

Topic: Infosys 3.0 reloaded

It has been 11 years since he handed the reins of Infosys Technologies to Nandan Nilekani, and seven since he had an executive role in the firm he co-founded. On Saturday, however, NR Narayana Murthy got both back for five years, in a move that surprised all, replacing KV Kamath, who was re-designated "lead" independent director. In the process, Murthy, 66, technically broke a rule he himself set: that no founder will get an executive position once he is past the age of 60, and would step down even from non-executive positions upon attaining the age of 65. But the Infosys board got around the problem by changing the retirement age for chairman to 75 and independent directors to 70. Nevertheless, "all this is a de facto indictment of the current management," said an IT analyst with a foreign brokerage. "The company is struggling to grow, has lost leadership on many fronts, staff morale is at its nadir and investors aren't happy at all. Its much-touted 3.0 strategy is going nowhere. It needs a visionary." Will Murthy 2.0 be as magical as 1.0? "The Infosys he steered and the one today are two different animals, caught in two very different milieus. It won't be easy at all," the analyst said.

Murthy's appointment comes just as Infosys hired two external agencies to search for a new CEO to succeed SD Shibulal in 2015. While the buzz is that Infosys may look for a CEO outside, a former Infosys veteran, who did not wish to be named, said that's unlikely and the once Bangalore bellwether will stick to tradition and will elevate an insider. Murthy returns with his academically illustrious son, Rohan, in-tow, as his executive assistant. Murthy Jr (yes, there's no 'h' in this Murthy) has degrees in computer science from Harvard and Cornell universities, and fellowships at MIT, Caltech and Microsoft.

But Murthy was quick to nip all talk of readying his son for a future role in the bud on Saturday: "Rohan is my executive assistant, he has no leadership role. Shibulal is the CEO. There are executive directors in the company, and the board members, they are all competent people. Only role that Rohan has is to make me more effective. That's it." Now, where have you heard such things before? Look no further than Infosys's Bangalore rival Wipro, where, after many denials, Rishad Premji is rising. What about the next-generation of other promoters? They aren't in the picture for now. While Shibulal's daughter is into the hospitality industry, Kris' is seen as very young.

Rohan, whose term would be co-terminus with that of his father, is expected to inject youthful perspectives into a board that is struggling to overcome its too conservative and fuddy-duddy image. He will head a small team as part of the chairman's office. Inducting fresh, young blood like Rohan can help change the perception of Infosys, which has vacated many a pioneering space to peers such as Cognizant and HCL Technologies, said another analyst with a domestic brokerage. "Murthy's entrepreneurial and leadership record," Kamath said, "and the long experience he has had as a technology pioneer makes him eminently qualified to lead the company and provide strategic direction at this point in time," Kamath said. In the recast, current co-chairman Kris Gopalakrishnan was re-designated executive vice-chairman and his role will be to focus on key clients and broader industry issues. Som Mittal, president of Nasscom, welcomed the moves, saying, "Murthy is an iconic leader who has played a key role to shape the Indian technology industry and we welcome him in his role as executive chairman, Infosys."

Salary is Re 1/year

Meanwhile, during his five-year term which started on Saturday, Murthy would draw a token compensation of Re1 per year – as would his son Rohan, Kris Gopalakrishnan and Shibulal.

Now is that a good thing or a sign of weary submission?

Revival Strategy

Bangalore-based Infosys, founded in 1981, used to set the industry standard for growth and profits but it has been struggling to keep pace during the past two years. In 2012-13, when Infosys saw its sales expanding by 5.8% to \$7.4 billion (₹41,880 Crore), the rest of the industry grew nearly twice as fast. “In a possible glimpse into his strategy, Murthy stressed the importance of winning more technology contracts that focus on application development as well remote infrastructure management, two areas that Infosys during the past two years have termed commoditized and low-margin. These are also the areas where rivals have been overtaking Infosys and scoring on the growth front.

The Critic’s Opinion:

K Ramachandran, who teaches entrepreneurship at the Indian School of Business, thinks Infosys should have taken a more significant leadership decision much earlier. "The founder coming back is not a great idea because it means the company did not have the right mix of leadership skills to run the company," says the professor. "Also, the board has been watching the leadership get out of hand and the company lose its competitive ranking for some time. A prudent board should have stepped in before this." He adds that the assumption that the owners are the best people to run a company is not sound and has been proved wrong again and again across the world. It is ironical that, as Pari Natarajan, CEO, Zinnov Management Consulting puts it, that Infosys has to go into the past to overcome hurdles in the future.

“This is my second innings and an exciting, yet somewhat new level of challenges awaits me,” said Murthy. His comeback raises questions around the success of the founder-CEO model. Murthy defends this and says he is there to **add ‘value’** to the company. Shibulal’s decision to change the business model, with Infosys 3.0 as the nucleus will be judged over a period of time and there have been plenty of examples where CEOs have had to take hard and timely decisions.”

Read further:

<http://www.dnaindia.com/money/1842585/report-son-rise-at-infosys-as-narayana-murthy-returns>

<http://economictimes.indiatimes.com/tech/ites/renaissance-man-infosys-brings-back-nr-narayana-murthy-as-executive-chairman-is-this-what-infy-needed/articleshow/20387396.cms>

<http://www.thehindubusinessline.com/industry-and-economy/info-tech/narayana-murthy-is-back-to-revive-infosys-fortunes/article4771759.ece>