The Human Resource Challenge
Hema Ravichandar,
Senior Vice President – Human Resource Development

P. R. Ganapathy: To move on, the next important stakeholder we address is the employee. Hema Ravichander, Head of Human Resource Development, will now walk you through employee challenges: attracting, retaining, training, and motivating the best and brightest talent available. Hema is a graduate of IIM, Ahmedabad and has been a human resource professional for 18 years. Before joining Infosys first in 1992, she was with Mico Bosch and she has also been a freelance human resource consultant, during which period she consulted with several Indian and multinational software corporations. Hema Ravichander, Senior Vice-President in charge of Human Resource Development,

Hema Ravichander: A very good day. People and good people are critical to this industry. Recognizing this, we in human resources, believe it is our mission to create a professionally competent, happy and prosperous, best in class Infoscion. In fact, this corporate objective of the company transformed for us into our mission statement, which is reinforced and implemented through a series of processes and intervention which were defined under the "Infoscion Management Process". A process which addresses different stages of the life cycle of the Infoscion, from attraction and recruitment, through enabling, through deployment, development, assessment, and finally rewarding and motivating. All under the overarching umbrella of analyzing, learning, and improving. Based on the basic concept that every successive day one must do something a little better than what was done on the preceding day.

In the specific context of these times, we continued to see the HR challenges had been the ability to recruit, enable, empower, and retain the best and the brightest. Specifically to:

a. Create readily deployable talent pool;
b. To do competency based role enabling;
c. To sustain employee motivation; and
d. To address compensation challenges.

As we grow and globalize, we also believe it is critical that these HR services get provided seamlessly across geographies, across people, across different roles, and therefore systems in HR i.e. IT in HR, and process improvement also become critical. In the next few minutes, I will speak to you about the specific challenges and what we in Human Resources Development are doing to address these.

Deployable talent pool starts with recruitment and recruitment is, as you all know, is of two types. Lateral hiring continues and is focused at specific, very specific as well as practice specific recruitment across our various development centers. As far as fresher recruitment goes, what is heartening to note that in the current campus recruitment cycle II, Infosys continues to enjoy day 1 status at most leading engineering colleges, reaffirming the faith that the young bachelors passing out have, in the best employers status of this company. Also, this is a reaffirmation of super senior feedback that these placement officers get from Infoscions who have already joined them. And finally for batches, which are joining in, **(blackout)** deployment of these batches based on our business requirement as well as training infrastructures in the various development centers is ongoing.

If you ask software professionals world wide, what is the one of the biggest factors which actually ensures talent engagement, not really talent retention but talent engagement, they will come back to you and say that we would like to see a career plan, a career path – "how do we progress in this company?" Infoscions are no different, and in employee satisfaction surveys, we have also got the same feedback that employees wanted to see clearly articulated career paths. Keeping this aspiration in mind and to match the aptitude of Infoscions as also the business requirement, the company has clearly identified streams and rolls as well as competencies is required in each of them.

Specifically, five key streams, Project Management, Customer Interface, the Technical Stream, the Program Management Stream and the Domain Consulting Stream. Going a step further, in each of these, the career ladder of how each of these employees will progress across the stream. It is also important to tell the individual what he or she needs to have to perform this particular role well and to move to the next successive role. The greatest motivator is when people have clarity in what is required of their role. Keeping this in mind, both behavioral competencies as well as technical competencies required of different roles have been outlined. I have placed before you here the project management stream. Defining streams, defining roles, and defining competencies, is only one part of the story. The next part is how do you actually ensure that these Infoscions have those competencies that are required to perform these roles, and here training comes into play.

There are two streams that you can really look at, the normal Infoscions and those who we want to quickly enable into higher performance. So, high potential or potential appraisals come into play, and therefore after that, interventions like training programmes, mentoring, and appraisal mechanisms to handle, of course, the high potential employees. Training in Infosys is on an integrated continuous basis, and I would like to spend a few minutes to talk to you about the four types of training that we do: Technical Training, Quality Process Training, Personal Effectiveness and Management Development Program, and finally like a great management exponent once said, "Inventory can be managed but people have to be led," so, the Infosys Leadership System, and how to enable leadership skills.

The technical training starts with the fresher training, which is over 14½ weeks of integrated training, which covers both the technical, as well as, the behavioral aspects. This is followed through with middle level programmes, which could be either planned or on request courses, delivered either through the classroom or an e-learning module. Over 160 such programmes exist enabling Infoscion to get on an average eight days of technical training per annum per person, close to 270,000 person days of training were delivered last year. The second is the quality process training, which closely mirrors the technical training and actually follows the kind of path of the ladder that the professionals take through the career – programmes for the entry level, software engineer, program analysts, and the program manager. The next is the soft skills training, which I believe is really the hardest of all. These comprise various aspects. The personal effectiveness is best typified by the Infosys Finishing School, which is an 8 days of integrated training which every fresh entrant goes through, to essentially help him transition better into corporate life, comprising business etiquettes, business communication, assertiveness skills, customer skills, etc. This is continued through with the milestone programme, which really addresses milestones in an employee's career. For example, what is it that he or she requires when he becomes a first time manager? This is captured in our milestone programme – "Pravesh".

There are programmes, which essentially enable the person to pick up his or her development need, which emerge out of the appraisal process and then track them through to closure and improve his or her performance. And finally, we in Infosys believe that everybody is here to ultimately serve the customer, either internal or external, and if that is a given, then there have to be programmes that enable the individuals to be C-enabled or customer enabled. And this is the module of programmes to address this specific need.

Finally, of course, the Infosys Leadership System, which is an overarching set of intervention based on leadership competencies which have been identified at this point of time for 150 potential leaders and will under the auspices of the Infosys Leadership Institute, which is headed by Dr. G.K. Jayaram, he is here with us today, will be anchoring these programmes across the 150 and later to a larger pool.

Once you have got the people in and enabled them, especially in these chaotic times, it is critical that we sustain employee motivation; and we believe we cannot do enough of communication. Communicate, communicate, communicate, is the logo that sometimes we believe we follow. Constant communication happens to individuals on two dimensions. On the first dimension, if it is a one-on-one communication, which is essentially typified by the Managing Director's e-mail, which goes to every employee's inbox every month on happenings in the company in the previous month. On a two-way basis, they will actually listen to employees and then respond to their concerns, however small, however major. Their clarification, their queries, we have live chats, whereas the Managing Director as well as the senior management address employee queries every quarter for an hour. Town halls and open houses, informal small group meetings, which we call the Brown Bag Lunches which are typically small informal lunch meetings, and of course practice head and PL meets.

The other essential point to ensure employee motivation is to enable HR capabilities in line. The best HR Manager is the first line manager. The HRD department can at best be a facilitator. Keeping this premise in mind, enabling first line managers to address human resources concerns and issues, and facilitating them with knowledge as well as resources to do this, is one of the other activities we have undertaken successfully to sustain employee motivation. In fact, every practice has dedicated recruitment clients, dedicated learning and development clients who worked with the practice heads to ensure that the employees are upto speed.

We believe we have a very proud and vibrant Infosys culture. We will continue to maintain this. This can be maintained at three distinct levels. At the physical level, the cafeterias, the gym, the campus, all of these are open methods of doing this. At the second level is the cultural dos, the fun elements, the inter-development center meet – *Samavesh*, that we have all of these, which bring in, and even programmes like the Petit Infoscion, which address the children of Infosys employees. At the final level is reinforcing the culture of excellence through our awards of excellence, the chairman's list for employee stock options, etc., and of course, institutionalizing innovation and creativity. Finally, we also believe that the need to listen to the employees and it is only when we listen to employees and actually help an action item which emerge from these listening that we will get employee commitment and participation. For this, we have the employee satisfaction and participation trend surveys, which we do annually to collect details from employees on what they see is critical and then action them. In fact surveys worldwide had indicated that people best participate in **E-SAT** when they realize that the data that is picked up from **E-SAT** is shared with them and then actioned on; and as a demonstration of our peoples credibility in our **E-SAT** system, the participation levels increased from close to 28% in 1998 to 71% in 2000.

Finally to address the compensation challenges. The Infosys value proposition, financial value proposition, has always been three pronged. We have believed in competitive compensation, we have believed in asset creation opportunities, and we have believed in wealth creation opportunities. This financial value add proposition continues. Salaries have been aggressively linked to performance at all levels, including the company performance incentive, which we introduced recently in April. At middle and senior management levels, there are individual performance incentive scheme, which kick in over and above the company performance incentive. Asset creation opportunities are essentially to address the lifestyle of the employee and they therefore flow through the lifestyle of the employee in terms of starting off the company housing deposits, two wheeler loans, four wheeler loans, and finally housing loans. And wealth creation opportunity, this of course, through the employee stock option scheme. While some of the options may be under water, they continue to be attractive, because essentially, ESOP has always been positioned internally at Infosys and the buy-in has been that this is a long-term reward proposition. Also, the vestment patterns are such that the vestment is back loaded and this reemphasizes the long-term nature of this benefit. And finally of course, this is part of the whole.

As we grow and as we globalize, it is important that these services are given seamlessly to Infoscions in a wide variety of roles and areas, and therefore, it is critical that we systematize these interventions. Whether it is in recruitment, performance, training, development, overseas travel, or in the employee data sheet to update the database, systems have formed a critical part of the productivity improvement within HR.

Finally process orientation, because we need to continuously improve, and here, based on the philosophy of Einstein, that if we involve only those people who created the problem actually in the first place to solve it, you are not going to make much progress, we have worked with cross-functional team, which come together, understand a problem, and then carry it through. In the annual report, the VisaSixers initiative has been highlighted. This is one successful CFPM initiative from a couple of more, which HR has undertaken. We have some external accolades to reinforce the work that we have done. We were declared No. 1 in the Best Employer Survey of Business Today in association with Hewitt Associates in January this year. As for reinforcement, we also got the Best Employer in the Indian Software Industry Award amongst the Data Quest and NFO-MBL Research. In July of last year, we were awarded the Best Organization by HRD Network. We believe all of this reinforces the three key value adds that we would like to give to Infoscion, the learning value add, the emotional value add, and the financial value add.

I thank you for your time.

P. R. Ganapathy: Ladies and Gentlemen we have about 10 minutes for questions. We have Mr. K. Dinesh who is a Co-Founder and Member of Board, in charge of Quality, Productivity and Human Resources to answer your questions over the next 10 minutes.

Participant: Would you throw some color on whether there is a change in the mix of the new additions that you are looking at over the next three-quarters because Q1, you added more number of, in terms of percentage, more number of people coming in at the lateral level, while we were getting this impression that there will be more in terms of technical level would be coming in, so that percentage is that changing right now and any specific areas where you are recruiting more at the lateral level, if you could throw some color on that?

Hema: I will take that question; by technical I assume you mean fresher. As I have mentioned, we have phased absorption of freshers depending on our business requirement and training infrastructure in the various development centers, so this is going on in a phased manner, and we hold to our commitment of 1500 to 2000 joins during a year. We are of course, focusing on lateral hiring because that is very critical and here we are really looking at roles, which would be in the managerial stream for project management, those five streams, which I mentioned to you – the project management stream, selectively in program management technology stream, domain consulting, and customer interface. It could be here, it could be in any of our development centers.

Participant: Let me just ask another one on that. There seems to be a slight change in the strategy because earlier we have been hearing that the cultural mix and the cultural aspects have always been crucial in getting people on board at Infosys. Do you believe there would be any further set of challenges in getting people at the project management levels, which I believe would be more at the middle and senior management level. What kind of challenges are you looking at over there? If there is a change, if you could specify that from the earlier strategy?

Hema: I did not understand your take on the cultural aspect, but let me clarify, lateral hiring is always challenging because we recruit the best and the brighter, and it is a tough competitive market. Of course, the fact that Infosys has stability, has alternate career path, has always empowered people fast, and moved them into higher roles and our three-pronged attack of financial value has been successful, but the conversion ratios continued to be aggressive, so it will be a challenge.

K Dinesh: But in terms of bringing uniformity in the culture particularly the laterals, we have good induction programmes in terms of vision and values. Everyone goes through a good induction program to know the vision and values of this company, culture of this company, and they are all adapting to those things. So, I do not see that as a… and recruitment criteria first of all looks at value match at senior levels and at all levels. So that is how we make sure that the culture of the company is maintained, but at the same time we are open to new things that come from outside also, so we need to change them.

(Audio blackout)

Hema: Anybody with industry experience could come in and speak.

Participant: Could you discuss how the bench is being managed, people on bench, what are they occupied with currently? Are there internal projects? Or what exactly is happening?

K Dinesh: I would request Mr. Shibulal who manages this to answer that please.

Shibulal: We have taken up multiple ways of doing this. First one is that we are re-skilling our people in various technologies. There is definitely a catching up phase in fact, because the last few years have been quite tight when it comes to letting people go for training. So, this is an opportunity for us to catch up on some of the training lag, which is there. In fact, as part of the role based designation, which Hema just talked about, we are looking at training compliance as part of the growth plan. So it is very important that people go through training. Second is that we are an organization which believes that processes without systems are not scalable. We have approximately 10,000 people today, so we need to implement a lot of systems within Infosys.

We have done that over the last few years, but this is another opportunity for us to catch up on that. There are numbers of systems being developed which will allow us to scale up and continue our growth. Third is that we are putting some of these people as part of existing projects to make sure that they get hands-on experience with the customer and understand the customer's business so that they can be used as the time changes and the scale-up happens. We are also using them for other activities like knowledge management and various other things.

Hema: In fact all the systems that I talked about were developed in-house.

Participant: So are we going to see that eight days per annum kind of a training period, are we going to see that changing substantially because though you discuss the training, if we back-calculate from utilization, there would still be quite some time if you consider that eight days per annum is the training that you need.

Shibulal: Our current goal for utilization is upper 70s and low 80s and the remaining part does include various things. It includes leave, it includes training, and it includes the bench time. So in that sense, things are not going to change much. We are still aiming for upper 70s low 80s as utilization.

Participant: One last thing, you said that some of these people are put on projects. So basically these are unbilled resources on the projects.

Shibulal: Yes, they are not put on projects; they are participating in the activities of the project so that they understand the customer and the technology, which we can leverage when the opportunity comes.

Participant: How do you come to terms with the present system of having to recruit from campuses one year in advance, now that the environment is not particularly conducive to manpower planning one year in advance, and a related question is that we have heard a lot about just-in-time recruitment from the industry, so would like to know your views about that whether it is possible, desirable, etc.

Hema: Fresher recruitment is always two-fold; it is just in time as well as in campus. In campus you know how the system works. The company that gets there the earlier gets the better pick, because they have the option of only picking up one job per student. So you have to factor both of these and balance it within your requirements. There may be some campuses which are actually looking at deferring their placement program, but if you look at all the leading technology institutes, they are continuing holding their dates of July, August and September, but even if you look at our fresher recruitment last year, it has always been a balance between campus as well as just in time. So, what we are doing now is really the campus recruitment.

P. R. Ganapathy: Let me add, there are two types of recruitment at the fresher level, the first is of course the long cycle and then there is a short cycle. The advantage of our deep relationship model is that there is a second level of automatic predictability that is built into your **(audio blackout)**. So, the long cycle really is planned on that basis, and the short cycle begins to kick in once the former plan is in and a more short-term view begins to emerge. So combination of those two as well as the relationship model means that it does not present as much of a challenge as you might think.

Participant: What is the effect of the drop in equity prices on the employer compensation in your ESOPs, I mean, I see a lot of senior people who are in very senior positions in other companies they are drawing, they have been recruited into Infosys, and have drawing lower amounts in Infosys because this remuneration information is available in a lot of companies, so do you think that the ESOP reduction in values is going to have a effect on your **ESOP** and your entire pay structure.

K Dinesh: No, I think as Hema presented already **ESOP**, we see it as a long term benefit, and even the way it is back loaded, first year they get 10% of what is available, 20%, 30%, 40% is what they can hop at the end of each year. So, if your really look at it the way it is positioned is, it is really a long term benefit. We still believe it is an attractive proposition and it is seen as an overall package that we give.

Participant: Just on your, you know, you have used two levers to adjust yourself for the slow down, one is that you deferred campus joining, second thing you have done is performance related salary link, salary hike, that's, I mean, if we go forward and see that in another six months of you know tougher market, because as we have discussed in the morning there is very little to suggest that things are going to pick up; and when they will we have absolutely no idea, so what are future levers that your can use beyond these.

K Dinesh: No, I think as we go along, we will definitely learn more from what needs to happen from the market, but as you can see the performance-based linkage that we have today it states, the increase that we gave last year, 70% of it was reserved towards the performance-based linkage. So we need look at varying those percentages as we go along as one of the option and there are other options we need to definitely learn and implement, but I believe at this stage we have enough leverage to continue to maintain even in this difficult market, how to manage our compensation structures.

P. R. Ganapathy: So, I think we will have to move on. Perhaps you can ask your questions in the Q&A that will follow at the end of the day. Thank you Hema and Dinesh.

Hema: Thank you.

Dinesh: Thank you.

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