At the conclusion of fiscal year 2011 (March 2011), Infosys Consulting (IC) had posted excellent results and the IC leadership had every right to feel proud of their accomplishments. The business model had been proven beyond doubt. IC annual revenue had reached the $200 million milestone, with a further $600 million in flow-through revenue that was linked to IC engagements, but delivered by the parent company, Infosys Technologies Limited (ITL).? IC headcount had grown to about 700 consultants and these consultants were delivering meaningful, innovative consulting services for some of the world's most complex companies. Life was good.

Yet, events were brewing that would change the trajectory and structure of the company.

ITL had become a billion-dollar company in 2004, and had aspirations of accelerating its impressive growth while becoming more relevant to its Fortune 1000 customer base.' The founders of ITL believed that to go upstream in serving clients, they would need to build a strategically vital management consulting capability that would remain operationally related to its core business. IC was launched in 2004 as a separate subsidiary with its own governance, culture, policies, and entrepreneurial expectations but with specific targets for both IC and flow-through ITL revenue. Quotations in this case study from Infosys Consulting leaders are from author interviews, unless otherwise noted.

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Seven years later, IC had clearly established itself as a critical player within the Infosys portfolio of services. IC consultants consistently delivered high-quality engagements across the industry practices of ITL. And IC routinely built strong relationships with client executives. On the other hand, ITL had become a $6 billion company with industry-leading financial performance metrics. And ITL founders were getting well-deserved recognition and respect from clients, investors, and employees.

As FYI1 ended, S.D. Shibulal, fresh into his tenure as CEO of ITL, was contemplating several organizational changes. He wanted to address some of the friction that had come up between the IC leaders and some of the ITL leaders. Issues such as customer relationships, the scope and fees of proposals, and staffing decisions were being debated. Both sets of leaders felt that they had the mandate to make certain key decisions. There was also an increasing number of employees who wanted to transfer from ITL into IC.

THE INTEGRATION

A few months into fiscal year 2012, Shibulal made two decisions that would change the structure and identity of Infosys Consulting. He integrated Infosys Consulting into ITL and shut down IC as a separate subsidiary. He also created a new business unit called Consulting & Systems Integration (CSI).? CSI was tasked with managing and growing four services SAP, Oracle, Advanced Technologies, and Management Consulting Services (MCS). All IC consultants were folded into MCS, and the IC leadership became managing directors of CSI. MCS became the new avatar of IC. On an overall basis, CSI global revenue was more than $2 billion.

Around the same time, ITL dropped "Technologies" from its name and became Infosys Limited
(IL) to reflect its evolving business."

Adopting the right structural construct for launching entrepreneurial initiatives within large, established companies can influence the degree of success. Exhibit 1 shows a conceptual framework highlighting various organizational designs that could influence and drive the relationship between the entrepreneurial venture and the parent company.? Two important factors are the strategic importance of the entrepreneurial venture to the parent company and the

While the path of an entrepreneurial venture within a corporation could be influenced by numerous factors, the status quo option must have weighed heavily on the minds of the key leaders of IC and ITL as they tackled the Shakespearean question of "to integrate or not to integrate."

POST-INTEGRATION ERA

There were several factors that deserved to be highlighted specific to the decision to integrate IC into IL. IC had become big enough to be strategically important to IL. IC was driving client wins amongst IL's strategic clients across industry verticals. IC was helping beat both traditional outsourcing competitors and the U.S.-based systems integration firms. And IC consultants were leading engagements that delivered measurable business value for clients. In doing so, IC was gradually moving the Infosys brand up the value chain. However, some clients wanted one invoice from IL for joint engagements and did not consider IC as being separate from IL.

Clearly, from an operational standpoint, the overlap and touch-points between IC and IL had increased with IC's growth.

The integration of IC into CSI solved some of these problems. There was better alignment on staffing decisions between MCS and other units within CSI. And cooperation at the ground level was constructive and centered on the client. Although debates on client pursuit strategies and client relationships continued between the industry leaders of

IL and the CSI leadership, the IL leaders were increasingly calling the shots since they owned the long-term client relationships and had primary P&L responsibility.

With the change in governance and structure, some of the HR policies of IC were refined to align with those of IL. Operational decisions that IC leaders routinely made in the past now underwent more scrutiny by IL leaders at headquarters, and these decisions took longer to make and implement. IC leaders, now within MCS/CSI, saw increased involvement on managing financials and budgets from the central finance team. This level of diligence and micromanagement by finance was common across the industry practices of IL but was new to MCS.

While this approach, one could argue, was necessary to manage and grow the increasingly commoditized systems integration and IT outsourcing business, it caused some heartburn amongst MCS leaders, who had a fair bit of autonomy in decision making at IC.

Gradually, attrition amongst MCS consultants increased and there was a palpable change in the entrepreneurial spirit within MCS. In late 2012, IL acquired Lodestone, a Switzerland-based management consulting firm with 750 consultants. The similarity between IC and Lodestone in terms of revenue, headcount, and growth was uncanny. Led by founder and CEO Ronald Hafner, Lodestone was launched in 2005 with a focus on delivering SAP-enabled business transformation services, primarily in Europe and, by 2012, had reached revenues of approximately $175 million. An Infosys press release reported on the acquisition:

Infosys, a global leader in consulting and technology, today announced a definitive agreement to acquire Lodestone Holding AG, a leading global management consultancy firm for an aggregate enterprise value of CH 330 Million in cash. Headquartered in Zurich, Lodestone advises international companies on strategy and process optimization, and provides business

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transformation solutions enabled by SAP. The combination of the breadth of capabilities delivered by Infosys, and Lodestone's deep experience of driving transformational change. is expected to provide clients across the two companies. a world-class team to accelerate transformation and innovation led growth. 10

After its acquisition by Infosys, the Lodestone entity continued to be managed by Hafner but structurally was placed within CSI with close connection to the MCS practices within CSI. The combination of MCS and Lodestone added up to a team of about 2,000 consultants delivering revenue of approximately $400 million

CHANGING OF THE GUARD

The global systems integration and IT outsourcing market had undergone significant evolution since 2004, the year IC was launched. Infosys was a $1 billion company in 2004 with global

The global systems integration and IT outsourcing market had undergone significant evolution since 2004, the year IC was launched. Infosys was a SI billion company in 2004 with global headcount of 25,000. In fiscal year 2013, it had annual revenue of $7.4 billion and headcount of 157,000." While Infosys delivered impressive growth over this time period, U.S.-based competitors such as Deloitte, Accenture, '2 and IBM were increasing their India-based headcount significantly as global Fortune 1000 customers became increasingly comfortable with the onsite/offshore IT services model based on value, cost, and quality metrics

However, FYI3 (from April 2012 through March 2013) was a challenging year for Infosys.

Revenue in U.S. dollars grew at 5.8 percent over FY12- a growth rate deemed to be low by Infosys standards. To streamline decision making and consolidate the business along industry lines, Infosys reorganized into four industry units. CSI, including MCS, was distributed into the four industry units and the CSI managing directors were asked to become part of the leadership structure reporting into the industry units.

In late 2013, the CSI managing directors (the original founders of IC) left Infosys to pursue other opportunities. The next level of leaders, specifically in MCS but within the industry units, took the baton while dealing with a period of some uncertainty. Eric Rich, a leader who had grown rapidly through the ranks at IC, felt that the structure caused MCS to become fragmented across the industry practices.

"MCS needed scale to be effective. And it was important to show a specific identity to attract top talent. MCS needed to be managed as one single horizontal capability or risk becoming irrelevant and potentially wither away as a consulting capability," explained Rich. He convinced Shibulal to spin MCS out of the industry practices into a single global business unit.

Acknowledging the value of the brand, Infosys Consulting was reborn

10 " Infosvs To Acquire Lodestone. A Leading Management Consultancy Firm." Infoss press release. September 10 2012, https://www.infosys.com/newsroom/press-releases/2012/infosys-to-acquire-lodestone.html (August 7, 2022).

1 Infosys Annual Report. April, 2013.
https://www.infosys.com/investors/reports-filings/annual-report/annual/documents/infosys-ar-13.pdf (August 7, 2022).
12 Accenture's Largest Operations to be in India," Business Standard, February 5, 2013, https://www.business-standard.com/article/companies/accenture-s-largest-operations-to-be-in-india-107013001013_1.html
(August 7, 2022)

In April 2014, Rich was asked to lead IC in the Americas while Hafner ran IC in Europe under the Lodestone entity. As Shibulal's CEO term came to an end, Infosys hired Vishal Sikka as the new CEO of Infosys in June of 2014. Infosys published the following press release on the appointment:

The Infosys Board of Directors is pleased to announce the selection of Dr. Vishal Sikka as the Chief Executive Officer and Managing Director (CEO & MD) of the company. Dr. Sika will be inducted as a whole-time director of the Board and CEO & MD (Designate) on June 14, 2014. He will take over as CEO & MD from Mr. S. D. Shibulal on August 1, 2014.

Dr. Vishal Sika was, until recently, a member of the Executive Board of SAP AG, leading all products and driving innovation globally. He has worked closely with leaders of global companies in building breakthrough business solutions. At SAP, he was responsible for all products, from traditional and cloud-based applications to technology and platform products including HANA, analytics, mobile and middleware. In addition, Dr. Sika led multiple initiatives to accelerate innovation and research at SAP. He holds a Ph.D. in computer science from Stanford University, USA. [13]

Sika was the first non-founder CEO of Infosys a significant nuance that was not lost on both the employees and shareholders of the company. The technology landscape was also changing rapidly with the advent of cloud-based technology, software-as-a-service products, advanced analytics, and artificial intelligence. As he on-boarded and held town-hall sessions with employees and meetings with clients and the media, a certain expectation of change and excitement emerged. Sikka offered an interesting perspective on his vision for Infosys in an interview with the Times of India:

I see it as a next-generation services company that offers all kinds of amazing and innovative software solutions to the world's best companies. The world needs software right now, the world is being dramatically reshaped by software. I want Infosys to be not only the leading IT services company but the leading IT company. It should continue to be driven by the humanity of our people but it should use technology to create a much more amplified human effect.... I want a much more productive. innovative Infosvs. a company that customers think of when they think of their next-generation problems.

Sika's philosophy was quite aligned with the consulting ethos. To the IC leaders, he preached the need to be innovative and to become a change-maker. He established a "design thinking" swat team of consultants from C and positioned IC as the tip-of-the-spear

By the time FY15 ended in March 2015, IC had struggled to drive growth. While IC Americas was stable and performed well, IC Europe experienced above-average attrition and was unable to meet revenue targets. In April, 2015 IC Americas and Europe were combined under one global unit. IC global had 2,500+ consultants and delivered about $450 million in revenue.

BACK TO THE FUTURE

The three-year period between April 2015 and March 2018 saw minimal growth for IC while the parent company continued its steady growth year-on-year. Hafner left IC in 2015 and Rich departed in 2016. Ken Toombs, an external hire, was on-boarded to lead IC in 2016 and, after a two-year tenure, he elected to move on in 2018. Sika resigned as CEO of Infosys in August 2017 over issues of governance. In spite of these and other leadership changes in both IC and IL, Infosys delivered revenue of $10.9 billion in FY18 and had a headcount of 204,000 employees. IS Mark Livingston joined IC as its CEO in December 2018. A consulting veteran, Livingston had honed his craft through many years of consulting at Deloitte and AT Kearney. He joined Cognizant in 2008 as the leader of its consulting business and was credited for its success and growth over the years. "Building a consulting practice within a technology company such as Cognizant or Infosys is not for the faint-hearted," Livingston noted. "Fundamentally, the parent entity wants you to help sell large $50 million deals. But you need to sell and deliver many S500,000 consulting deals to build your intellectual property, which can then help sell the mega $50 million deals" he added.

As Livingston took on the reins of IC, his first goal was to get the business back on a healthy growth trajectory. "The consulting business was a bit too federated and this needed to be fixed.

IC had evolved into a regional model over the last several years. We moved to a global model with standardized performance metrics across IC," explained Livingston. "And we dusted off [the] Value Realization Method and reintroduced it as a key part of our consulting services," he added. Livingston also shut down the IC presence in Latin America and China and focused the company on the North America, Europe, and Asia-Pacific markets. He pushed the leadership of IC at the partner level to raise their ambition, develop deep industry (vertical) expertise, and move away from simply staffing consultants to solving customer problems. He emphasized closer cooperation with IL while intensifying account-specific planning and focus.

Over the next three years, Livingston accelerated recruiting at both the partner level and at the staff level. With the increased capacity and structured cooperation with IL leadership, the growth came back and IC seemed to have its mojo back as well. He commented on the importance of

flow-through revenue

Flow-through revenue is being tracked diligently today both within IC and by IL.

We have achieved a ratio of 1:7 between IC revenue and flow-through IL revenue. The higher ratio also leads to better engagement margins. To incent the IC Partners to drive flow-through revenue and thereby enhance the connectedness

15 Infoss Annual Report. April 2018, https://www.infosys.com/investors/reports-filings/annual renort/annual/documents/infosvs-ar-&.nofAneust 1. 2022)

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between IC and IL, we have created a special bonus pool from the flow-through revenue. In FY22, the IC Partners earned record bonuses.

Although the pandemic adversely impacted its business in 2020, IC enjoyed significant revenue growth in 2021. In fiscal year 2022 (as of March 2022), IC had delivered a record $600 million in revenue with 4,000+ consultants on its roster. By holding true to the consulting agenda and focusing on value for clients, Livingston and the IC partners were able to deliver impressive financial results. On an overall basis, Infosys also seemed to be clicking on all cylinders (see Exhibits 2 and 3). FY22 revenue for Infosys exceeded $16.3 billion, a jump of more than 20 percent over FY21 and global headcount crossed the 300,000 employee mark. 16

As he

reflected on the three-year journey since he assumed leadership of IC, Livingston indicated a sense of pride with the growth rate in revenue and the turnaround in profitability of the business.

"Taking IC organically to a billion-dollar business at industry leading margins is very achievable in the next two years. If you do insightful work, revenue will grow and all noise will stop. To stay relevant within Infosys, IC needs to scale and must get to this revenue milestone." said Livingston. To get there, IC would need to do the following, he added:

IC partners must continue to collaborate with their counterparts in IL. IC should be part of every account strategy and our leaders must be active within every target account. We have to play the long game. The intersection of strategy and technology has and will continue to create massive opportunities in the market; with the right strategy, we can unlock significant growth.

A NEw CHAPTER

In May 2022. Mark Livingston announced his retirement from IC!7 and from the consulting profession. In the meanwhile. the journey for what started as an entrepreneurial venture in 2004 to create the next generation of consulting would continue. If, however, imitation by the competition could be considered validation of the IC model then one could argue that the IC journey had delivered.