

Scripting a success story

Within a generation, Infosys, founded by professionals, has become a billion-dollar company. Riding the crest of India's IT success, Infosys has always set standards for excellence. **M S Shashikala** reports on the practices at Infosys, which have enabled it to become a leader in its field



Circa 1981, seven young men hailing from diverse backgrounds, with approximately \$250 between them, start a company in a residential building in Bangalore, then a quaint city in southern India. Today it is a billion dollar company with over 46,000 employees in over 40 locations across the world and is credited with giving India a global face.

Welcome to Infosys Technologies Ltd, the software services giant that has come to symbolise India's rise as a technology power. The company is growing quickly: in the first half of the current fiscal year, it reported \$1 billion in revenue — the same amount it had in the full year 2003-04. For fiscal 2005-06 Infosys forecasts a revenue growth of 34 per cent.

What has fuelled the company's phenomenal growth to a world-class end-to-end solution provider, is in the words of one of its founders, chairman and chief mentor, N R Narayana Murthy, "Youth, speed and imagination coupled with a strong value system of honesty, integrity and transparency in whatever the company does."

Infosys has pioneered many best practices and set standards in corporate governance and HR management. As a key player in the knowledge industry, Infosys has recognised the value of its human assets in maintaining and increasing its strategic competitiveness. Says Nandan M Nilekani, CEO, president and managing director of Infosys, "We believe that people are our core assets and their empowerment is the key to scalability and longevity. Respect, dignity, fairness and inclusiveness are essential to get the best out of employees."

As Narayana Murthy puts it, "Our assets walk out of the door each evening. We have to make sure that they come back the next morning." Infosys goes the whole hog in ensuring that their employees take pride in working with them.

The effort the company makes to ensure the emotional buy-in of its employees is evident in Infosys City, a sprawling 70-acre campus situated just outside Bangalore. The city houses large multi-cuisine food courts to suit the palates of its diverse work force from different nationalities. Over 4,000 trees dot the eco-friendly

campus that also boasts of manicured gardens, a golf course, swimming pool and well-equipped gym.

Its management style and treatment of employees have won it many laurels. Infosys has been ranked three times in five years as The Best Company to work for in India by research firm Mercer Human Research Consulting and business magazine *Business Today*. Infosys was ranked 62nd in 2005 as one of the World's Most Respected Companies in the *Financial Times-PwC* annual survey. And *BusinessWeek* ranked Infosys amongst the top three IT services company in the world.

Responding to a question on Indian TV early in December 2005, Narayana Murthy said of Infosys' journey, "At Infosys, our vision has been to become a globally respected corporation. Now we are well respected in India, but we are in the very early part of our marathon. We have to yet become one of the most respected companies in the United States, in Japan, in Germany, in Australia, in UK, etc."

Murthy served as CEO of Infosys for 20 years, handing over the reins to Nandan Nilekani, a fellow co-founder, in March



On the Web
Infosys Technologies: www.infosys.com

THE NEW GAME AT INFOSYS



A GLOBAL DELIVERY MODEL: Infosys CEO, President & MD, Nandan Nilekani

"The new game is not about where you work out of, but how you integrate seamlessly between locations and cultures..." Nandan M Nilekani CEO, president and managing director of Infosys, elaborates on the past, present and future of his company in an interview with *INDIA NOW - a perspective*. Excerpts:

The founders of Infosys come from diverse backgrounds. What kept them together for so long?

We wanted to create a company that really valued people and we have done that. All of us believed that Infosys was bigger than any of us and were willing to subordinate our egos and our desire for the company's good.

What are the challenges that Infosys foresees? How do you plan to address them?

As we expand into new geographies, we face a whole new set of challenges. The first is the increase in the competitive intensity of the marketplace. When we began, we were a niche player, below the radar screen. Today, in a far more difficult scenario, where our global customers are unable to raise volumes or prices, the 'off-shore' model has gone mainstream.

The second challenge is, conversely, to get more local. As we morph from being merely global to a true multinational, we need to plant more local roots. This includes more local hiring. The third challenge is to become a company that is seen by customers as a trusted advisor and strategic partner.

How do you plan to retain Infosys' leadership position in India and grow globally?

The new game is not only about where you work out of, but how you integrate seamlessly between locations and cultures. We are confident that we have an edge in this new game and we will continue to focus on evolving the next generation processes and value proposition for our clients.

Most importantly, our success to deliver will be dependent on our ability to attract, retain and develop the best of talent in every department.

What do you think is the future of offshoring?

The Global Delivery Model that has been at the heart of our execution is more than just a way of getting work done offshore. It is a genuine business innovation that delivers a superior value proposition at higher quality and lower cost. By leveraging global resources and global strengths, it creates a new degree of freedom.

What do you think the Indian software industry should do to retain its competitive edge?

India is increasing its profile in the world economy and we are now seen as a major global player. Indian influences permeate every sphere of the globe, including corporate achievements in terms of software exports. We need to ensure that we maintain our competitive edge in the knowledge economy by focusing on meritocracy and hard work as a team.

2002. His style of leadership is quite unlike other businessmen. A self-confessed "capitalist in mind and a socialist at heart", Murthy has always believed in creating wealth for all stakeholders and the company has at least 40 dollar-millionaires in its staff around the world.

This spreading of wealth to employees was done through an early decision to offer ESOPs. "The somewhat intangible return on this decision is that employees have worked towards creating more value for the company which in turn means more value for themselves," says a Bangalore-based industry observer. Result: the per-person productivity of Infosys is an astounding \$76,000.

The company, which relied on the overseas market from its beginning, was quick to get a global perspective of the IT business that many of its Indian peers lacked. Initially, while Murthy stayed on in India, trying to generate business and manage operational and administrative issues, the other founders travelled to the United States to perform on-site programming for corporate clients. The effort helped Infosys tremendously when the Indian economy opened up in the early '90s.

Infosys initially hired bright, young engineers from premium institutes in India, trained each of them and dispatched them to client sites. Although its revenues from foreign markets steadily increased, Infosys was not able to purchase and maintain its own computer in India nor own a place to house one. The solution demonstrates the ingenuity of its founders: Infosys purchased the computer and installed it on the premises of one of its major customers in India. It then bartered its technical knowledge for computer time and also used the computer to train new employees.

Another challenge was scalability as Murthy acknowledged in the TV interview. "The biggest challenge that a software services company like Infosys has is scalability," he said.

In addition, Infosys has chalked out a risk management strategy that shields it from market-related hazards, which has helped Infosys escape unscathed from the global dotcom winter. The company manages its projects portfolio to minimise risks. During the mid- and late 90s, Infosys deliberately restricted revenues generated from Y2K projects to less than 25 per cent of



A TRUE MENTOR: Narayana Murthy stepped down after helping Infosys for two decades

annual revenues to prevent its earnings and growth potential from hitting the slopes once year 2000 passed. Also, Infosys limits its exposure to any specific client to less than 10 per cent of annual revenues.

Infosys has over the years systematically built up a post-modern, scalable enterprise for harnessing intellectual capital in the global economy that thrives on information and knowledge. It continuously creates and replenishes its knowledge capital — whether it is the continually evolving

software development practices or the impressive array of methodologies and frameworks that guide Infosys's business operations, including the 'Global Delivery Model'.

The Global Delivery Model plays an important role in ensuring profitability. GDM entails shifting of a major portion of project execution from costly 'on-site' client locations to relatively cheaper 'off-shore' locations in India. In addition to reducing costs of operation for Infosys, the model also allows Infosys to leverage the time difference between India and its major markets in US and Europe, thereby reducing project execution time.

While the global five-year CAGR for IT services is five per cent, and Indian IT exports have been growing at 29 per cent, Infosys is growing at 45 per cent. Nilekani attributes this success to the strength of the Global Delivery Model backed by 46,000-plus employees worldwide.

"Clients realise GDM is about high value at low cost, it is about leveraging global talent pools and capabilities," he says.

Nilekani attributes the success to several other factors as well: "We have institutionalised performance and accountability in our systems and processes." Transparency is one of the most important values held by Infosys. The company was first in India to adopt the stringent US GAAP standards for reporting its financial results.

Creating a multicultural outlook for a company that has employees from 53 nationalities is not easy, but essential to truly leverage the power of globalisation and achieve long-term survival. Narayana Murthy recalls, "In the early '90s, when we went to the United States to sell our services, most chief information officers didn't believe that an Indian company could build the large applications they needed. The CIOs were very nice to us, of course. They offered us coffee or tea, listened to what we had to say and then said, "Look, don't call us—we'll call you." We realised that there was a huge gap between, on the one hand, how prospective Western clients perceived Indian companies and, on the other, our own perception of our strengths."

Nilekani confesses to multiple challenges as the company grows in size, scale, complexity and footprint. "As we expand into new geographies, we face a whole new set of challenges. The first is the increase in the competitive intensity. The second challenge is to get more local. As we morph from being merely global to a true multinational, we need to plant more local roots. This includes more local hiring and becoming a more embedded part of the countries and communities where we operate. The third challenge is to become a company that is seen by customers as a trusted advisor and strategic partner."

Infosys is now focusing its efforts towards becoming a globally acclaimed technology consultant that proactively develops business solutions to meet the customer's challenges. "Our whole effort today, be it changes in the organisation structure, investments in business solutions, alliances and acquisitions, or training of client-handling people, everybody in the company is geared towards this change," says Nilekani. And Infosys seems well on its way to achieve it. 🌱

