INFOSYS, INDIA'S FLAGSHIP IT COMPANY[1]

Introduction

INFOSYS traces its origins back to 1981 when Mr. Narayana Murthy teamed up with six young engineers working at the same IT[2] company. It was founded with US$250 as initial equally shared capital. It has since witnessed explosive growth. There were many contributing factors: the entrepreneurial spirit of the founders, responsible leadership and a values-based approach that placed the company's interest first when found clashing with each one's; also, India's 1991 economic liberalization and the country's large pool of available talent.

A changing world economy and the effects of globalization of trade in goods and especially in services have played an important role as well. Managerial practice such as the outsourcing of back-office services widely adopted by western companies as part of their strategy to drive down costs is a case in point. Infosys seemed bent on seizing every opportunity by picking up much of the business derived there from. It went on to deliver successfully to clients, soon building a sound reputation.

Having begun as a technology company, it later evolved and matured to become a large provider of integrated business solutions. Increased demand for the services offered and expertise gained saw payroll rise[3] significantly. Turnover has meanwhile grown consistently increasing multifold over nearly four decades[4].

Background

In the 1980's India remained a very tough country to do business in. Excessive regulation, import restrictions, high tariffs, foreign exchange controls, complex

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[2] Information Technology.
[3] 3,000 in 1999 to more than 204,000 today.
[4] US$10.9bn in 2017.

bureaucracy and widespread corruption made it excruciatingly difficult for private initiative to survive, much less prosper. The country had been under a State-run economic regime with anachronistic socialist overtones since gaining independence from Britain in 1947.

Despite the massive odds faced by these young founders their will to succeed prevailed time and again. At every step and turn hope drove them into believing that the future would necessarily brighten up as nothing could get any worse.

Indeed, it may be argued that the very context difficulties and inherent teething problems ultimately propelled the company forward to grow strongly. The history of Infosys can be summed up into four distinctive time periods:

- 1981 - 1990: the early years of hardship, slow growth and setbacks
- 1991 - 2000: a decade of affirmation through expansion and growth
- 2001 - 2010: a time of explosive growth, consolidation and expansion worldwide
- 2011 - 2017: the first stumbles and the new challenges faced by a big business
- 2018 - _____: the dawn of a new era?

In actual fact it might be said that Infosys' fortunes became closely intertwined with India's IT sector. The emergence of many IT companies raised competition to new levels. They all compete not only for a slice of the home market but mainly the lucrative international market. The IT sector as a whole has come of age and Infosys played no small part.

Unlike many young graduates who emigrated to greener pastures – finding employment with established names in the industry - Infosys' founders wanted to succeed in their own country.

A company founded on values

Infosys could well pride itself on being an Indian company that broke every stereotype on Indian companies to become a respected world-class multinational. The path the founders chose was full of hurdles. Yet the very difficulties encountered from the outset eventually made it a resilient company. The will to succeed had been present in the founders' minds from day one. Their main aim, however, was to build a company that would command respect; not only revenue and fast profit. Respect within the country and across the world. That may partly explain sluggish initial growth.

For that to happen, there were the values cherished by the team – respect, loyalty, openness, meritocracy, excellence - which kept them going and helped overcome many a difficulty.

Incidentally, an example in down-to-earth terms took place which enhanced mutual trust. The CEO's wage[5] (responsible for Strategy and Finance) was considerably higher than that of other board members. He decided to take a 90% cut while awarding a 20%

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[5] In the early 1980s; for wage adjustment refer to Leadership@Infosys, pg 19

rise to the rest. This was his way of leading. Leadership from the front to ensure every member of senior management stayed on the same page.

In the founder's own words: "A leader has to create hope – a plausible story about a better future for the organization. Everyone should be able to see the rainbow and catch a part of it. This means instilling trust which requires adherence to a value system that enhances the confidence, commitment and enthusiasm of the people."

Bridging the past with the future

1987 was a very special year as regards what Infosys would become. The company developed a model baptized as GDM - Global Delivery Model. By taking full advantage of the time difference between India and the US, strategists devised the concept that services could operate globally 24/7. While desks deserted and US employees went home, Indian workers thousands of km away were jamming their offices ready to start a new day. Such a given could be made into a value proposition powerful enough to entice prospective customers; if only they could be talked into realizing the gains from a 24-hour workday! A solution might be ready waiting on desktops to work from just as US customers returned to their jobs the next morning.

GDM was thus born and would soon be replicated by many of Infosys' competitors. Essentially, it is a hub and spoke model. India as the hub performing up to 70% of activities at Infosys' development centers. The spokes would be multiple client locations picking up the remaining 30%. Eventually the model was perfected and expanded to include multiple hubs interacting with multiple spokes scattered around the world. Work distribution allotted to each as and how ever required to make full business sense.

The same year, DEC – Digital Equipment Corporation became Infosys' first US customer. Infosys produced a vehicle handling system that efficiently handled the renting and management of thousands of vehicles. These were routinely rented by DEC from many rental services. Infosys built a sound reputation that won them more clients in the US. The company was soon benefiting from the power of referrals to increase the customer base.

It even changed the perception people in the US had of India.

As meaningful to the company as the early successes were, they brought relatively little income. They would, however, prove critical cementing Infosys core competences. It was a minor player walking its path apparently unwaveringly. This was like a bridge under construction to the booming decades that ensued.

The litmus test

Despite the breakthroughs Infosys remained a small little known company challenged from within. A near-death event took place early on. One of the seven founders decided