

PROMOTERS BOW OUT TO MANAGERS

In a welcome departure from the usual practice, founders of some of the top Indian IT and BPO companies are handing over the reins to professional managers, who in turn have brought in new thinking and fresh ideas to take their businesses to new heights

MOST company founders or chief promoters just cannot let go of the ventures they have created and nurtured, and end up sticking fast to their jobs. However, the technology industry is going against the flow, with the architects of some of India's leading IT and business process outsourcing (BPO) firms scripting a new formula for success. Aptly termed as a "rare breed" of founders, they have stepped aside in favour of professional managers, who in turn have brought a new dynamism and efficiencies into their tech entities' day-to-day operations and taken them to new heights.

Infosys Technologies chief mentor NR Narayana Murthy (he is slated to retire on August 20, 2011 when he turns 65) set the trend by vacating the CEO's post in 2006 for Nandan Nilekani, who in turn kept the company tradition of passing the baton to incumbent CEO Kris Gopalakrishnan.

But while this was sort of like keeping it in the family—all three were founder-members of Infosys—software heavyweight Shiv Nadar, who is quick to grasp new opportunities, select a team to transform his ideas into reality and delegate the project to competent professionals, has tread a different path. First he made Vineet Nayar CEO of the \$3.1-billion HCL Technologies, and last November elevated him as the company's vice-chairman. At sister concern HCL Infosystems, Harsh Chitale took over the baton of CEO from Ajai Chowdhry, who continues to be the hardware major's chairman.

The latest to jump on the bandwagon is Nasdaq-listed BPO firm EXL Service Holdings, where executive chairman of the board Vikram Talwar will transition to the role of non-executive chairman effective April 1. Rohit Kapoor, president & CEO, will succeed him.

At all these new-economy enterprises, the transition from owner/promoters to professional managers has been smooth and flawless. Analysts reckon that during the past several years, the top management at some of the professionally-run tech powerhouses have created a climate where the focus is on transparency, fairness, accountability, good governance practices, discussions, debates, etc. So anybody who the promoters and owners feel has these qualities is acceptable to them as their replacements, whether it is from inside the company or not.

Chowdhry, founder-chairman of HCL and HCL Infosystems, says, "Entrepreneurship allows organisations an opportunity to have a fresh look at their business and persistently add more skills. It's always good to encourage new thinking and fresh ideas. At the same time, it is also important to encourage employees to stretch themselves professionally by providing them with the right training and make resources available for them to make the most of their ideas and initiatives."

Gaurav Gupta, managing partner of business advisory firm Everest Group, says, "The changeover is a sign of the maturity of India's IT and BPO industry. Most of the founders and promoters have a strong technology background and over period of time, they tend to become risk-averse. But by bringing in professional managers, they are preparing their enterprises for the big leap. Professional managers are adept at tweaking business models, developing new products or foraying into new geographies. It augurs well for the India's IT and BPO industry, and the business outlook is positive and promising."

Without doubt, it is the Bangalore-based, Nasdaq-listed IT behemoth Infosys that is moving towards a pivotal moment in its history. When chairman and chief mentor Narayana Murthy turns 65 in August, he will retire from the company he co-founded with six others in 1981. Over the years,



ILLUSTRATION: SHYAMIN

achieved amazing things and they want to sustain that."

The turnaround brought about by Nayar at HCL Technologies is another strong case in point and has been deservedly picked up as a business transformation case study by the Harvard Business School. Nayar has charted a defining growth path for the IT services company and in a short time span, catapulted the organisation into a leadership position. His contribution is notable for reviving the fortunes of the company when it was in the doldrums in 2005, threatened by global shifts in the IT services market that left HCL Technologies struggling to keep up with its bigger rivals. But from then on, Vineet led a remarkable turnaround that saw the company quadruple its customer base, triple its revenues and income growth and double the company's market capitalisation. Today, HCL Technologies has become one of the largest IT services company with 79,000-odd professionals spread across 31 countries.

"HCL is known for its entrepreneurial nature, and has been credited with having created over a 100 CXOs for the rest of the industry as well. We believe entrepreneurial ability is more significant than executive ability," a HCL Technologies official says. "Money can be raised, teams can be hired, execution can be managed, however, the ability to pick signals from the future and fold them into discernible projects today is a virtue which only a leader possesses. At HCL, we believe in nurturing leadership by giving our employees the freedom to innovate and apply their entrepreneurial skills at every level."

Vineet joined HCL young, when he was 28, as a senior management trainee and worked his way through rapidly. His leadership ability was evident, was actively nurtured and led him to become the president of HCL Technologies in 2005. He soon was appointed CEO and is now the vice-chairman as well as a full time director on the Board of HCL Technologies. "He is a strong example, and only one, of how entrepreneurship and leadership are nurtured and invested in at HCL, and our belief that businesses must be professionally run," the official adds.

HCL Infosystems' Chowdhry says, "Our organisation was founded on the principle of entrepreneurship and innovation, and this entrepreneurial environment has allowed employees freedom to pursue new ideas and new processes and not be strait-jacketed by any preconceived plans or systems. By encouraging diversity, entrepreneurship, and empowering employees at each level, we can hasten the pace of innovation."

He adds, "As part of our business strategy, we have inducted a whole team of new people with different perspectives. These are people who understand system integration, project management and product development, and above all, services across industry verticals. Based on this new HCL that we are co-creating with our employees, we looked at inducting new people at different levels, and have succession planning at each level to hasten the movement of employees into bigger responsibilities."

EXL Service's Talwar says, "The important aspect of being a leader is to know when to leave. In fact, it is probably the toughest and the most important part of being a leader, knowing when to leave. How many people who consider themselves as leaders want to leave?" On a seamless succession, he believes that it is also a challenge to make sure that the change of guard does not impair the other person's ability to lead. "I think we have achieved that through the transition we have made," he says.

Globally, technology companies often pose unique succession issues, in part because of their unusually fast growth and young and charismatic founders. However, the founders at some of the Indian tech firms seem to have solved the problem of timing their exit, with considerable success.



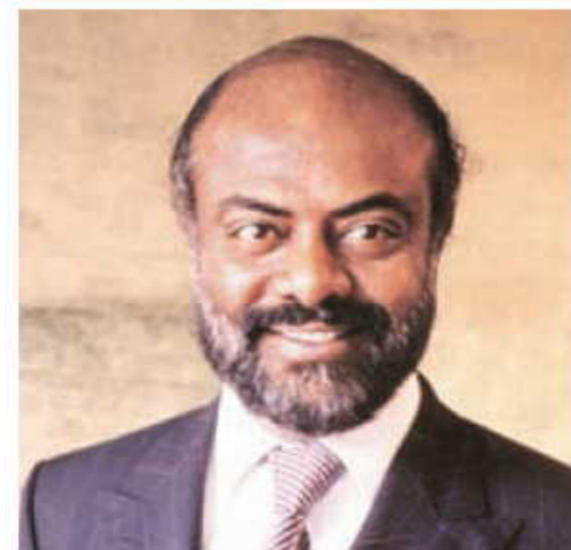
Vineet's dedication to the success of HCL Technologies has catapulted the company to a position of unparalleled market and thought leadership today

Shiv Nadar
Chairman and chief strategy officer, HCL Technologies

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Ajai Chowdhry
HCL founder and chairman, HCL Infosystems

Murthy has transformed the company into an icon in the Indian IT industry. Infosys has been a trailblazer not just in business performance but in areas like leadership and corporate governance. Co-founder Nilekani left Infosys in 2009 to head the government's ambitious unique identification (UID) programme and over the next five years the remaining co-founders will move on from executive roles within the company



as they reach the retirement age of 60.

"The spotlight will be on the July board meeting of Infosys when we should know who would be stepping into chairman Narayana Murthy's position. Infosys has a nominations committee, which oversees the company's nomination process for the top-level management. It will look at all possible candidates inside, outside, and in all likelihood is expected to come out with



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Vikram Talwar
Executive-chairman, EXL Service

a recommendation in time before August 20," says an analyst, who did not want to be identified.

Everest Group's Gupta says, "Central to Narayana Murthy's approach has been to grow other people to be better than him. This continues to be a central part of how Infosys develops its leaders. The founders at Infosys have ensured seamless succession without any hiccups. They have