



In conversation with  
India's Entrepreneurial Tycoon

## Mr. Narayan Murthy

**YT: Sir, you are renowned for your simple living, high thinking approach. What shaped your value system and made you decide that you want to do things differently?**

**NM:** My father was a teacher for most of his life. He endeared each child and impressed upon us the importance of deriving pleasure from small things. For example, he told us to read books. In those days in Karnataka, every small town had a public library that one could borrow books from. He encouraged us to listen to music. In those days, every small town in Karnataka had a public park where music used to be played in the evenings. My father would ask us to meet good people and strike a conversation with them. He advised us not to pursue anything that requires us to live beyond our capabilities. He impressed upon us to be the master of our habits rather than slaves of the same. He advised us that if we became a slave of our habits, we would start following money and start doing wrong things. So, when you are brought up in a family like this, it is very easy to practice and live a simple living.

**YT: Sir as you reflect upon your life, what is the biggest gamble you have taken?**

**NM:** There have been several gambles but one of the incidents I remember is walking out of our contract with General Electric (GE). GE constituted about 25% of our revenues in 1995 and they wanted us to reduce our rates further. We analysed the situation and noticed that if we reduced our rates we would not be in a position to provide the required level of service to GE. Therefore we said, "It is not fair to accept lower rates which will result in providing less than acceptable quality of service". We walked out of the contract with GE at a time

when we had just gone public two years ago (in 1993). Losing out on a contract and a client constituting 25% of revenues was tough but abiding by our principles paid off in the later years. Most people thought that it was a very brave decision.

**YT: Sir was this the time you created the Risk Mitigation Council.**

**NM:** As I came back from our meeting with GE I realized the importance of not depending too much on one customer, technology, geography or one area of application. That's where the theory of risk mitigation comes in.

**YT: How can you go about deciding when risk is, 'too much' risk?**

**NM:** We put in a certain set of guidelines on each of these parameters. For example, we said no customer would contribute more than 6 to 7% of our revenues. We felt that even if we were to lose that customer, the winding down will take perhaps a year and within that period if you are growing at the rate of 20%, 30 % then you will be able to reclaim that customer with other businesses. In that way, whatever limits you set on any of the parameters of risk, it should be in such a way that if it were to occur, you should still be able to recover from the event without undue damage to the organization.

**YT: For a long time all of us have seen you as an engineer. But, why did you decide to be an engineer?**

**NM:** I passed out from the university in 1962. Those days the job opportunities for youngsters in India were very low. You had to have employable skills if you wanted a decent job. At that time, there were no avenues for management studies or presence of esteemed institutions specialising in legal studies such as the National School of Law. There were only two vocations which generally had a very high probability of getting a job. One was engineering and other was medicine. So, therefore I chose engineering.

**YT: Sir what would you say to teenagers today who are overburdened with career options and are pressurized to lead a very fast life?**

**NM:** Well, you will have to do whatever interests you. However whatever interests you has to make you financially secure, allow you to lead a reasonably good quality of life and not put your loved ones, spouse, children and parents into any difficulties.

**YT: Sir what do you think will be the growth driver of the world economy in the 21<sup>st</sup> century?**

**NM:** I think public governance in developing countries will be very important. There is considerable focus on improving public governance in India, thanks to RTI, a stronger opposition, and higher expectations of people from the government. Secondly, it is infrastructure. We need more power output, better roads, ports, airports etc. Third is healthcare in the context of both developed and developing countries. As people become older there is a heightened focus on healthcare. In the developing world, as the number of people steadily increases there will be an increasing need for healthcare.

**YT: You spoke about public governance. What about the current policy paralysis that we read about in the newspapers that is being criticised by people in the industry and outside. What is opinion on the staggering economy?**

**NM:** Given various factors such as a coalition government at the centre, regionalism becoming stronger, and a weakening global economy, there are bound to be hiccups in taking decisions. But I do believe that we will overcome this and that our leaders will do what is best for the country.

**YT: As we all know the European economies have started failing. Still our government projects growth rates. What, according to you, should be the potential growth rate of India in the coming years?**

**NM:** If we want to become a country without any unemployment, if we want to become a country where every citizen, every child has reasonable access to basic education, basic healthcare, basic nutrition and basic shelter, we have to grow at about 10% a year ideally. That's what most economists say and I agree with it.

**YT: Sir that is what the ideal growth rate. Is India in a position today to reach that landmark of 10 %?**

**NM:** I believe reality is what we create. If our aspirations are high, if we work hard, if we are disciplined, and if we put interests of the country above personal interests, I do think we will be able to touch that landmark.

**YT: Where do you see India in the upcoming years compared to the other BRIC countries?**

**NM:** Well China is definitely growing faster and the per capita GDP in both Russia and Brazil are higher than India's. They are somewhere around \$10,000. We have to do whatever is necessary to ensure that we don't become the laggards amongst the BRIC countries.

**YT: You received criticism for condemning the declining standards of education in the IIT's. What do you think should be done to increase the standards of education and make Indian universities world class?**

**NM:** I think we have to provide full autonomy to them. We have to create an environment where meritocracy is respected and revered. We have to create encouragement not just for the laggards in the process but for the smarter people too, so that you have an honours course for every subject. For example, well-known universities in the U.S. have an honours version of say automata theory, or compilers and operating systems which is taken by about 10 % of the students. This course is fast paced, covers about two to three times the syllabus of the normal course and therefore the smart people in the class are fully challenged. At the same time, in the normal version we can ensure that everybody in the class is challenged, gets an opportunity to understand the subject and become better. Then we have to create an enabling environment where intellectuals from other countries can visit us quickly and in a hassle free manner. At the same time, we should be able to freely travel abroad and

interact with these intellectuals. Next, we have to better ourselves on a global scale in terms of our research capability and in terms of our education standards. If we do some of these things, then we can move forward.

**YT: Your wife Mrs. Sudha Murthy is a highly accomplished woman. What do you think is the reason so many women are still being held back by the glass ceiling. Why don't we see more women in the boardroom?**

**NM:** That is happening. Modern women are entering boardrooms, higher echelons today. But in the Indian society there is tremendous pressure on women to be family managers, to look after the children. Therefore even those women who are very bright and very successful as professionals leave the job to spend 5 to 6 years to look after their children when they become mothers. On return, it is unfair to expect them to compete with people who have been in the system for the last 5 to 6 years. Therefore we have to create a mechanism whereby women who take time off can come back and compete with the rest.

**YT: Finally sir what is the most important lesson that you would like to share with the students of St. Xavier's College?**

**NM:** I believe that we all are at a historic turning point in the history of this country. For the first time in the last 300 years, there is respect for India globally, there is expectation that India will do well, and India is being invited to most international conferences and meetings. There is a confidence amongst Indians that we will be in a position to solve the problem of poverty in the next few years. Therefore I would request the youngsters to work hard, work smart, to be disciplined and to put the interests of India over their personal interests and make this new found respect for India a permanent one and that can only happen not by speeches, not by words but by action.