Case Study

EMPLOYEE SATISFACTION AT HCL TECHNOLOGIES

Ajay Kr. Singh*

*I*N 2005, Vineet became President of HCL Technologies and during the next five years he led a remarkable turnaround of the company, which saw its employee base expand from 30,000 to more than 75,000 whilst also tripling it revenues. Today HCL employs over 85,000 people across the globe, and continues to expand in size and scale under Vineet's leadership, which has only strengthened through his appointment in 2007 as the company's CEO, and most recently its Vice Chairman in November 2010. During this time, HCLT joined companies like Apple and Google, as one of only eight technology companies in the world with revenues above $2.5 billion, achieving a compound annual growth rate (CAGR) of more than twenty five percent. "Everybody was aghast the first time I said that," admits Nayar.

Here are some things which can be said about him with confidence: He is good at motivating employees, very committed to building a great team, but a little shaky on getting things done on time. These are the observations of his employees told to him in an extraordinary process of upward evaluation he implemented last year at HCL.

Every employee rates their boss, their boss' boss, and any three other company managers they choose, on 18 questions using a 1-5 scale. Such 360-degree evaluations are not uncommon, but at HCL all results are posted online for every employee to see. That's un-heard-of!

And that's not all. Every HCL employee can at any time create an electronic "ticket" to flag anything they think requires action in the company.

Explains Nayar, "It can be 'I have a problem with my bonus,' or 'My seat is not working,' or 'My boss sucks.'" The ticket is routed to a manager for resolution.

Amazingly, such tickets can only be "closed" by the employees themselves. And Nayar is vigilant that managers do not intimidate employees about creating or closing tickets. Managers are evaluated partly based on how many tickets their departments are creating - the more the better. Nonetheless, I'm sure it continues to be recommended not to be the employee who regularly posts a "my boss sucks" ticket.

In addition, every employee can post a question or comment on any subject in a public process called "U and I." About 400 come in each month, and questions and answers are all posted on the intranet.

"The food served in Sector 24 is stale," read one recent comment. Vendors were replaced.

You can't become a manager at HCL until you've passed a group of courses that include negotiation

* *Coordinator – MHROD Programme, Department of Commerce, Delhi School of Economics, University of Delhi, Delhi, India.*

skills, presentation skills, account management, and what they call "expectation management" – dealing with the expectations of both customers and employees.

There is a method to what some might consider madness. Nayar has concluded that what he calls the "effort-based" model of Indian IT up to now will not win long term. That's because IBM and other global IT companies now have their own local employees and can match many long time Indian cost advantages.

The winners, Nayar believes, will be those that deliver the best results to customers. Employees who are secure and happy can better focus on customer success, he thinks. So he aims to build an organization full of highly-skilled employees dedicated to creating customer value. He wants to make HCL, which employs 20 percent of its workforce overseas, the place people most want to work.

Nayar is also looking to solve a problem that looms large for Indian IT companies these days: Attrition. The best employees are increasingly the hardest to retain. Nayar wants anyone who leaves for a job elsewhere to end up frustrated.

"I want to be the company that gives superior service to my employees compared to everybody else," he explains. He also firmly believes the ideas that will guide HCL into the future will come not from him, but from below.

Early signs suggest his bold strategy is working. Within one year of Nayar being president, most of the innovations have been implemented. But in that time the attrition rate has dropped in half, he says; the stock more than doubled - HCL Technologies' market cap is $4.2 billion. (The company is mostly owned by a holding company which also owns HCL Infosystems, India's largest PC-maker.) Revenues last year grew 34 percent to $764 million.

In January HCL won one of the biggest Indian outsourcing contracts ever, a three-year deal, reportedly worth $300 million, with European electronics retailer DSG ((DSGI.VX)), best known for its Dixon's stores in the UK.

HCL's innovations are not only managerial. The company aims to become a strategic partner with customers by also working with them on business process management, and by managing infrastructure remotely, a business it pioneered in India, says Nayar. It has succeeded with AMD (Research), a marquee customer for which it does all those things.

Another key customer is Cisco (Research), a 10-year customer with whom HCL is now embracing another form of innovation - shared risk. Since February, HCL has been completely responsible for engineering one Cisco product. It gets paid based on how well the product sells.

In engineering all this innovation, Nayar's humility appears to be a potent managerial asset. Last week he wrote a letter to the company's employees marking the anniversary of his taking the job (He worked his way up over 21 years.).

"Please excuse me if I stepped on any toes or hurt any feelings in trying to hurry the transformation agenda," he wrote. "I am here as long as I have your support and confidence."

Don't you wish more managers had the strength to speak like that?

Questions

1. Do you think that this strategy of putting the customers after employees would work in the long run? Justify you answer?

2. Do you think that Vinit Nayar would succeed in the long run with his innovative approach of dealing with people with so much of transparency on the intranet? Explain with reasons?

3. If you were the CEO of a company which is working in competition with HCL then what would you do in your company?.