaries, as process execution happens. SAP XI provides interoperability to dispatch information to external systems. The netweaver is used as a "glue" to connect best of breed applications with standard package which allows the business platform to tap into niche technologies emerging in business applications portfolio.

Differentiation through locally rich process enhancements atop steady best practice process flows

Infosys business platform leverages core application for instance SAP SRM for Procurement as a foundation layer and is augmented by integrating with niche applications. The core application provides standard process functionality. The niche applications which would include workflow applications, scanning solutions are integrated with the core application and enhance the efficiency of process execution. This integrated application suite makes the platform "ready" from day one. Customers also get access to set of standard events with standard information layouts allowing them to integrate with in-sourced or partner IT in a service oriented manner. Such a pre configured, pre-integrated set up enables instant access to integrated value across business, operation and technology layers

Speed to Integrated Value

Most businesses aspire for the shortest time to market and large scale technology deployments can severely impede the realization of this objective. Business Platforms are designed to be deployed in a quick and effective manner to provide for shorter time to market and accelerated value realizations.

The framework provides an on-boarding kit to accelerate deployment. Enablers like process templates provide standard requirements and only incremental / unique requirements need to be captured. This approach saves time as non core functions can be standardized as per best in class practices while allowing for innovations to enhance competitiveness.

Integration to back end systems is also achieved in a shorter span as the standard set of interfaces required to integrate to a client system are pre built. For instance Infosys as part of its platform design has identified integration points as per the standard indirect procurement process. This includes interfaces required to comply with the migration of transactional and master data elements between the platform and the client systems.

Building the business case for Business Platform

The choice of an outsourcing model is essentially a business case decision. To ensure that an accurate comparison is made, it is very important to do a due diligence of the cost elements involved. This exercise involves gaining a detailed understanding of the existing cost buckets and identifying the various costs and comparing it with the cost model as proposed by the service provider.

This article can serve as a guide in identifying the cost elements which are typically part of the conventional model and also in highlighting the unique aspects of the platform model which should be considered during the decision making process.

Identifying the costs

Collecting and synthesizing the costs into an accurate profile is often a difficult task as the costs elements may reside under different buckets and may be allocated across various business functions

Organizations should look at all costs elements involved in the business operations. At a broad level these costs should include the direct costs and indirect costs over a period of 3- 5 years.

- Direct cost elements
- Indirect cost elements

Direct cost elements

Software License Cost

Organizations invest in perpetual licenses with a committed annual maintenance fee. These costs are directly attributable to the business process. Individual business process owners may also buy certain point applications like a workflow tool, a ticketing system which should also be included.

It is important to include estimates of additional licenses needed due to growth in employee base and also the license cost for upgrades to arrive at the total cost incurred towards application provisioning

The different cost buckets as described in the article stack up as follows

Cost Bucket	% split
Process execution related costs	37.4
Application related costs	25.8
Hardware costs	36.7

A sample business case prepared for a client showed that the total cost of ownership encompassing the major cost buckets – process execution, application deployment & maintenance and infrastructure provisioning and management can be reduced by 32 % over the existing cost base over a period of 5 years.

As a result the cost of indirect procurement estimated at in the range of 1.5% to 4% is projected to come down to 0.45% to 1.2% over a period of 5 years by adopting Business Platform based model.

resources like servers can be traced to specific business functions.

Like application support costs, infrastructure support costs will also be spread over client resources, vendor resources and also onsite as well as offshore. To illustrate this assume that the network operations are managed remotely while other services like database management may be onsite.

Process costs

This cost element relates to the people deployed to carry out the business process transactions – these should include people deployed across governance, strategic activities and transactional activities across geographies to provide an accurate estimate.

Infosys proposes an assessment exercise for its clients to help them develop a business case. As part of this engagement Infosys conducts an assessment and uses a combination of structured interviews and templates to identify the current cost structure.

The pricing model offered in the business platforms is a variable pricing model. Clients pay on a “Pay per use” basis and this model allows the clients to ramp-up/down without worrying about the fixed costs.

Implementation Cost

Process implementation will include costs incurred towards process mapping, blue printing and realization. This would involve a cross functional team formed within the organization along with the provider. It should also include the cost of components built in addition to the standard product features. These could be custom built interfaces and developments / enhancements done to the standard package

Applications support & maintenance

Post implementation the clients will either maintain the application in-house or will outsource it to third party. The cost of maintenance should include the cost of resources deployed by the vendor both onsite and offshore, tools and also the client resources involved in activities related to support & maintenance.

Hardware Infrastructure & support costs

The hardware infrastructure required to service enterprise functions needs to be allocated on an appropriate basis. Common infrastructure elements like storage and networks will have project level costs while specific computing

Tracking and budgeting indirect costs

Most direct costs as represented above are estimated at the beginning of the project and are tracked through the project lifecycle. However the indirect costs are the ones that are not accounted and are also seldom tracked.

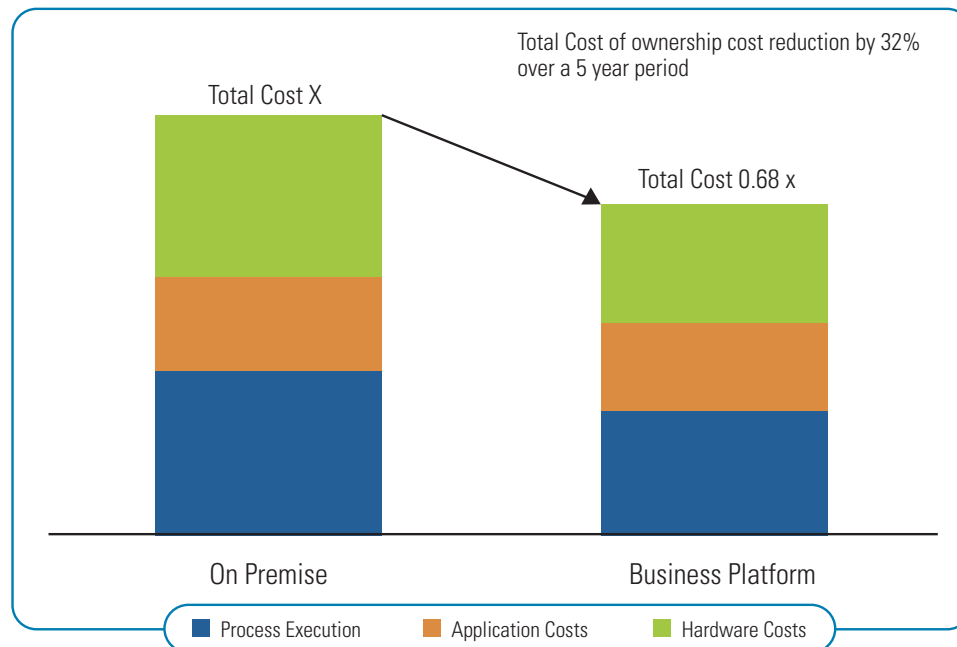
This could result in some surprise additions to the indirect costs that get added over the project lifecycle.

Governance costs

Governance in multi vendor projects involves significant effort from the client organizations and can add to cost in terms of time and travel required from the governance body.

Training

As the project progresses there could be a change in the process and application design which may require additional training. These add to the overall costs but are not budgeted for in the initial stages. **Additional application development requirements** Additional customizations and developments required in terms of more number of interfaces,



integration components, adaptors add to the cost of the project and need to be captured.

Business Case for platforms

Though individual customer situations vary widely but certain factors stand out in justifying the business case for platforms

1. Agile business functions through Opex model

Contemporary business conditions and obligations have made organizations to constantly look out for ways and means of making businesses agile and nimble. Fixed cost structures that organizations get locked into because of initial capital expenditures don't lend much flexibility. Hence these investments in days of slow growth or high competition become a burden. In contrast cost structures can be made more flexible by adopting Opex model for non core functions that do not lend competitive advantage. This approach helps to modulate the costs better and hence "Win in the Turns"

The variable pricing model provided by business platforms helps achieve this objective.

The pricing model offered in the business platforms model is a variable pricing model where the clients are charged based on the metrics defining the business process.

The pricing model provides the much required agility by aligning costs as per the business cycles.

Infosys business platform for procurement services offers a spend based pricing for clients. Clients get on-boarded to the platform by paying a one time fixed fee and thereafter pay a % of the spend processed through the Infosys platform.

In conjunction to the spend based pricing Infosys also offers gain sharing model where by the fee is linked to the savings realized through the outsourcing model.

2. Time to Value

Most high investment IT projects have a large gestation period and hence the value realization happens very late.

The implementation of integrated business suites across geographies and business units might take several years. By this time the requirements change and thus making this investments less effective.

Business Platform address this challenge by having shorter implementation cycle times and faster adoption of best practices. The pre configured suite capable of addressing standard requirements off the shelf and allows for configurations to address unique requirements.

3. Application Lifecycle Investments

Service provider's partnership with the partners in the ecosystem enables access to latest software releases and patches. The service providers also innovate around the core set of applications by designing interfaces and integration components. Clients are not required to procure license or future upgrade packs; thus they are freed from managing the application inventory and upgrades.

4. Economies of Scale

The scalable and flexible architecture of Infosys Business Platform (IBP) allows businesses to obtain higher degree of flexibility in their business processes to respond to business change. By leveraging the multi client architecture and optimizing on the shared technology elements service provider is able to lower the cost of operations. This multi-tenant model enables the service provider to optimize resources across clients and thus pass on the cost advantage to clients in wake of any variations in business operations.

5. Variability Management

Ever-changing business dynamics and emerging business trends have induced businesses to look for agile yet stable IT

solutions. Organizations are becoming more and more aware of the fact that the IT systems which can adapt to and manage the business variability are not only a catalyst but a fundamental requirement for sustainable business growth as the variability and dynamism of business has direct bearings on business performance in many ways.

Infosys Business Platform has been designed to response to business changes swiftly by ramping up / ramping down resources to manage performance and cost metrics

The Pay-as-You-Go model of IBP ensures that the organizations pay off in accordance to the usage of system and are not locked-in huge capital investments. The transactional pricing helps organizations to link the IT spends directly with business outcomes, therefore a greater visibility of spend vs. outcomes.

Infosys Business Platform's template based processes allow organizations to achieve standardization in their business operations while achieving compliances towards governmental and statutory regulations. These harmonizations in business operations assists organizations manage the rapid business change.

Procurement Outsourcing – The Business Platform way

Procurement has become one of the key areas considered for outsourcing. Leading analyst and research cum advisory firms believe that Procurement outsourcing is in an early growth

stage and buyer adoption will increase due to the strong value proposition of outsourcing procurement.

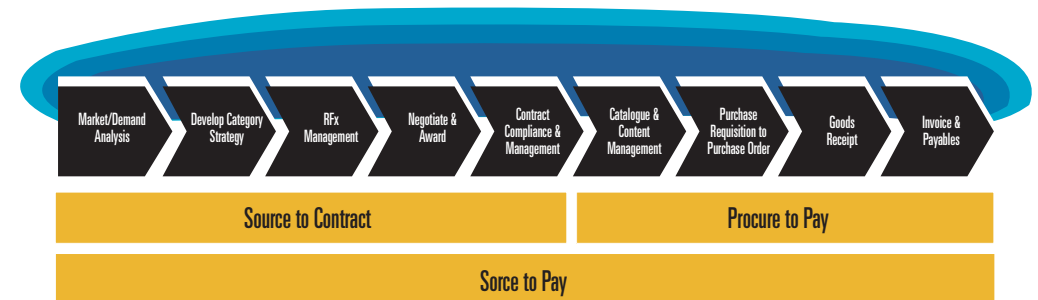
What is Procurement Outsourcing?

Procurement Outsourcing can be defined as contractual arrangements in which the outsourcing provider manages multiple phases of purchasing — across several categories of goods and services — from spend analysis to vendor selection and sourcing through contract negotiation, supplier enablement, and transaction management, to supplier performance assessment. At the extreme, this can involve managing all phases of the purchasing cycle for the chosen categories of spending. More commonly, it includes a part of the purchasing cycle, most commonly the analyze-to-source-to-contract process, or the procure-to-pay process. In either case, procurement BPO involves three elements:

- 1) A long-term arrangement (more than 18 months)
- 2) Vendor acceptance of accountability for outcomes
- 3) The transfer of responsibility

Current state of Procurement Outsourcing

Research from Everest Research institute shows procurement outsourcing has begun to grow significantly in the last few years. The research cites 60 outsourcing contracts till 2006 with 24 of them in the 2005 & 2006. However the number may be still higher because of the fact that procurement contracts gets dovetailed along with the F& A contracts.



The following factors have played a key role in the growth of procurement outsourcing

- Global spread of procurement function:
- Increased need for compliance.
- Technology enablement of Procurement process
- Matured offerings from service providers.
- Increase pressure on profitability to survive business vulnerabilities.

To operate efficiently in such a complex environment, organizations need to build and manage internal operations to a great degree of maturity and weed out internal inefficiencies. One way to manage it is with internal teams, and an alternate way is to outsource the function to external service providers who can manage the operations as well as enabling technology.

By outsourcing the procurement process to a service provider companies can access an optimal, strategically focused solution that maximizes their procurement related cost-savings. But process delivery in a traditional BPO model remains a complex undertaking in a constant state of evolution. The principal reason for this complexity is the often fractured relationship between BPO and the underlying application platform.

The lack of alignment between the outsourced business process and underlying technology can lead to

- Manual and error prone processes
- High response cycle time
- High procurement costs
- Lack of governance model
- High manual intervention
- Reduced spend visibility because of lack of technology integration
- Long lead time to adopt best practices
- Non compliance to procurement process and control violation
- No global procurement system
- Low supplier adoption
- Lack of automation of supplier communication

Hence it is vital to view procurement outsourcing in a holistic manner and address the technology as well as the process requirements in an outsourcing arrangement simultaneously. Keeping this approach in mind Infosys has developed the Business Platform for managing indirect procurement operations for clients.

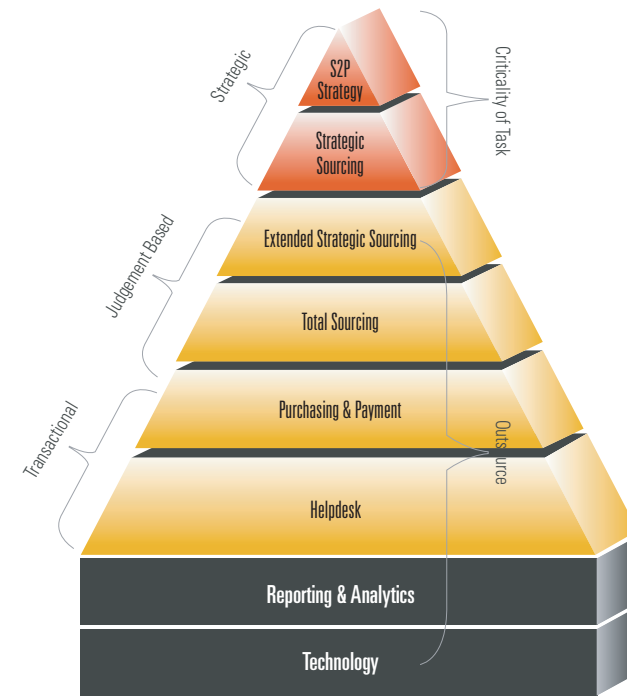
Infosys Business Platform for Source to Pay

Infosys Business Platform is designed to manage the entire Source to Pay Cycle for Indirect Spend categories including processing, providing software application, maintenance, infrastructure management, and hosting & data center services. It's an end to end solution wherein Infosys manages the client's indirect procurement process from its own procurement platform. The platform brings together process and technology outsourcing to deliver a complete business process to the clients. Variable pricing model provides clients with much needed flexibility to modulate operational expenditure in line with the business cycle.

The solution has SAP SRM at its core, complemented by niche applications (like workflow, document management, OCR) for delivering the complete source to pay functionality. The niche applications serve as enablers and enhance the efficiency of the process. These applications will reside on a scalable infrastructure which will be shared across multiple clients. The platform is pre configured based on industry standard templates and embeds the best in class process for different categories. The solution is plug and play and comes with built in components which enable easy integration with client systems.

Infosys Business platform addresses key challenges faced by the procure organizations and also the current outsourcing model.

- **Ensures Enhanced Spend Visibility** and improved control over performance
- **Reduction in fragmented and maverick spending** enabled by centralized and automated processes
- Reduction in spend by way of Invoice based **Contract Compliance**



- **Strategic Global Sourcing to ensure 3-10% reduction** in overall expenses depending on the client assessment in the Stages of Excellence and appetite for change
- **Aggregated buying** leading to better negotiated prices
- Access to **wider supplier base** through supplier networks
- Better **Supplier Management** and performance tracking
- **Improved and automated spend management process** to ensure quality goods and services
- **Application Licenses** are not procured separately - is delivered with the ongoing operations charge
- **Cost of Operations is lowered by 10-25%** depending on the client assessment in the Stages of Excellence and appetite for change

In summary

Organizations looking for more value from outsourcing should consider the business platform approach while outsourcing their non core business functions.

The model provides synergy across process execution, business application implementation and infrastructure management to create an integrated service delivery framework which helps faster realization of business goals. This provides opportunity to leverage economies of scale and scope, by virtue of standardization.

The platform offers operational efficiency through economies of scale and provides better business value due to reduced total cost of ownership.