



Architecting a high performance Infosys

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Very good afternoon. Lord _____ in his famous poem "The Passing of _____" says the old order changes, leading place to new, and God fulfills himself in many ways, lest one good custom should corrupt the world.

It was almost 24 months to the day that I stood before you to speak about the HR scenario and how the market looked for human resources development. A lot has changed in the last 24 months, but then as one famous French philosopher said "The more things change, the more they are the same". So in a sense change remains the only constant. However, if you look at the last 24 months, surveys say that over 2 million jobs have been lost in the United States of America. Companies like Nortel and Lucent have had to slash their manpower from over 100,000 to under 30,000. It is predicted that in the next one year 500,000 more IT jobs will be lost in North America.

Change the scene to the Indian market place, cut through a typical Wednesday or a Friday in Bangalore, pick up your Times of India Ascent or your Avenues of the Indian Express and you typically find at least three pullouts with 12 pages of advertisements for jobs, 80% of which are software professionals. The battle ground has really shifted to India.

On the dimension of compensation one finds three interesting trends. At the fresher compensation on the campuses, you will find that the compensation has actually softened. The big market players are yet to reach the campuses. The predictions are that the compensation will reduce by about 20-25% at entry levels. However, for new players who are coming in, it is imperative to attract new talent and for that talent they are willing to pay, and therefore attraction strategies are ensuring that attraction of people from stable companies is a compensation trigger. And then the third dimension, we are finding that while fixed salary increases, in North America were under 4% again for the second consecutive year, in India it is varying between 8 to 13%, but with a larger part of it coming in variable pay, whether linked to company performance, individual performance or team performance.

On the flip-side of the business aligned compensation structure is of course the high-performance organization culture. And these cultures could be driven by organizational drivers like systems or the culture itself, by managers through formal and informal feedbacks and communication system, and through employees for the kind of work and the kind of passion that they bring into that work. Businesses are realizing that leveraging diversity is no longer just a social nicety or a legislative requirement but a business critical imperative. However, it is not just important to leverage diversity, to sustain one must have talent engagement and manage infusion. In fact, recent studies from schools like Harvard talk about the virtuous cycle of productivity, where companies when they actually identify the differences of different talent pools in their organization, sit into those differences, value them, and are able to generate much higher productivity and talent retention.

Finally, driven by unemployment and security threat, immigration rules have tightened, not just in North America or US but also in UK, in Germany, and in some parts of Asia Pacific. I will speak a little bit word about that later. And finally of course client-focussed competency development is a very very strong trend that we find in the market.

In this kind of a scenario, we believe that the Infoscion who will succeed, will be somebody who is solutions-focused, who is able to think through complex problems for clients through better creativity, who has to have a strong global mindset because he not only has to manage global customers but address the challenges of a global team as well as global suppliers and who really pushes and creates a learning organization by remaining connected and networked. To this one has to also add on the traditional competencies of being trustworthy and committed, competent, excellent in



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execution, and having a client-first mindset, competencies which in customer survey after customer survey customers have said Infosys has very strongly demonstrated.

So, how does HR move from being a hand laden, from being just a business-enabler or a business partner to a strategic driver driving change through these organizations in these changing times. We do this through several dimensions, each of which I will touch upon., talent acquisition, structural transformation, embracing the role-based structure, talent engagements and client-focused competency development, better rewards for better performance aligned with business growth, talent deployment to ensure that the right person is in the right place at the right time, and finally of course using technology as a catalyst of change.

As far as talent acquisition is concerned, Infosys has grown considerably. We ended FY2000 with about 5,400 employees, we closed FY2003 with 15,000 employees, and the first quarter of 2004 with 17,000 employees. On another dimension also, we have grown. Today, we have 37 different nationalities in our employee base. Large population numbers of employees from North America, from both the United States as well as Canada, employees from the United Kingdom, Germany, Japan, and Australia. Incidentally, about 40% of the client-facing Infosys are from the local geographies. This is truly a rapid development on the multi-cultural workforce front. In these changing times, it becomes critical to respond to business requirements at great speed. A key element of this is the speed and the velocity of hiring. Typically what was a 15-month cycle of hiring campus graduates no longer works now. So, you have to offset campus hiring with just-in-time recruitments with highly selective recruitment processes, which ensure that you can test up to 10,000 people in 7 cities on the same day, and having strong testing mechanisms, both in terms of arithmetic reasoning and analytical thinking and written English communication to ensure that with speed, larger groups of employees can be brought on board faster.

The second aspect is really structural transformation. With the increased role of human resources in organizational transition and effectiveness, leaner and aligned organization structures with strong IBU focuses on verticals as well as geographies, global accounts, as well as the strong client interface has become critical and something that Infosys transitioned through in the early part of this year. Second, to create a flatter and more accessible organization, we transitioned from the traditional hierarchy of 15 grades, through a broad banded six-band structure. Every unique job in Infosys was evaluated on five key parameters, parameters like the responsibility for business, resources, and people; knowledge, both know how and know why, the thinking aspect of the job, the relationship that the job helps both external as well as internal, and finally the criticality of the job to business. All roles were mapped on through these bands and the career progression then becomes a flatter one from B to F. In addition and in parallel, we also created a career model to strongly align employee growth through organizational growth. The organization has clearly looked at revenue as well as revenue productivity, identified the structural requirements of people at different levels, and created the demand gap that will exist at different bands and for different roles into which employees can then aspire.

The heart of this transformation is the role-based structure. The role-based structure essentially allows (and this is the structure within delivery), employees to flow and to grow through different streams in the organization, the project management stream, the technical stream, the customer-interface stream, the program management stream, and the domain consulting stream. In each of these streams then, you have key roles which emerge and put together these roles become your career ladder. For each role then we create competencies, both technical as well as behavioral. Once these competencies are created, the organization competes through competencies, which is most appropriate for a middle to large company. Role-based training, role-based recruitment, role-based performance and potential appraisals, and role-based career progression are what are really logical and sustainable models for the future. 'What you deliver determines how you grow' is the core principle behind the role-based organization and the foundation of the role-based structure.

Corporate leadership council research shows that apart from the acquisition of key skills, what keeps CEOs most busy is talent engagement and client-focused competency development. Any learning



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can really fall into three aspects, the “be”, the “know”, and the “do”. The “know” essentially addresses the knowledge acquisition. The “do” is your skills training. The “be” is the core of what you are, your self-concept and your attitudes. Specially as an organization which is ramping very strongly, it is important that new generations of Infoscions understand the core values and vision of the company. Early 2000, Mr. Murthy ran a workshop of about 100 Infoscions who came together to understand and to explain what exactly were the core values of the company. Around that emerged the anagram, CLIFE, Customer delight, Leadership by example, Integrity and transparency, Fairness, and pursuit of Excellence. These five core values along with other training sessions, form the heart of the induction workshop and the competitive work environment workshop, which today are extended to Infoscions across the globe.

For the “do” and the skill aspect you can really look at client-focused developments from four dimensions. From the work dimension, there is the milestone program which addresses what is required for a programmer analyst versus what is required for a first time project leader etc., change management, planning, and organizing, strategic thinking, and performance management programs. From the skill aspect, participating in action learning exercises like cross-functional process mapping, participating in small groups which work on our strategy and action planning, etc., form under work dimension. From a business and a technology dimension, starting from the 14½ weeks of training which every fresh engineer goes through, to advanced technology training, quality process training, domain training, and specifically client facing and cross cultural program training become critical. Also training to help software professional understand the dynamic of business management is also critical, as also best practice sharing.

Finally, one of the biggest challenges going forward is the creation of leaders. And in creating leaders we have to follow the simple philosophy that the business is a curriculum, the company is the campus, and leaders must teach. Keeping this philosophy in mind, all the internal Board of Directors, have offered series of training programs to identify high potential leaders who can tomorrow be groomed into leadership position. We have also adopted a tiered approach to leadership, with tier one having people who are ready to lead now, tier two, in the next 3-5 years, and tier three, in 5-7 years.

In addition, there are initiatives, which focus on wellness, like the HALE initiative, which is a Health Assessment and a Lifestyle Enhancement initiative, based on questionnaire, counseling, and coaching Infoscions to address specific aspects of life, extracurricular activities, and to counsel them when there is a need. In raising the critical aspect of inclusivity, Infosys has recently kicked off the IWIN, which is the Infosys Women Inclusivity Network, to specifically address gender issues in the work place and to gender-sensitize employees. Newer higher orientation, cross-cultural skills, managerial competencies to handle cross cultural dimensions, and of course top management investment in time are all parts of the key aspect of leveraging diversity and managing inclusion.

Business-aligned compensation structures are critical. Infosys has really moved up the value chain on variable pay from 2000. Prior to 2000, less than 10% of the Infoscion population had incentive linked as part of their compensation. Except for key roles in sales and consulting, compensation as part of the incentive for even this less than 10% group was under 10%. In 2001, for the first time, the company introduced from programmer analyst upwards the company performance linked incentive, which was up to 10% of the fixed pay. In 2002, apart from the company performance linked incentive the company brought in to play the performance rewards, which was given on individual performance. In 2003, the company has engraved the tradition, best in class incentive model, which pays incentive based on the three tiers of company performance, team or group performance, and individual performance. In addition, keeping with the philosophy of ploughing back business benefits to employees, the company introduced a performance allowance linked to the bands of performance that each individual carried from July, which was retrospectively paid from April onwards. So today you have the classic system of company linked performance incentives, team linked performance incentive, and individual performance incentive. Of course, we all know the benefits of a variable pay structure. It is linked to the economic health of the company. It gives employees a fresh start at each block, so that they have fresh opportunities to earn and of course they have the up side to earn more than 100% if the company performs so. On the company side, it manages day-to-day inflation and



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more rewards when company does well. There is a sheer sense of ownership of business successes and there is focus at results at all levels. Also it helps to differentiate high potential employees when pay and benefits could be similar across industry.

The next dimension is really talent deployment, which is to ensure that you have the right person in the right place at the right time. As I mentioned, there have been different trends across geographies and visa categories. Let us talk with North America. It is expected that this year, the reduction in H1B staff from the giddy highs of 195,000 will take place to at least 65k. Utilization trends have shown that it has been under 65k in the last up to September 2002 (September 2003 figures are not yet in). And it is expected that these numbers will continue to be in the range of 65k. Of course, we have sufficient number of H1s in our kitty, we do timely extension and renewal. The possibility aspect of being able to hire H1s who quote with them they are H1s and they join form another organization is also something that the company can explore. As far as L1B is concerned, in 1990, there were 22,000 L1s issued. In 2002, the figures grew to 112,000. 27% of the L1s issued were actually granted to India. It is expected that there could be L1 legislation, which could look at prevailing wage issue, working at employer premises, and of course tightening the criteria. From an Infosys perspective, the Infosys has approximately about 30%, which is lesser of an exposure of its total visas in L1, and Infosys has always believed in paying the same wages to both H as well as L employees based at onsite locations in similar jobs.

Moving to the continent, the big discussion was at UK as well in Germany. In UK, software was removed from tier-one layer and it was expected that when it moves to tier two, one has to show how you hired in the UK market as a key contingent of having work permit process there. As far as German green cards is concerned, Germany has extended it by one more year and use of VanDerelst ruling which actually allows non EU personnel who has spent more than two years in another EU country to move to Germany under the German work permit, is something that Infosys is exploring. In Australia too, there are some changes, which the government is likely to bring in. So, the trend really is that processes and time lines triggered primarily by unemployment as well as security concerns have widened as far as immigration processes are concerned. On our part, Infosys has invested deeply in quick responses internally to crunch timelines as well as of course complied with all external legal requirements.

Technology is a key catalyst of change, and especially as you grow in a dispersed manner with people across the globe, it is critical to use technology as a strong hub to reach out to the employees. Communication strategies for a global work force, both high tech as well as high touch, are greatly used technology at Infosys. In addition, we have put in place integrated people practices, which have been integrated together through technology. Let me take the example of three systems that we have in place. Performmagic, ILITE and the compensation system. The Performmagic evaluates a person on his or her competencies, competencies which have been identified for the particular role that he or she plays. Any gaps in those competencies automatically triggers a requirement into the individual training plan which is then captured in ILITE, and finally the appraisal band that he or she picks up through Performmagic flows into the compensation system and is used to pay out the salaries as in the case of the performance allowance that I spoke to you earlier about. Reaching out with speed through web-enabled system, whether it is for a 360-degree feedback or whether it is for an Infoscion to check which stage is visa or work permit is in the processing, is also a key aspect of technology as a catalyst of change.

We therefore believe that with our strong HR practices we are positioned for sustained growth. Infosys has a strong reputation in hiring. Offers are made to 1% of candidates who apply. People practices have an edge and are sustainable through the competency based model that we have adopted. It is critical to demonstrate speed and agility in aligning HR practices to business realities whether it is in terms of shrinking through put time or in faster volumes and scaling up. Our retention rates, in the flip of course the attrition rate, attrition rate continues to be one of the lowest in the industry. HR, today is partnering, and also takes a strategic role in customer acquisition, working closely with sales and ensuring that wherever there are key skills of HR required, they are on call.



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Last year, we have won three awards in a global firmament for HR practices. We won the Corporate University Exchange award of the Financial Times for our learning organization, we won the American society of training and development excellence in practice citation for the global finishing school, which helps transform an Infoscion from an academic campus to a Corporate campus, and recently in the Computer World 100 best places to work in, which was done in North America, Infosys figured in the top 100. As we look at the days ahead of globalization and growth, these lines of a little known 19th century poet whom Abdul Kalam quotes crosses my mind, "For all your days, prepare and meet them ever alike, when you are the anvil there, then you are the hammer, strike". Thank you.