

UKIBC Case Study

NORTHGATE ARINSO

Tell us about your business – its origin, offering and coverage?

Northgate Arinso is part of Northgate Information Solutions which is split into three parts (public sector, managed services, Northgate Arinso). Northgate Arinso is the number one provider for UK and payroll services and number four in the world. Northgate Arinso pay one in three people in the UK, they have 10,000 clients in the UK and pay approximately £45 billion bac transactions per annum in the UK. In terms of coverage, Northgate Arinso offers end to end HR services, from recruitment through to the payment of pensions.

Tell us about your global geographical footprint?

Northgate Arinso has 34 international offices and operates in 46 legislatures and languages. This includes 17 offices in the UK and 34 internationally.

When did you make the first investment in India?

We first started operating in India in February 2005 through a collaboration with a partner company (Caliber Point). We worked with them for a year and slowly started to ramp up on our volumes. We set up with Caliber point as a proof of concept and to establish the following - can we do this? Is it viable? Are we going to get return on investments back? We soon realised that we are the experts in HR/ Payroll so we should do this ourselves. We had a sister company in Mumbai so decided to set up own company in India with wings of BPO services. We then went on to set up Northgate Arinso and have been trading under our own name since September 2007. In April 2008, we realised that we couldn't rely on UK alone for adequate disaster recovery and business continuity services so we decided to open another centre in India. We opened an office in Cochin, Kerala and currently have 200 staff in Cochin and 177 in Mumbai.

What were the main drivers of your decisions to foray into India?

Main drivers originally were:

Cost reduction in salaries

In the UK it is very difficult to find and recruit good payroll people. Payroll is not considered to be an inspirational career in the UK, it tends to be a profession that people fall into and that's not a great recruitment campaign. In India people do consider payroll as being a good profession. The type of work that we give is not just data-entry, which differentiates us from other Indian employers. We are looking to get fully trained UK Hr and payroll legislative competent staff in India. People we employ in India tend to be at graduate level and they are enjoying being stretched.

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Becoming more competitive in the marketplace. In 1984 payroll was being charged almost at the same price as today, so in order to stay competitive off shoring was a natural extension strategy.

What was your business strategy for entering India?

When we initially started with our partner organisation, we were thinking is this going to work? We were not pushing to get massive volumes, it was more about how can we make this model work for us and let's get proof of concept. Since we made the decision to open our own centres and especially the second centre, we have been much more focused on moving as much work offshore as possible. In 2005 we decided that we are not going down the "voice route". We designed our delivery model in a way that it is based on non-voice contact and as a result all client contact was to remain in the UK. HR and payroll is our core business so legislative updates and responsibility for this business area remains in the UK. Team leaders in the UK typically manage 2 people onshore and 18 offshore. We have a one team / two location strategy so for example we have a Peterborough centre and have a Peterborough team in India that directly works with that centre. The organisation structure matches directly across from offices in the UK to India.

What business model did you leverage for market entry into India?

We used a joint venture model initially. Although we had our own floor level workers to work with, when we were working at calibre point we needed to manage at the very top level. We wanted to manage our organisation in terms of management style and work ethics in the same way in India as the UK.

What have been your biggest challenges of entering and operating in India?

One of the biggest challenges has been the culture in India. They are very hierarchal and people don't like to ask questions. We have overcome this by having payroll administration staff and subject matter experts from the UK working in India so they have a peer to peer relationship without feeling threatened.

Staff retention has not been a challenge. Our attrition rate is zero and this was because we embraced the culture in India, we have put together a cultural committee and give diverse work rather than monotonous work which means that our staff enjoys their work. We are like a big family over there, with a very highly motivated and enthusiastic team. My manager and I have been in payroll for 25 years and we had an opportunity to walk into a marketplace that had no preconceived ideas so we were able to take a highly motivated, educated workforce and build an organisation as we would build it in our dreams which we are very proud of.

We are aware of geo political unrest. We have robust plans in place to ensure to deal with unexpected difficulties. For example, monsoon is soon approaching and we are well prepared to cope with this. Cochin also has a lot of strikes public transportation strikes so we have to very flexible for example we would ask our staff to work two 12hr

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shifts instead of three 8hr shifts, we would pick up them and drop them off, bring in food – so we always find ways to work around it.

Has the Indian investment met up with your expectations, please state why?

It has more than met up with our expectations. We initially thought that we would offshore basic data preparation but the quality of staff and output they are producing is on par with anything the UK would provide, so we have been to do more. For us it's not just about the cost, it's the quality as well.

What key factors would you attribute your success in India to?

We had a clear vision of where we wanted to get to, a clear strategy of our model and we have seconded people in the UK to India to support the model. We are also flexible and have embraced our culture. We challenged our employees, gave them challenging tasks in order for us to develop the services we offer and in return our employees have embraced that by remaining loyal.

What impacts (if any) have you experienced as a result of economic downturn in the UK and India?

From an India perspective, we are likely to reduce operating costs as a lot of companies are moving out of India so we can be more aggressive on our rental negotiation. We haven't experienced anything negative in India. From a UK perspective, some employers that have previously preferred not to use offshoring for HR and payroll have now become more willing to do so. There is now more acceptance that offshoring is the way to achieve competitive advantage.

Does your business operate in China? If so, could you tell us more about how your experiences of doing business in China differ from that of India?

We have an office in Hong Kong but it is a much smaller scale compared to India. We decided to offshore at a greater scale in India rather than China as "if I have language difficulties in India, will be far more in China". India was a natural choice for us as China was only just emerging.

What is your candid view on future opportunities within India for your business?

Our capacity is 377 at present and I think it will take us a couple of years to achieve our maximum capacity of 3700. If and when we get to the level, we will look to expand further in India or another Asian country.

What advice would you give to other mid-cap businesses in the UK looking to do business in India?

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in order to leverage offshore opportunities for HR and payroll, look for an outsourced partner. You would not get a return by off shoring alone; find a provider that has a similar business model that you could outsource to. For an organisation setting up in India, a joint partner model is an ideal scenario; partner with someone first and contract with them. There are several models that Indian business have such as the business offshore transfer agreement, where you can buy back from a partner once have established yourselves in India.