

CORNER OFFICE N R NARAYANA MURTHY, CHAIRMAN & CHIEF MENTOR, INFOSYS

Why don't we learn from China: Murthy

Asha Rai | TNN

The man who founded India's secondlargest IT services company three decades ago is getting ready to hang up his boots in a year's time — an event that has turned the spotlight right back on the company and its much heralded chairman. In an interview with TOI over a south Indian lunch at Infosys' plush campus in Bangalore, Murthy spoke on why he isn't losing sleep over the brouhaha at US' protectionist rhetoric, on why he will never sacrifice margins and profitability for revenues and of course, on his succession and his rightly earned time "to smell the coffee". Excerpts:

Is this the most protectionist that you have seen the US to be? Earlier, there was a lot of rhetoric, now there are legislating to make outsourcing difficult.

No. First of all, we (Indian industry) do very little work with the government, either state or federal. Therefore, whatever happened in Ohio is not going to have much impact on us. As far as the H1, L1 visas are concerned, you know, having a financial filter to vary policy is probably the best because that way there will be a certain burden on us but also an incentive to innovate, to come out with better value propositions for our customers.

You will not lose any sleep over it?

No, I don't think so.

But the fear is that a window has been opened. Now that they have legislated on one thing (H1, L1 visas) they might do on other fronts too?

You know, it was very interesting to listen to Anand Sharma (union commerce minister) who was on our campus recently. I never thought a time would come when an Indian Cabinet minister would be talking about the protectionist tendencies of the US! I never thought that I would live to see that. I think these are very clearly examples of how the global scenario has changed. Frankly, looking at it from the perspective of President Obama, I can understand

him. For a nation that is generally used to 4-5% unemployment, to have that

touch 9-10 % and

where employment

is the prime issue

in elections, I can

u n d e r s t a n d

him.

But I know one thing. The solution for us is not to become strident or jingoistic. It would be better to use innovation, use ideas by which we become more indispensable to our customer. You see, today, China does not talk. They have demonstrated by becoming more and more indispensable to the global economic order thanks to their hard work and

commitment. China has understood that talk can take you only so far. If we, together — industry, individual companies, academia and government — can make Indian companies more and more indispensable to the new world economic order, that would be enough. China is a fantastic example — a nation which has become the second-largest economy globally in a matter of 32 years. Isn't it extraordinary? Somehow, nobody says here, "Why don't we learn from China?" Arnold Schwarzenegger goes to China and says — I find this unbelievable — that China will be one of the two countries they will shortlist to build California's high-speed metro!

Coming back to the Indian market, in the last few quarters, your competitors seem to be catching up with you. Cognizant is doing brilliantly.

I am very happy for them. **There is a feeling that Infosys has gotten conservative...**

No. Look at it this way. We are growing in some ways more than the industry average. Other than Cognizant, we have been growing pretty well. We have maintained our margin difference. Also there's a difference between growth at \$3 billion and at \$5 billion. If you look at our growth rate, when we were \$3 billion, certainly we also grew fast. While I congratulate and am happy with the performance of Cognizant as an Indian, we must look at facts and data and then come to conclusions.

There's a feeling that Infosys has lost its mojo. It isn't setting the lead the way it used to.

No. Kris (S Gopalakrishnan, Infosys CEO) has done a fantastic job. I am extremely happy. He has been the first CEO under these tough conditions and he has done a pretty good job. The only area where we have not been able to do as well as we want to is in acquisitions.

So not chasing acquisitions for top-line growth is deliberate?

No. But unless we find a candidate that we are very confident will add significant value to us, we don't want to do it. I don't want to mention specific names, but you please look at all those people who have done acquisitions and whether they have indeed got value. It's not that clear. We don't want to do acquisitions that bring down our margins significantly because we don't play the top-line game. We have never done that.

But the over-emphasis on

bottomline is at the expense of volumes...

If anybody can be held responsible for that, it's me. It's my belief that in the end, you have to make good bottomline. That's what gives you cash to invest in people, in new technologies, new initiatives, new infrastructure, etc. I don't think there is another company — I may be wrong — which has invested as much as we have in physical/technological infrastructure. We have 650 fellows in our SETLabs (R&D arm). We work with several universities. The kind of facilities we have provided our employees, I don't think anybody else has.

Infosys has had a lot of people issues recently, quite uncharacteristic of the company.

The reason was simply this. We came out with a new HR model for the company called iRace that recognized the new paradigm. We then communicated to people what they need to do to get promotions, what the opportunities are, etc. Some people were not happy. Then when the market went down, there were fewer promotions, fewer opportunities for youngsters to go abroad. Also, because we take in a large number of people, we said that unless they satisfy our basic requirements at the end of our training period, we will not absorb them. And a small percentage, 3-4% did not satisfy those requirements because the quality of engineering students at the bottom is not good today in our country. When you look at 25,000 people, it's inevitable that 1,000 people would not perform and it is these 1,000 people who talk and blog about all kinds of stuff. But when we sat down with people and explained to them, they realized that this is what is needed to be done. Also remember, recently we distributed a minimum of five shares to everybody — of course, some got more than that — in the company, including the janitor as part of our philosophy of democratizing wealth.

Do you need to work or structure differently to cope with the new environment? Are you re-shaping the company?

We are doing it. We have focused on more of consulting lead engagements, on projects that combine application development with integrated validation services (IVS) with BPO. Our consulting has started realizing the potential that we had talked about. We are recruiting more local talent in the US and Europe. In Australia, Japan, Brazil and China, we have always done that. In that sense, we have done certain new things but then there are only so many new

things that you can do in this business. We have to learn to do the same old things in a much more productive way, in a way that can bring better business value to the customer.

In the near to medium term,

what are the challenges

facing Infosys?

Our challenges are many. One, finding new markets for maintaining our growth. Second, making sure that our margins are not diluted. That's very important. Third, making sure we become more multi-cultural. I believe that Indian companies must make a very serious effort at recruiting local talent. You should not run any business based on H1, L1 visas. I don't think that's the right thing. Then, making sure that we retain an ecosystem of innovation because at the end of the day without innovation we cannot retain our margins, cannot find new markets, cannot grow our revenues, cannot pay our people better.

There is huge interest in your retirement and eventual

successor ...

I think when Ratan (Tata) talked about his retirement, his search committee, the one other such imminent stuff was at Infosys. So people started talking about it. But it's very clear. It's been known for some time that on August 21, 2011, I will be leaving. Our processes are always in place. It's very robust, very well thought-out. There are no surprises.

Is K V Kamath a leading contender?

At this stage, it's very difficult for me to reply.

Mr Murthy, I am sure you will have a huge influence on who your successor is going to be...

The responsibility lies with (Infy director) Jeff Lehman and his (nominations) committee. And at this stage, we haven't discussed specific names because there's still time.

Are you clear that while an

outsider will head the board, the CEO will be someone

from within?

An outsider 'might' head the board. For the CEO's post, as we have all said, as long as there's a competent internal candidate, there is no purchase, no value in disappointing the internal candidate and bringing an outsider. Infosys has always been pretty strong with its leadership development activities. Therefore, there's always a higher probability that there will be an internal person than an external person.

Post 2011, what will you do?

Focus on Catamaran, your

private equity fund?

I think I will spend more time on Catamaran. I also travel a lot on my other stuff. I think I will exercise my right to take life easy.

To smell the coffee... Exactly.



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