TRANSFORMATIONAL LEADERSHIP AND N.R. NARAYAN MURTHY
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Abstract: A leader is an agent of change, and leadership is about raising the aspirations of followers and enthusing them to reach a higher goal. Corporate management is more dependent on effective & efficient leadership which leads to create high performing organizations. In fact, leadership has been the key to transformation of organizations across the globe. Transformational leaders inspire followers to perform beyond expectations; and employees’ commitment, loyalty, satisfaction, and performance are related to transformational leadership. N.R. Narayana Murthy is one such leader in Indian business. This paper reviews the dimensions of transformational leadership and Narayana Murthy’s thought, philosophies, beliefs, faith and practices that epitomizes Murthy a transformational leader which make him a role model for many corporate managers.

Keywords: Leadership, Transformational Leader, Empathy, Value, Motivation, ESOP, GAAP, PSPD

I. INTRODUCTION
Leaders are a key human resource in any organization. Leadership is the most influential and critical element of all businesses. It provides strategic direction critical for the growth and expansion of an organization. In a competitive business environment, effective leadership is a prerequisite for achieving organizational goals. Kotter (1988) believes that the growing competitive intensity and the increasing complexity of firms means that the need for leadership is greater than ever. It has been acclaimed that the effective leadership is one key element in the success of an organization. N.R. Narayana Murthy, the chief founder of India’s reputed IT Company Infosys, is one such leader in Indian business. His greatest contribution to Indian business is not just creation of Infosys, but providing a leadership style to corporate India. He has set an example of transformational leadership and has demonstrated - how transformational leadership can bring success to an organization. Murthy has helped in sparking a revolution that has brought billions of dollars into the Indian economy, and transformed India into the world’s back office. He has been accorded high rank among top business leaders/influential personalities by renowned media organizations like The Economist, Time, CNN etc.

A. Leader and Leadership
A leader is an agent of change. He demonstrates confidence, provide direction, and motivate followers to remain engaged and committed to their organizations’ objectives. A leader can change an organization in terms of its strategy, technology, structure and people. Leadership is about raising the aspirations of followers and enthusing people with a desire to reach a higher goal.

A leader, in general, is defined as a person capable of influencing, inspiring and associating others with a dream (Pal & Kapur, 2011). Leadership is the process of influencing the behaviour of others to work willingly and enthusiastically for achieving predetermined goals. It manifests ability, creativity, innovation and initiative, and imbibes confidence, cooperation, and willingness of people to work and build employees - morale. A leadership job is to develop responsibility and initiative among his subordinates. Collins (2001) identifies leadership as the first and most important element in helping companies achieve greater effectiveness. In his classic work, Burns (1978, p. 19) defined leadership as “leaders inducing followers to act for certain goals that represent the values and the motivations - the wants and needs, the aspirations and expectations - of both leaders and followers.” Leadership is a key contributor to employees’ perceptions of job satisfaction and organizational commitment (SHRM, 2009).

Leadership style is the way a manager takes decisions and deals with the staff. An effective leadership style is one that best compliments the organizational environment, the task to be accomplished and the personal characteristics of the people involved.
II. CORPORATE LEADERSHIP

In the corporate world, leadership is the capability and practice of elevating the performance of employees to a desired level (above normal) in favor of the organization (Charan, 2007; Hamel, 2007). In order to be successful in the corporate world, a leader is required to be equipped with a set of specific skills and qualities (Charan, 2007; Hamel, 2007). Some of these are:

- Passion for dynamism and entrepreneurship.
- Loyalty, integrity, honesty, accountability and trustworthiness.
- Capabilities of developing sustained growth strategies.
- Providing opportunities for expansion of domestic/global operations.
- Providing scope for improving the organizational culture.
- Maintaining a healthy balance between organizational culture, values and ethics and growth and profitability.
- Having desire and adaptability for change, desire and capability of handling risks.
- Clear and consistent communication skills including good receptive skills.
- Empowerment, engagement and retention of employees.
- Improving loyalty of employees towards the organization, particularly when there is no job guarantee.
- Keeping employees motivated and satisfied in order to improve effectiveness.
- Providing opportunities for employee development & growth – training, career succession, mentoring.
- Respect for employees and concern for their well being.
- Creating space for leadership to grow at all levels.
- Understanding and practicing social responsibility.
- Improving brand image of the organization and customer loyalty.

Thus, Leadership is the composite of abilities and characteristics of an individual leader.

III. TRANSFORMATIONAL LEADERSHIP

Transformational leadership has gained academic attention over the last 20 years as a new paradigm for understanding leadership. The notion of transformational leadership was developed under the tutelage of Bernard Bass (1997). Transformational leaders define the need for change, develop a vision for the future, and mobilize follower commitment to achieve results beyond what would normally be expected. In well over 100 empirical studies, transformational leadership has been found to be consistently related to organizational and leadership effectiveness (Bryman, 1992; Lowe, Kroeck, & Sivasubramaniam, 1996).

Transformational leadership has been defined as “leader behaviors that transform and inspire followers to perform beyond expectations while transcending self-interest for the good of the organization” (Avolio et al., 2009, p. 423). Numerous studies have shown that followers’ commitment, loyalty, satisfaction, and performance are related to transformational leadership (Judge & Piccolo, 2004). It has shown to lead to follower feelings of empowerment, engagement, creativity, and to reduced stress and burnout. It also has effects on organizations such as increased innovation, employee retention, improved market share, customer satisfaction, and even occupational safety (Sosik & Jung, 2010).

A number of studies in the research literature have examined potential predictors of transformational leadership, such as leaders’ personality (Atwater & Yammarino, 1993; Judge & Bono, 2000), emotions or emotional intelligence (Rubin, Munz, & Bonmer, 2005), and biodata (Avolio, 1994). Bass (1985), and later Bass and Avolio (1994), defined the four most commonly studied dimensions of transformational leadership i.e. idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

**Idealized influence** (sometimes referred to as charisma) emphasizes trust, values, morals, and ethics, and appeals to the emotions of followers. It represents self-confidence, self-determination, and being held in high regard. Leaders who demonstrate idealized influence also command loyalty from followers and instill pride in them by showing a strong sense of purpose. They also effectively communicate the importance of company values, beliefs, and a collective mission.

**Inspirational motivation** represents an appealing vision for the future based on values, ideals, and high expectations. This dimension consists of leaders providing meaning and challenge to followers’ work as well as using inspiring messages to reframe the big picture and arouse the emotions of followers. These leaders also focus on the best in people by demonstrating confidence that followers will achieve their goals. They provide the energy and direction needed to fuel the actions of followers, thus allowing them to rise above limitations (Bass, 1985; Bass & Avolio, 1994).

**Intellectual stimulation** challenges old assumptions, beliefs, and traditions, while encouraging new ways of thinking. These leaders challenge the status quo by thinking “outside the box” to lead followers down a path of creativity and innovation. They seek continuous improvement even if it leads to failure in the short-term. In addition, they stimulate extra effort among followers by showing support (Bass, 1985; Bass & Avolio, 1994).
Individualized consideration refers to leaders who consider the needs, abilities, and development goals of followers while coaching and mentoring them. This dimension has the ultimate aim of developing followers into transformational leaders themselves. These leaders show empathy and listen closely to the concerns of followers so they can recognize the mindset and emotions of their followers. They also show appreciation for a job well done. In addition, they assign challenging developmental projects that will provide further learning and lead to follower confidence (Bass, 1985; Bass & Avolio, 1994). Jack Welch, former CEO of General Electric and also considered to be a great corporate leader is of the opinion (Welch, 2005) that “good business leaders create a vision, articulate the vision, passionately own the vision. Transformational leaders inspire followers to perform beyond expectations. Research evidence shows that transformational leadership has positive effects on people, teams, organizations, and nations. In addition to producing higher levels of follower performance, transformational leadership results in increased follower satisfaction and commitment.

IV. N.R. NARAYANA MURTHY

Nagavara Ramarao Narayana Murthy was listed among the “12 greatest entrepreneurs of our time”, by the Fortune magazine in 2012. The Economist ranked him among the 10 most-admired global business leaders in 2005. He has been awarded the Legion d'honneur by the Government of France, the Commander of the Order of the British Empire (CBE) by the British Government and the Padma Vibhushan by the Government of India. In the year 1981, he along with six others founded Infosys, which is now, one of the biggest Indian software multinationals. Out of six people who were initially a part of Infosys, few dropped at the initial stages when the company was in difficulty. However, Narayan Murthy made it happen through his confidence and continuous struggle against several challenges (Bhandarker and Singh, 2011). Today, Infosys is the third-largest India-based IT services company by 2012 revenues, and the second largest employer of H-1B visa professionals in the United States, as of 2012. On 28 March 2013, its market capitalization was $30.8 billion, making it India's sixth largest publicly traded company. On 31 March 2013, Infosys had 798 clients across 30 countries with more than 1,58,000 employees working for it. It has a global presence with 73 offices and 94 development centers in the United States, India, China, Australia, Japan, Middle East, and Europe. 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.”

While speaking about his success story Narayana Murthy points out that the leadership team of Infosys is the key success factor for the organizations’ dramatic growth. The cardinal beliefs, faith and practices of N.R Narayan Murthy that differentiates him and makes him a role model are as follows:

He is a man who believes in ‘Simple living high thinking’. Even though he has a personal wealth of Rs. 2,500 crores, his lifestyle remains modest. He is known to fly economy class and lives in a modest home in Bangalore.

Mr. Murthy believes that trust and confidence can only exist where there is a premium on transparency. The leader has to create an environment where each person feels secure enough to be able to disclose his or her mistakes, and resolves to improve. He says, at Infosys, our philosophy has always been, ‘When in doubt, disclose.’ Investors understand that the business will have good times and bad times. They want companies to disclose bad news on a proactive basis.

He says - the leader has to create hope. This requires creating trust in people. And to create trust, the leader has to subscribe to a value system: a protocol for behavior that enhances the confidence, commitment and development of the people. Compliance to a value system creates the environment for people to have high aspirations, self esteem, belief in fundamental values, confidence in the future and the enthusiasm necessary to take up apparently difficult tasks. Leaders have to demonstrate their commitment to a value system. Leaders have to prove their belief in sacrifice and hard work. Such behavior will enthuse the employees to make bigger sacrifices. It will help win the team's confidence, help leaders become credible, and help create trust in their ideas. Leaders have to follow it themselves and thus lead by example.

A leader has to raise the confidence of followers. He should make them understand that tough times are part of life and that they will come out better at the end of it. He has to sustain their hope, and their energy levels to handle the difficult days. Never is strong leadership more needed than in a crisis. In the words of Seneca, the Greek philosopher, 'Fire is the test of gold; adversity, of strong men.'

Good corporate governance is about maximizing shareholder value on a sustainable basis while ensuring fairness to all stakeholders: customers, vendor-partners, investors, employees, government and society. A successful organization tides over many downturns. The best index of success is its longevity. This is predicated on adhering to the finest levels of corporate governance. He says, “At Infosys, we have consistently adopted transparency and disclosure standards even before law mandated it. In 1995, Infosys suffered losses in the secondary market. Under Indian GAAP (Generally Accepted Accounting Principles), we were not required to make this information public. Nevertheless, we published this information in our annual report.”
Transparency about the organization’s operations should be accompanied by an open environment inside the organization. You have to create an environment where any employee can disagree with you without fear of reprisal. In such a case, everyone makes suggestions for the common good. In the end, everyone will be better off.

He believes that managerial remuneration should be based on three principles: (i) fairness with respect to the compensation of other employees; (ii) transparency with respect to shareholders and (iii) employees and accountability with respect to linking compensation with corporate performance. Thus, the compensation should have a fixed component and a variable component. The variable component should be linked to achieving long-term objectives of the firm. Senior management should swim or sink with the fortunes of the company.

A well-run organization embraces and practices a sound Predictability-Sustainability-Profitability-Derisking (we call this the PSpD model) at Infosys model. Indeed, the long-term success of an organization depends on having a model that scales up profitably. Further, every organization must have a good derisking approach that recognizes measures and mitigates risk along every dimension.

Strong leadership in adverse times helps win the trust of the stakeholders, making it more likely that they will stand by you in your hour of need. As leaders who dream of growth and progress, integrity is the most wanted attribute. Leading the teams to fight for the truth and never compromising on values. He believes that the corporate leaders, through honest and desirable behaviour, could reap long-term benefits for their stakeholders.

Mr. Murthy has tremendous respect for people and sound philosophy of “under-promising & over delivering”. This helped him build a healthy long-term relationship with his colleagues, employees, family, friends, business associates and network of shareholders. It was he who started ESOP’s that is real distribution of wealth. Now, it is very common in the industry to have ESOP’s but it has done wonders in Infosys. Thus, Narayan Murthy is an awe-inspiring role model for professionals. He is a man who always measures performance against value.

According to Murthy, peoples performance in the knowledge industry is as valuable as gold. Thus, by introducing ESOP’s he motivated his employees to work smart and hard.

Even though there is a lot of competition in the market he believes in one thing that is, being unique in the market place and making sure that you are the first mover. He says tap the need of the customer and give them more than they expect. He believes in giving value to the customer, being fair to people and transparency in working. Mr. Murthy says that “Growth comes from repeat business, repeat business comes from relationships, and relationships with customers are built on trust and trust is built by delivering quality products”.

He believes in putting the public good ahead of private good in every decision he makes. Infosys practices its Social responsibility very well. Rehabilitation drive, literacy programme, donations etc are few ways in which he works for the society. Two Sanskrit sentences: Sathyannasti Paro Dharma (there is no dharma greater than adherence to truth); and Satyameva Jayate (truth alone triumphs) used to inspire him. He says, these should be the motto for a good corporate leadership.

Narayana Murthy, after serving as the CEO of the company for more than two decades (1981-2002), retired to the post of Chairman Emeritus in 2011. But, on May 4, 2013 Company’s chairman KV Kamath invited Murthy to come back to Infosys as Executive Chairman of the Board to revive it, since the company is struggling with weak revenue growth, falling market share and sagging employee morale. At this juncture Murthy’s presence would not only add value but the company can get strategic direction. Murthy accepted the offer in a challenging time.

V. CONCLUSION

IT in India would have never been the way it is without Narayana Murthy. He as a leader has added pride to the whole nation and has created a change not only in the profitability position of Infosys but also the lives of many.

He has proved - true leaders are those who get through the difficult times with flying colors. He has demonstrated that businesses can be run legally and ethically that it is possible for an Indian company to benchmark with the global best and that any set of youngsters with values hard work, team work and a little bit of smartness can indeed be successful entrepreneurs. This makes Narayan Murthy an inspiring role model for the professionals. In fact, Mr. Murthy is a transformational leader par excellence.

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