



## Infosys leaders on leadership

**When Infosys Technologies Ltd. founder and CEO S. Gopalakrishnan addressed INSEAD as part of the Global Leadership Series in March 2011, the 55-year-old corporate titan said he believes in leading by example.**

**Now, the world is about to see if he practices what he preaches.**

Infosys announced in late April that S. Gopalakrishnan will become Chairman of the company at a time of transition, while COO S.D. Shibulal will step into the CEO role when Gopalakrishnan moves up in early August. Some of the other original founders are retiring to make way for a new generation of leadership and the company is trying to regain its footing after stumbling during the global recession. What does it mean, and why now?

“Infosys has missed targets and the competition is heating up,” said Herminia Ibarra, an INSEAD professor of organisational behaviour, to INSEAD Knowledge. “Infosys’ new CEO must fend off the competition, taking on both aggressive newcomers and older Goliaths. This is a very different task than nurturing Infosys through the growth stage of the Murthy/Nilekani era.”

N.R. Narayana Murthy is the outgoing chairman and Nandan Nilekani was the well-known CEO of Infosys from 2002 to 2007. Both Murthy and Nilekani were among the seven men who famously founded the company in 1981 with \$250. That group also included Gopalakrishnan and Shibulal. Gopalakrishnan and Shibulal will have their chance

to lead by example during this transition, melding the leadership values they’ve developed over the past 30 years with their belief that organisations and individuals have to learn and evolve to keep up with changes in technology and business. They’ve announced an aggressive restructuring to what is called Infosys 3.0 to take the company into consulting and services.

Shibulal told INSEAD Knowledge in an interview early this year that there are three main things he looks for in leaders: the ability to lead by example, the ability to be a role model on ethics and the willingness to learn and change. “We believe that leaders should lead from the front. The leaders should not ask anyone else to do something that they are not willing to do,” he said.

“The challenge is whether he also has the vision to see where Infosys wants to be once it emerges from battle and the leadership ability to guide the troops in this new era,” notes Ibarra. “To do this he will need to engage and motivate a younger generation that is now poised to take the lead.” Infosys is India’s second-largest software company and the leading company for outsourcing with more than \$6 billion in revenue. But after a breathtaking ride to the top,

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the company is facing new challenges. Competition from established players and new aggressive firms has hurt Infosys. Earnings failed to meet expectations in the recent quarter and analysts believe this restructuring needs to focus on building market share instead of conserving profitability. Shibulal has said the company's new strategy will better align the business on industry, service and geographical lines to gain a larger share of the market.

After the announcement of his imminent promotion to CEO, Shibulal told the Economic Times of London: "This whole conversation about risk and aggression is very interesting to me because to my mind, we are a pretty aggressive corporation. If you look at the things we have done. For example, we went to China five to six years back and we have consistently built our operation there. We have 3,000 people there today and planning to go up to 7,000 by the end of this year. Look at what we did in the consulting space, we created Infosys Consulting. It was a bold move to recruit some of the best people in the industry and say come and work with an Indian systems integrator and build this capability."

During his INSEAD address in March, Gopalakrishnan stressed that one of the company's most important leadership values is to lead by example.

"That's the philosophy for the company. There is one set of rules for everybody. The CEO doesn't have a different rule. The Chairman doesn't have a different rule," he said.

Gopalakrishnan told his audience at INSEAD that when the recession hit in September 2008, Infosys halted promotions and pay rises, but kept their workforce, including new hires. The leaders at the top took the biggest cuts in variable compensation and when traveling everyone in the company flies economy. Managers solicited employees' ideas on saving money and received hundreds of suggestions, as employees grew to appreciate the challenges faced by the company.

"They started identifying themselves with the solution," said Gopalakrishnan. "It created tremendous brand equity for us. We were the only company in India that did this. To me that was a long term benefit which was far more than we lost."

As CEO he's been committed to putting a premium on developing the company's 100,000 employees and making Infosys a learning organisation. He believes this will serve the company in the future.

"I strongly believe that in today's world an organisation has to be continually learning and

evolving. An organisation learns because its employees learn," he told the audience at INSEAD. "You have to continuously learn because technology is changing, business processes are changing, businesses are changing and competition is changing."

To develop leaders in such a big organisation, Gopalakrishnan believes, requires a formal and planned process with a clear model and set of leadership competencies. That allows Infosys to identify future leaders and develop them in areas of weakness. This may be important for Infosys in this decade as the next generation of senior leaders emerges and the founders move off centre stage.

They are looking for leaders who have a vision and have the ability to articulate that vision. They want leaders who can plan and demonstrate disciplined execution. And in such a big company, he believes the ability to delegate becomes important as well. "You can't do everything yourself. You have better people who can do things better," he said.

Both Gopalakrishnan and Shibulal still believe in the company's "PSPD" model: Predictability, Sustainability, Profitability and De-risking.

That model has come under some criticism for its focus on predictable earnings. The company has strong cash reserves because the founders believe in keeping enough cash on hand to pay expenses for one full calendar year. "Sustainability of the business is extremely important," says Gopalakrishnan. He says the year is a "worst case scenario" and it gives the company time to recover. "You need that much time to transform your business, to change your business model."

Gopalakrishnan also remains focused on one piece of data that he considers vital. "If there is only one report I look at on a daily basis it's collection. We say in Infosys that profit is an opinion but cash is real." If customers pay then he believes that means they see the benefit of the work Infosys delivers.

In the past few years, Gopalakrishnan openly admitted to the INSEAD audience, the company has made at least one mistake. He said it's vital to communicate effectively with employees and he learned that lesson the hard way during the recession.

When the economic downturn hit, the company was in the middle of a transformation project that mapped all employees and positions to make promotions more systematic and to make sure people had the right skills at each position. But when the economy came to a screeching halt, Infosys froze all promotions as well as the new mapping process. The leadership got so busy managing the crisis that

they failed to tell the employees stuck in the middle of the mapping process what was happening with their promotions.

“We said: ‘let’s not compromise the model to start with,’ but we will give exceptions to these people over the next two cycles and promote them, but we did not communicate this,” he said.

“Infosys wants a seamless transition but the IT services market at the moment is a battlefield,” Ibarra said.

Gopalakrishnan and Shibulal have a big task ahead of them steering change at a company as large as Infosys. “It’s in times of difficulty that values are tested,” said Gopalakrishnan. “Commitment to the value system needs to be clearly demonstrated, of course, leadership by example and focus on the long term.”

“Striking the right balance between continuity and change will be the job of the new CEO,” says Ibarra.

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