WHAT NEXT FOR INFOSYS?

“Posterity will not excuse you if you did not dream big.”
Narayana Murthy
The Indian technology giant grew from a $250 loan to annual sales of $7 billion. But, over 30 years on from its inception and after years of headlong growth, what next for Infosys? Stuart Crainer reports.

Infosys is an Indian business legend. Justifiably. Its story is so fantastic that if it had happened in Silicon Valley it would now be a movie. The story of the $250 loan to Narayana Murthy in 1981 bears repetition. The loan came from his wife. The IT engineer set up the company in Pune with six other engineers. It reached annual revenues of $100 million in 1999; $200 million in 2000; $400 million in 2001; $500 million in 2002; $1 billion in 2004; $3 billion in 2007; and $5 billion in 2010. Now, the first Indian company to be listed on the NASDAQ has over 150,000 employees, a market value of $26 billion and annual revenue of $7 billion.

To the uninitiated in the ways of the company colloquially known as Infy, this feels like an archetypal dreams-to-reality Indian story. It isn’t. Infosys’ first stroke of genius was one of optimism or bold ambition, depending on your perspective. It began life with a global view. The world was its market from the very start. India’s domestic market was of little attraction — for the simple reason that, in the early 1980s, there simply weren’t enough Indian corporations to buy the services Infosys offered.

“Posterity will not excuse you if you did not dream big,” says Narayana Murthy, who retired from his role as chairman and chief mentor in 2011 and is now the company’s chairman emeritus. “You owe it to your customers, your colleagues, your investors and society. Every major civilisation, every great advance in science and technology, and every great company is built on a big dream.”

The vision of Infosys today remains the same as from day one: “We will be a globally respected corporation.” It has a compelling simplicity, a built-in narrative which makes the company’s success appear all but inevitable. (Perhaps the most obvious comparison is with Thomas Watson Senior’s renaming of the Computing Tabulating and Recording Company as International Business Machines when it didn’t have a customer outside the United States.)
Infosys’ first client was the Data Basics Corporation in New York and it opened its first international office in Boston in 1987. Now India’s second largest software company with offices in 32 countries, Infosys’ footprint is truly global. The United States and Europe account for 85 per cent of the company’s sales; India a mere two per cent.

Growing spurts
While Infosys’ global ambitions remain a constant, what it actually does to deliver its revenues has evolved over the 30 years. In the beginning it was in the vanguard of outsourcing, but over recent years has shifted its emphasis towards consulting.

Sanjay Purohit is Senior Vice President and Global Head of Products, Platforms and Solutions at Infosys. He joined the company in 2000 and describes the company’s first 15 years as Infosys 1.0. “It was all about establishing the global delivery model,” he explains. “So we first focused on establishing trust with clients and invested a lot in quality. A better quality product at a lesser price is a very powerful value proposition.”

In Infosys 1.0 the company began to invest heavily in developing its people — Infoscions — and in creating a world-class environment for them to work in. Says Sanjay Purohit: “The first 15 years were about setting the base, laying down the founding stones. The next 15 years — Infosys 2.0 — saw the model being proven and very good traction as we grew.”

During Infosys 2.0, the company identified four axes to drive its expansion. The first lay in expanding into other industries. It invested in building industry knowledge.

The second route forward was to expand the suite of services it offered. In its first incarnation Infosys was essentially an application development and maintenance company. Then it started the suite of services it offered to include enterprise solutions, infrastructure management, testing, as well as business process outsourcing. “Suddenly we were operating in multiple industries with both industry specific and bespoke solutions. So that was a genetic transition of the company from being services-oriented to being solutions-oriented,” says Purohit.

The third important axis was geography. Initially, Infosys’ global view led to it becoming US centric so that, at one point, almost 75 per cent of its revenues came from the US. It then expanded into Europe starting with the UK, and then subsequently Switzerland, Germany, France, and then Eastern Europe.
B G Srinivas, who heads Infosys in Europe, provides his take on the company’s approach to growth: “We have always built a culture that’s emphasised not getting bogged down by constraints, but looking at ways of driving ambitious growth plans. Behind that is the core of what we build on, our core values and ethics. We have robust internal processes which help sustain growth. If you look at our vision, it says we want to be a globally respected corporation. We are not saying we want to be the biggest.”

Infosys did not blow its own trumpet to establish its credibility. It also expanded into the South and Latin American markets, Australia, Japan and China — by the end of 2012 Infosys will have a 5,000-person strong development centre and is building its own campus in China. The fourth focus was on clients. Astonishingly, 95 to 97 per cent of Infosys’ business comes from repeat clients. It identified a group of clients that it wanted to work with in order to build credibility and then went after them.

**Leading growth**

It worked. After a relatively quiet start, Infosys’ growth accelerated. Of course, for most companies, rapid growth carries a heavy burden of risk. Corporate history is littered with high growth companies which flew too close to the commercial sun and fell to earth. Infosys has always viewed growth differently. It does not seek bigness for its own sake. Size is not its objective. Instead, for Infosys, growth is seen as constant proof of its credibility. Growth makes the company credible and the more credible it becomes the more it can grow.

It didn’t have extensive ad campaigns but relied on word of mouth recommendations. Credibility trumps credulity. “Growth creates the space for people to try and do different kinds of things and explore different kinds of possibilities for clients,” says Purohit.

“Growth creates the space for people to try and do different kinds of things and explore different kinds of possibilities for clients,” says Purohit. “I came from an environment [at Tata] where 5-6 per cent growth was a source of happiness and then at Infosys we grew at 8 per cent, then it settled at about 30 per cent and then at about 20. So it was a very high growth environment and there was a lot of space to reach out, to try to do things.”

Growth brings more revenue and more people. Infosys has become a melting pot of talent. Every year brings an influx of new people — next year it will add 35,000 people to its existing 150,000 people. “There is an annual cultural infusion,” says Purohit. Along the way, the culture is inculcated into newcomers and subtly refreshed. “In a small company you can always get together and understand and learn the culture together, but if you are 150,000 people then your system has to be capable of inducting people and helping them cope with the culture of the organisation. The company has become increasingly democratic.”
Growth plus

Purohit argues, counter-intuitively perhaps, that in a high-growth business, executives tend to be more client focused. “Your eyes are always on the client 24/7. If you’re in a low growth industry then half of your time is spent managing your back end — your costs and efficiencies — because somehow you have to survive.”

For Purohit, fast growth also paradoxically fosters a focus on future planning. He was charged with setting up the company’s planning function at the beginning of the decade. “When you’re growing very fast you face constraints on the supply side and sometimes even on the demand side, but you can’t get into that because there is not time. What happens is that you start thinking how do I want this conversation to go in six months or nine months? That we are going to grow is a given, so you are constantly thinking ahead in a very practical way, everybody says you should be short-term and long-term focused. I had read the theory, but this is where I learned about how to practice it.”

Of course, growth becomes expected, routine, at least to those outside the company. Amid worldwide economic turmoil and recessions in many of the markets where Infosys operates it still anticipates 8-10 per cent growth in 2012. Analysts expressed disappointment at this and the share price fell as a result. Success can, sometimes, be double-edged.

Even so, in Europe in particular Infosys remains highly optimistic. It plans to hire an additional 500 people in Europe over the next year and B G Srinivs anticipates potential growth of up to 40 per cent — “a very aspirational number, but that’s my target. So we are rapidly expanding, we are investing.”

Infosys 3.0

Infosys now describes itself as an IT consulting and services firm — as such, its closest competitors are the likes of Cap Gemini and Accenture. Infosys 3.0 is taking shape. The inspirational founder Narayana Murthy has left to be replaced as chairman by Kundapur Vaman Kamath, a former banker.

The future shape of the company is built around three pillars. “Our strategy is to make ourselves relevant. We’ve seen how we bring consulting-led transformation capabilities to our clients, how we bring technology-driven optimisation and how we bring innovation,” says Purohit. “Transform, innovate, optimise is the mantra.

Currently, the balance of Infosys’ business — 65 per cent — remains on optimisation, essentially the roots of the business’ growth. Around 30 per cent is consulting-led transformation type and then about 5 per cent falls under the banner of innovation.

The company’s goal is to split its revenue streams more equally. This demands growth in the area of innovation in particular. In the optimisation space, the advent of cloud computing will also signify major changes in the way Infosys’ clients consume technology.

Geographically, Infosys is aiming to split its revenues so that the US accounts for 40 per cent; Europe, 40 per cent; and the rest of the world, 20 per cent. Currently the American market accounts for a meaty 65 per cent; Europe a fast growing 21 per cent; and the rest of the world, 14 per cent.

As technology relentlessly commoditises, Infosys is re-positioning itself with more focus on intellectual property and solution development, as well as on reusing technologies. “The old model was very lenient, you add more people, you get more revenue, you add more people, you get more revenue. You can’t do that ad infinitum, it’s not the way to build a sustainable business which will last for hundreds of years,” anticipates Purohit. “The next five to seven years will be fun to watch as we create a new business model for the industry once again.” The world is Infosys’ market; and the world is watching.
In the end, we are a $7 billion company in an $850 billion industry; it’s all about how much value you can create.

Sanjay Purohit

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THE INFOSYS WAY AHEAD

The Infosys way has been examined from an array of angles. Its management of people has been justly celebrated as has its commitment to ethical business and its global aspirations and character. (Its mission is: “To achieve our objectives in an environment of fairness, honesty, and courtesy towards our clients, employees, vendors and society at large,” and its stated values are: “We believe that the softest pillow is a clear conscience.”)

“The factors that differentiate a corporation from its competitors are: an enduring value system, open-mindedness, a pluralistic and meritocratic approach, and practicing speed, imagination and excellence in execution. Leaders have to focus on creating such an environment,” Narayana Murthy has observed.

Talking to Infosys executives two other things are eye catching. First, there is an air of thoughtfulness to the company and its people. You would expect in such a fast growing company there would be a derring-do air of opportunism. Instead, the company’s leaders are actively cerebral rather than blindly active.

“If you look at the motto of the company and our business cards it says powered by intellect and driven by values. Both of those lines are extremely serious for the company because we really think hard about what are we doing and why? You can do all the training and all the good stuff but when you hit the field and the gunshot is fired you run like hell,” quips Purohit.

Second, despite its headline grabbing growth, Infosys manages to juggle the short-term and long-termadro. Its leaders appear skilled in zooming in to tackle the nitty gritty of delivering complex projects and zooming out to look at the broader picture.

“If you’re really serious about client value then it’s not only about short-term value, it’s about long-term value, you have to understand where would the clients to over time and how are we prepared,” says Purohit.

To better understand client needs, Infosys carried out research to identify some of the key issues which would shape the growth of Infosys and its clients in the years ahead.

Infosys believes that there are seven key areas that are rapidly increasing in influence and present great scope for IT-led innovations which will help build tomorrow’s enterprise. These are:

- Digital consumers
- Emerging economies
- Healthcare economy
- New commerce
- Pervasive computing
- Smarter organisations
- Sustainable tomorrow

Purohit observes: “These are the seven themes around which we started building what we call client relevance, because we said if we have to grow in the future then we have to focus on what will be relevant for our clients in this new world given the severe stretch that we were going through. We knew that this is not something that will be elastic and people looking back, it will change the way people do business for many years to come. That investment led us to rethink our entire strategy.

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Sanjay Purohit
Infosys celebrates 25 years; revenues cross $2 billion; employees grow to 50,000+; Narayana Murthy retires on turning 60. He continues as Chairman and Chief Mentor.

- **2000**: Achieves revenues of $200 million; opens offices in France and Hong Kong, a global development centre in Canada and the UK, and three development centres in the US; re-launches Banks 2000, the universal banking solution from Infosys, as Finacle.

- **2001**: Revenues reach $400 million; opens offices in UAE and Argentina, and a development centre in Japan; Narayana Murthy is rated among Time Magazine/CNN’s 25 most influential businessmen in the world; Infosys is rated as the Best Employer by Business World/Hewitt.

- **2002**: Revenues of $500 million; Nandan M. Nilekani takes over as CEO from Narayana Murthy, who is appointed Chairman and Chief Mentor; opens offices in the Netherlands, Singapore and Switzerland, launches Prognoz, offering business process outsourcing services.

- **2003**: Establishes subsidiaries in China and Australia; expands operations in Pune and China, and sets up a development centre in Thiruvananthapuram.

- **2004**: Revenues reach $1 billion; Infosys Consulting Inc. is launched.

- **2005**: Records the largest international equity offering of $1 billion from India.

- **2006**: Infosys celebrates 25 years; revenues cross $2 billion; employees grow to 50,000+; Narayana Murthy retires on turning 60. He continues as Chairman and Chief Mentor.

- **2007**: Revenues reach $400 million; opens offices in UAE and Argentina, and a development centre in Japan; Narayana Murthy is rated among Time Magazine/CNN’s 25 most influential businessmen in the world; Infosys is rated as the Best Employer by Business World/Hewitt.

- **2008**: Revenues reach $1 billion; Infosys Consulting Inc. is launched.

- **2009**: Infosys crosses revenues of $4.18 billion; annual net profits of $1 billion.

- **2010**: Infosys crosses revenues of $5 billion; annual net profits of $1 billion.

- **2011**: Infosys crosses revenues of $6 billion; annual net profits of $1 billion.

- **2012**: Narayana Murthy hands over chairmanship to K V Kamath; Infosys crosses $6 billion revenue mark; over 130,000 employees.