



### Reflections of an entrepreneur

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The Wharton graduating MBA class of 2001, friends and families of the graduates, Dean Harker, Wharton faculty and administration leaders, and distinguished guests: my felicitations to you on this joyous occasion. I am delighted to be here this afternoon to celebrate the success of the graduating class.

I am deeply honored by this invitation to speak at the venerable Wharton School, a world leader in management education and an integral part of the University of Pennsylvania, a historic institution founded by Benjamin Franklin and one of the leading universities in the US. I stand here today, thanks to the kindness and generosity of my good friends, Dean Patrick Harker and Vice Dean Jitendra Singh. Thank you for inviting me.

Dear Graduates, as I stand here before you, I cannot help but imagine with pleasure what you will achieve over the next 25 years. Many of you will go on to become world-class leaders in regions as diverse as the US, Japan, China, India, Latin America and Europe, among others. The path that stretches into the future will not be without its challenges. But, through good times and bad times, as you persevere relentlessly, sometimes with little more than just your dreams and your self-confidence, surely, you shall reach your goals.

During the last two years that I have been involved with the Wharton School, I have had the privilege of interacting with many of you. Invariably, many of these conversations led to questions about the pleasures, opportunities and travails of entrepreneurship. I will speak to you about the lessons that I have learned from founding Infosys with a team of talented colleagues and managing it for the last twenty years. While this experiment was conducted in far-away, less market-oriented India, I believe that the fundamental lessons I have learned have broader applicability. In that spirit, I want to share them with you.

As I look upon your bright and confident faces, my mind goes back to a sultry, fateful morning in July 1981, to my meeting with the other six founders of Infosys. The seven of us had forsaken – at least as it then appeared to our friends and families – safe and promising corporate careers. We were huddled together in a small room in Bombay (now called Mumbai) in the hope of creating a brighter future for ourselves, for the Indian society and, perhaps, we dreamed, even for the world. Confidence, commitment, passion, hope, energy, enthusiasm and the capacity for hard work were available in plenty. However, money was in short supply. We struggled to put together a princely sum of US\$ 250 as our initial seed capital. We were helped in this by our ever-enthusiastic bankers – our generous wives! Our enthusiasm can be expressed in the words of Eleanor Roosevelt who said: *The future belongs to those who believe in the beauty of their dreams.* We knew our dream had to be based on a lofty vision, something larger than ourselves. Our vision was and is *to be a globally respected software corporation providing best-in-class business solutions employing best-of-breed professionals.* I have realized, over the years, that a powerful vision expressed as a simple sentence, capturing the core of our values

and aspirations, enthuses generation after generation of employees in the company. The beauty of a simple yet powerful vision is that it is easy to understand, to communicate, to share and to move towards.

We built Infosys on three key concepts – the criticality of customized software in creating competitive advantage for a corporation, globalization and professionalization of the corporation. Every successful company is built on an idea that is taken seriously in the marketplace. For this, an idea has to achieve one or more of the following: improve customer satisfaction, reduce cost, reduce cycle time, improve productivity, increase customer base, or improve comfort level of customers. Strategy, an important building block of success, is all about becoming unique in a marketplace. This requires that every corporation build this uniqueness into its business rules and models. These rules and models become embedded in the information systems of the company. Thus, there was, is and will be considerable opportunity in creating customized software.

While we had a good idea, the market for the idea did not exist in India. Thus, we had to embrace globalization. I believe globalization is about sourcing capital from where it is cheapest, producing where it is most cost-effective, and selling where it is most profitable, all without being constrained by national boundaries. When we founded the company, we knew that India, with its vast pool of English-speaking, analytically strong technical talent and the excellent work ethic among its professionals, had the essential ingredients for global success in customized software development. Thus, our idea was to produce software in India for clients in the G-7 countries. Our approach, while distinctive, was far from unique; companies in industries such as textiles and semiconductors were following similar strategies.

Since we co-founders had been professionals before we started Infosys, we wanted to build a company of professionals, for professionals and run by professionals, to borrow the words of President Abraham Lincoln who used them to describe the US democracy. Accordingly, it was our belief that the first duty of a corporation is to uphold respect and dignity for the individual. Right from day one, we eschewed any transaction that created asymmetry of benefits between the founder-employees and other employees. Our core corporate assets walk out every evening, mentally and physically tired. It is our duty to make sure that these assets return well rested, energetic and enthusiastic the next morning. Our respect for our professionals can be summed by our belief that the market capitalization of Infosys becomes zero after working hours end at 5 PM, no matter what it was during the day.

A strong team is essential for every successful entrepreneurial experiment to succeed. A strong team brings together a set of complementary skills, expertise and experience. Today, the venture capitalists backing entrepreneurs help create such teams by connecting them with prospective key-employee-networks. However, in those days, we did not have any VCs in India. We ourselves had to bring together people who had some experience in human resources, finance, strategy, technology, project management, software development, and sales and marketing. In addition to complementary skills, it is essential that the team operates on a common value system and maintains the dignity and respect of every individual in every transaction. The motto for workplace interactions at Infosys has always been: *You can disagree with me as long as you are not disagreeable.*

During the initial days, we faced tremendous challenges attempting to do business in India. To illustrate, it took us a year to obtain a telephone connection, two years to

get a license to import a computer, and 15 days to get foreign currency for travel abroad. Thus, the first ten years of our marathon seemed interminable and frustrating. Although we managed to keep our heads above water, we were floundering. However, the positive aspect of these years was that we learned to plough through adversity, and, I hope, we became better managers and better human beings. The fuel that kept us going was our passion to make a difference. Even today, I believe that our passion is more important than our finances.

Louis Pasteur once said: *Chance favors the prepared mind*. Thus, as we were struggling along, the Indian economic reforms of 1991 came as a heaven-sent opportunity for us at Infosys. These watershed reforms – likened by some to the winning of economic freedom, on the lines of the securing of political freedom from British rule in 1947 – changed the Indian business context from one of state-centered, control orientation to a free, open market orientation, at least for hi-tech companies. We, at Infosys, leveraged the positives of liberalization, the opening up of the Indian economy, and we have never looked back. In fact, I take quiet pride in how Infosys has become a shining example of all the good that came out of India's economic reforms. The lesson from the Indian experience is a clear clarion call for all who are willing to listen: free trade can bring great benefits to society.

Next, I will elaborate on some key lessons that we have learned from managing Infosys over the last twenty years. I believe that most of these lessons, while rooted in the Infosys experience, are valid in start-ups as well as in large corporations all over the world.

The great American civil rights leader, Dr. Martin Luther King, Jr., once remarked: *The ultimate measure of a man is not where he stands in moments of comfort, but where he stands at times of challenge and controversy*. A company's value system is the guiding light in its hours of darkness, confusion and self-doubt, and when faced with moral dilemma. A value system builds confidence, provides peace of mind, and enhances energy and enthusiasm during trials and tribulations. The importance you attach to your value system is reflected in the cost you are willing to incur for your beliefs and convictions. Thus, the more profound one's commitment to a value system, the greater is the cost one is willing to incur to defend the value system. At Infosys, we have had several instances when our value system was severely tested. These events occurred in our dealings not only in India but also all over the world including the US. In every incident, we were firm and stood by our values because we knew that taking short cuts that compromise our values would be suicidal for us. As we run the marathon that we have embarked upon, our value system is what binds the team together and is something that can never be compromised. Our value system at Infosys can be captured in one sentence: *The softest pillow is a clear conscience*. We try constantly to live up to this standard. We only act in ways that will let us sleep peacefully every night.

Every company has to recognize its strategic resources, and ensure their long-term supply. In our case, human intellect, technology and processes are the three key strategic resources. We operate in a domain where customer preferences and technology change rapidly and business models, paradigms and rules quickly become obsolete. Thus, the only constant for us is change. These days, the world moves so fast that often the person who says that something cannot be done is proved wrong by another person who is already doing it. Our success at Infosys depends on our ability to recognize, learn and assimilate these changes quickly, and on bringing business value to our customers by leveraging the assimilated knowledge. Thus,

learnability is critical for us. We define learnability as the ability to extract generic inferences from specific instances and using them in new, unstructured situations. Our company has always placed a premium upon recruiting people with a high learnability quotient. In fact, the implicit belief at Infosys is that each person should surround himself or herself with much smarter people. Such an environment creates competition and confidence, and leads to energy and enthusiasm. We provide these people with up-to-date technology and a strong foundation in processes. Infosys' longevity will depend on how well we build on our people resources. The biggest challenge for a knowledge company like Infosys is to recruit, enable, empower and retain the best and the brightest talent. We realized long ago that we had to make a compelling value proposition to our employees, much the same as we did for our customers.

Speed, imagination and excellence in execution are the three time-invariant and context-invariant attributes of a successful corporation. In fact, *speed in imagination* is the most critical success factor. Never before in history has imagination played a more significant role than it does today. As the power of incumbency keeps diminishing, the importance of imagination keeps increasing. The constant challenge is to move from information to insight. The future winners will be those firms that escape from the gravitational pull of the past on the fuel of innovation. The task of the CEO is to ensure that the corporation embraces and uses speed, imagination and excellence of execution in every aspect of its operation. This implies that every corporation has to create incentives for people to be innovative at all times. The best incentive for innovation is proactive obsolescence by wide dissemination. Such a proactive step helps a corporation be in control of obsolescence, and remain a leader in its field. Obsolescence of a firm's innovations by its competitors will generally take it by surprise and find the firm unprepared. Such unprepared corporations are the poster children of missed opportunities and will not survive.

We have realized over the years that solutions to most of our problems lie within ourselves. Rationalization of failure is simply a sign of weakness. The easiest way to escape from accountability is to blame reality. It renders people and nations apathetic and justifies inaction. Leaders, on the other hand, transform reality from what it is to what they want it to be.

The main fuel of achievement comes from aspirations that are higher than the status quo. Leadership, therefore, is all about raising the aspirations of followers. It is about making people believe in themselves; it is about making them confident; and it is about making people achieve miracles. Leadership is about dreaming the impossible and helping followers achieve them. Lofty aspirations build great firms, great countries and great civilizations.

The best form of leadership is leadership by example. In a knowledge company whose core competencies include human intellect and learning through a process of observation, data collection, analysis and conclusion, leaders have to walk the talk. Any dissonance between rhetoric and action by leaders will hasten the loss of credibility. Leaders will do well to heed the words of Mahatma Gandhi who said: *You must be the change you wish to see in the world.*

In this global age, given the path breaking impact of the Internet on business practices, leaders in the business world can come from anywhere. Competition is global, all the more so in the world of digital products and services. The best ideas or business models will dominate, regardless of their national origins. It is in this

competitive global regime that the best hopes and aspirations of my country of origin, India, rest. It goes without saying that many challenges lie ahead, but I am sanguine about the future role that India, and other human-resource-rich countries such as China, will play in the global knowledge economy.

A well-run corporation embraces and practises a sound Predictability-Sustainability-Profitability-De-risking model. We call this the PSPD model at Infosys. A good forecasting system for sales based on data gathered from the trenches ensures *predictability* (although predictability of costs is also needed to have predictable profit streams). *Sustainability* is achieved by energetic and motivated sales people who pound the pavement and make sales happen; by production people ensuring that quality products are delivered to the customer on time; and by billing and collecting on time. Every enterprise must focus on high *profitability* in order to ensure the best returns for its shareholders. Indeed, the long-term success of a corporation depends on having a model that scales up profitably. Finally, the corporation must have a good *de-risking* approach that recognizes, measures and mitigates risk along every dimension. The Degree of Affordable Risk (DAR) is a composite measure of the risk threshold of a corporation. Every corporation must measure its DAR, constantly improve its DAR, and operate within the limits of its DAR.

Having emphasized the importance of de-risking, I must hasten to add that I do not, even for a moment, want to dissuade you from taking risks. Take risks you must, but carefully thought-out risks. We know that ships are safest in the harbor. But, they are not meant to be there. The best ships are destined to ply the wide oceans, to brave the stormy, heavy seas. What is needed is to cross the oceans and finally return to the welcome safety of the port with the comfort of a destination achieved.

Another lesson that is anchored in the Infosys experience concerns governance. Corporate governance is focused on maximizing shareholder value while ensuring fairness to all the stakeholders – customers, employees, vendor-partners, the government of the land, and society at large. In these days of free flowing global capital, the ability to attract capital requires that corporations adhere to the best global standards of corporate governance. Studies have shown a significant correlation between the standards of corporate governance of a firm and its cost of capital. The foundation of our corporate governance philosophy at Infosys is the belief that it is better to lose a billion dollars than to act in ways that make one lose a night's sleep.

We also believe that it is a good practice to under-promise and over-deliver. Further, it is best to deliver the bad news to the stakeholders proactively and at the earliest. This creates goodwill with all the stakeholders. They fully understand that there inevitably will be ups and downs in every business. What they value, however, is for managements to level with them at all times.

Quick progress comes in an environment that respects competence, where there is healthy competition and where there are no prejudices. Infoscons, the name by which we call all our employees, have a sense of respect for our competitors, a healthy sense of paranoia that keeps us on our toes, and a sense of humility about what we have achieved. We remember that success is, generally, ephemeral. We remember that we are only as good as the results of our last quarter. We fully believe that we are running a marathon, not a sprint; and our strategies and policies reflect that.

One of my strongest beliefs is that corporations have an important duty to contribute to society. While, on average, tremendous progress has been made in enhancing the economic well being of people, the chasm between the haves and the have-nots of the world has unfortunately widened, especially in the developing world. No corporation can sustain its progress unless it makes a difference to its context. In the end, unless we can wipe the tears from the eyes of every poor man, woman and child on this planet, I do not think any dream is a worthy one. As I see you assembled here, I am filled with hope for the future. I have no doubt that you – coming from the best business school in the most progressive country in the world – will put your shoulders to the wheel to make a better world for yourselves, for all others around you and, indeed, for all of humanity. The eyes of the world are upon you. The world will expect nothing less from you, for you are the chosen few.

Let me now share a few words of personal advice with you based on my life experience. First, I want to emphasize the importance of being trustworthy with all in your dealings. It is on such foundations that great organizations are created. Secondly, fear is natural, but do not let your actions totally be governed by it. Just as fear may sometimes be the hidden voice of your intuition alerting you to what your rational mind may not yet have seen, it is also sometimes an invitation to explore a new part of yourself and the world. Thirdly, a supportive family is the bedrock upon which satisfying lives and careers are built. Create a support system for yourself with people who will rejoice in your success and be there for you. With this rock like support behind you, you can endure almost anything in your career. Fourthly, learn how to manage yourself, especially your feelings in a way that respects the dignity of others and yourself. I have found it helpful to separate the merits and demerits of a decision from the accompanying feelings. We call this 'being transaction oriented' at Infosys. Finally, live your life and lead your career in a way that makes a difference to your society.

I want to close with an incident that is vividly etched in my mind. Some of you might remember an acclaimed series of interviews that the highly talented Bill Moyers had done on PBS with Joseph Campbell, the great American mythologist and folklorist, some years ago. Deep into a profound discussion about life, Bill Moyers leans over and asks Joseph Campbell, "Joe, I am sure you have thought about this question. Why are we here on this earth? What is the path for one to follow?" Joseph Campbell smiled gently and said, "Yes, I have thought about it and the only answer I have found is this. Follow your bliss. All else will follow." So, my young friends, I urge you: Choose a worthy dream for yourself. Go after it confidently. Create a life that your great *alma mater* will be proud of in the years to come. But always, without fail, ensure that you are following your bliss.

Thank you.