Going Global (C): Infosys

Infosys, one of the leading Indian information technology (IT) service firms, offers a range of consulting and software services to multinationals world wide. With over 105,000 employees and 50 offices and development centers, Infosys generated over four billion dollars in revenues in 2009, of which 63.2% came from North America. By 2006, Infosys had experienced compound growth rates exceeding 50% in revenue for over a decade. The company continued to grow after 2006 but at compound growth rates of only about 30%.

The 2009-2010 recession in the United States—home to the majority of Infosys’ customers—significantly impacted the company’s business, causing a decrease in renewed contracts and a move toward smaller deals. Although net profits exceeded $1 billion in 2009, the company predicted that it would post its first-ever decline in annual revenue and profit for its fiscal year ending on March 31, 2010. Nevertheless, Infosys was recognized as one of the most successful companies in India. It was ranked the #1 “Most-admired Indian Corporation” in The Wall Street Journal’s Asia 200 survey, beating its top Indian competitor, Tata Consultancy Services. Infosys was known for its generous stock options and is said to have created more employee millionaires than any other firm in India, including company waitresses who serve clients tea.

Infosys leveraged India’s abundant and low cost IT talent to serve multinational enterprises looking for cost-effective technology services. In fact, in the mid 2000s, an Indian software developer earned $7,000 - $20,000 compared with $60,000 - $100,000 for U.S. programmers. In addition, India’s pool of software engineers was second in size only to the United States and was growing much faster.

In December 2003, Infosys made its first overseas acquisition, buying an Australian software firm for $23 million. That same year, in addition to its offices in Germany, Sweden, Belgium, France, and the UK, Infosys opened a business process outsourcing center in the Czech Republic to further serve the European market. In 2004, Infosys entered the high-end consulting industry when it launched a fully owned U.S. subsidiary, Infosys Consulting Inc., with an initial $20 million investment. By 2009, consulting services accounted for nearly 25% of Infosys’ revenues. Finally, the company continued overseas expansion by opening a new subsidiary in Latin America in 2007.