

# Founders of infosys technologies limited commerce essay



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Narayana Murthy is the Non-Executive Chairman and Chief Mentor of Infosys Technologies Limited. He is a living legend and an epitome of the fact that honesty, transparency, and moral integrity are not at variance with business acumen. He set new standards in corporate governance and morality when he stepped down as the Executive Chairman of Infosys at the age of 60.

Born on August 20, 1946, N. R. Narayana Murthy is a B. E. Electrical from University of Mysore (1967) and M. Tech from IIT Kanpur (1969). Narayan Murthy began his career with Patni Computer Systems in Pune. In 1981, Narayana Murthy founded Infosys with six other software professionals. In 1987, Infosys opened its first international office in U. S. A.

With the liberalization of Indian economy in 1990s, Infosys grew rapidly. In 1993, the company came up with its IPO. In 1995, Infosys set up development centers across cities in India and in 1996, it set up its first office in Europe in Milton Keynes, UK. In 1999, Infosys became the first Indian company to be listed on NASDAQ. Today (in 2006), Infosys has a turnover of more than \$ 2billion and has employee strength of over 50, 000. In 2002, Infosys was ranked No. 1 in the " Best Employers in India 2002" survey conducted by Hewitt and in the Business World's survey of " India's Most Respected Company." Conducted in the same year.

Along with the growth of Infosys, Narayana Moorthy too has grown in stature. He has received many honors and awards. In June 2000, Asiaweek magazine featured him in a list of Asia's 50 Most Powerful People. In 2001, Narayana Murthy was named by TIME/CNN as one of the 25 most influential global executives. He was the first recipient of the Indo-French Forum Medal

(2003) and was voted the World Entrepreneur of the Year - 2003 by Ernst and Young. The Economist ranked Narayana Murthy eighth on the list of the 15 most admired global leaders (2005) and Narayan Murthy also topped the Economic Times Corporate Dossier list of India's most powerful CEOs for two consecutive years - 2004 and 2005.

StartUp (<http://www.citehr.com/118434-amazing-infosys-story-how-infosys-born.html>)

April 26, 2004

What makes Infosys tick?

Extract from Infosys Technologies co-founder and CEO Nandan M Nilekani's interview to CIOL:

Actually when Infosys was formed, all of us were working with Patni in Mumbai and Narayan Murthy was our boss there, heading the software group. The group strongly felt that there is a need to create a very professional company, one that was based on very strong ethics and values. We also wanted to create a company that really valued people. That is how we started. The fact of the matter is that there were many such companies that started at the same time during early '80s, however, what made us different was that we stuck it out-we realized that it was not a sprint but a marathon and we were long distance runners. We went through difficult times, but none of us digressed from the common vision. All of us believed that Infosys was bigger than any of us and we were willing to subordinate our egos and our desire to larger boats. I think that determination to create a

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world-class company, to stick together, willingness to keep Infosys ahead of any individual-perhaps these are the characteristic not many people and companies had to the extent we had. That's why we were able to last the marathon for last 23 years.

Infosys Technologies is one of the few Indian companies that has changed the way the world looks at India.

No longer is India a land of snake charmers and beggars. It is now perceived as an economic giant to reckon with, bursting with brilliant software engineers and ambitious entrepreneurs. And Infosys is an symbol of India's information technology glory.

Infosys has many firsts to its name: The first Indian firm to list on Nasdaq; the first to offer stock options to its employees. . . The company crossed \$1 billion in revenues for the first time in 2004. TCS, however, was the first Indian IT firm to top \$1-bn in revenues. Infosys is an organisation that inspires awe and respect, globally. On July 2, Infosys completed 25 years in existence. This is its amazing success story, illustrated by rare photographs.

The idea of Infosys was born on a morning in January 1981. That fateful day, N R Narayana Murthy and six software engineers sat in his apartment debating how they could create a company to write software codes.

Six months later, Infosys was registered as a private limited company on July 2, 1981. Infosys co-founder N S Raghavan's house in Matunga, northcentral Mumbai, was its registered office. It was then known as Infosys Consultants Pvt Ltd.

What was the company's starting capital?

US \$250. Murthy borrowed \$250 from his wife Sudha to start the company. The front room of Murthy's home was Infosys' first office, although the registered office was Raghavan's home.

Who were Murthy's six friends who joined hands to launch Infosys?

Nandan Nilekani, N S Raghavan, S Gopalakrishnan, S D Shibulal, K Dinesh and Ashok Arora.

Are all of them still the founding directors?

Murthy is currently chief mentor and chairman while Nilekani is the chief executive officer and managing director. Gopalakrishnan, Shibulal and Dinesh are directors. Raghavan retired as joint managing director in 2000. He is currently the chairman of the advisory council of the N S Raghavan Centre for Entrepreneurial Learning at the Indian Institute of Management, Bangalore. Ashok Arora worked for the company till 1988 and left after selling his shares in the then unlisted company back to the other promoters. He moved to the United States where he now works as a consultant.

' Murthy was always broke'

' Murthy was always broke. He always owed me money. We used to go for dinner and he would say, ' I don't have money with me, you pay my share, will return it to you later.' For three years, I maintained a book of Murthy's debts to me. No, he never returned the money and I finally tore it up after our wedding. The amount was a little over Rs 4, 000.'

— An excerpt from Sudha Murthy's reminiscences. She is the wife of Infosys founder N R Narayana Murthy.

Those days, Murthy wanted to do something with his life, but he had no money. Murthy was married to Sudha on February 10, 1978, while he was working with Patni Computers.

In 1981, it was Murthy's idea to start Infosys. Murthy had a dream, and no money. So Sudha gave him Rs 10, 000, which she had saved without his knowledge. Murthy and his six colleagues started Infosys in 1981.

No, it was not in Bangalore, but in Pune that Infosys set up its first office, in 1981. The house that Murthy and Sudha bought with a loan became the first Infosys office. As Murthy ran Infosys, Sudha took up a job as a systems analyst with the Walchand Group of Industries to support their household.

In 1983, Infosys moved to Bangalore when it got its first client, Data Basics Corporation from the United States. The first mini computer arrived at Infosys in 1983. It was a Data General 32-bit MV8000. The very next year Infosys switched from mini to main frames with a CAMP application for a Data Basics customer

A huge struggle, day in and day out

When they began moving ahead with Infosys, the founders — Murthy, Nilekani, Shibulal and the others — took a firm decision — that their wives would not be involved in the running of the company.

So after Murthy, it was Nilekani and his wife Rohini who moved to Bangalore. But they had no house to stay. So the Nilekanis stayed with the Murthys at their Jayanagar home in Bangalore.

Rohini took care of Murthy's son as Sudha helped write software programmes for Infosys. There was no luxury, only struggle, day and night. They had no car, no phone. Murthy later recalled that it was not the luxuries of life, but the passion to create something new and innovative that made them keep going on and on and on. Despite the struggles, the Murthys, the Nilekanis and the other partners took time out for picnics in Bangalore

The crisis, and how Infosys began to grow

The first years of Infosys were not smooth. Most of the founders — Murthy, Nilekani, Dinesh, Shibulal and Gopalakrishnan — were into writing codes. And they wanted to make an impact in the American market.

So Infosys got its first joint venture partners in Kurt Salmon Associates. Gopalakrishnan, who had spent time working in the United States, was the public face of the KSA-Infosys venture in America. But the joint venture collapsed in 1989, leaving Infosys in the lurch.

Gopalakrishnan relives the memories of those days. “ We had nothing after eight years of trying to bring up a company. Those who studied with us had cars and houses,” he says.

The collapse of the KSA joint venture led Infosys to its first crisis. The company was on the verge of collapse. One of the founder-partners — Ashok

Arora — was dejected with the way the company was going, and decided to quit.

The others did not know what to do. But Murthy had the courage of conviction. ' If you all want to leave, you can. But I am going to stick (with it) and make it,' Murthy told them.

The other partners — Nilekani, Gopalakrishnan, Shibulal, Dinesh and Raghavan — decided to stay. And thus began to germinate the seeds of Infosys' enormous growth.

### The Nasdaq listing

It is said that Infosys began getting big breakthroughs from the US market.

How? The initial foray of Infosys into the US market was through a company called Data Basics Corp as a ' body-shop' or on-site developer of software for US customers. Later, Infosys formed a joint venture with Kurt Salmon Associates to handle marketing in the United States.

Even today, Infosys derives about two-thirds of its revenue from the United States, serving corporate clients like Reebok, Visa, Boeing, Cisco Systems, Nordstrom and New York Life.

Infosys is the largest publicly traded IT services exporter in India, providing services to 315 large corporations, such as GE and Nortel, predominantly in the USA.

It was the first Indian company to list on the Nasdaq stock exchange in 1999.



And the other Infosys group companies?

Progeon Ltd: The Infosys BPO arm.

Infosys Technologies (Shanghai) Company Limited: The company's base in China.

Infosys Australia Pty Ltd: Infosys' Australian venture.

Infosys Consulting Inc: The company's foray into the consulting business.

25 years sheer determination, and growth

In the last 25 years, Infosys has been growing and growing.

Today, Infosys is India's second largest software exporter. It now enjoys a strong liquidity position with over Rs 6, 000 crore (Rs 60 billion) in assets, including surplus cash.

During 2005-2006, the Infosys internal cash accruals more adequately covered working capital requirements, capital expenditure and dividend payments leaving a surplus of Rs 1, 612 crore (Rs 16. 12 billion).

As on March 2006, the company had liquid assets including investments in liquid mutual funds of Rs 4, 463 crore (Rs 44. 63 billion). This collectively makes the liquidity strength of Infosys at Rs 6, 078 crore (Rs 60. 78 billion).

Where are these funds parked?

These funds have been deposited with banks, highly rated financial institutions and in liquid mutual funds. Infosys last year derived an average yield of 4.48 per cent (tax free) from these investments.

The company received Rs 647 crore (Rs 6.47 billion) on exercise of stock options by employees and cash equivalents including liquid mutual funds increased by Rs 1,612 crore during 2005-06.

Key milestones

Year of Incorporation :

1981

Became a public limited company in India :

1992

ISO 9001/TickIT Certification :

1993

Attained SEI-CMM Level 4 :

1997

Listed on NASDAQ :

1999

Crossed \$100 million in annual revenues :

1999

Attained SEI-CMM Level 5 :

1999

Crossed \$400 million in revenues :

2001

Crossed \$ half a billion in revenues :

2002

Crossed \$ billion in revenues :

2004

Crossed \$ 2 billion in revenues :

2006

Another Note on infosys

INFOSYS CASE STUDY - Ā½Narayana Murthy and Infosys'

The case study Ā½Narayana Murthy and Infosys' describes how Narayana Murthy, set up India's leading software company – Infosys. Narayana Murthy turned a small software development venture that he had set up with his friends in 1981, into one of the leading companies of the country. Infosys grew rapidly throughout the 1990s Narayana Murthy distributed the company's profits among the employees through a stock-option program,

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and adopted the best corporate governance practices. All this earned him praise and respect. In 1999, the company became the first Indian firm to be listed on the Nasdaq Stock Market. In 2000, Infosys was poised to become a true global company. By 2000, Infosys' market capitalization reached Rs. 11 billion and by 2001, Infosys was one of the biggest exporters of software from India. Narayana Murthy had built an organization that was respected across the country, with very strong systems, high ethical values and a nurturing working atmosphere. In February 2001, Infosys Technologies Ltd. (Infosys) was voted as the Best Managed Company in Asia in the Information Technology sector, in leading financial magazine Euromoney's Fifth Annual Survey of Best Managed Companies in Asia.

#### KEY SUCCESS FACTORS

With his sound management skills, Narayana Murthy seemed to have taken Infosys to the pinnacle of success with the following key success factors :

1. Leadership team : The leadership team needs to balance vision with practical experience. In most cases, a technology start-up will have a visionary and/or a technical genius (most often, these are the founders) in place from day one. However, all too often, the leadership team is not rounded out by people who actually know how to run a business and how to drive sales. Building a strong balanced team can be one of the trickier aspects of creating a successful start-up because it necessarily requires the visionary and the technical genius (founders) to admit their practical shortcomings and give up some of the control of the business. The idea behind a start-up is often somebody's " baby" and, quite naturally, they want

to control every aspect of its development. Once you move these people away from micromanaging the business, the start-up begins to have a chance.

2. Well-conceived business plan : This is an area where the practical experience of a well-rounded leadership team gives the start-up a leg up. The business plan needs to be practical and detailed. The business plan provides the blueprint for the growth of the company. Perhaps more importantly, the business plan is how you demonstrate the viability of the business to third party investors.

3. A strong product : It is a given that the product needs to be special – something that will differentiate itself from the universe of competing products – but there are other important factors. Ideally, the product will be one that can be protected by patent. If the products cannot be protected by a patent, then the start-up has to be positioned to capitalize on being the first to market. Absent patent protection, being the first to market and capturing as much market share as you can before the copy-cats arrive is the next best thing. The product needs to have a ready market meaning that there is a market for it and that either there is no real competition or that the product allows the company to differentiate itself from the competition.

4. Scalability : The scalability of the business may not be critical to the success of every business, but it is critical to drive a start-up to a large scale business. In other words, if the goal is to become a large, valuable company, scalability is key. However, if the goal is a little less lofty, then scalability is a little less important.

5. Adequate capital :. Without adequate capital, the business will struggle. Perhaps the business will have phenomenal sales, but be unable to deliver the product. Or, the business may build the product, but lack the cash to adequately market it. Or the business will be unable to attract the leadership team it needs and the team it has is diluted to ineffectiveness. Or, the business is unable to capitalize on its “ first-to-market” status. While it is true that the management team for a start-up has to be versatile and willing to wear different hats, a capital-starved start-up can force the dilution of the management team to the point of everything being done poorly. Quite obviously, in many cases, the luxury of having adequate capital does not exist from day one. Finding the capital in a timely way can be very difficult. The more that can be done to address the other four points, the easier it will be to find capital.

### Launch of Infosys

Narayana Murthy obtained his Bachelor’s degree in Electrical Engineering from University of Mysore in 1967 and his Master’s degree in Technology from Indian Institute of Technology, Kanpur in 1969. He started his career as head of the computer centre at IIM, Ahmedabad. In 1972, he went to Paris where he was part of the team that designed a 400-terminal, real-time operating system for handling air cargo for Charles De Gaulle airport.

Narayana Murthy was a left-wing activist and mingled with French communists during his stay in Paris but his outlook changed while traveling around Europe. He believed that the only way to pull India out of poverty was to create more jobs, by setting up new companies. In 1975, he returned to India and joined Systems Research Institute, Pune,(Maharashtra). He then <https://assignbuster.com/founders-of-infosys-technologies-limited-commerce-essay/>

headed Patni Computer Systems Pvt. Ltd., Mumbai, (Maharashtra) before founding Infosys in 1981, along with six other professionals.

### The Strategist

From the beginning, Narayana Murthy focused on the world's most challenging market – the US. He had two reasons for this. First, there was no market for software in India at the time. He believed that Indian software companies should export products in which they had a competitive advantage. In 1987, Infosys entered into a joint venture with Kurt Salmon Associates (KSA), a leading global management consultancy firm. KSA-Infosys was the first Indo-American joint venture in the US.

### People Management

Analysts felt that one factor which helped Infosys to grow at a faster pace than others was the low employee turnover. The turnover rate at Infosys was around 11% as opposed to industry average for software companies' of over 25% during the 1990s. Infosys' retention capability was a function both of its rigorous selection procedures as well as proactive HRD practices. About 80% of the middle and senior level executives were promoted from within the organization...

### Corporate Governance and Infosys

Analysts felt that Infosys became one of the most respected companies in India, through its corporate governance practices, which were better than those of many other companies in India. Narayana Murthy's move to adhere

to the best global practices was driven by his vision to become a global  
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player. Infosys adopted the stringent US Generally Accepted Accounting Practices (GAAP) many years before other companies in India did...

### Leaders in the Making

Narayana Murthy set up a Leadership Institute in Mysore, India, to manage the future growth of Infosys. The institute aimed at preparing Infosys employees to face the complexities of a rapidly changing marketplace and to bring about a change in work culture by instilling leadership qualities.

I would like to end with a comment from Sri Narayana Murthy: He said, "It is our vision at Infosys, to create world-class leaders who will be at the forefront of business and technology in today's competitive marketplace..."

This has been at the forefront of their corporate culture !!!

## 2. Company Profile

Infosys Technologies Ltd. provides consulting and IT services to clients worldwide. Founded in 1981, the corporate headquarters are based in Bangalore, India. However, Infosys offices span the globe. Since incorporation, annual revenue has rapidly increased and it reached \$500 billion in 2002. Unlike many other Indian IT companies, Infosys has concentrated on building applications and this has contributed to its global success. Infosys Technologies employs nearly 17, 000 people worldwide, almost 10, 000 of whom are software professionals. 116 new clients in the financial year (FY) 2002 added to the already prestigious list that includes Airbus, Cisco, Nordstrom and Boeing. Retail banking services account for <https://assignbuster.com/founders-of-infosys-technologies-limited-commerce-essay/>



around 4% of total revenue. The company vision is to be the best globally, commercially and ethically. As such, Infosys has developed a C-Life principle of core values that it aims to honour in all aspects of its business conduct.