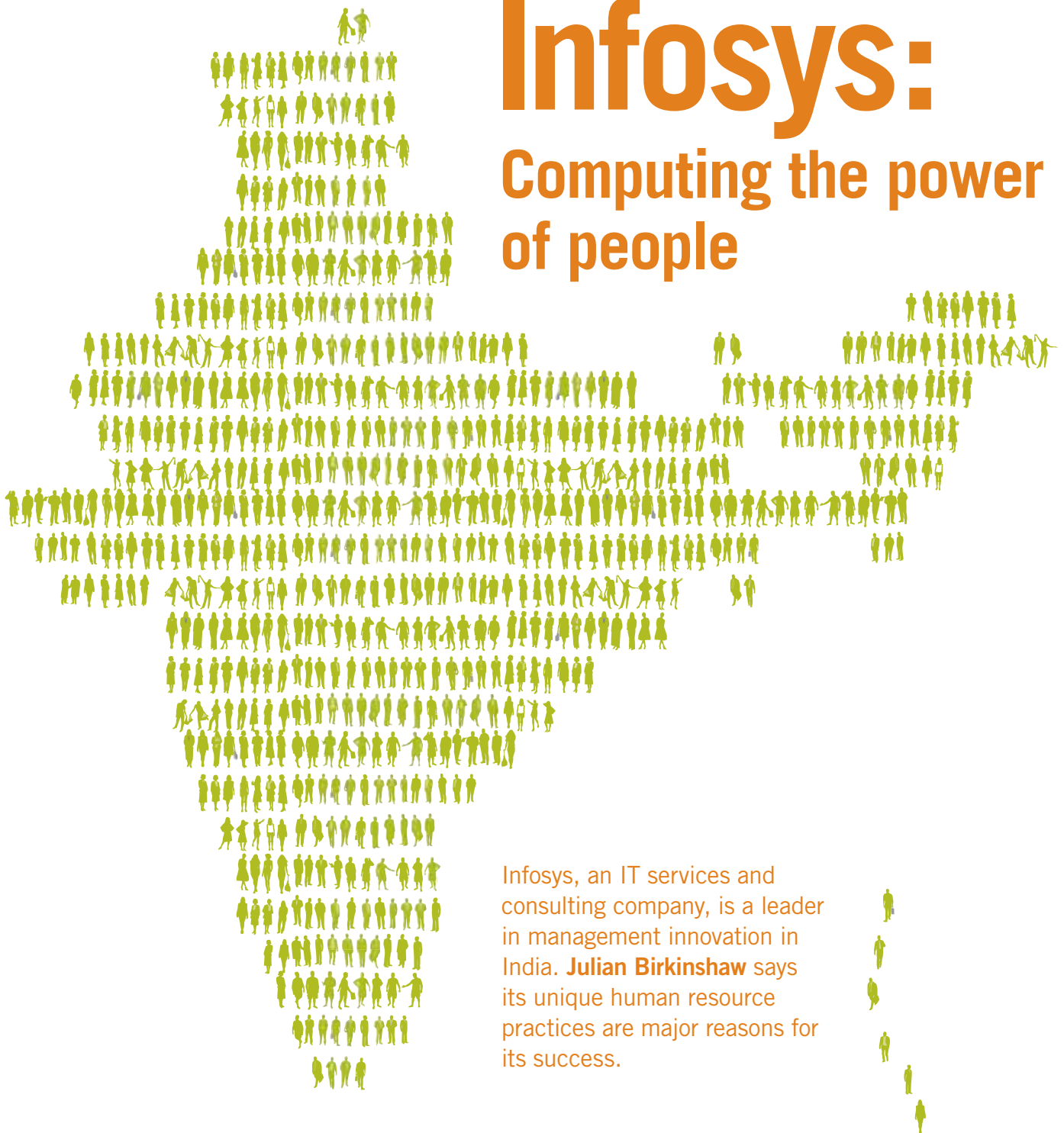


Infosys:

Computing the power of people



Where should you look if you want to find innovation in the workplace? One approach is to examine self-styled creative companies like Google who were born with different DNA from the rest of the world. Another is to search for the maverick individuals who follow G.B. Shaw's famous dictum that the reasonable man adapts himself to the world, while the unreasonable man tries to adapt the world to his point of view.

A third approach is to seek out companies that find themselves managing on the edge – facing extreme or unprecedented challenges that force them to think afresh about traditional ways of working. For example, lean production emerged from the pioneering efforts of Toyota and other Japanese companies in the 1960s because they were faced with limited supplies of raw materials and space. In such circumstances, necessity rather than conscious choice is the mother of innovation. It is the same principle in technology innovation: oil well-drilling technology is led by the companies who have the most problematic oil fields, not the biggest reserves. And the developments in electric, fuel cell and hybrid cars typically emerge in countries where petrol prices are high.

So where should you look to see innovation in human resource practices? How about a company that is experiencing 50 per cent year-on-year growth, to which more than 1 million people apply for jobs every year, and with a median employee tenure of two years? How about a company in an emerging economy that has poor infrastructure, a highly diverse workforce and no tradition of international success? And how about a company that is operating in a booming and fragmented industry that reinvents itself every three to five years?

Infosys, the Indian IT services and consulting company, is exactly such a company. It has achieved prodigious levels of growth since the early 1990s and has had to come to grips with unprecedented challenges in hiring, developing and managing its workforce. Faced with these challenges, Infosys has developed new ways of working. It hasn't thrown out the traditional rule book altogether – in fact the company is pretty savvy about learning from the good practices of client and competitor companies – but Infosys has reached, and in many cases pushed forward, leading-edge practice in human resource management.

Engineering growth

Seven Indian IT engineers founded Infosys in 1981. Among them were Narayan Murthy (now Non-Executive Chairman and Chief Mentor), Nandan Nilekani (former CEO and now Co-Chairman) and Kris Gopalakrishnan (current CEO and Managing Director). Ten years after its founding, Infosys was still operating as a fragile start-up, but a commitment

to international expansion enabled the company to catch the tsunami of growth in demand for IT services in the 1990s.

Infosys led the charge of Indian companies onto the world stage in such industries as systems integration, business process outsourcing and IT consulting. It was the first Indian company to be listed on NASDAQ, and it was able to capitalize on the highly educated but relatively cheap Indian workforce years before competitors such as IBM and Accenture could. And by developing a Global Delivery Model (GDM) across 38 global centres that allowed it “to produce where it is most cost-effective and sell services where it is most profitable”, Infosys offered a set of services that few competitors could match.

The last few years have seen dramatic growth – \$3.9 billion revenues and \$1.1 billion net profits at the end of 2007, compared to \$1.59 billion revenues and \$419 million net profits in 2005. Employee numbers have grown equally fast, from 52,715 employees in early 2006 to 80,501 in September 2007.

As Nilekani observed: “Infosys’ goal has always been very consistent: it is to stay ahead of the next big trend.” To do this, the company has focused on getting the most from its employees. As Hema Ravichandrar, former Senior VP of Human Resources, put it: “It was our emphasis on transparency, communication and employee connect that set us apart from other organizations.”

Fast evolution

Like any fast-growth company, Infosys has gone through several major transitions in its human resource policies and processes. In the early days while the company was small, HR systems were ad hoc. But high growth created an array of challenges. Employees’ technical abilities started to get ahead of their managerial abilities, so in the 1990s the company developed a strong human resources department and an education and research department to professionalize its workforce, build skills and create loyalty. Another challenge was the limited number of computer science graduates from Indian universities, so Infosys hired graduates with other backgrounds to broaden its talent pool. With the emergence of the Internet, online recruitment systems and a corporate Intranet were developed. Once this platform was in place, a series of additional initiatives followed around issues such as diversity and quality of work life, attracting new types of employees and linking HR practices to the broader strategic goals of the company.

In fact, over the last two decades, Infosys has been a consistent leader in management innovation in India (see sidebar). Let's look at Infosys' practices in four areas, before returning to the broader issue of how they emerged. →

→ Hiring and getting the workforce up to speed

Infosys is one of the top employers of Indian graduates, but is relatively unknown outside the country, so the company faces two opposing problems. One is how to cope with overwhelming numbers of high-quality Indian applicants – 1.3 million last year. The other is how to build awareness of and interest in Infosys globally so that the quality and size of the talent pool continues to rise.

Take the Indian side of the story first. How do you select 17,000 employees from an annual applicant pool of more than a million? The short answer is automation. Somnath Baishya, a corporate HR manager, explained that would-be employees complete an application form online. The applications are then screened, and approximately 10 per cent of the applicants are invited to take an online test of their written and technical skills. These tests are conducted by an external vendor, which has the capacity to test up to 10,000 across several cities on the same day. Offers (to fewer than one per cent of the applicants) are made on the basis of this test. Infosys pioneered online recruitment, and its approach has now been emulated by many of its competitors.

But an equally important element of efficient hiring is a clear point of view on the type of person desired. One key attribute at Infosys is what they call learnability, the ability of an individual to derive generic learning from a specific situation and apply

“These students bring cultural diversity to the workforce, and they help to spread the word about working for Infosys,” explained Bhavna Mehra, the head of Global Academic Relations.

In 2004, the company developed its Campus Connect programme, a series of projects in collaboration with 300 universities in India and overseas, designed to increase interest in Infosys among undergraduates and to help gear course curricula towards the company's needs. Baishya described how successful this has been: “Campus recruiting outside India began in 2005, with a first batch of US graduates starting the following year, and a first batch of UK graduates starting in 2007. More lateral hires from other companies were brought in, and now they number 30 per cent of the total pool of recruits, 40 per cent of whom are referrals from other employees.” Again, the referral and lateral hiring processes are conducted online.

Allocating talent and promoting productivity Infosys has fine-tuned its induction process for new recruits so that they get trained and ready to work in less than four months. New employees, dubbed Infoscions, arrive in batches of around 500, three groups per month; and they are immediately sent to Infosys' educational facility in Mysore for 16 weeks of training in technical and soft skills. The Mysore facility is the size of a small university with 200 faculty and space for up to 11,000 employees at a time. As the employees near the end of their

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it to a new unstructured situation. Things change so quickly in this industry, the company realized, that there is little point in focusing on mastery of a particular computer language or customer sector. Instead, it needed people who could thrive in a changing environment and who enjoy mastering new languages and new challenges. The emphasis on learnability also made it possible to hire graduates without strong IT backgrounds, as such skills are easily learnable on the job.

With a high level of demand, Infosys found that it was struggling to find enough good new recruits, so a number of initiatives were started to grow the applicant pool. An internship programme, InStep, was launched in 1999 to attract students from the world's leading business schools. Over 500 students from Harvard, Stanford, London Business School and others have spent a summer working at Infosys.

training, they use an online system to indicate their job preferences (technical specialization, but not geographic location); and the online system matches them to jobs. For those who don't like their posting, there is a “swap portal” online to facilitate swaps between locations.

Geetha Kannan, Vice President for Human Resource Development, explained: “For initial postings, it is easier just to make assignments; but we are now moving to an online marketplace for jobs, a sort of eBay model, where after a couple of years our higher-rated employees are encouraged to apply for openings. We also prioritize those individuals who have to move for medical or personal reasons.” The online job marketplace is tied into another Infosys system called Career Central, which is a database of individual competencies, trainings and certifications.

Once employees arrive at their first placement, there are new challenges for the company – how to make them feel at home, often in a new city, and how to make them productive. Infosys has developed a sophisticated process for welcoming new hires. Kirti Vardhana, a manager in the employee relations department, explained: “We put on a wide range of induction events, sports clubs, movies, quizzes and cultural activities, all designed to help new Infosians build a life in a new city. There is a well-being initiative called HALE (Health Assessment and Lifestyle Enrichment Plan) that

brought to life during the induction process through case studies and discussions. And there are annual Awards for Excellence events, held simultaneously in 15 locations around the world, during which employees are awarded prizes for excellence in such areas as project management, account development, innovation and social conscience.

The company is actively looking for ways to improve the quality of its moral contract with employees to help them get the best out of their situation. Consider, for example, a recent initiative called Career Clarity. Perhaps because the company

Notwithstanding its strong collaborative culture, Infosys is a highly competitive place.

includes cardiac health checks, safety talks, online stress tests and so forth.” Major locations have four or five HALE activities per month for employees. There is also a new initiative, HEAR (Hearing Employees and Resolving) for managing grievances more effectively.

All of these activities are designed to make life comfortable and familiar to Infosys’ new recruits, similar in many ways to a university campus, but one with strict rules and high standards of performance.

Building bonds and creating loyalty The median tenure of an Infosys employee is just over two years, a function of the rapid growth of the company; the turnover rate is approximately 15 per cent per year (a high number, but still below the industry average). So how does the company create loyalty and engagement among such a rapidly changing group of people?

Infosys strives to make itself a great place to work. Salaries and perks are excellent by Indian standards, training is first-class, and there are opportunities for rapid advancement. Infosys works particularly hard to attract a diverse workforce. A Diversity Office was set up in 2003, and as Srimathi Shivashankar, the head of this office, explained: “We sponsor a vast range of programmes, including IWIN Circles (women’s support groups), satellite offices in downtown areas to make it easier for mothers with small children to work for Infosys, and a diversity ‘dashboard’ to provide a graphic indicator of the performance of each business unit on diversity measures.” Female employment at Infosys is 31 per cent, higher than that of its peers but still below what the company would like.

The company has developed a strong culture, as captured by the acronym C-LIFE (Customer delight, Leadership by example, Integrity and transparency, Fairness, pursuit of Excellence). These values are

hires the best Indian graduates, some of the new employees developed unrealistic expectations and demands about how quickly they might rise through the ranks. So a two-part system was put together: first, an online form completed by employees about their expectations and aspirations; second, a session with a counsellor who compares their personal expectations with benchmark data for others at the same level and rating. These sessions help counsellors to recalibrate individuals’ expectations if they are wildly optimistic.

Career Clarity was being pilot tested at the time of writing. Raj Reddy, a corporate HR manager, explained: “Its success will be measured on two dimensions: the extent to which aspirations are actually met and by the overall employee satisfaction Litmus test.” (Litmus, by the way, is also an acronym: Let’s Interact on Themes that Matter to Us).

Another initiative is a segment on the company website called “Ask Kris”, which is an opportunity for employees to ask any question directly of the CEO. As questions are asked, others rate how important they are, those getting the most votes gradually moving up the table. Once a month, Kris then answers the most important and highest-ranked questions.

Building a high-performance workplace The final element in Infosys’ human resource strategy is to turn employee engagement and potential into high performance. There is an important extrinsic element here. Stock options were introduced in 1994 as a way of retaining the company’s brightest talents rather than losing them to US competitors. Since 2003, the company has moved away from options and instead has offered a much higher level of incentive pay, particularly among the 200+ vice presidents, for whom variable pay is now as high →

→ as fixed pay in some years. Employees have elements of their pay associated with individual, business unit and corporate performance. And, since 2000, the company has moved from a simple promotion model based on tenure in the company to a meritocratic model with clear role definitions and competency assessments. “There is now a high-performance work ethic,” observes Reddy.

Notwithstanding its strong collaborative culture, Infosys is a highly competitive place. It is full of high-achievers who have always been at the top of their class and expect to continue to be there. Employees are rated on a 1-4 scale, on which 1 is highest. In the first year or two, most people are rated 1 or 2 (otherwise they wouldn't have been hired), but a forced curve is gradually introduced and individuals are told exactly how they are positioned in their peer group. The company has used 360-degree feedback on management performance for many years, dating back to a 1992 initiative from Murthy in which members of the management council were asked to evaluate each other's performance. And a recent initiative on goal alignment was introduced to better link individual performance to the balanced scorecard for the business as a whole.

Ravichandar sums up Infosys' approach to employee engagement: “We provide learning value-add through our training and on-the-job learning opportunities that constantly ‘stretch’ employees, financial value-add through competitive pay and incentives, and emotional value-add through our strong culture.”

Building management innovation

This discussion of Infosys' human resource practices is far from comprehensive, but it illustrates the company's desire to develop best practices. And there has been plenty of external validation of its successes, including the 2007 Optimas award from Workforce Management and the 2005 and 2006 “Best Company to Work for in India” award from BT-Mercer-TNS.

Where do Infosys' management innovations come from? The company does not have a systematic approach. Instead, it relies on the initiative and careful attention to detail of its senior human resource team, around four themes:

Constant reinvention Infosys is a young company, and its founders are still active. The early stories of bold growth and radical transformation are widely known, and they create a strong culture for change. Murthy himself was responsible for several of the big human resource initiatives of the last decade, including the Diversity Office and the Global Internship Programme. Other senior executives aspire to be equally progressive. Infosys runs

People time

Mid-1980s Infosys campus in Bangalore built, the first of its kind in India. Employees help design it, including sports and leisure facilities

Mid-1980s Infosys recruits non-computer graduates from the major Indian universities to widen its talent pool

Mid-1980s “Learnability” introduced as a key attribute to look for in selecting new recruits

Early 1990s Human Resource and Education & Research departments created

1992 Executive peer rating system for management council established to create greater self-awareness of skills and to encourage higher quality management

1994 Voice of Youth initiative introduced, in which five or six high-potential employees under the age of 30 are invited to join the management council on a rotating basis

1994 Employee stock options offered to help retain the best employees

1995 Petit Infoscions initiated, annual event for families at which children with top grades or extracurricular achievement receive awards

1999 Chat with Nandan introduced as opportunity for employees to ask questions directly of the CEO

1999 Recruitment process placed online and outsourced to external providers to cope with the high volume of applicants

2000 Career Central launched, an online system for employees to manage salary and expense claims, training programmes, career options, performance evaluations and so on

2000 Instep internship programme conducted with business schools around the world to bring top graduates to Infosys for a three-to four-month period

2002 HALE (lifestyle enrichment programme) launched

2003 Mysore training facility built to provide dedicated training for new employees

2003 Diversity Office established

2004 HEAR (employee grievance programme) launched

2004 Campus Connect project introduced in collaboration with Indian universities to steer their curricula towards Infosys's needs and to create awareness of the company on campus

2006 Career Clarity initiative developed to help employees match their expectations to available opportunities

performance engagement workshops to create a platform of organizational change agents who will light the next round of fires. “We are consciously creating energy around new ideas,” explains Reddy. There is also a conscious effort to listen to the opinions of people lower down in the corporate hierarchy. Murthy introduced the “Voice of Youth” to the management council by bringing five or six high-potential managers under the age of 30 into the council on a rotating basis. These managers present their thoughts and insights at the company’s annual planning conference.

Infosys is also happy to share its leading practices and to make its ideas available for others to copy. Ravichandar recalls that in the late 1990s and early 2000s, Infosys hosted the Confederation of Indian Industry’s annual CEO Conclave. “Mr Murthy made it a point to tell us to share our best practices and innovations with these CEOs for two reasons: for the benefit of industry at large and also so that we would work even harder to have something newer and more innovative on offer the next year.”

Import and adapt Infosys managers actively seek out best practice ideas from other companies and then adapt them to their own context. “Because of the nature of our work,” Bikramjit Maitra, Senior Vice President of Human Resources, explained, “We often understand our clients’ processes better than our own.” And this knowledge then gets used – with the client’s permission – to make Infosys better. Executives are also very careful only to introduce ideas that have a good chance of success. “The system has to be ready for a good idea. A best

practice implemented 75 per cent is only as good as a 75 percentile practice fully implemented,” commented Reddy.

Aggressive automation Infosys moved its hiring process online in 2001 – an essential move in retrospect, but one that was ahead of the curve then. The company transferred all its internal HR systems onto its Intranet during the period 2000–2002. And now the first elements of Web 2.0 thinking are appearing on the Intranet (for example, the questions to the CEO subjected to an interactive rating system). Perhaps it is not surprising that such a leader in the IT industry has aggressively embraced online systems, but it is nonetheless an important feature of its progressive model.

An experimental approach It is always tempting to roll out a new idea across the whole company once it has been given the go-ahead, but it is also risky. Infosys prefers an experimental approach. It gives more freedom to some parts of the organization than others, so that they can do more innovative things. The Career Clarity initiative, for example, is being tried out in three units and with about 3000 employees at the moment. The results will be monitored over the next two years, and only then will a decision be made about rolling it out companywide.

In any company, many factors contribute to its success, including visionary leadership, strong core values and a healthy dose of luck. One may attribute Infosys’s to a number of factors also, but its commitment to pioneering human resource practices should be at the top of the list. ■

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