

Conversation with N. S. Raghavan

Shubhabrata Basu

N.S. Raghavan is the co-founder and former Joint Managing Director of Infosys which was founded in 1981. NSR, as he is known, took voluntary retirement from Infosys in 2000 to promote his vision of entrepreneurship and India-based global companies on a broader scale. To help create world-class enterprises and to support Indian entrepreneurs, he, along with a few associates, started the Nadathur Holdings & Investments. Today, the Nadathur Holdings & Investments supports a portfolio of over seventeen companies across industries such as Life Sciences, Information Technology, and High-End Engineering Services and Hospitality.

To encourage entrepreneurship in the country and help incubate start-ups, he helped set up the N. S. Raghavan Centre for Entrepreneurial Learning (NSRCEL) at Indian Institute of Management, Bangalore (IIMB) with the vision "To be a world class centre of excellence for seeding, nurturing and promoting entrepreneurship with emphasis on startups and existing organisations with growth potential". NSRCEL was set up with a contribution of US\$ 2.7 Million by N S Raghavan. NSR received the Dhirubai Ambani Award for Excellence in Entrepreneurship for the year 2004 on the 57th Independence Day of India banquet held in Los Angeles. He was invited as the chief guest at IIM Indore to deliver the 13th Foundation Day Lecture. The following excerpt is based on the conversation between Mr. Raghavan (NSR) & Shubhabrata Basu (SB), Faculty Member of Strategic Management Area, IIM Indore.

SB: Why did you choose to retire from the active management of Infosys?

NSR: I was the first employee of Infosys when Mr. Narayan Murthy founded the company from Patni Computer Systems. I was therefore one of the seven founders of Infosys. There were no specific reasons why I left Infosys being the Joint Managing Director of the Company. Infact Narayan Murthy was apprehensive that, with Nandan Nilekani succeeding him and me leaving

the company, there would be wrong signals into the market. So he made me take a pledge that I shall not leave the company within 2 years after Nandan takes charge. Nandan was not willing to let me go - but I convinced him to relieve me. I wanted to do something on my own that was different from the routine job of an executive. But I did not have the clarity as to what that would be.

SB: What were the sources of inspiration for your business?

NSR: Nadathur Estates Pvt. Limited is currently in a nebulous stage and it will take another couple of years to put the formal structure in place. After I retired from Infosys, I did not have clarity as to what I wanted to do. I wanted to do something different - but that's it. Fortunately, I had some reputation in the market and many budding entrepreneurs would come to me, seeking advises on how to start up their business. In some instances, I actually gave some money to them to set up their own businesses. I did not expect any returns from them at that point of time. Slowly things started formalizing once I entered into this relationship with IIM Bangalore. My company is an experiment that I am carrying out.

SB: What is the growth plan for your business?

NSR: From my earlier experiences with the budding entrepreneurs and also at NSRCEL, IIM Bangalore, I was increasingly convinced that a structured approach towards entrepreneurial development was needed. I was giving seed money and in many of the ventures, I did not even recoup my investment let alone think about the returns on investment. There were however some ventures, that really performed very well. I was increasingly thinking of forming a venture myself that will provide financial and consulting services to these new startups. My brother-in-

law who is a Chartered Accountant, helped me in organizing my financial matters. However, I needed some fresh blood. I asked my two sons to help me. But, I did not force my will on any one of them. My elder son specialized in life science area in the United States while my younger son had done his MBA and is into the hospitality sector in Singapore. They took their time and once they were convinced, they joined me in India. I am now in the process of converting my venture into a formal Family Business Enterprise that shall cater to the need of service sectors in India.

We have already invested in several successful startups and sold some of these businesses as well to the more established players. Mr. Gopal Krishna had been one of our clients who bought Meta Helix, a hybrid seed business, set up by employees of Monsanto Corporation.

We have set up a formal venture capital fund named OJAS in 2007 with a seed fund of \$35 Million. The firm focuses on investing in India-centric and early stage technology companies. To incorporate best practices, and institutionalize our investing model, we have brought together a professional team recruited from across the U.S., Europe and India. Further, to complement the above, we have put together a network of industry veterans who can offer advisory support to the companies.

The OJAS portfolio of companies includes startups that are creating new technologies (with significant intellectual property) as well as those that are using technology to offer a service. The portfolio today spans the domains of telecommunications, banking, consumer goods, internet and mobile, semiconductor and services. Ventures include CoCubes, India's only online end-to-end campus engagements and recruitment platform, Vizury, and internet marketing company using a proprietary behavioral targeting and dynamically creative technology, BrizzTV, a data channel provider for

television networks, and Teli-Brahma, a targeted advertisement, lead generation and marketing platform using mobile channels

SB: What are the constituent parts of your business - how do you describe them?

NSR: I perceived our business to encompass three segments (i) Social segment, (ii) Entrepreneurial segment and (iii) Family Office segment. These three segments operate in independent domains and consequently our investment patterns in them are also different. The social segment is guided by more philanthropic orientation and we look into aspects like livelihood, arts, education and conservation. Our involvement with F.A.M.E. INDIA®¹ is an example.

Our Entrepreneurial segment looks into Angel and Venture Capitals, and Strategic Businesses that have a long term planning horizon. In this segment, we cater to businesses that involve direct investment, healthcare and life-science platforms, IT & ITeS business and Hospitality business. These are somewhat known sectors with established business models that need managerial refinements.

Our third segment is the Family Office segment that looks into the real estate and alternative investments, public and private equity, debt capital and so on. These are pure asset cum wealth management businesses that tend to maximize the family's wealth, wherever and whenever the opportunity presents itself. We have invested in Bombay Stock Exchange (BSE), shipping companies, McDonald franchise etc. However, we try to avoid sectors that, we perceive, are against our value systems and ethos.

SB: While you started operating at the financial holding level, you gradually moved into the actual operations level. Why?

NSR: That is true. As I had said earlier, I started rather informally and hence there were lots of scope of

¹ Foundation for Action, Motivation and Empowerment, India. Source: <http://www.fameindia.org/> accessed on 22.10.2012.

experimentation. Some of the failed ventures seriously made me think that possibly we need to be involved more closely with the entrepreneurs than would otherwise merit. The entrepreneur has some idea and at best he/she also knows how to put that into action as well. However, finer details of the same, for most parts, were missing. It is there that we decided to pitch in and advise the entrepreneur as to what needs to be done.

However, we found that we are sadly lacking those relevant operating knowledge. Therefore we decided that we should ourselves first build up our own capabilities before we can successfully give the same to the startups. Hence we decided to move closer to the operational details rather than operate at a superficial financial level. The benefits are likely to be many.

First, it will provide us with a better selection mechanism or criteria to evaluate the potentially successful ones from the potentially disastrous ones. That way, we don't stand to lose our investment. Secondly, it will provide us access and insights into some of the potentially promising and profitable sectors themselves. Last but not least, we shall be better poised for the spinoff benefits and diversifications. A hands-on experience always counts in matters of business.

SB: Across the globe, family businesses are professionalized. You moved the other way. Why?

NSR: As I said earlier, I did not see this as an extension of my professional life. Rather a pastime avocation that crystallized into business. Consequently, professionalism came but in a different manner. I had been a professional manager throughout my career but in different companies. Hence this is different. But here too we will be bringing professionalism in a family business.

SB: What had been your guiding philosophy and how had it helped in shaping your company?

NSR: I was a graduate in Electrical Engineering, and as per the social norms of those days, I secured a job as an engineer at the Andhra Pradesh State Electricity Board (APSEB). I worked in APSEB for nearly 2 years and decided to quit the job as I was stagnating and not learning anything new. Subsequently, I saw this advertisement from Ministry of Defense, Government of India, for the Corps of Electrical and Mechanical Engineers. I was anyways not doing anything - so I decided, why not give it a try. After all, it would take only a forward and a return journey by train from my native place to New Delhi. So I boarded the train. I gave the interview, was selected and was asked to report at Agra which happened to be my first place of posting. I had no knowledge in Hindi. Neither could I read it, nor speak it fluently. Consequently, it took me quite a while and the help of a good samaritan to finally reach the place where I was asked to report.

I worked with the Ministry of Defense for nearly nine years, got married during that period and traveled to many places to give training or to get trained. But here again the same feeling of stagnation started creeping in my mind. The Corp of Engineers was not exactly the blue eyed boy in the army. We had a side role to play and hence stagnation was the final outcome. So I decided to quit. My father in law was very upset as he perceived this to be an unnecessary risk on my part. I told him that he had already taken a bigger risk by marrying his daughter to me. So I left the Government job and joined the corporate world.

I worked for a while as Head of the Electrical Department in Kothari Sugar and Chemicals Ltd at Trichy, before relocating to Pune. It was at Pune that I came across Narayan Murthy who was working with Patni Computers. We needed to write software codes and there was a dearth of good code writers in India. That's when Infosys came up. Murthy wanted me to join him in forming a software consulting company that would give rise to a whole new sector. That was

in the year 1981. I became the first employee of Infosys and my house became its registered office although the entire operation was based out of Murthy's house in Pune. Infosys pioneered the Global Delivery Model by taking jobs from the US and finishing the same in India. I was with Infosys till 2000 when I retired as the Joint Managing Director with Nandan as the CEO.

After my retirement, I worked with the Murugappa Group as their Executive Chairman at the behest of Mr. Subbaiah. They were looking for a CEO and the news that I was free was there. So they approached me. I however made it clear that I had not retired from one company to become the CEO of another. But Mr. Subbaiah genuinely needed my professional help as he envisioned a relegating role for the family members to be supplemented by professional managers. I was happy to render them some help. Subsequently, I opened the NSRCEL to encourage and support upcoming entrepreneurs and start ups.

SB: What are the unique Human Resource Practices in your company?

NSR: We are a service company and therefore human resources are very important to us. We believe in the twin pillars of equality and encouragement. Very often, employees fall prey to group effect. Someone belongs to a particular group and therefore may face the consequences of the group effect. This is more pronounced in the family business set up where some managers professing allegiance to some member of the family may unduly influence courses of actions. I strictly discourage such incidences. To me, managerial effectiveness is a function of individual efforts. Likewise, I believe in active encouragement of my employees. There are two ways of managing people. First, is by highlighting his mistakes or shortcoming and therefore controlling him. This only serves to alienate the employee and in the long run yields no results. The second method involves, actively encouraging his achievements and motivating him or her to give the best shot that he or she can offer. Encouragement and motivation helps in the long run and prevents

attrition. After all, if someone sees the good things in an organization and grows a liking for the same, he shall seldom leave that organization to tread unknown territories. I prefer the second approach in my company.

SB: Going forward, what will be your word of advice to young and would be entrepreneurs of India?

NSR: Throughout my professional career and even now, I have done what I felt like doing. I have done what my heart permitted me to do. Therefore, even now, when we see a business opportunity that does not match our ethics and value systems, we do not engage in them. Business of making money is easy but the business of sustaining the process of making money is difficult. That is because we operate in a society where social values matter. Our own family business is at a nebulous stage. It will possibly take a couple of years to stabilize and attain a structure. But that structure shall reflect the strong value system that we believe in.

Epilogue: Mr. Raghavan, on behalf of IIM Indore, I thank you for your words of wisdom. I am sure, young entrepreneurs and academicians in management shall benefit from your experience, insights and active interventions in the society at large.

N. S. Raghavan is currently a Non-Executive Director of Corporate Board in ABB India Limited. He has served as a Non-Executive Director of Corporate Board in IDFC Private Equity Ltd, Murugappa Corporate Board, and Sobha Developers Ltd. He is the founder Director of Nadathur Estates Pvt Ltd, founder Chairman of Nadathur Fareast Pte Ltd, Singapore, chairman of Indegene Lifesystems Pvt Ltd., and the founding Trustee of FAME India, (Foundation for Action, Motivation & Empowerment).

Shubhabrata Basu is an Associate Professor in the Strategic Management Area of Indian Institute of Management Indore. He is a Fellow in Management from Business Policy Area of IIM Ahmedabad. A Civil Engineer by qualification, Shubhabrata has worked in industry as well as in the Civil Services of the State of West Bengal for nearly a decade before moving to the academics. Shubhabrata has peer reviewed publications, monographs, and working papers to his credit. He is a member of the Strategic Management Society (USA) and Institute of Engineers (India).