

Indian Multinational Infosys Acquired Simplus: What Would be the Business Gain for Infosys?

Pritam Chattopadhyay, Assistant Professor, Amity Global Business School Pune

Swati John, Assistant Professor, Amity Global Business School Pune

Abstract

There are lots of questions are asked about the expertise of the Infosys Ltd. towards its business decisions on acquisitions. Acquisition is one of the tools or strategic alliances those are implemented by different organizations for expansion purpose or diversification related to market or product lines. The acquisition decision of Infosys Ltd. about Panaya and Skava are still raising eyebrows of business analysts. The global market had seen the exit of the then non founder CEO of Infosys Ltd. Mr. Sikka. So, broadly it can be said that the acquisition strategy had created some kinds of turbulence in the apparent smooth movement of Infosys Ltd. in the global market. IT and ITES, being a very volatile industry had directed lots of challenges to the company. Now, they are trying to accelerate their growth in the field of digital marketing and in the domain of cloud computing. The fresh blood of Simplus may bring the expertise related to sales force, industry knowledge, high-tech financial services etc. Let us try to find out the pattern of magic can be created by Infosys Ltd. with Simplus in the global market for long run.

Keywords: Acquisition, Global Market, Industry, Strategy

Case Study

“Simplus will be a valuable addition to the Infosys family. Complementing our industry knowledge and existing Salesforce footprint with their strong presence in key markets, deep Salesforce consulting and advisory expertise will help accelerate the transformation journey of incumbent companies,” by Mr. Ravi Kumar S., President Infosys Ltd.

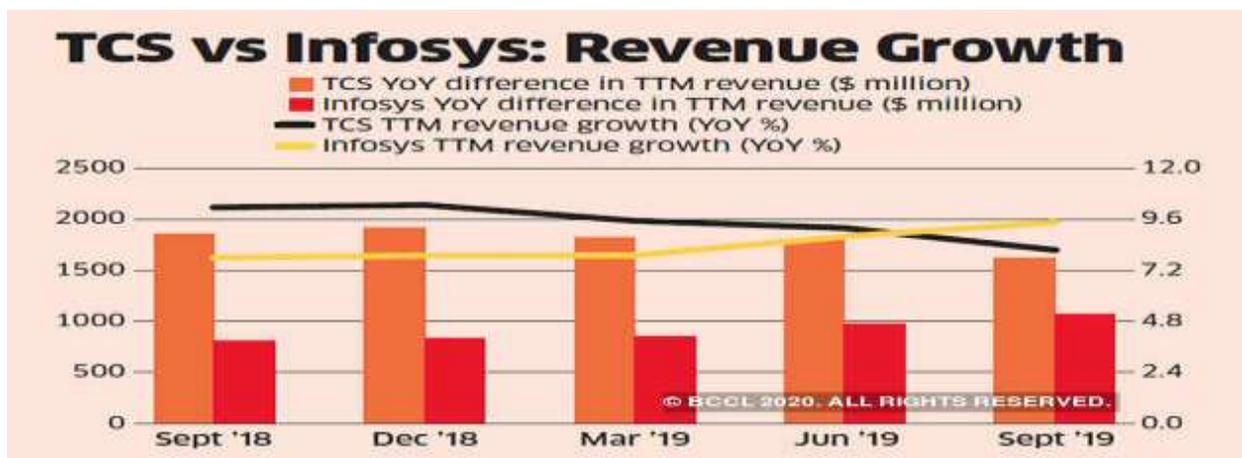
About Infosys

Infosys Limited, headquartered in Bangalore, is the second largest IT company stands just behind the Tata Consultancy Services (TCS) in terms of revenue generation. The company was started by seven engineers with entrepreneurial mindset at Pune, Maharashtra in 1981. Initially the company registered by the name of Infosys Consultants Private Ltd. and in 1983, it had shifted its office to Bangalore, Karnataka. In 1992, it had become a public limited company and named as Infosys Technologies Limited. Further in 2011, it renamed as Infosys Limited. The company's annual revenue reached at 10 billion USD in the year 2017. In the year 2019, the company was awarded by Forbes as third best regarded company in the world. Among the total employee base, approximately 38% were women; the data suggested that there is a almost perfect balance of male female ratio within the organization. As far as the product offerings are concerned, the company started its journey as a software development company then gradually they started strengthening their product range and line by entering into maintenance, independent validation services to insurance, finance and manufacturing companies etc. They had increased their service portfolio by offering various business solutions to many clients as consulting services and so on. They hold a very strong clutch in the field of Artificial Intelligence by offering next generation integrated AI platforms. They are providing different types of analytical solutions to many companies in India and abroad. Infosys bought an Israeli software company, Panaya in February 2015 by paying 200 million USD to diversify its product portfolio to change impact analysis, automated code remediation, collaborative test management and test execution and Application Lifecycle Management acceleration etc. The top management of the Infosys realized that the basic nature of the software industry had changed over a period of time and gone through lots of exigent innovations. Interestingly, the services provided by Panaya required Amazon Elastic Compute Cloud which is Amazon's cloud computing platform to run the show. So, Infosys tried to find their luck in the execution of disruptive technologies in the global market. There were lots of discussion happened about the Panaya buyout. There were certain conflicts between the then CEO Mr. Vishal Sikka and Infosys founder Mr. Narayana Murthy regarding the overpaid buyout that led to the corporate governance issues as well. Now, if we looked at other acquisitions of Infosys Ltd. in the year 2015, those are e-commerce service provider Kallidus for 120 million USD and San Francisco based Skava which was into cloud based platform provider for online services for retailers. By looking at the growth potential for

digital marketing and e-commerce platforms Infosys had entered into those interesting acquisition. Infosys throughout its journey since inception can be denoted as an acquisition – shy company. It always preferred to hold cash in hand rather than going for extensive acquisition. Theoretically, it can be said that one of the strategic dimensions to grow in international market is mergers and acquisitions. Former CEO Mr. Sikka tried his best to transform Infosys from a typical software development company to enter into cloud computing, artificial intelligence etc. He tried his part to create a different brand identity for the Infosys in the global market by practicing diversified value proposition and implementing unique positioning strategy. Unfortunately, his brave steps had created some superfluous conflicts with the founder within the organizations and resulted into the removal of the first non founder CEO of the organization.

Exhibit I

Infosys Ltd. Vs TCS – Revenue Growth



Source: <https://economictimes.indiatimes.com/markets/stocks/news/infosys-stays-on-track-to-clock-double-digit-top-line-growth/articleshow/71549817.cms?from=mdr>

About Simplus

Simplus headquartered in Salt Lake City, Utah is a privately held company and they offered a service portfolio of Salesforce Quote – to – Cash consulting, implementation, change management, advisory services and managed services. Simplus is enjoying a global presence by entering into four different continents. Simplus was the brain child of Ryan Westwood and Isaac Westwood. The company started its journey in the year 2014. Simplus tried to grow in the

global market with the help of one of the trendsetting strategies called acquisition. In three years, they had completed seven acquisitions to strengthen its footprints in varied business domain. In the year 2016, they completed their first acquisition of USA based consultant group named BaldPeak Consulting Group. In the year 2017, Simplus went ahead quite aggressive to acquire three companies viz. EDL consulting, Basati and CRM Manager to expand their businesses and to diversify in the market to address different sets of demand pattern and size. So, overall they tried to expand their product portfolio in the business consultation. In the year 2018, they made one of the most significant acquisitions by acquiring CirrusOne which is a Salesforce and Oracle partner. In the year 2019, Simplus acquired Square Peg and by doing that they have entered in Australia especially Sydney and Melbourne with a better business focus. From USA and Europe, they have entered in Oceanian market to explore business opportunities there. The penetration and expansion strategy of Simplus are extensive and fruitful partnerships in international marketplace. Simplus able to build a very strong network with business partners those are from different business domains and that policy had become the key to success in heavily competitive ITES market. Simplus started gaining competitive advantage in the market through a strong partnership building with Salesforce and as well as with other third party Salesforce application partners like DocuSign, Conga, Prodlly etc. Simplus started offering digital transformation products and various Cloud computing base.

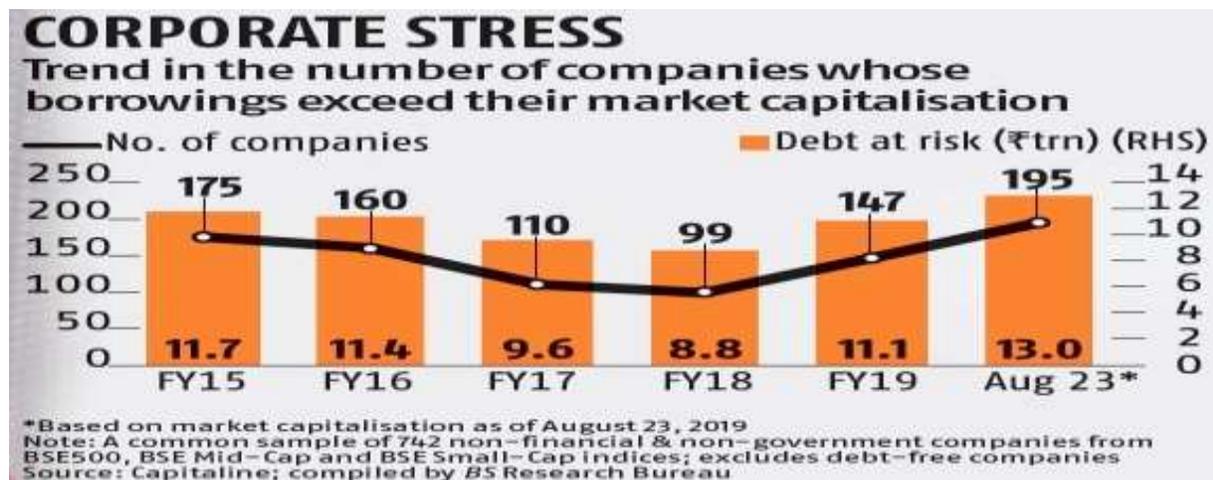
The acquisition took place

Infosys Ltd. which is considered to be a global leader in next generation digital services and consulting announced that it had acquired Simplus, a leading Salesforce consulting and advisory company at the price of 250 million USD. The strategic intent of the Infosys was quite clear and specific as they wanted to explore the field of cloud consulting, data integration, change management and training services at international level with more proficiency and adeptness. With the help of this acquisition Infosys Ltd. expected to bump up its position at transnational market as an end-to-end Salesforce enterprise cloud solutions and service providers and offering clients with various cloud-first digital transformation services. With Simplus, the added advantages in Infosys value chain analysis would be internationally recognized Salesforce expertise, industry based knowledge, solution assets, establishment of proper IT and ITES based ecosystem at local and global market, broadened client lists, customer from varied of industries

like healthcare, organized retail, life sciences, different small and large scale manufacturing etc. The primary activities and secondary activities of the value chain analysis designed by Infosys had been redefined for the global market as Infosys Ltd. got plethora of options to explore and try in the global platform for the better value proposition for its clients across industries.

Exhibit II

Corporate Stress – Market Capitalization



Source: https://www.business-standard.com/article/companies/195-firms-owe-rs-13-trillion-to-lenders-borrowings-exceed-market-cap-119082500020_1.html

Strategic intent & dimensions

In 250 million USD deal, 200 million USD for the contingent considerations to be paid for the acquisition of shares subject to closing adjustments and 50 million USD for employee incentives and retention payments with reference to certain performance criteria that had defined by Infosys Ltd. The key shareholders of Simplus are institutional investors, founders and key employees with Slaesforce venture was enjoying quite insignificant stake. This acquisition was compared with the acquisition of Fluidio, Salesforce consulting shop in the year 2018. This decision was clearly indicated that Infosys Ltd. wanted to grow aggressively with the expertise around Salesforce and that would be a game changer in the field of consulting in the global platform. Simplus had their extensive presence in different parts of the globe like North America, Sydney,

Melbourne, London and a large scale delivery centre at Manila. The acquisition is absolutely linked with the aligning agile digital service framework of the Infosys Ltd. Now, Infosys realized that the acquisition proposition as one of the most effective strategic alliances to grow further and to accelerate the usual growth dimensions in the international market. It also helped them to diversify their business domain diametrically with the help of different types of value proposition. The other key aspect is optimum utilization of available resources as and when required. The assessment of the global market competition level had intensified greatly than earlier business environment. The IT and ITES industry had gone through tremendous amount of ups and downs from last two decades. So, the matter of existence of such companies depends largely on the investment stream and growth strategies. It is also observed that any ITES company failed to capitalize on market capitalization is generally failed to grow further in international domain.

So, it is quite evident from the historical data that Infosys being an acquisition – shy company never went for large scale acquisition at any point of time as they acquired an UK based company Brillian Basics at the price of 7.5 million GBP in the year 2017 and in the year 2012 and they acquired a Swiss company Lodestone Holding AG at the price of 345 million USD just to mention a few. So, by looking at the amount it can be said that Infosys never prefer to go for large scale acquisition. For such behavior of the organization, many times they are being criticized by many marketers as orthodox or defensive company. But, Infosys had shown the world the process of becoming a world leader in software development and consulting without having any large scale acquisition.

So, now it's interesting to see whether Simplus can bring fresh, diversified value addition to Infosys Ltd.?

References

1. <https://www.businesstoday.in/sectors/it/infosys-it-company-to-acquire-us-firm-simplus-a-salesforce-consulting-company-in-us-and-australia/story/395939.html>
2. <https://economictimes.indiatimes.com/tech/ites/infosys-closes-simplus-acquisition/articleshow/74617822.cms>
3. <https://techcrunch.com/2020/02/11/infosys-is-acquiring-simplus-for-250m-to-grow-its-salesforce-consulting-arm/>
4. <https://www.bloombergquint.com/business/infosys-to-acquire-simplus-in-250-million-deal>
5. <https://www.livemint.com/news/india/infosys-to-buy-us-firm-simplus-for-250-million-to-accelerate-cloud-capabilities-11581389219898.html>
6. <https://www.crn.com/news/channel-programs/infosys-to-acquire-simplus-in-salesforce-channel-play>
7. <https://www.vccircle.com/infosys-to-acquire-us-based-cloud-consulting-firm-simplus/>
8. <https://indianexpress.com/article/business/companies/infosys-to-buy-us-firm-simplus-to-accelerate-cloud-capabilities-6263556/>
9. <https://www.financialexpress.com/industry/why-infosys-is-acquiring-this-small-us-firm-heres-what-indian-tech-giant-will-get-for-250-million/1863955/>
10. <https://www.thehindu.com/business/Industry/infosys-to-buy-simplus-for-250-mn/article30794932.ece>