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HRD

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Nandita Gurjar

Good afternoon. My name is Nandita Gurjar. I head HR for Infosys Group. It is my pleasure to welcome all of you and walk you through a few slides after which we can keep it open for questions.

I think last year was a dramatically different year for all of us and for us in HR at Infosys, it was even more so because we suddenly came into the forefront in a knowledge industry and especially in IT industry where employees are 50% of the cost. Suddenly when there is a slowdown, we are the first people who get into action. It is no longer was just about doing things, it was doing it right. We had to take some critical decisions of which there were few precedents. We had not really seen much of a slowdown before. There was a little thing in 2001-2002 but that was so short-lived and at such a smaller scale for us that it really did not make too much of an impact. But this time it was and there were some very good learnings. In terms of hiring, our conversion continues to be low at 2%. We continue to invest in the talent pipeline, in building up better profiles through colleges, but receiving helps and later on the training investments. We had about 4,500 lateral offers this year compared to the 3,500 last year. The hiring is still going on. What was different this time was, we did a slowdown in recruitment but the niche profile from the new kind of businesses that we had already got into, brought in a lot of demand for very niche skills or domain experts. That took a lot of time creating rich avenues in terms of saying where do we hire these people from and how do we manage to attract those profiles into the company. We did large investments in the leadership pool especially at different geographies. We hired a country head in Germany, a country head in France. We have hired client partners who are extremely senior sales people attached to a particular account and a very-very different profile of people who joined us. The investments in sales group increased from the 80 new sales people that we had hired last year. This year we have already hired 60 people and still continue to have about 40-50 people more to hire till the end of the year.

In terms of our investments in the pipeline that was not de-invested. We continued to believe that unless we grow the talent pipeline which is an investment into 1,000 colleges, year on year in our Campus Connect program where we bring all of them inside, the teachers inside do a training for six weeks and they go back and teach that curriculum back again into the colleges, thereby ensuring that the profile of people or the caliber of people that we get during campus hiring is a lot better than what used to be when we had not started Campus Connect program. We make investments in schools, colleges, continue to keep schools and colleges alive to the fact that IT is still on and every time there is a slowdown we get questions on should we be focusing on another industry and we have to keep telling them no, this still continues to be the big one.

One of the largest change management programs that we underwent in the last year is what we called as IRACE. It was a restructuring of the company, role restructuring done for the first time across Infosys group; 105,000 employees underwent this change. This was an 18-month exercise started in 2007. What this basically meant is, in 2001-2002 we moved from a grade-structure to a role-based structure. At that point of time we were 10,000 people, more than 80% of our business was ADM, we created career streams which matched the business that we were in. In 2007 when we took a snapshot, ADM was only 48% of our business, 50% of the business was new lines of businesses. We had subsidiaries, we had BPOs, we had consulting, we had products and we were force-fittings all the employees which we had brought in with those skills into career structures which were ADM. We needed to relook at it, we needed to make people fungible and for the first time needed to create career streams across the Infosys group. This was an 18-month exercise completed in January this year and implemented effective October 1st, so today we are online with the new structure. We spent a lot of time, almost four months with the key stakeholders during the beginning of this exercise – the customers, the senior management and leadership of Infosys and the employees themselves. The senior leadership was clear, they wanted to move towards more transformational projects. They wanted to continue with profitability at a time when business could suddenly get commoditized. Because of the slowdown, prices were dropping but we needed an edge on how do we continue to be profitable. We also needed to ensure that if we are continuing to grow, we need to move to a different kind of model whereby the scalability did not necessarily mean the same number of people in ratio. Flexibility of people in terms of skills - to be able to move people from one line of business to another line of businesses in a very formalized manner. We spoke to customers who say for the last five years we have been talking about technical depth as one of the critical things which IT industry needs to focus on. Because of the growth for the last few years of 30% to 40%, we were forced into allowing a software engineer to work on technology only till 3 to 4 years after which he started managing people, never really came back to focused technology. They said if you want high value-added work, you have to give me an 8-year-old and a 10-year-old software engineer. There is total lack of depth today with the group which you have today. Being trusted advised meant that you understood my business, became more proactive and stopped waiting for us to tell you what to do. We spoke to employees who said how do you increase my resume year on year and make it more attractive for me in the market depending on when I cash in. It continues to be an important part. What kind of investments will you make in terms of allowing me to move from one stream to another stream and how do I make sure that I continue to be employable and what would careers look like since there was going to start to a slowdown, so what would careers look like. If you look today at any IT company, most employees are used to having a promotion between 2 to 3 years because growth has been determined as movement to manage more people, not necessarily different kind of work but a different designation and more compensation. We believe that we need to crack that and change the models to horizontal movement, more depth instead of just vertical movement. That is going to be the transition from one structure to another.

In a nutshell what does IRACE do, it believes in investing in technology for a minimal of 8 years for a software engineer. Today moving from a 4 to 6 years to an 8 years which means the first project management role will be an 8-year-old with a background of 7 to 8 years of technology. We have

25 career streams across Infosys group which have different growth patterns, different profile of skills. We can today hire people in the product stream, excite people in different domains because it allows for career streams and growth in that particular stream. Earlier they were getting lost in the system, especially in a large organization like ours and we could not really differentiate between the career stream. What the 25 career stream also does is, it creates new compensation grid for each stream. If he wants to increase compensation for instance we do not necessarily have to do it at the same ratio and proportion for all stream. Whatever is there in the market is where we will pay. It also becomes very transparent to employees to understand that we give a hike depending on a particular stream. The creation of career paths and career lattices has started. Speaking about what career growth would look like, we are doing a very large branding exercise on this which will start sometime in January-February, talking about what the new careers at Infosys will look like and how depth will start getting paid higher than just a vertical movement. Our span of control as a result of this investment has changed. The span of control moved from a 1:2:4.5 to 1:3:9. This will take a transition of a year to 18 months but thereby it again allows billability to increase by a minimal of two years per employee.

We continue to invest in our facilities which allow for about 1,500 people to get inducted on a single day. 15,000 people get trained on a single day at our Mysore campus which is where all people from campuses join. We have a mandate to hire 1,000 locals in the US, largely to ensure that there are no new immigration laws which will affect our business. We have a large group of people there today about 11,000 to 12,000 people and the deputees are working in the US at any point of time. We need to make sure that we have enough locals there to manage the business. The difference between normal hiring of locals and this group is that this is a 3 to 7 years group which is being hired and they are replacing deputees who are already working on current client projects. They are being housed in for an older project rather than a new project because we realized over the last 2-3 years that the hiring of locals in the US was not very positive because we took the same India approach to the US and discovered that people in the US are not as open to relocation as they are in India. So we have to identify projects which are long-term, at least 2 to 3 years and then hire people and integrate them inside.

Investment in our training increased. We decided that we would move the 4-months training to 6-months training and this was largely because of lack of business visibility on what project would come. We ensured that all employees were trained in at least two technology stream. When things picked up, this really brought it to a fruition because we found most people got absorbed as soon as business started picking up.

We changed our performance management cycle two years ago. In a high-growth span, we had about 35% as high performers. We moved that down to 25% because we wanted sharper focus on that. It is today 10% and 15%. Our rewards and recognition are dramatically different for them vis-à-vis the rest of the average performers whereby we found that our attrition of the top performers dropped down by 50% as a result of the stronger focus on those people.

Our challenge continues to be how do we keep growing towards 150,000 to 200,000 people and continue to maintain a small company culture. We try different experiments with it. It is difficult to convince people that we are a small company when we are not, but we are now moving towards a DC or a Development Center focus whereby Bangalore is run like a company, Pune begins to run like a company rather than otherwise so that is at least in people engagement the Development Centers largely drive that focus instead of being it centrally managed by headquarters. Employees' health and diversity continues to be our focus. I will speak a little bit about that little later.

We started a very large company-wide initiative program called My Works. When utilization dropped, this became an open tool whereby employees could register. We had about 7,000 plus people who went in for projects increasing their utilization and thereby ensuring that their skills did not depreciate. For us, that was the most critical piece during the slowdown to make sure that people who were hired do not sit on a bench for longer than 3 months. How do we make sure that their skills continue to be where they are? So they did three things - they worked on internal projects and systems and tools, they worked on NGOs and government businesses in terms of producing systems for them which were for free and three, they worked for some client projects which they do not have enough bandwidth to do or worked on creation of reusable tools which could be used by clients later.

Because of the slowdown and because of the fact that for the first time in our history we had to ask the poor performer to leave, we had 632 people who are asked to leave this year because of poor performance. There was a continuous concern amongst employees in saying so what does the market look like and what will it mean for all of us. So our communication channel has actually moved up by 300%. We used very different mechanism to communicate to a larger group and the most popular one were blogs and we introduced an Infy TV which typically on a single day has 35,000 hits because most employees can access it sitting at their workstation. They can get access to any news and information which is there happening in the company which includes leadership talking as well as client information.

In terms of diversity, we have about 33,000 plus women in Infosys. We have 184 to 200 people of different disabilities working with us. We are still the largest hirers of people with disability and we believe in that very-very strongly. We have about 73 nationalities of people and 5% of our workforces are local hires. We want to make that 15% over the period of next two years. In terms of movement of women in senior management, it continues to be a focus area for us but in mid-management itself we dropped down from 33% to 17% and then after that 6%, at top management we are only 2%.

Top 3 things which we will focus on next year, is to continue to build the leaders of tomorrow. Most of you are aware that we created the Executive Council two years ago which was the next line in command to the Board. The Board, again most of you would be aware, would be almost retiring by 2014. All of them happen to be around the same age. We have a group of five people identified for the Board position. We have created the next two layers officially under the Executive Council which will take over the roles of what the Executive Council was doing until two years ago. We will continue to invest in creating the talent pipeline in the engineering colleges and in the graduate school colleges for BPO in the rural places. We work with 1000 engineering colleges and 400 colleges in graduate schools and managing diversity and ensuring that a larger number of women move to senior management also continues to be our strong focus. Thank you, open to questions.

Participant

You have 7000 people on bench. What have they done? They were on training, they were trying to develop tools and components. Have they developed anything worthwhile which can be used?

Nandita Gurjar

Some of them have developed. The right people to ask would be the ones who are managing it. So I think Subu would be a good person because he used a lot of people.

Participant

I think the better question would be how better they are trained today.

Nandita Gurjar

In terms of utilization because utilization is what we track in HR to say that were they doing something worthwhile which can be appraised during their appraisal cycle, those 7,000 plus people had something which was worthwhile. They were not on the bench category and moving people from normal bench to what we call utilization is a very long process because we do not want people to be moved just for the sake of protecting the employee per se. It is a good thing to do but it would not give us any indication of skill enrichment and as a result of iRACE which is tracking skills across the organizations, this was a critical piece in saying at the end of one year if people are on the bench, what would their experience look like. Would it be called a one year experience just because they were employees or do they have skills which they could show and demonstrate that they were actually enriching the skills? That was important, we had communicated it to employees saying that if you are on the bench for 6 months your experience is going to be called to be zero. So that got a lot of people on to work.

Participant

Madam, a few years ago you were the first choice employer at campuses. I visit some of the IIMs on a regular basis and then suddenly when we used to visit them, they used to say that somebody who did not get a job went to Infosys. What was it that happened and you suddenly had this sort of a feeling and now again you get a feeling that it is no longer so and people would like to join Infosys. So two parts to the question, in five years why this downgrade and then this upgrade?

Nandita Gurjar

When we used to hire in IIMs in '99 and 2000, one is we were one of the few hirers which was attractive enough for them to join us. We had an extremely good brand in that. But in the need to want to be fair and similar to all employees which is one of the things which we always guard against, we did not differentiate in the kind of projects we gave them. We just differentiated in their entry-level comp and believed that that would be enough but we did not differentiate and treat them differently in their career growth and they left. In two years time they would leave and this is a very closed network, so they said do not go there because they do not treat you any differently and we kept saying you have to be differentiated by the work you give as an output which is also fair from one perspective rather than just because you came from IIM. So both IIT and IIM, we actually lost out big time and we said we can manage it without them. There was a time of 2 to 3 years where we actually believed we could do without them but we realized that there were some roles and because we had hired in '99 onwards, when those people started showing results in 5 to 6 years of being in Infosys, we realized that that was the group which we needed to track separately. So we went back into the market, creating very separate careers for them. We actually highlight that careers which we would create for them. We stuck on to the promises made at the campus for 2 years and after that it has become easier. Actually our conversion went up to 93% two years back in the offers that we made.

Participant

We have been hearing a lot about the non-linear revenue is the focus for the company going forward. I would assume that that would require people with some sort of different skill sets, different in terms of the hiring, so what initiative does HR need to make or is making to get the right people to sort of move towards the non-linear revenue model?

Nandita Gurjar

One is to tap in and get the knowledge of where to source them from. The piece which my team struggles with is where do you get them from and how do you say that Infosys also has got a product division. Where product is concerned, we had Finacle, we had a group of people which could come in as referrals and that is how we began but then we have to go into the market and in different industries and different competitive places to hire those people. We typically hire new skills on price, so there would be a compensation as an entry level we would have a separate grid for them but we believe that as a result of iRACE and you can talk with Sanjay and Subu, there has been a tremendous change in their believing that they have a place to stay because we treat them differently, you cannot really do their performance management based on a quarter. The products need to be created over long-term, their rewards need to be differentiated. The way they are treated needs to be differentiated so that piece or something. Right now we are small, it is about 200-300 people but as it grows larger we would need to have that edge on so which is why we worked on the career stream being specialized for them.

Sandeep Shah

Less than 3 years composition of employees if we look at in FY09 has gone down materially to almost 50% to 53% which used to be around 58-59%. Is there any change in terms of the target composition of less than 3 years and what is driving this change?

Nandita Gurjar

In terms of hiring from campus that number continues to be a base. But I think the just-in-time hiring changed the mix because of the niche skills which require depth. While our earlier model used to be, get them from campus and all of them can end up doing the same job, we found that the amount of people which we needed to bring in with domain expertise started getting higher especially at the mid-management level. That change moved to a higher composition of lateral.

Sandeep Shah

And I think in your presentation you also commented there is a change in the control strategy of 1:2:5 can you just once again comment on that?

Nandita Gurjar

That is what the new role structuring that we have done. If you look at the SE to PA to PM which is SE to Program Analyst to Project Manager, it used to be 1:2:4.5. It now moves to 1:3:9.

Participant

When you had to let go underperformers in the last year, did it affect the morale of the office to the morale of the lot of team member?

Nandita Gurjar

It affected the morale of HR more than anybody else because it's quite a traumatic experience to do that. Typically, we have lost poor performers all the while because the minute if you tell them they are poor performers, they will leave but earlier they had a market to go to. This was the first time when you had to pull them out and say you have to go and it was not easy. We did 632 and we had right from Kris questioning do we really want to do this? It was bad, we were lousy at it.

We just do not have the skills to do this. It was a terrible experience. We would rather they leave on their own which was not really a good thing, we should be able to manage that better but if hopefully the market picks up, we do not have to do that. But we will continue to put people in the poor performance bracket and on the PIP (Performance Improvement Plan) plan.

Participant

In terms of in the non-engineering background people especially on the domain side, there is always been a talk of having more domain experts so what would be the proportion of employees today being in the domain expert side and how this number would go up in your estimates and for hiring of those people typically how is Infosys placed vis-à-vis any other leading industries with whom you would be competing in the market.

Nandita Gurjar

The proportion will not be too high because we only bring in the domain expertise of that particular industry. For areas where we require large amount of domain expertise. we have created academies whereby that is taught to the engineering community. Because we are in the business of creating systems, they need to understand technology per se and then they build on the domain expertise. We prefer to teach it rather than to hire people from outside. In terms of ability to attract them, right now it has been on compensation because other industries you do not pay as high as an IT industry does, it has been good. In terms of what happens to them 5 years down the line and that is what some of them question because I am losing out on domain expertise because it is not getting refreshed. Their skills are highest when you hire them but after 4-5 years because they are not in touch with that industry it starts going down and that is when the panic creates and saying how do we ensure that they continue to stick on to what they do best else they have no value frankly.

Participant

Hi, madam my question is which was regarding this SME concept which we are listening from the morning, the Subject Matter Experts will be grouped inside which is what is you were just trying to say.... Have you said do you really prefer SMEs in this kind of a period. Was HR proactive in suggesting that ?

Nandita Gurjar

Yes, because if you cannot buy them then you build them. We did not have enough outside so we had to build them and especially in ES where you require a high amount of them with that expertise, we actually put up something called an ES academy where after they graduate from Mysore, they are put in through 1-1.5 months of training and then all ongoing people in the ES, Enterprise Solutions go back into that academy to get trained on domains.

Participant

Just from the span of control, you said you're changing from 1:2:4.5 to 1:3:9, does it mean people in the five-year bracket get demoted now?

Nandita Gurjar

Which five-year bracket?

Participant

The previous span of control of guys who are 4.5 or 6 years experience, they would have been a project manager or program manager whatever you call it. In the new span of control, he would fit into the bill because he has 9 years experience. How are you going to handle that transition?

Nandita Gurjar

When we had to map people into the new structure we looked at three things, we looked at total years of experience, we looked at role maturity which means how long was he playing the project manager job. If for example, he was playing there for longer than 2 years then we mapped him to project manager. You cannot move into an ideal structure because that will take 18 months. We give the benefit of doubt to the current people but those who had lower role maturity, just less than 2 years they did get mapped lower. So 8% of people did get impacted.

Participant

Okay sure. Thank you.

Nandita Gurjar

However there was a thing called Personal Level which was introduced which protected people from the present structure to move to the next structure, for example people do not get demoted at the personal level. Their compensation and benefit stay the same and their Personal Level remains the same, it got mapped. They will grow into that or they can look for another job wherever there is an opening in that particular level.

Participant

Continuing the same question, how has been the response of the employees with respect to the new thing. If people 2-3 years back have joined considering the earlier span of control and now they have moved on to something else? How has been the response and how do you deal with the change in the market which you have to bring about in the employees with the new structure?

Nandita Gurjar

So in terms of a 2-year old and below which is a large population of ours it has been positive because people are excited of the thought that they would spend more time in technology. Actually when we announced it there was a loud clapping and cheering because nobody wants to go and manage people that early. In terms of people who have got caught into the system who believed that they almost got into the line and became a manager and now they have been told, you have to wait a few more years, there is a bit of anxiety there. We have to change the mindset and that is a transition in terms of saying that there is something called progression which is a substitute for that promotion which is we are expecting. We have to manage it with compensation, we have to manage it what the progression amount would be because that would again get linked to a hike and we have to manage it with the quality of work that they will do. It has to be double-sided. We have to do a high branding of career ladders and lattices that we would be creating, in terms of talking about how people will grow and we are a very large society of 100,000 people. If we do this well, they will accept it that that is the way to grow. We did the benchmarking of the new structure effective October 1st with that of multinationals and with other IT companies in India and we found we are more now like the multinationals which believed in having an 8-year-old software engineer rather than Indian companies which earlier used to have much lesser.

Participant

Could you talk something more on the change you made at the top level, at top bracket you brought it down from 35% for the high performance employees you got it from 35% to 25%, got it again down from 10 and 15. What are the changes done, are we looking at this way into recruitments of people at various senior levels of outside as well?

Nandita Gurjar

No, this was on performance appraisal and the ratings. Earlier high performers, not senior management, high performers used to be 35% of the company, they were bracketed into high performers. So if 35% is bracketed there, what can you do with 35% of the company, rewards became almost similar to that of an average performer. What we have done is we have made that into 25% and broken it up to into what we call star performers and high performers which is 10% and 15% and their salary brackets as well as their variable payouts will be much higher. The idea is to retain this 25% at any cost and if you have to lose, then we have to lose the lower performers. We call them CRR3 and CRR4 rather than 1 and 2.

Participant

Now in terms of people what Infosys was three years back what it is today and what it will be three years, it is completely different. There are a lot of challenges that you have which are today at senior level and even at junior level and you will be quite different three years hence. So I want to know how do you address them, what are the challenges and it is going to be a tough thing and this company is going to be 150,000?

Nandita Gurjar

Okay, if it just in terms of size, yes we need to do things like decentralization, we need to have better systems to be able to track things which is happening on the way but I think more than that, it would depend on whether there is high growth or whether is a slowdown. Both of them are people challenges because if there is high growth, then where do you hire them from and how do you make sure that the structure is still visible. If there is a slow growth which is what we thought it could be based on the last 2 years, then how do you make people realize that things will be much slower. I think either ways it is dramatically different. The one big challenge would be how do we manage with less, do we have to hire 200,000 people to be able to manage to grow our revenues or can you look at a different model and that is really where our new business lines are talking about. What kind of different of investments we need to make which means hiring different kind of skills. For example, we want to start the US government business which is a very different business from what we are used to and what kind of people would we need to hire there because they would have to be largely locals. This is different but unless we make those kinds of investments and at the same time managing the business as usual, I do not think we would even be able to survive. Survival in a 100,000 organization is a different game from otherwise. I know that the kind of investments we make with the academia today, the relationships that we build with academia, are huge. We are more than partners. On the contrary sometimes for me it is more like a customer which is supplying me the talent pipeline. So I think learning to address all of that and managing it year-on-year is where the fun is.

Participant

At the senior level do you see strain when they move up to the higher level?

Nandita Gurjar

No, I think they manage great. I think they manage very well. I am continually amazed as to how different a scale, the same number of people are managing year on year. I think they do a great job.

Participant

I think you were the first company who announced a salary hike this fiscal, just want to know what was the rationale behind that? Is it because of the quarterly attrition rate which has picked up? If I am right, the quarterly attrition rate has picked up to 17.4%?

Nandita Gurjar

Good lord, Infosys?

Participant

Yeah. If you take the total addition less leavers and take the total employee base, if you calculate it that way the total attrition rate has gone up?

Nandita Gurjar

No, the total attrition had nothing to do with our increase. We were going to give the compensation hikes in April 2009 because we were profitable the year before and we have a model in which a certain percentage has to be given to employees. The reason we did not do that is because of the slowdown and unpredictability in the market. We said we would have to do layoffs of a tune of 10,000 people if it does not pick up and we did not want to do that. We decided not to do the hikes because we wanted to protect jobs not because we did not have the money to do it. By September-October we realized that it would not be as bad as we thought it would be, so we said that we have to give that money out in that year. October was the only time we could give it because then it is time for April.

Participant

Global MNCs are expanding in India like Cap Gemini, Accenture; they are hiring 8000-10000 people on yearly basis. Do you find them hiring people? They are expanding in offshore locations like India, so are there any challenges from your side in terms of hiring?

Nandita Gurjar

Overall, i think for niche skills it is a challenge, for generic skills, no. I think somewhere in the employer market, it has become very comfortable for employees to move. While we talk about you know Cap Gemini and Accenture and IBM and TCS and Wipro and Infosys hiring, I think a large amount of movement is across companies. So they are just playing round-robin rather than the extra numbers which are coming in because those numbers do not exist. So you need to really promote people from within if you want those higher numbers which is what we do in terms of percentage. We would rather promote the people inside, then bring people from outside because you bring people from outside, there are somebody else's junior profile you make them higher, then our people go there and it is just a game. The number are not too high.

Okay folks thank you, thank you so much.