FW: From Infosys's Founder

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Clear Conscience -- Clear Profit

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Abstract (Document Summary)

First, think about what sort of company you want to have. Corporations must reach out to society and build goodwill if they aspire to longevity. This is especially true in India, where our success contrasts with widespread poverty.

We always ask ourselves: Are we adding value for our clients and society? Are we following Gandhi’s dictum, to "be the change in the world you want to see"?

This does not translate into outright charity, which saps recipients' self-esteem, but to empowering people. For example, we train and employ poor mothers in the villages surrounding our Bangalore campus, giving them a stake in society.

-- Listen to other people's ideas, especially those of the younger generations.
Devising ways of management to tap the brilliance of young minds. Some of our...
best ideas grew from monthly "Ideation Days," brainstorming sessions led by employees under 30. Keep doors open. Let young workers walk into senior managers' offices to present their ideas without going through "proper channels." Retire early enough to give younger people a chance to take responsibility while still enthusiastic.

My view is that globalization benefits the majority, and should be embraced, with this caveat: India, the U.S., and other countries must face the realities of globalization by creating more jobs for the poorly educated to compete in the global economy, or by improving education to give more workers the tools to compete. We are living in an age that requires new thinking and new solutions. That said, globalization has given opportunities to entrepreneurs from China, India, the U.S., Japan, the U.K., Europe and other regions to bring new ideas to the global marketplace. It is impossible to predict where the next winner will come from, which means anyone -- and everyone -- can be a winner.

Twenty-five years ago, six colleagues and I sat in my apartment in Bombay, debating how to build a global company. The world was becoming as wired and open as a trading floor, moving the world economy toward a radically new system now known as "globalization." This meant sourcing material from where it was cheapest, talent from where it was best available, production from where it was most cost-effective -- and selling where profitable markets existed. Anywhere in the world. We were determined to turn globalization to our advantage.

We had already surmounted our first obstacle of raising venture capital. Thanks to the frugal habits of my wife and the families of my six co-founders, we had amassed $250, enough to go into business to serve our one, single customer. As a start-up in socialist India, we faced bureaucratic hurdles my children's generation cannot believe. In 1981, it took two years to obtain a computer, and two or three years to get a telephone line. To travel abroad, I was required to apply to the Reserve Bank of India at least 10 days in advance to release foreign currency.

While we recognized these challenges, we were certain of our value system. We believed that great companies are built to last hundreds of years, which requires a foundation that goes beyond revenues, profits and market capitalization. We pledged to seek respect from our stakeholders, which would automatically lead us to do the right thing by each of them. We would satisfy customers, be fair to employees, follow the highest principles in dealing with investors, and make a positive difference to society. If we did that, we agreed, revenue and profit would follow.

When, in line with company policy, I retired as chairman of Infosys this August on the day I turned 60, our market capitalization had grown to $20 billion from $250, our employees to 58,000 from seven, and our customer roster to hundreds from one. I am not qualified to give advice to other businesspeople. But if the lessons I learned over the past 25 years can be of use to others, I will share some here.
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We always ask ourselves: Are we adding value for our clients and society? Are we following Gandhi's dictum, to "be the change in the world you want to see"?

This does not translate into outright charity, which saps recipients' self-esteem, but to empowering people. For example, we train and employ poor mothers in the villages surrounding our Bangalore campus, giving them a stake in society.

We believe companies should strive for complete transparency in their operations. When in doubt, disclose. The softest pillow is a clear conscience.

Infosys was one of the first companies to become XBRL-compliant, providing regulatory reports in Extensible Business Reporting Language that can be compared, line by line, with any other company's report. The best investors are attracted to companies that don't hide behind numbers, and that bring them bad news early and proactively.

Once a company has set its values in place, it goes to the market. Our experience has shown there are five elements of success in today's global marketplace:

-- Listen to other people's ideas, especially those of the younger generations. Devise ways of management to tap the brilliance of young minds. Some of our best ideas grew from monthly "Ideation Days," brainstorming sessions led by employees under 30. Keep doors open. Let young workers walk into senior managers' offices to present their ideas without going through "proper channels." Retire early enough to give younger people a chance to take responsibility while still enthusiastic.

-- Maintain meritocracy. Build a company where people of different nationalities, genders and religions compete in an environment of intense competition and total courtesy. Do this by using data to decide which ideas are adopted. Our motto: "In God we trust. Everyone else brings data to the table."

-- Benchmark yourself against internal and external competitors to make sure you are doing everything faster today than you did yesterday, or last quarter.

-- Continue to develop better ideas. Build something great, and then break it to build something better. Never fear being insufficiently focused on a single core business. As long as your most brilliant people are continuously experimenting with the best services to provide to customers, the results will turn out right in the end.

-- Maintain pressure to implement the best ideas with ever-higher levels of excellence.

Leadership is key to inspiring employees to make these elements part of their daily lives. The golden core of leadership is the ability to raise aspirations. Aspiration doesn't just build companies, it builds civilizations. It changes a set of ordinary people into a team of extraordinary talents, empowering
them to convert plausible impossibilities into convincing possibilities.

Twenty-five years after that first meeting in my apartment, the disruptive changes we foresaw are, if anything, accelerating. Globalization has not only erased national boundaries, it has obviated concerns of time and distance. Technology fuels 24-hour innovation, collaboration and competition anywhere and everywhere.

Globalization has wrought change all over the world. The effect on India is as great as on the U.S. Globalization cost two to three million Indian workers their jobs in the domestic automobile, computer and soft-drink industries when foreign companies entered India. But against that, weigh the 250 million Indians who have been lifted into the middle class by globalization. To cite a single statistic: In August, India became the fastest-growing cellular phone market in the world, adding 5.9 million subscribers.

My view is that globalization benefits the majority, and should be embraced, with this caveat: India, the U.S., and other countries must face the realities of globalization by creating more jobs for the poorly educated to compete in the global economy, or by improving education to give more workers the tools to compete. We are living in an age that requires new thinking and new solutions. That said, globalization has given opportunities to entrepreneurs from China, India, the U.S., Japan, the U.K., Europe and other regions to bring new ideas to the global marketplace. It is impossible to predict where the next winner will come from, which means anyone -- and everyone -- can be a winner.

Challenges to companies on this flat global playing field include adjusting cost structures to enable competition anywhere, fostering market-leading innovation as an essential companion to intense customer focus, seeing information not as an expense but as a potential engine of profit, and developing flexible strategies that adapt to the waxing and waning of business cycles.

The more intense global competition becomes, the more each company in the marketplace must hold fast to its fundamental values. There is no guarantee that any company, no matter how successful today, will be in business five or 10 years from now. The only guarantee a company has each day is the opportunity to live by its values and to innovate. If a company puts its values into practice daily, it can remain vibrant even 100 years from now. But the day a company forgets its values, it will disappear like dew on a sunny morning.

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Mr. Murthy is non-executive chairman and chief mentor of Infosys Technologies Ltd., India's leading IT company.