



Mphasis' next act—applied innovation in the digital dog years

The HFS take on sustaining Mphasis' success with its growth CEO, Nitin Rakesh

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Introduction

Mphasis, founded in 1998, has always been ahead of its time—sometimes to its benefit and sometimes to its detriment. From its inception as an early enabler of digital innovation in banking (long before we called it digital) leveraging offshore tech expertise to its role as an early mover in the business process outsourcing (BPO) market, to the EDS and HP ownership years when it went deep on outsourcing ahead of the as-a-service curve, and, more recently, the Blackstone years, helping clients apply a range of emerging tech to drive front-to-back digital-first operations.

Since Nitin Rakesh took the helm as CEO in January 2017, the firm’s laser-like focus on applied emerging tech has enabled a remarkable turnaround, sustained growth, and notable acceleration during the 2020 pandemic year. As we progress through 2021, hopeful but still embroiled in a global pandemic, we caught up with Nitin and his team to better understand the strategy, vision, and execution that enabled the Mphasis turnaround story in the last decade and the approach for the uncharted digital dog years of the post-pandemic [New Dawn](#).

The Rakesh-led Mphasis transformation started with cultivating a growth mindset internally

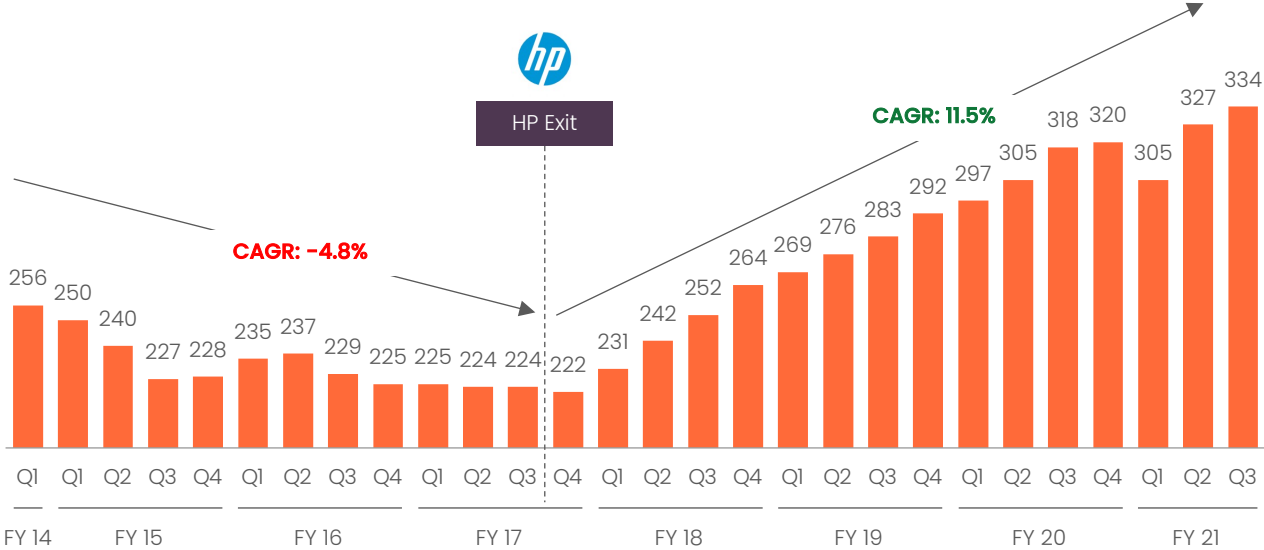
We've seen a shift in momentum in recent years; mid-tier providers like Mphasis are experiencing an increase in favor as enterprises place more value on the combination of skills plus flexibility these providers can offer. Whether because of innovative commercial models or the direct involvement of the CEO, mid-tiers can afford a level of personalization that their larger competitors simply cannot. But for Mphasis, this mid-tier nimbleness hasn't been the only growth catalyst. Nitin Rakesh assumed the leadership reins as CEO in January 2017, and while it wasn't instant, the growth turnaround quickly followed (see Exhibit 1).

In our conversations with Nitin, he explained that when he joined Mphasis, he inherited a strong reputational

pedigree; a who's who of great banking, financial services, and insurance (BFSI) clients; strong financial backing and shareholders with Blackstone; and superb talent, many of whom have been there since inception. He determined that a unifying mindset to rally the troops and point them in the right direction was lacking. We touched on the Mphasis background in the introduction—the firm has been through a lot of change since inception: the BFL Software merger, EDS ownership, being bought by HP, and, finally, the Blackstone years. For the long-serving employees, and Nitin advised there are plenty, this meant everchanging shareholders and constant shifting visions—what made Nitin's different?

Exhibit 1

Mphasis' quarterly revenue figures tell the growth turnaround story clearly (\$ millions)



CAGR = Compound annual growth rate
 Source: HFS Research estimates and Mphasis' Quarterly Financials 2021

“Growth, growth, growth, and growth” is his differentiator from the other shareholders, Nitin told HFS CEO and Chief Analyst Phil Fersht in a [2018 interview](#). He rearticulated this point to HFS again in 2021. He ingrained a growth mindset into Mphasis culture from day one of his tenure. And when he talks about growth, he doesn’t just mean financial growth for Mphasis; he also means employees’ personal growth through continual learning and their ability to proactively drive need with clients. Nitin explained that getting every employee to adopt a growth mindset was no easy task, but Mphasis achieved

it by nurturing a “geek culture,” which involved assigning employees a “Geek Quotient (GQ)” based on their investment in self-development.

The unifying journey of the growth mindset blossomed into Mphasis’ five leadership principles. Nitin and his team developed these throughout 2017, and he describes them as his leadership principles to live by. The team perpetually debates and adjusts these to ensure they reflect Mphasis’ mission and motivation. The 2021 articulation is outlined in Exhibit 2.

Exhibit 2

Mphasis leadership principles 2021



Source: Mphasis, 2021

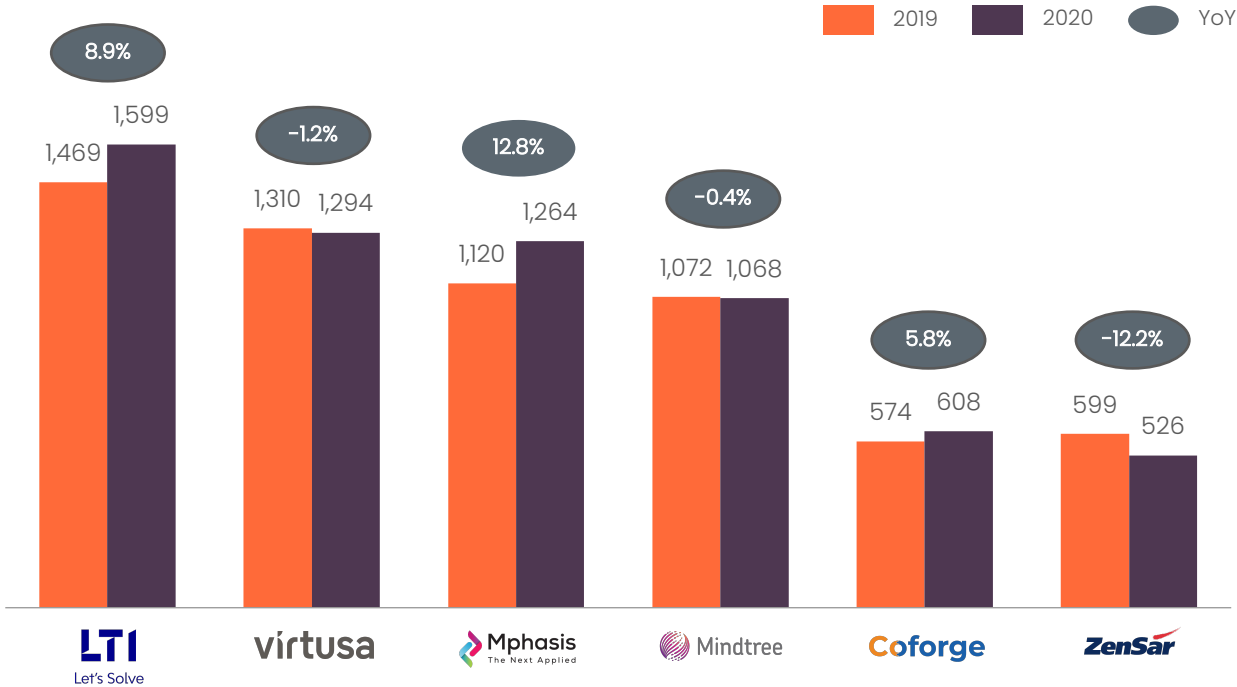
Mphasis was on an impressive growth trajectory, and then 2020 happened, and everything changed. Or did it?

The pandemic took the world by surprise in 2020, and not a single business was prepared for the logistical challenges it forced upon them. Executives were left to completely overhaul their priorities, and they halted many non-essential investments to preserve cash, with some experts predicting that the paused initiatives would hit the IT and business process services industry hard. While industry titans could rely on large capital reserves and diverse portfolios with revenues spanning multiple industries,

mid-tier providers like Mphasis, which get more than half of their revenue from BFSI clients, were much more exposed to the risk. However, a glance at Mphasis' financials (see Exhibit 3) shows the provider fared better than many expected and better than many of its peers too. If we look at Exhibit 2, we can compare many mid-tier providers' financial performance through 2020, and Mphasis led the pack for year-over-year revenue growth.

Exhibit 3

Calendar 2020 revenue and growth of mid-tier service providers (\$ Millions)



Source: HFS Research estimates and quarterly earnings reports of service providers, 2021

So how exactly did Mphasis manage to achieve healthy growth in a year when many industry leaders were plunged into revenue declines for the first time in years? In this case, being ahead of its time with deep applied tech skills and a proud geek culture paid off. Nitin explained that, like everybody else, the early days of the pandemic were spent dealing with the logistical challenge of pivoting to a remote work model, but in his own words:

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By the April to May timeframe, we realized we had a great opportunity to accelerate our business. We were going to have to make some adjustments, but our investments meant we were in the right place at the right time. We were playing offense early on.

- Nitin Rakesh, CEO, Mphasis

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Back in 2018, as its growth regained consistency, Nitin and his team doubled down on geek culture with its “bringing the T back into IT” approach, emphasizing applied emerging tech and the changing role of technology in enabling customer experience. While service providers are always a reflection of enterprise tech consumption, Mphasis could use this approach to drive proactive and often non-competitive engagement with its clients. Driving engagement created applied-tech demand, and Mphasis could avoid waiting to be asked to join reams of its closest competitors in request-for-proposal bake-offs.

This strategy was not just a go-to-market approach. In 2018, Mphasis began pivoting to an agile organizational structure with a tribes-and-squads model to build and scale capabilities across the firm. Nitin explained that Mphasis understood that at its size, it could not be all things to all people. It was fortunate to recognize early that enterprise consumption of technology would shift to as-a-service, which allowed Mphasis to place its bets in digital and developing deep expertise in the likes of cloud and cognitive capabilities. It channelled these capabilities to help clients in three areas:

1. Acceleration of digital transaction capabilities;
2. Cost takeout approaches to reset and restructure assets;
3. Business model shifts with architectural- and design-led engagements.

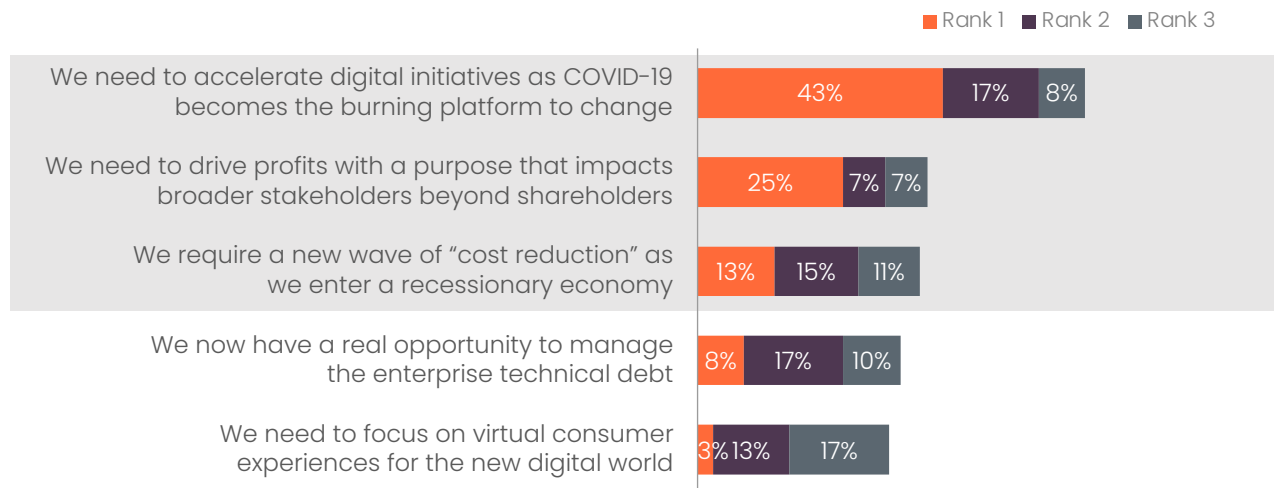
In late 2020, HFS captured the prevailing sentiments of 150 C-Suite leaders as they geared up for the new dawn of 2021 and beyond (see Exhibit 4). The strong alignment between Mphasis’ goals for its clients and our research help explain the strength of Mphasis’ pandemic performance. In many ways, the pandemic, with its forced digital change, helped contextualize the value of Mphasis’ capabilities to its clients. There was a bit of luck as well with its industries of choice—BFSI, high tech, and logistics—being less impacted by the pandemic, which helped up the average size of its large deals from \$27 million to \$60 million, with 80% of its deals sourced proactively.

Exhibit 4

COVID-19 has changed our business philosophy, accelerated digital initiatives, and started the search for a new wave of cost-reduction

Which of the following statements most accurately captures the current sentiment for your organization?

Percentage of respondents



Sample: 150 C-level executives across the global 2000 enterprises
Source: HFS Research, 2021

How much does a CEO's background impact leadership success? Well, quite a lot, actually...

The appointment of Nitin Rakesh in 2017 marked a significant revitalization point for Mphasis. Diving into his background, it's easy to see how he influenced the Mphasis we see today. Starting at the beginning, Nitin shared with us that he grew up in a family of doctors in a small town outside of Delhi, and while becoming a doctor might have seemed the obvious career choice, he decided in high school that it wasn't the right path

for him, instead choosing to focus on a career as an engineer. Nitin did confess that he "looked like a smart guy betting early on computer science," but there was definitely an element of luck to it. Throughout much of his early career, Nitin split time between the software and services market and the financial services industry, establishing himself in both spaces.

Nitin also told us about his other ambition, which was driven by his love for all things that move fast; he had dreams of becoming a professional car designer. I'm sure the Mphasis team will let out a collective sigh of relief that this dream never materialized, and he instead focused on a career that ultimately led to him becoming its CEO. Nitin looks up to one of his greatest influences, John Bogle, founder of Vanguard. Bogle's ideology that businesses must have a purpose—one that's so clear that it can be easily communicated to clients—resonated strongly with Nitin, and he tries to engrain it into Mphasis to this day.

If we look closely, the links to Mphasis are easy to spot. Nitin's early ambition to be an engineer and his focus on software and services allowed him to develop early the deep technical expertise that Mphasis is so famous for. It also helped him become a hands-on CEO with a deep understanding of his business, rather than one who is catapulted in due to a proven track record as a business leader. Even his early experience in financial services is reflected at Mphasis—given the substantial contribution of BFSI to its balance sheet. But perhaps the biggest influence from Nitin's life is his admiration of Bogle and his ideology of discovering your business purpose.

In 2020, Nitin released a book informed by his career and pandemic experience (“Transformation in Times of Crisis”) on creating opportunities in times of crisis. Nitin shared that the book was born out of a whiteboard session for a few clients with Jerry Wind (his co-author) moderating. The core principle was that we need to change how we think about disruption. It's not something to avoid; it's something to embrace. You need to architect your disruption; otherwise, someone else will. This mindset is essentially what led Mphasis to its agile organization framework and internal geek economy. He had the first manuscript ready in March 2020. Then the pandemic—the ultimate disruption—hit, and he pivoted and spent three more months rewriting his book as he steered his firm through the pandemic. Nitin points out that Mphasis is a living example.

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We took the opportunity the crisis afforded, acting as not just a preacher but also a practitioner of the same principles which enabled us to accelerate our growth.

- Nitin Rakesh, CEO, Mphasis

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The go-forward: embracing the New Dawn in the digital dog years

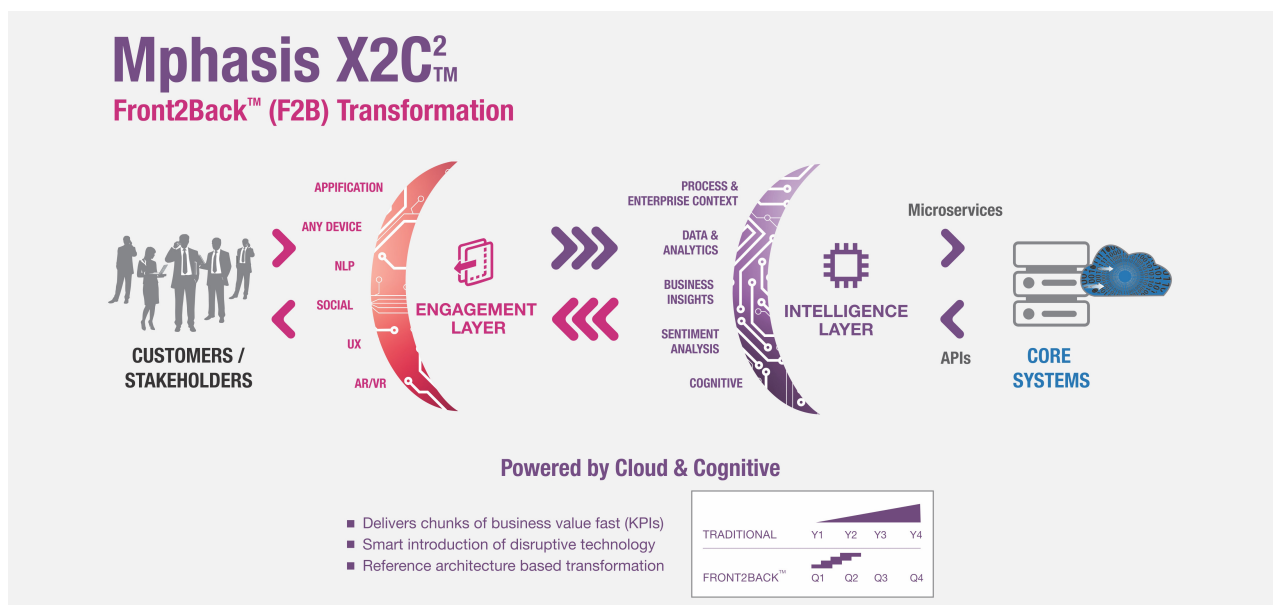
2020 was truly the year that businesses realized that digital is not optional, with many experts believing that we saw more digital progress made in the last six months than we did in the last six years. As we storm into 2021, we have an unprecedented, once-in-an era opportunity to make rapid, fundamental changes to the way we design and run our businesses. This opportunity is the New Dawn HFS described in our [Vision 2025](#), and it heralds in the digital dog years—a period of rapid digital change spawned by the pandemic.

But the question is, how does Mphasis retain its momentum while delivering its clients to the digital promised land? Nitin answers this very practically, “It’s a combination of high-tech and high-

touch.” Mphasis will continue to deliver applied technology, nimbly and with clear results, in partnership with its clients. Its model for digital transformation is its Front2Back Transformation framework, outlined in Exhibit 5. Nitin and his team leverage this approach to aid clients on their quest to digitally transform their businesses from front (engagement) to back (core systems) while keeping the customer at the core of everything they do. Similar to HFS’ OneOffice model, the Mphasis F2B model helps integrate the front and back offices, creating a seamless experience across all stakeholders, powered by cognitive and cloud technologies. It is the Mphasis version of digital transformation in action.

Exhibit 5

Mphasis Front2Back Transformation Framework reflects the HFS OneOffice principles



Source: Mphasis, 2021

— The Bottom Line: The infamous Mphasis has often been ahead of its time—with positive and negative impacts. The post-pandemic era may finally be the right time for its brand of customer-centric applied-tech transformation

IT and business process services firms are always a reflection of enterprise tech consumption. You can wait for them to tell you what they need, or, as Mphasis and Nitin Rakesh have done, you can pivot your own business and blaze the trail.

Sometimes being ahead of your time does not work because your customers are not ready. But the pandemic proved to us all that digital is essential, and the cloud is the path to enable the work-anywhere economy. The conditions help Mphasis move from finally being ahead of its time to perhaps being in the right place at the right time. The combination

of its deep applied-technology expertise, agile operating model, and clear vision means we could see Mphasis continue its relentless pursuit of new and expanded client relationships. This would prolong its impressive growth trajectory as we navigate the new post-pandemic normal, all while helping clients achieve their own goals of becoming digital-first. While continued success for Mphasis likely means Nitin will have to put off his dream of designing a car, the right time for that will eventually come. For now: Onward to helping clients achieve success in the digital dog years.

HFS Research authors



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Elena Christopher is Senior Vice President—Research at HFS. Elena leads HFS’ coverage of the Triple-A Trifecta change agents—AI, automation, and smart analytics. She is also responsible for driving the industry-specific research agenda for HFS, digging into the major trends impacting each in-scope industry and the implications for business process and IT services. Her industry coverage specialization is Banking and Financial Services. Elena brings more than 25 years of IT and business process services expertise to HFS.



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Sam Duncan, is an Associate Director, Research at HFS. He developed a fascination with how the evolution of technology accelerated globalization while completing a degree in economics at Bournemouth University. At HFS he gets excited by blockchain and other cutting-edge technologies as they impact business. He maintains a focus on banking and financial services.



Phil Fersht | CEO and Chief Analyst

Phil Fersht is a world-renowned analyst, writer, and visionary in emerging technologies, intelligent automation and robotic process automation software, digital business services, and the transformation of enterprise operations to drive customer impact and competitive advantage.



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HFS Research introduced the world to terms such as "RPA" (Robotic Process Automation) in 2012 and more recently, the HFS OneOffice™. The HFS mission is to provide visionary insight into the major innovations impacting business operations such as Automation, Artificial Intelligence, Blockchain, Internet of Things, Digital Business Models and Smart Analytics.

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