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Should Narayana Murthy & Co play watchdog after exiting Infosys management?

BY [KALA VIJAYARAGHAVAN](#) & [LIJEE PHILIP](#), ET BUREAU | FEB 14, 2017, 06:42 AM IST

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They're calling it Founder's Remorse. NR [Narayana Murthy](#) founded [Infosys](#) in 1981, retired three decades later, came back as executive chairman in June 2013 and stepped down in a year after handing over charge to a professional management led by CEO [Vishal Sikka](#). In the process, he also left the board, which today comprises a non-executive chairman ([R Seshasayee](#)), seven independent directors and two executive members (Sikka and COO [Pravin Rao](#)).

Last week, in a candid interview with ET, Murthy spoke of a "concerning drop in corporate governance" at Infosys. Subsequent reports in ET also suggest the IT bellwether may have fallen short of the standards it's been known for on the due diligence and disclosures fronts.

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Murthy's criticism led to the board appointing legal firm [Amarchand Mangaldas](#) to act as an official communication vehicle among its members, the company's founders and key stakeholders. It will also guide the board on matters such as the appropriate form of engagement and sharing of information, while adhering to regulatory norms.

Infosys is a company whose global delivery model was envisioned and nurtured by the founder (along with six cofounders), which ensures Murthy's larger-than-life aura still pervades the headquarters in Bengaluru's Electronic City.

Murthy may have goaded the board into action, but increasingly, the question being asked is, should the founder who stepped away from the board and management be playing watchdog?



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"Founders who step out should stay out," declares M Damodaran, a former chairman of market regulator Sebi. "If they have concerns as shareholders, they should write to the company's management. If their response does not appear convincing, the matter must be raised at the annual general meeting."

Damodaran, now chairperson of Excellence Enablers, a corporate governance advisory firm, reckons that airing concerns in the media in a confrontational manner, especially if coming from persons closely identified in the public mind with the company, can be "destabilising."

“While it seems odd for major shareholders to engage with the board and the management through the media, it is equally odd for the board and management to engage with shareholders through a law firm,” he adds. “Such engagement is what the stakeholders relationship committee is specifically tasked with. In all of this, the problem of asymmetry of information should not be lost sight of.”

Infosys is no family-run business, but since the founders collectively own 12.75% of shares, their position is not too different from a business in which the promoters step back to leave day-to-day operations to a team of professional managers.

Take the Burmans of [Dabur India](#). Vicechairman Amit Burman speaks about the role of the family in business. “They should be available to give broad directions or for any help required, but should stay away from day-to-day management. We believe the family has a trusteeship role to follow and, from time to time, give suggestions to the professional team, but the final decision on whether to implement that suggestion or not rests with the professional management. The founder family, regardless of the percentage they own, is equal to all other shareholders.”

To be sure, founders’ shareholding does give them a right to make their voice heard. [R Gopalakrishnan](#), a former [Tata Sons](#) director, says founders who have handed over to a successor may have either control or influence through their shareholding. “In case the founder is a minority shareholder, they certainly have the right to comment and influence, preferably through the board. The golden rule to remember is that communication, persuasion and influence are hugely valuable in the governance triangle among shareholder, board and CEO.”

Shriram Subramanian, MD of corporate governance firm InGovern, said founders are shareholders who have the right to raise issues (and offer solutions) but cannot have preferential access to confidential information. “Infosys has been less transparent on the exits of (former chief financial officer Rajiv) Bansal and (former chief compliance officer David) Kennedy and this shows that values and principles were not right.”

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