

**HCL Completes Axon Acquisition and Creates New SAP Services Powerhouse**

December 19, 2008 - IDC Link

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On December 15, HCL completed the acquisition of U.K.-based [Axon](#), which it had snatched away from Infosys. The £441 million acquisition is the largest IT services acquisition by an Indian player, not only in value but also because HCL has acquired 2,700 skilled, expensive, and mostly onshore people in the deal. This is not what we usually expect from the so-called offshore players. However, this acquisition supports IDC's view that HCL is slightly different from most of the other offshore companies due to its inheritance. It is much more a "normal" services company that just happens to be headquartered in India, rather than a labor-arbitrage based offshore firm.

So what will be the outcome of this match? It is quite clear that both parties have gained a lot from the formation of HCL Axon, the new independent SAP services entity, headed by Steve Cardell, the president of Axon, with a combined 4,500 consultants. First of all, Axon really missed global delivery capabilities and a strong platform for global expansion. Both should be provided by this acquisition. As a standalone SAP services provider, Axon might have struggled to rise out of the coming project-services downturn in Western Europe. HCL provides a timely safe haven, cash, and new routes to market — and maybe some interesting reusable assets too. HCL was quite weak on the application side. Post-acquisition, application services revenues, according to HCL, will account for about a quarter of revenues. And it's not just any SAP service provider that HCL has acquired. Axon has strong credentials in the SAP services market, particularly in the U.K. with some really strong logos among its customers. Combining this with HCL's infrastructure expertise will create some good synergies and more complete offerings to take to market.

A question mark in any acquisition is always cultural fit between the two organizations. However, it may be easier to handle the adjustment since HCL Axon will be run as a separate entity. On the other hand, this independence may mean that HCL missed out on the opportunity to transfer ideas and intellectual property between its mainstream and HCL Axon operations, and the risk is that HCL Axon goes its own way and potential synergies are lost.

If HCL Axon can really deliver on what looks so good on paper, then there ought to be some competitors looking over their shoulders in the SAP services market. It is quite clear that HCL Axon will be going after the likes of Logica, Deloitte, Capgemini, and perhaps even HP/EDS in the European market in the first place and then start challenging Accenture and IBM also. (There is certainly ambition here.) However, the company is at a slight disadvantage in the European market since it is so U.K.-centric. When we talked to Cardell he hinted that inorganic expansion in particularly Germany and France was on the cards. Then we would really start to see a strong new European competitor in the SAP services market.

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