Businesses in Ruby Builders, 2014: Turnover 2012 to 2014 (Rs. In Lakhs)

Company Names	31-03-2012	31-03-2013	31-03-2014
1. Ruby Builders and Promoters	6189	9239	10735
2. Ruby Manoharan Property Pvt. Ltd	1601	3075	3817
3. Ruby Ready Mix Concrete	NA	NA	NA
4. Ruby Doors and Windows	NA	NA	NA

Exhibit 4

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Narayana Murthy: The Table Turner in Troubled Times?

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The present case revolves around the comeback of Narayana Murthy as executive chairman at Infosys and its aftereffects. The time span considered for the study is the period between May 2013 to July 2014. Infosys was leading the charts in the IT/ ITES sector company in terms of both growth and profitability in industry till 2011. After the retirement of its chairman Narayana Murthy in August 2011 the company could not sustain the changing industry dynamics and went into a downslide in terms of its shares, growth rate and market share. These tried times called for the comeback of Narayana Murthy on June 1, 2013 as the Additional Director and Executive Chairman of the board for a period of five years replacing K V Kamath.

The reinduction of Murthy to Infosys is the trigger for this case and sets to examine the challenges faced by leadership in transforming and turning around an organization. It showcases the initiatives he took in this challenging situation and the changes that followed. The case ends with the appointment of Vishal Sikka as CEO of Infosys and subsequent departure of Murthy from the responsibilities of his organization.

Key Words: Succession Planning, Business Ethics, Leadership, Change Management, Corporate governance

Introduction

The year 2011 saw Infosys struggling to retain its bellwether position in the IT sector. Earlier it was the second largest IT exporter, but it lost that position to Cognizant in August 2012. From 2008 to 2011, its share price fluctuated a lot going a good 10 percentage points lower than the Sensex growth. Global uncertainties also dented the performance of Infosys. It started giving lower than expected revenue guidance of 6-10 percent growth for fiscal 2014, compared with the 12-14 per cent prediction by industry grouping NASSCOM. There was a decline in company's shares by 15 per cent, growth at half the rate at which rest of the industry expanded in 2012-13 and lots of criticism from investors for missing its earnings guidance and rivals poaching on its market share. Its main rival TCS had also increased its revenue lead over Infosys. It was consistently growing faster and in 2011-12 grew at 31 per cent versus Infosys that managed a full year growth of 23 per cent. (Exhibit 1)

Things were not at all rosy for the company. This triggered the board's decision to call back Narayana Murthy's on June 1, 2013 as Executive Chairman at Infosys. This was aimed to regain some of its lost position, and to help the company cope with current market realities. His reinduction was made keeping in mind his entrepreneurial and leadership record and his long experience as technology pioneer. He had displayed a tactical finesse that has earned him a reputation as one of India's canniest entrepreneurs. It was thought that he would be able to provide a strategic direction in troubled times and bring back its lost glory.

This news created ripples in the Indian IT/ITES industry. Headlines screamed of Narayana Murthy's return to Infosys as the Executive Chairman on the board. Murthy joined the legacy of Michael Dell, Steve Jobs and Howard Shulz, in the entrepreneurial hall of fame when he returned to his startup after stepping down from the board to become Chairman Emeritus in 2011 (Jayashankar, 2013). Economic Times stated "Narayana Murthy can change Infosys- the prisoner of his legacy".

Infosys' struggle with leadership transition and implementation of a consulting-led strategy for the past two years triggered the board to reinstate Narayana Murthy, 66, as the Additional Director and Executive Chairman of the board for a period of five years on June 1, 2013 replacing K V Kamath. This move rejoiced shareholders of Infosys. "We are happy that Murthy is coming back. We have an extended family and whenever a family member comes back, either invited or as a surprise, you are always happy," said Shashank Gupta, an assistant vice-president at India's second-largest software exporter (Prasad, 2013).

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The leader of IT/ ITES industry, Infosys, was facing turbulent times. But, the return of its chief mentor Narayan Murthy seemed to be a key deciding factor for the future of Infosys. He aimed to rebuild a "desirable" Infosys within 36 months with the help of high quality team and full dedication of every Infoscion.

Narayana Murthy and Infosys

Narayana Murthy, is one of the founders and the Chief Mentor of Infosys Technologies Limited which was founded in 1981. In 1987, Infosys opened its first international office in U.S.A. With the liberalization of Indian economy in 1990s, Infosys grew rapidly with its IPO coming in 1993. In 1995, Infosys set up development centres across cities in India and in 1996, it had set up its first office in Europe in Milton Keynes, UK. In 1999, Infosys became the first Indian company to be listed on NASDAQ. In 2002, Infosys was ranked No. 1 in the "Best Employers in India 2002" survey conducted by Hewitt and in the Business World's survey of "India's Most Respected Company", conducted in the same year.

Along with the growth of Infosys, Narayana Murthy too grew in stature. He received many honours and awards. In June 2000, Asiaweek magazine featured him in a list of Asia's 50 Most Powerful People. In 2001, Narayana Murthy was named by TIME/CNN as one of the 25 most influential global executives. He was the first recipient of the Indo-French Forum Medal (2003) and was voted the World Entrepreneur of the Year - 2003 by Ernst and Young. The Economist ranked Narayana Murthy eighth on the list of the 15 most admired global leaders (2005) and Narayana Murthy also topped the Economic Times Corporate Dossier list of India's most powerful CEOs for two consecutive years - 2004 and 2005 (ABESIT, 2014).

Comeback Reports

When asked to comment on his comeback, Murthy said, "This calling was sudden, unexpected and most unusual. But, then, Infosys is my middle child. Therefore, I have put aside my plans-in-progress and accepted this responsibility. I am grateful to KV Kamath, the chairman, the board and every Infoscion for giving me this opportunity. I intend to do my best to add value to the company in this challenging situation".

KV Kamath, chairman, Infosys said, "The board has taken this step keeping in mind the challenges that the technology industry and the company faces and in the interest of all stakeholders, particularly shareholders large and small, who have asked for strengthening of the executive leadership during the challenging time. Murthy's entrepreneurial and leadership record and the long experience he had as a technology pioneer makes him eminently qualified to lead the company and provide strategic direction at this point in time" (Myiris, 2014).

"The challenge is daunting and the task is tough", said Murthy in a candid address to shareholders at the 32nd Annual General Meeting here, two weeks after he was recalled and made Executive Chairman of Infosys which has reported poor earnings, hence disappointing investors (Rebuilding a.., The Economic Times, 2013).

Initiating Change Strategies

He began his task by implementing measures to try and regain its market share, improving the confidence of investors by long term profitability and most importantly tackling the talent attrition from the organization. His focus was on getting things aligned, talking to clients and creating expertise on the product innovation side. The measures he took could easily be segregated into operational and talent management measures.

Operational strategies

The three major revenue generating streams for Infosys were opportunities from consulting-led end-to-end solutions, development of intellectual property-based solutions and outsourcing of projects. When Shibulal tookover as CEO he focused majorly on global delivery model on cloud computing. During this period Tata Consultancy Services (TCS), a competitor of Infosys widened its lead on outsourcing deals.

Since the company's focus on the third revenue stream was getting blurred, Murthy decided to refocus on winning large revenue-yielding outsourcing projects in the short-term. He was keen on getting outsourcing contracts for software development, network maintenance, writing application software and management of IT networks. Earlier through a bidding process such deals were easier to capture, but the current environment required high levels of customer engagement and the ability to propose solutions that address their business concerns. To attain these contracts Infosys required major change in strategies like, submission of more proposals, improvement in winning rates and bringing greater flexibility into pricing. This would eventually to help regain its lost market share. At the same time, the company was also to ensure that it accelerates its progress in the first two streams in the medium to long term (Nandakumar, 2013).

Talent management strategies

Retaining top performers and hiring the best in the business were crucial to Murthy's plans for reviving the company and to rebuild a "desirable Infosys" within next three years. Top-tier software companies reported a decline in employee attrition during the same period. Attrition in its rival TCS stood at 10.6 per cent while Infosys stood at 16.3 per cent, compared with 14.7 per cent a year ago. Over the past two years, as Infosys struggled with leadership transition and implementation of a consulting-led strategy, the company became a fertile poaching ground for rivals. One of the most crucial steps he took was to try and coax back several rainmakers who left for rival companies. The names high on Murthy's list include Shaji Farooq, who was a senior vice-president and the head of consulting and system integration; Balaji Yellavalli, who was the head of client services in the US for financial services and insurance; and Ritesh Idnani, who was the chief operating officer of Infosys BPO (Joseph, 2013). The company's spokesperson highlighted it as "resignations to pursue interests outside of Infosys" (Exhibit 3).

At the same time, Murthy focused on reducing costs by trimming the number of senior employees and subcontractors at its on-site locations. Murthy, told analysts from British multinational bank Barclays that employee motivation in Infosys had improved and recent senior-level exits would only have limited impact on the company's performance. He confirmed that Infosys has a full bench of senior managers to fill in any gaps and secondly, most of the churn has been of the managers who were either not comfortable with the changed circumstance or for which the company thought that there was limited value addition.

Earlier in April 2012, the company's decision to freeze salaries when rest of the industry was giving out pay hikes had not gone down well with the employees. Murthy's return was taken as a big morale booster and employees hoped for timely salary increases and promotions. They were certain that Murthy would never compromise on increments. Murthy did not fail them and reciprocated with an increase in wages of 1.5 lakh company's employees. He announced an average increment of 8 per cent for Indian employees and 3 per cent for employees outside India effective July 1, 2013. The biggest push was for its global sales force which was to get a raise of 8 per cent effective May 2013. This move was taken to help stabilize things in the company.

An emphasis was also given on employee performance to revive a culture of meritocracy in the company that had underperformed in the industry for two years. He warned that Infosys would not shy away from replacing bottom-ranking sales people with smarter local hires. He stated that a robust and effective sales force would be crucial in any revival plan for Infosys, especially at a time the outsourcing industry was undergoing fundamental changes. The clients were keener on business results rather than just technology.

Among rivals, Cognizant Technology Solutions rewarded high-performers with bonus while Tata Consultancy Services handed out plum overseas assignments and learning opportunities. At some companies, employees could receive up to 200% of their variable pay. Similar payouts at Infosys could boost morale and help stem attrition. In order to increase the differential between high-performers and non-performers at Infosys, variable pay was used as one mechanism. In 2004, Infosys had officially suspended EPOS scheme. Hence the employees with the top ratings were to receive 50-90% of their variable salary while the lowest-rated ones would get only up to 30%. Typically, 10-25% of an executive's compensation could be variable, depending on seniority. In September 2013, the company also made an unusual provision of about 130 crore to pay bonus which was seen as a strategy to raise employee moral at a time Infosys is struggling to regain talent. Besides individual performance, the relative performance of the business unit also became a key deciding factor.

Murthy known for his equal status policy, made it a point to interact casually with even the most junior staff and making himself easily approachable. In words of an Infoscian "whenever he was in campus, he would come to cafeteria for lunch, stand in queue like one among us. We never saw Shibu (S D Shibulal) and Kris (S Gopalakrishnan) at cafeteria."

The Murthy Effect

For employees of Infosys, the return of Narayana Murthy was the harbinger of better days, possibly with better pay and more positive energy among the ranks. Murthy decided to make changes in the way it would reward top performers by modifying its talent management platform, called iRace or Infosys Role and Career Enhancement (Exhibit 2). This HR

initiative was designed by consulting firm Mercer. It consisted of extremely large and complex exercise in which 25 career streams were created. This formed the basis for promotions by defining roles and linking them to employee strengths. iRace, rolled out in 2009, proved to be unpopular because it resulted in to 4,500 demotions in the first year of its introduction. Further, employees were upset about experience being ignored in favour of certain pre-determined skills when it came to deciding promotions and wage hikes.

Experts said that while the intent is desirable, implementing a scheme to reward high-performers better than the rest is not always easy. "All companies want to make a major differentiation between high-performers and non-performers. But in practice it is not easy to do this because measurement mechanisms are usually not perfect," said P Thiruvengadam, Senior Director for human capital advisory services at Deloitte India (Prasad & Shivapriya, 2013).

The prospect of a 'new, improved' Infosys is seen leading to a surge in job applications even in tepid market conditions. Earlier the number of job applicants at Infosys declined since FY11. From 8,29,800 in FY11, it dropped to 6,22,971 in FY12, and further to 3,79,000 in FY13. However with an announcement of 8% salary raise and a vision to build a "desirable" Infosys within 36 months shown by Executive Chairman Narayana Murthy may lead to an enhancement in the company's employer brand image. "Infosys may not demand so many employees but it will see at least a 20% increase in inbound resume, especially at lower levels and the middle management," said Surabhi Mathur Gandhi, senior vice-president of TeamLease.

Infosys had also prided itself of strong leadership development, with both internal and external training for senior leadership roles. Infosys had groomed a set of tier-I leaders and executive council members, many of whom have been with the company for years. It is surprising that Infosys has found it wanting when it came to finding the right person for leading the company at the very top.

Criticism for Infosys

Murthy's return was not smooth sailing for Infosys and the company had to make a lot of compromises. Till May 31, 2013, Infosys scored high on various corporate governance dimensions: one of few Indian companies to have an independent chairman on the board, to have retirement age limits for executive directors (60 years) and non-executive directors (65 years), and probably the only Indian company to have a policy of not allowing founders' children to take executive roles in the company. Narayana Murthy was a living legend and an epitome of the fact that honesty, transparency, and moral integrity are not at variance with business acumen. He had set new standards in corporate governance and morality when he stepped down as the Executive Chairman of Infosys at the age of 60.

June 1, 2013 was the day when Infosys eschewed its principles for practicality. Murthy's decision to return raised much criticism. By reappointing Narayana Murthy as an executive chairman, the board and the nominations committee seemed to have been ineffective in arriving at an orderly succession plan and could not find leadership both inside and outside the company (Only Narayana…, The Economic Times, 2013).

Apart from Murthy's comeback the appointment of his son Rohan as his executive assistant raised eyebrows amongst the employees. Although the market cheered Murthy's second innings, a section of market observers felt that by returning to the company at his age, and showing nepotism, the Infosys co-founder compromised on the high corporate governance standards he had previously set. It was surprising that the executive chairman found it important to groom his son and induct him as executive assistant, rather than groom youngsters in the company for future leadership (Has Narayana…, The Economic Times, 2013)..

His return catapulted into more talent flight at strategic level from the organization. Apprehensions for reaching a career plateau upsurged in many contenders for the top posts. As a result Infosys witnessed parting of many top executives from the company. While global sales head Basab Pradhan quit in July 2013, Ashok Vemuri, Head-Americas and Global Head-Manufacturing & Engineering and Sudhir Chaturvedi, Head, Financial Services, Americas quit in August, the same year. Stephen Pratt, head of Infosys utilities and resources vertical for North America, quit in November 2013. December 2013 resulted in the departure of V. Balakrishnan, Head, BPO, Finacle and Chairman, Infosys Lodestone. A major setback for the company came in terms of resignation of B.G. Srinivas, President and Board Member at Infosys. Both Vemuri, and Srinivas were seen to be among the top three contenders to replace CEO SD Shibulal when he was to retire in 2015. Overall twelve such high profile departures took place within a year (John, 2013).

Challenges Ahead

The global IT landscape had changed significantly since Narayana Murthy gave up executive responsibilities. Murthy, now returning to lead Infosys as executive chairman, was likely to make changes to its delivery (Crabtree, 2013). He now aimed to bolster revenues from Infosys' products, platforms and services division (PPS), a unit perceived as being pushed into the background after his return. While announcing the launch of a new software platform TradeEdge, Murthy said there is an opportunity to derive much higher revenues from the PPS business, compared to traditional services such as developing custom software for corporations and maintaining their computer networks. TradeEdge is Infosys' third software platform aimed at retail firms in emerging markets (Phadnis, 2013).

Murthy also had to face competition from players such as Cognizant and HCL Technologies, which were relatively modest firms, when Murthy hung up his boots. The Q1 2014 results show that Cognizant has overtaken Infosys in terms of revenue size, HCL Technologies is leading the infrastructure-management segment, the line of business which has shown higher growth than traditional IT services and TCS has snatched away its bellwether tag.

The business of technology services is changing at its core and clients will no longer accept solutions that do not serve their strategic business goals. In a difficult operating environment the competitors had proved to be more flexible thus taking away the confidence of customers and investors in the company (Narayana Murthy… The Economic Times, 2013).

Infosys' own growth in the past few years when Murthy was not serving in an executive role also posed as a big challenge. With an increase in the size of workforce that was 1.6 lakh strong against 52,700 in FY06, Murthy also had to address a far bigger and perhaps more disgruntled workforce. As pointed out by him, he was also not very much in touch with the young blood at Infosys.

Factors like less appetite for risk, inflexibility in pricing and contracting, limited investment in client facing roles were established by its founders including Murthy to help the company scale new heights. Now the same factors had become inhibitors.

Nonetheless Murthy did a commendable job although he had to take some tough decisions after his comeback. His three-pronged strategy to improve cost, sales and delivery effectiveness resulted in improved margins (risen by 25.5% by June 2014) brought about by lowering employee costs and subcontracting costs.

A New Dawn

On June 12, 2014, at a Press Conference in the Infosys campus, Murthy announced that his job was done and he was leaving the reins of Infosys in the very capable hands of a new CEO. Two days after, Infosys appointed, former SAP AG executive board member Vishal Sikka as CEO who will take over from SD Shibulal on August 1, 2014. It is for the first time Infosys has not chosen one of its founders for the role. Now the baton has been passed to newer hands. Will the dependence on Murthy ends here? Sikka's appointment was followed by the resignation of Infosys head of computers and communications division, K Murali Krishna, who became the thirteenth senior leader to quit the company in a year. Did Murthy take the right decision by appointing an outsider as a CEO as the leadership exodus is still there? Will it work? Infosys had been known for developing a robust leadership pipeline and now when there was a quest for the right leader, none of them stayed. What went wrong? Now the onus is on the New CEO to connect the dots and rebuild the leadership team. Time will tell whether Murthy's decision regarding the choice of new leadership would be able to rescue Infosys from being gobbled by morasses? Murthy's comeback was for five-years. Surprisingly, he announced his departure to be on October 10 this year, a little more than a year from his comeback. There had also been growing disgruntlement with the interference of Rohan Murty in strategic matters of the company. Was it a wrong decision on Murthy's part to bring along his son as his executive assistant? With all the co-founders stepping down, and with so many high-profile exits, will Sikka get a free rein to transform Infosys? Would Murthy be able to break the shackles from being prisoner of his own legacy- the Infosys and keep himself detachedly attached from his organization as Chairman Emeritus? Would this lead to carving a new path for Infoscions and be able to revive the lost glory? The hopes are high. All stakeholders now expect Infosys to rise from ashes as Phoenix did!

Exhibits

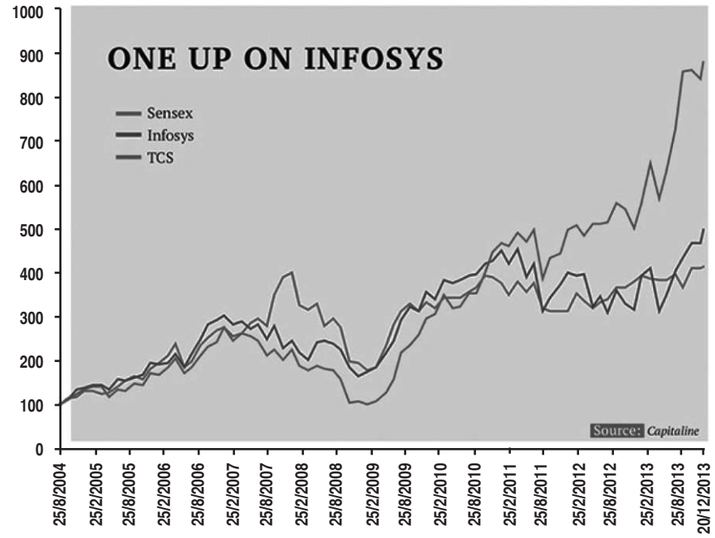
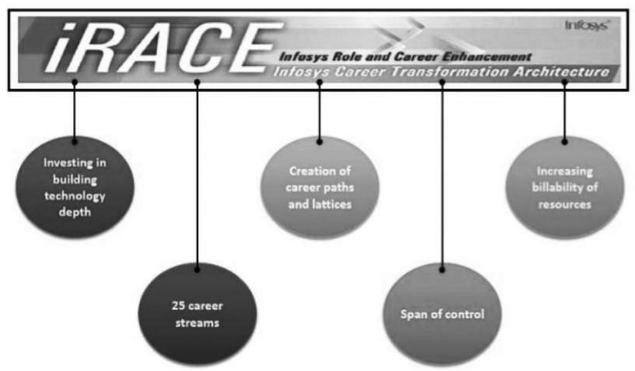


Exhibit1: A comparative analysis of performance of Infosys and TCS between 2004-2013

Source: http://forbesindia.com/article/investment-guide-2014/tcs-vs-infosys-how-the-it-big-guns-will-fare/36921/1



Implementation of iRace

- Phase 1 - Mapping of Employee's Strength.
- Phase 2 - Promotion and Hiring on Result Mapping.
- Phase 3 - Definition of Different Role Paths.
- Phase 4 – Deal with implementation of Performance Management.

Exhibit 2: Salient Features of iRace

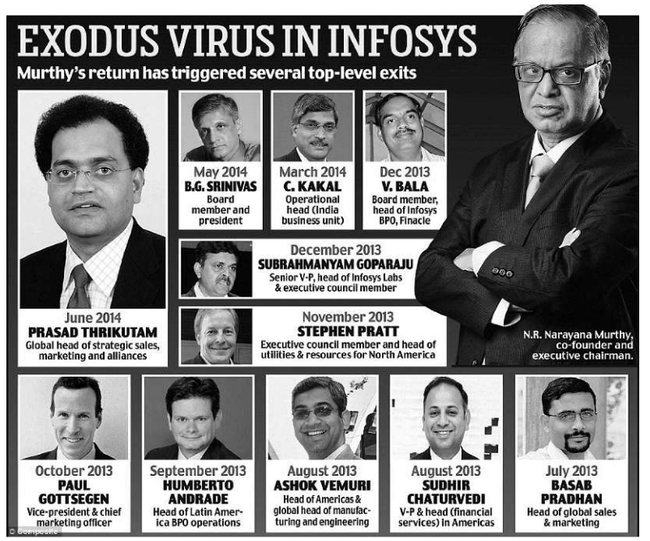


Exhibit 3: High-Profile exits in Infosys during the second inning of Narayana Murthy

(Source: http://www.dailymail.co.uk/indiahome/indianews/article-2649936/MY-BIZ-Thrikutam-logs-sales-program.html)

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