HCL Technologies since the Global 2008-09 Crisis: Creating Value through Employee Empowerment[1]

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On January 17th 2013, the charismatic, 50-year old CEO of HCL Technologies (HCL), Vineet Nayar, stepped down from his position and was replaced by Anant Gupta, age 48, who had been promoted to the position of Chief Operating Officer a few months before (in July 2012)[2]. Though this change signals a new direction for HCL, Vineet leaves behind a strong legacy driven by his radical management philosophy "Employees First, Customers Second" or EFCS[3].

The employee culture at HCL is a key catalyst for its healthy performance. Management's focus on employee culture as a competitive differentiator has led to a remarkable turnaround in HCL's market share and mind share, over a period starting from 2005 till date. Since the turnaround initiated in 2005 by Vineet Nayar, the numbers have been impressive[4] : 514% increase in annual revenue (from June 2005 to June 2013), 440% increase in net income (from June 2005 to June 2013), 244 % increase in market capitalization (from June 2005 to June 2013), 56% increase in revenue per employee, and 15% reduction in employee attrition rate (Sep 2005 to June 2013).

Culture at HCL helped the company sustain and survive the 2008 crisis which hit most businesses around the world. In fact during this time HCL emerged as one of the fastest growing and profitable companies in the industry. The 2009 results demonstrated the power of employee empowerment, since HCL was one of the few companies in the IT sector that grew while most other players, big and small, declined. Vineet Nayar explains[5]:

"…and there was one factor that came externally, it was the recession in 2008…The customers woke up to the fact that their relationships with the vendors were one-sided: only profit-maximizing … The customer-vendor relationship came under huge strain during that period. Trust, transparency, flexibility, and experience was at the lowest. So, whatever value we tried to profess in the market as unique differentiator, we had years to build it. So combination of recession, behavior of our competitors, the unique experience, organizational structure and culture..we had built a combination that led to a huge growth during the recession... we were one of the few companies, if not the only one, in the world that never experienced a negative growth…"

The success of employee empowerment is evident in many of the global recognitions that HCL has received over the years – for example, being the only IT services company to feature

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[1] This case was made possible thanks to the funds provided by the research chair Webhelp-HEC "Human Capital and Performance" as a part of a 5-year research program.

[2] Vineet Nayar has kept the role of Vice-Chairman of the company (source :
http://in.finance.yahoo.com/news/vineet-nayar-steps-down-hcl-135927588.html)

[3] Vineet Nayar :*Employees First, Customers Second*, Harvard Business Press, 2010.

[4] Frost & Sullivan : *Business Model Transformation : Empowering Employees to Focus on the Customer*, Best Practice Guidebook, 18p., 2012 (SHDNT THE SOURCE BE HCL FINANCIAL REPORTS)

[5] Source : Personal interview conducted by the case's author in November 2012.

in Fortune's first ever Executive Dream Team and making it to the Forbes Asia's Fab50 companies – 4 years in a row. For the company's contributions in developing and nurturing Employees First, Customers Second (EFCS), the ground-breaking management philosophy, it has also received a number of management awards including the prestigious Prix Olivier Lecerf 2012, a prestigious French management award.

EFCS was only the first stage. In the years since, it has evolved to become an integral part of HCL's culture. It was initially driven by management and embraced by employees. Over the years, however, the concept has taken on new meaning by becoming employee-driven, management-embraced –in the form of programs and initiatives driven by employees. This new manifestation of EFCS is captured in the phrase "ideapreneurship," the second stage of the revolutionary management philosophy. ideapreneurship represents HCL's environment of grassroots, customer-focused innovation that encourages individual employees to come up with innovative solutions to customer challenges.

Today HCL is at a turning point with the nomination of a new CEO, increasing domestic and international competition, and the challenge to keep up the momentum of the "ideapreneurship" model in an organization that has more than doubled its workforce since June 2007 increasing from 42,017 to 87, 196 as on 30th September, 2013. [6].

The evolving HCL business model (2008-2013)

How did this journey evolve? What were the drivers and challenges? Let's take a closer look.

The 2008-2009 financial and economic crisis

In April 2005, HCL's vision was to move the whole company up the value chain—and to start going after larger, more complex engagements.[7] The results obtained during the first years (2005-2007) of the HCL transformation process have largely confirmed this initial vision—beginning with a $50 million contract with Autodesk, won in November 2005, followed by a series of successful (over $100 million) contracts negotiated at the expense of other major players in the industry.

2008-2009 became a real 'stress test' for HCL that could, for the first time, assess its resilience amidst the turmoil brought on by the global financial and economic crisis. The company experienced a solid growth in revenues between 2007 and 2009 as shown in Exhibit 1 (2007-2008: + 34%; 2008-2009: + 17% in US $) and Exhibit 2 for the EBIT (2007-2008: + 29%; 2008-2009: + 18% in US $). According to Krishnan Chatterjee, SVP & Head, Strategic Marketing, HCL Technologies, this remarkable growth was a result of the three key values that HCL believes in – *Trust, transparency & flexibility; value centricity and Employees First.*

During the turbulent times, HCL took the right steps to boost employee morale and protect jobs. A campaign was also launched that urged employees to save costs wherever possible. This also included a freeze, and in some cases a decrease, in the top management's

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[6]Source : consolidated from various financial reports downloaded from the HCL website : http://www.HCLech.com/investors/results-reports

[7]"HCL Technologies (A)", Case 9-408-004, Harvard Business School (written by Linda Hill, Tarun Khanna, & Emily Stecker), rev July 17th, 2008, p.4

compensation packages. Beyond these efforts, employees brought new ideas to clients, generating new revenue sources. All these actions, both on the cost and the revenue sides, helped HCL face the bad economic weather with surprisingly strong results compared to the IT industry in India and globally.

HCL's Total IT Outsourcing Strategy: competing with the giants

The lessons learned from the crisis period reinforced HCL's initial vision to offer a unique experience to its customers that would differentiate the company from the competition. The evolution of HCL's business strategy during 2010-2013 is therefore characterized by even more customer centricity with focus on flexibility of service offering and higher value creation for the customer. Exhibit 3 clearly shows that the distribution of revenues has progressively shifted towards more sophisticated value-adding activities since 2008. For example, infrastructure services represents nearly one third of revenues in FY13 while it contributed to 15% of revenues in FY08! In a similar vein, the BPO services business of the company has turned profitable owing to the focus to move away from voice-based services to non-voice services. Another indicator of HCL's move up the value chain was the gradual shift in balance between the revenues by contract type; in 2008, nearly 2/3 (65%) of the contracts were under the 'Time and Material' category whereas this figure was down to 47.8% in 2013, clearly indicating that other contract types adding more value (fixed price projects and managed services) now constitute the majority of deals with clients.

Moreover, Krishnan Chatterjee noted that the number of large deals has dramatically increased since the fiscal year 2010. The SVP Strategic Marketing emphasizes that HCL won over large clients with its 'total IT outsourcing strategy', having competed with the major players in the industry—global non-Indian players (IBM, HP, Accenture, Cap Gemini…) and Indian players (TCS, Infosys, Cognizant, Wipro…). As he puts it, "*In the period of only two quarters—late 2011to early 2012—HCL has been able to sign major contracts valued more than 2.5 billion US$.*"[8] This statement is reflected in the number of large clients reported in Exhibit 4; for example, in the fiscal year ending on June 30, 2013 HCL had 5 major clients (100 million US $ +) versus only one major client in the previous year ending on June 30, 2011. Similar figures illustrate the total IT strategy with smaller clients (over 10 million US$) with an increase from 58 clients for the fiscal year ending on June, 30 2010 to 102 clients for the fiscal year ending on June 30, 2013.

Employee empowerment – the freedom, *and the responsibility*, of front-line employees to come up with innovative solutions to customer challenges lies underneath all such strategies that were implemented in tough periods like these.

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[8]Source : personal interview conducted by the case's author in November 2012

From EFCS to ideapreneurship: How empowered human capital creates unique competitive advantage

The "Employees First, Customers Second"(EFCS) philosophy

HCL's transformation journey in 2005 began with identifying the core fundamentals of the business, and re-thinking roles, including that of the leadership and management. This led HCL to uncover the following, and take the first step in defining the EFCS philosophy :

- In the business of IT services, it was evident that value no longer lay in the technology itself and certainly not in any particular hardware or software.
- HCL observed that maximum value was created at the employee-customer interface, called the "value zone", where frontline employees brought both business and technology together to create customized solutions for customers.
- In order to maximize value creation for customers, the role of managers needed to be redefined - which would be to encourage, enthuse and empower employees.

Since 2005, the EFCS model has proved to be quite successful with the HCL revenue per employee constantly above the industry average and even above the figures of the three Indian leaders (TCS, Infosys and Cognizant). In 2013, the revenue per employee industry average was 47925 US $ and the revenue per employee average of the three leaders was 46,479 US $[9]. During the same period, HCL revenue per employee reached the level of 57,801 US $[10] representing 21% more than the industry average and 24% more than the results obtained by the three leaders. This remarkable achievement is largely due to HCL's gradual shift towards higher value-adding activities that has been made possible by the implementation of the 'Employees First' model.

HCL core values and the 4 key tenets of the 'Employees First' philosophy are outlined briefly below:

- *Mirror Mirror (Creating the need for change):* this is a process of introspection, self-discovery by looking 'inside out' instead of 'outside in'. It is about embracing the reality that transformation can begin only by identifying the problem and creating a need for change to occur.

- *Trust through transparency (Creating the culture for change):* there is a need to bridge the gap between the intent to change and the actual act of bringing about change. This is done by establishing trust and creating transparent processes with open communication.

- *Inverting the organization pyramid (Building the structures for change):* it is also important to democratize teams and build the right structures within the environment, which makes change a sustained process.

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[9] Source : http://forbesindia.com/article/real-issue/it-dilemma-sales-growth-v/s-job-freeze/34867/1

[10] Source : calculated on the basis of the of the figures provided in the financial report for the fiscal year 2012-2013 : http://www.HCLech.com/investors/results-reports

- *Recasting the role of the CEO (Transferring the responsibility of change):* Once these structures have been put in place, the transformation then demands creating new, self-driven owners for change and decentralized decision making that will take the process further.

Do the 4 tenets of the Employees First philosophy represent the actual experience of HCL employees?

The answer is positive when listening to the views expressed by a newcomer to HCL, Prithvi Shergill - Chief Human Resources Officer (CHRO), who joined the company mid-2012 after a 20-year HRM career in a number of large organizations in India and abroad. He points out,

"*Companies struggle everywhere to retain the sense of ownership. Entrepreneurship unfortunately disappears as they become bigger. What is critical for employees is to try to maintain the feeling that they are responsible for success, that they can execute their ideas. But, large organizations tend to create bureaucracies, create systems and processes that stifle some of that. What HCL has done extremely well is to retain the DNA of a small, entrepreneurial company: being able to retain the freedom to elevate, the freedom to make decisions, and the freedom to act... What is remarkable with HCL has been the ability to retain that kind of culture in a fast growing company with more than 30,000 employees who have been added to the workforce in the past few years... all these achievements have been made possible by the 'Employees First, Customers Second' model that proved to work extremely well...we recognize that it is the employees who bring the value to the customers. Systems and processes are secondary, what is critical is to use them intelligently...* "

The original EFCS philosophy in practice: Management-Driven, Employee-Embraced

In order to make the 'Employees First' approach more than just a philosophy, a number of systems and processes have been implemented—most of them since 2005. These systems and processes include Smart Service Desk, U&I, 360-Degree Feedback, Directions, Employee Passion Indicative Count (EPIC), and MEME.

Smart Service Desk (SSD)

The company website describes SSD as "*a unique step in bringing Reverse Accountability in the organization. SSD makes the whole organization especially the enabling functions such as HR, Finance, Admin and Training, accountable towards employees where employees can raise a ticket towards any department or internal service provider. Each ticket is bound with a service level agreement and only the employee who raised the ticket can close it.*"[11]

As underlined in a Darden case study about HCL: "*the company wanted to create a uniform experience for employees of all ranks...the egalitarian approach had worked in some high-tech starts-up in Silicon Valley and elsewhere, but it was hard to achieve in a large multinational company.*"[12]

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[11] Source : http://www.hcltech.com/careers/know-global-leader-better/our-differentiators
[12] Darden Business Publishing "*HCL Technologies : employee first, customer second*", Case # UVA-OM-1366, Sept 29, 2008, p. 6.

After a few years in operations, SSD is still very active with an average of 52,000 tickets raised every month.

U & I

This initiative was launched late 2006 in order to provide an online forum for employees to interact directly with the CEO. As described on the company website: "*U&I is an interactive and open platform for the CEO and employees to engage in a two-way dialog. The CEO is accountable to address employees' concerns and personally answers all queries to employees. Recently reverse blogging has also started, where in the CEO posts questions to the employees and initiates discussion around the same. These conversations are a platform to pose questions and provide the opportunity to benefit from collective wisdom.*"[13]

When U&I was started, Vineet Nayar committed himself to respond to most of the questions that were asked by employees. However his goal was to reduce the number of direct interactions since his vision was to recast the role of the CEO (the 4th tenet of Employees First philosophy) with less dependence on him but more on the senior management team. Since the development of the EFCS 2.0 initiatives (newer internal social networks), U&I has also become a conversation tool between employees to reinforce the trust, transparency and sharing culture prevailing at HCL.

360 Degree Feedback

The 360 degree feedback is not an innovation for most multinational companies that have been using this managerial tool for a number of years. But its implementation is what makes the HCL version so unique. The website says: "*It is a unique step to bring transparency and accountability in the organization. It allows all employees to rate their managers, their manager's managers, and other senior managers in the company including the CEO. While the name of the employee giving feedback was kept anonymous, the results are available for all to see on the intranet. HCL's CEO is among the first few managers to make their feedback public.*"[14]

Since its launch in late 2005, several thousands of managers have followed the example of the CEO by posting their own 360 degree feedback results on the intranet—[15] The main goal of the feedback is to help the development of managers who measure their influence on the value zone through the support provided to customer-facing employees.

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[13]Source : http://www.hcltech.com/careers/know-global-leader-better/our-differentiators
[14]Source : http://www.hcltech.com/careers/know-global-leader-better/our-differentiators
[15] Source : Frost & Sullivan, op.cit. , p. 8

Directions Meetings

Shifting away from the traditional business strategy formulation process in which only top management is involved, HCL has decided to engage as many employees as possible. Through a series of meetings, the CEO and the senior executive team discuss the company's

strategic goals with employees in various locations in India and abroad. It *is an annual employee event where the CEO and the leadership team share the vision and strategy of HCL with all employees.* Directions meetings usually last half a day with a one-hour presentation of the proposed strategy by the CEO and about two-three hours of employee Q&A and feedback. According to the company website, Directions 2012 was organized for the first time at a global level with 25,000+ employees interacting with the CEO directly on topics relating to the overall vision, strategy and specific goals for the forthcoming year. To ensure that the CEO engages with the majority of HCL employees in strategic planning, Directions meetings are held at offices with at least 500 employees. Typically, 25 meetings are held annually.[16]

Employee Passion Indicative Count (EPIC)

As another tactic to differentiate itself from its competitors, HCL has developed a 'passion' measurement tool with which employees can assess the factors that drive them to excel in their role. The EPIC survey is an annual voluntary survey that asks employees to rate their agreement (using a five point scale) with 90 bipolar statements. These statements measure employees' alignment with three passion themes—secular, self, and social (see Exhibit 5 for a more detailed description of the three passion themes). Each personalized report is available within 24 hours of completing the survey and managers receive an aggregate report of the team's responses once the survey is closed.[17]

MEME

An internal social network, MEME was created by a group of young employees and launched in April 2011. Within a few weeks, 30,000 employees joined MEME and the platform today reaches employees across HCL. There are many groups in MEME that cut across varied interests such as dancing, French cuisine, and even music and recreation. Today, this network is seen as the most popular platform to engage in one-to-one, one-to-many conversation with colleagues and also by the management to drive employee participation in various org-wide initiatives.

Ideapreneurship: Employee-Driven, Management-Embraced

It was during the tough times of 2008-2009 when HCL was able to outperform its peers in the IT industry, led by the right kind of employee empowerment. A noticeable pattern started to emerge in employee behavior - right at the grassroots. This was being driven by HCL's 'Employees First' values, which collectively empower and encourage individual employees to come up with innovative solutions to operational and customer challenges. At HCL this is

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[16] Source : Frost & Sullivan, op.cit. , p. 11
[17] Frost & Sullivan, op.cit. , p. 12

called ideapreneurship – the culture of grass-roots, business-driven, customer-focused innovation, in which each employee has the license to ideate. It encourages employees to become idea led entrepreneurs, who think of new ideas and also drive them to fruition. As stated on the company website[18], "*HCL's 87,000-plus employees have become the most powerful drivers of change, partnering with the management at every step and steering the company to a new compelling vision*".

In this perspective, R. Anand, VP Human Resources, who has been with the company for 15 years, views ideapreneurship as the second step in the major change process that has accelerated with the arrival of Anant Gupta as the CEO in 2013.

As he puts it[19] : "*The second phase of the transformation journey was: can we make the process of co-creating value a self- run one? ... Can we get teams to design ideas, decide what ideas to discard, pursue, and invest in? Can we transform the decision–making process? In retrospective, the parallel was very obvious – value is often created outside of the organization, in the social networks. Problems, like security breaches on IT, are being solved by teams that were not initially mandated to do it. They come together because they are just interested in the same problem, they do not need to prove anything to each other…they have the joy of sharing. So, without the incentives and reward, without any recognition, the social networks are able to produce the same results: gathering individuals who are able to solve very complex problems. This parallel was not at the time visible to us but it became more obvious when we moved. This is naturally the next step of transformation…*"

Today, HCL employees are "ideapreneurs" working in an entrepreneurial environment with the following characteristics:

- *Need to seed:* Seek alternatives that go beyond the ordinary, generating and fostering ideas that challenge the status quo

- *Desire to nurture:* Developing networks that nurture these ideas to realization and evolving the scope of ideas towards implementation

- *Commitment to harvest:* Recognizing results and rewarding business outcomes. Incubating an entrepreneurial eco-system that self sustains growth

So how does the company fuel the growth of ideapreneurs? Contribution of ideas and even potential business opportunities can be made through platforms such as MAD JAM, Value Portal or LeadGen. In addition, HCL has developed an ideapreneurship policy that clearly outlines the reward and recognition process attached to contributions made through these platforms.

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[18]Source : http://www.HCLech.com/EmployeesFirst/employee-driven-management-embraced
[20]Source : personal interview conducted by the case's author in November 2012

Value Portal: Co-creating value

A few years ago, the CIO of a large bank, visiting HCL in Bangalore, made a statement about the high quality of work but complained about the lack of new ideas. This observation/criticism is what gave rise to the Value Portal which was launched around 2008 but became fully operational in 2010. It enables employees to directly collaborate with customers and provide new ideas and solutions.[20]

Ideas that are submitted in the value portal follow a 4-stage cycle: (1) submission of an idea (cost optimization, process optimization…), (2) review of the idea by a review panel (customer executive and HCL account director), (3) evaluation of the idea on the 4-star scale

(only ideas with 3 or 4-star are considered for implementation), (4) implementation of the idea with mutual consent of the customer and HCL.[21]

Today, 12,000 employees engage with the Value Portal. It has generated over 22,000 innovative ideas for 300+ customers on process improvement, cycle time reduction, tool development, technical solutions and cost optimization. And over 6000 of these ideas have been approved by customers and implemented by HCL, to deliver over $300 million of value to customers. These thousands of ideas didn't just deliver one-time value to clients; they also become a part of HCL's overall solution set with limitless potential to add value, every time they were reused for other projects and clients.

MAD JAM: Awarding implemented ideas

As a second tier of the Value Portal program, MAD JAM was developed in late 2010 as a centralized platform for celebrating the business centric implemented ideas and innovation of employees from across HCL. It provides employees with a platform to share their best ideas for innovation and transformation. A jury of senior delivery managers shortlist the best ideas, which are turned into videos and hosted on HCL intranet, and on YouTube where employees vote for their favorite entries.

A member of the MAD JAM team points out, "*MAD JAM has been developed as a centralized platform to celebrate individuals who bring very innovative ideas that create value for the customers. This is clearly the second layer of the Value Portal.*"[22]

In 2012, 647 implemented, innovative solutions were submitted towards MAD JAM, 37 ideas were retained by a panel of senior leaders. Of these, 17 semi-finalist ideas were made into videos and submitted to a popular vote of HCL employees (about 43,000 employees voted in 2012). In 2012, the semifinalist ideas—including the ultimate winner, a Cloud computing

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[20]Source : personal interview conducted by the case's author in November 2012
[21]Frost & Sullivan, op.cit. , p. 9
[22]Source : personalinterview conducted by the case's author in November 2012

management framework called MyCloud—have already generated more than $33 Million in savings or new revenue for HCL customers.[23]

The leader of the winning team of MAD JAM 1 (2011), described the idea of his team in the following terms [24]"*…so we did a country by country analysis for our customer without being asked to do it. We then gave recommendations for each country: for North of Europe, France, Brazil, Australia, Russia, Mexico. We told them if they went with our recommendation we could give them $ 40 Million extra revenues offside. They approved the project and we made $ 1.5 million through the project. Second it is an exit barrier- We are valued as a service provider. We say that we can better...*" Moreover, he curated a small book "Book of Ideas", where a number of ideas of his and his team (including the MAD JAM winning idea) are described in detail to spread the innovative spirit throughout the company.

MAD JAM 2013 was taken a step further with the objective to help ideapreneurs take their ideas to the next level—convert them from concept to reality with the help of a MAD Venture Capital fund of USD 250,000. The funding is available not for the winning ideas, but the ones which have the potential to scale-up and create a big business impact for HCL.

<u>LeadGen: Where any employee can contribute to the topline</u>

Ideas are not just about finding solutions. They are also about identifying new opportunities – and building new business. At HCL, this doesn't just happen through the sales teams or senior management. Delivery employees, who interface with the customer on a daily basis, were also identifying "leads", key pain points and customer challenges that HCL was not currently addressing. LeadGen offers these employees the right channel to take these "leads" forward, by connecting them with the right sales teams for converting the opportunity into a win for HCL.

LeadGen offers an intuitive portal that acts as an interface between delivery employee, LeadGen team and sales manager. The delivery employees' role is to identify a qualified lead and enter the details through the lead capture form. The LeadGen marketing team is responsible for the 2nd level qualification and assignation of lead to sales, who in-turn further qualifies the lead with the customer representative referred by the employee. Marketing and sales together take a Go/ No-go decision on each opportunity based on our capability, attractiveness of lead, strategic importance, contract value etc. On a Go-decision, sales manager accepts the lead in the SFA system and actively pursues till closure. The contributing employee gets an automated notification at every step due to integration of systems, keeping them dynamically informed on opportunity movement. In FY 13, employees contributed 670+ leads through LeadGen. It also created $60 M+ booking and $147 M+ funnel for HCL.

<u>Diversity and Inclusion</u>

Another way to foster the development of ideapreneurship within HCL has been the launch of the "Diversity and Inclusion" program with its societal dimension. As Srimathi Shivashankar,

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[23] Source : http://www.managementexchange.com/story/crafting-one-of-worlds-largest-ideapreneurship
[24]Source : personalinterview conducted by the case's author in November 2012

Associate Vice President –Diversity & Sustainability, HCL Technologies, puts it[25] :"*All the programs that my team drives are good examples of the three key beliefs of HCL – Trust, transparency & flexibility; value centricity and Employees First. We are looking at minority inclusion in this company – in terms of higher percentage of leadership – cultural assimilation, including people with disabilities. We are creating agendas for cultural inclusiveness – this has a lot to do with how we attract potential employees and retain them. The extension of our core competencies – how we view people and the planet and our strategy around the same, provides stability to the company in the long run. Some of the programs are no longer Indian – they are global. And we create glocal policies – global but with local requirements, those are the initiatives that are important.* The Diversity and Inclusion strategies are aimed at recruiting, engaging and enabling employees from diverse backgrounds.

The main goal is to reach out to the diverse talent pool that comprise of women, people of different nationalities, cultures, work experiences and people with disabilities. In terms of gender diversity, women in HCL comprised approximately 25% of the workforce in 2012.The goal is to increase this number with special attention to managerial positions where the number of female managers is below 25%. An interesting initiative was launched in 2012 through an e-book named "Believe" that threw the spotlight on HCL's women employees and the impact of the "Employees First" philosophy on their careers. Women employees were interviewed to understand the opportunities and challenges they face at various stages of their careers. The book was released by Vineet Nayar on International Women's day in 2012. In summary, all programs and initiatives launched since 2005 that were built around EFCS and, more recently, around "ideapreneurship" have been designed to deeply transform HCL into an agile organization likely to meet the challenges of the evolving business model in addressing larger global clients and developing sophisticated value adding activities (such as Outsourcing Services in Exhibit 6) .

As underlined by Srimathi, the capacity of HCL to be an agile organization is largely based upon the company's management in which empowerment is a reality: "*In India, if a person is empowered to do a job, the person may not be empowered to take the decision. In HCL, because of the ideapreneurship culture, the person who is empowered can also take a decision. This is not something that you would see in most of the other large comparable companies. Here, there is not much hierarchy in the processes; we are much more agile compared to competitors.*"[26]

The critical success factor of this strategy lies in the quality of the human capital HCL is able to attract, develop and retain. In the years to come, with the stepping down of Vineet Nayar as CEO in early 2013, the sustainability of the EFCS and ideapreneurship models is likely to be tested in order to meet the future business challenges.

What's Next ?

Vineet's ground-breaking vision seeded the idea that value creation does not occur in the managerial ranks but mostly through employees who are in daily contact with the customers.

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[25]Source : personal interview conducted by the case's author in November 2012
[26]Source : personal interview conducted by the case's author in November 2012

Therefore, the logical consequence was to shift the whole organization focus including that of the CEO, the senior management and the enabling functions (finances, HR, IT…) to support those employees who are in the "value zone". This transformation journey has led to the development of EFCS initiatives followed, more recently, by the implementation of "ideapreneurship" programs. Vineet's successor, Anant Gupta, will have to fight some internal resistance that still exists within the company despite all the change initiatives implemented in 2005. Vineet explains[27] :

"Always the challenge of the transformation journey will be: can you find 10% in the organization that would buy into the new concept? I call them transformers, and the rest would follow the momentum. In the organization, a lot of new people are coming and, at any given time, I think 50% of the organization wouldn't understand and appreciate the Employees First concept. The remaining 50% has to carry the torch. So, as a big company we cannot wait until everyone is on board. The first challenge is: How do we create architecture where 10% transformers would get 100%...and the ship keeps moving? That's a lot of diversity. Everyone should start walking and get everyone aligned. That is the first thing. The second challenge is that there are lots of disbelievers in our environment and they take energy. Irrespective of how good an induction program you can create, culture and transformation can only be learned from experience…it cannot be taught, and therefore there is no shortcut but time. And we have enough disbelievers, especially the most recent people in HCL, who do not necessarily buy into this. The third ask is that we need to have clear goals otherwise people will not follow."
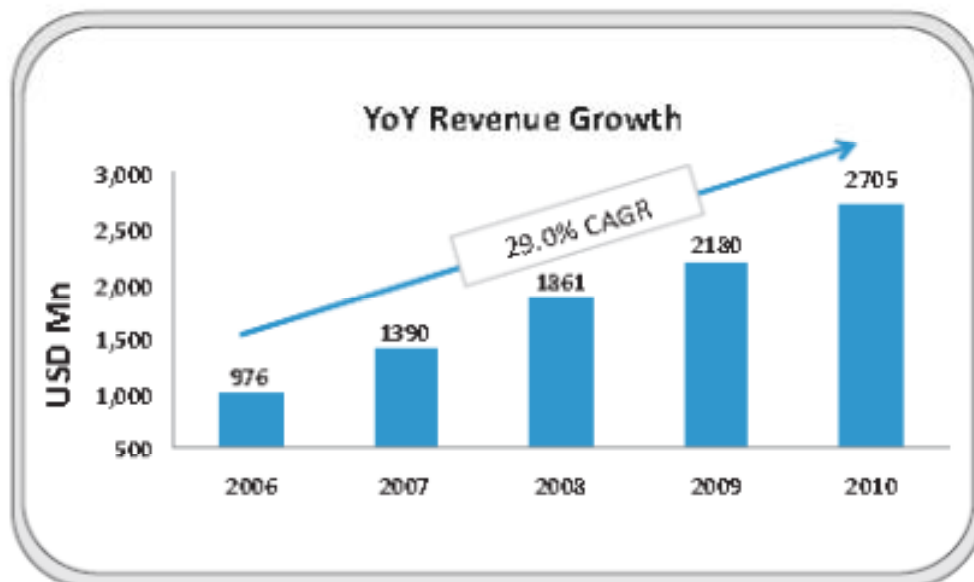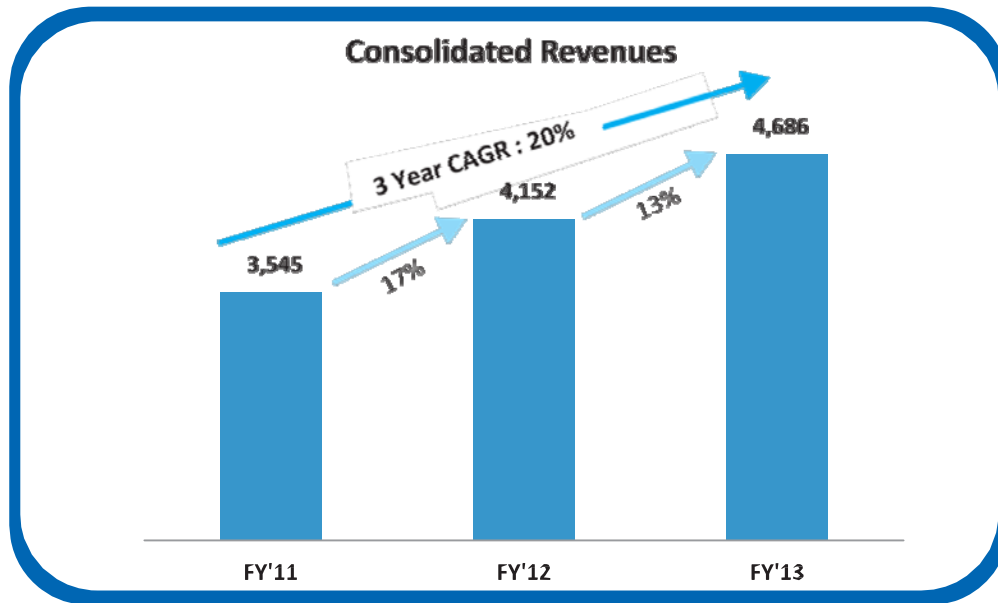
Vineet himself does not consider the transformation journey of HCL as a 100% success. His successor, Anant will have to keep the momentum of the ideapreneurship model in order to deal with some critical issues such as the general slowdown of business opportunities, the global economic crisis, and growing competition in India and abroad. Add to this, the challenges linked to the development of new technologies such as cloud computing, competency gaps especially within managerial ranks, and the constant improvement of the enabling functions including HR that is in charge of the most important capital for long term success—the human capital.

The current leadership at HCL sounds even far strongly committed to drive the ideapreneurial culture in the company. As resonated by Anant, the management stays focused to empower employees to maximize business value creation, he says, *"At HCL we place a great deal of importance to the spirit of entrepreneurship. That's how our journey began. Today, the same energy drives our employees to create innovative solutions and build next-gen propositions for customers. Strategic business propositions like Enterprise Function as a Service (EFaaS), Enterprise of the Future (EOF), My Cloud, Alternative ASM (Alt ASM) are not only contributing to HCL's growth trajectory, but will be instrumental in providing value beyond the ordinary for our customers. The innovative and transformational value-add that we bring to our marquee client base is key reason for the stellar performance that the company has been delivering amidst a challenging and uncertain business environment."*

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[27]Source : personalinterview conducted by the case's author in November 2012
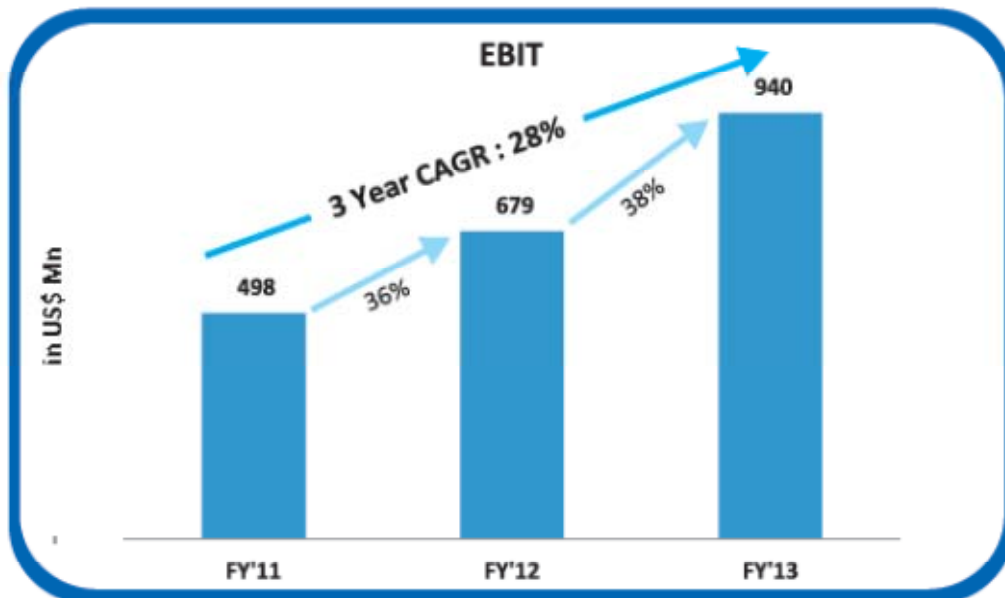
EXHIBIT 1

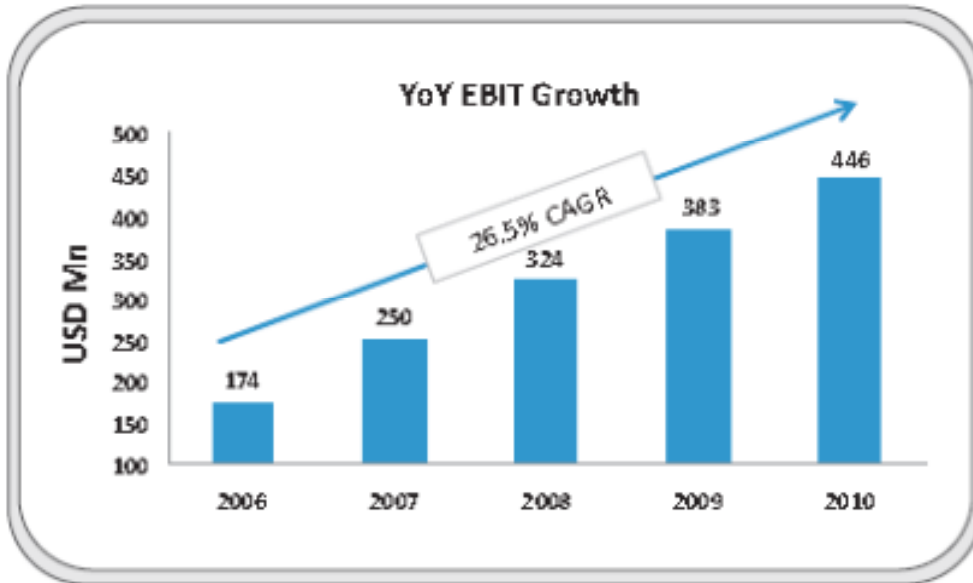## HCL TECHNOLOGIES CONSOLIDATED REVENUES (2006-2013 : USD million)

Source : consolidated from various financial reports downloaded from the HCL website :
http://www.HCLech.com/investors/results-reports

EXHIBIT 2

HCL TECHNOLOGIES EBIT GROWTH (2006-2013)

Source : consolidated from various financial reports downloaded from the HCL website
http://www.HCLech.com/investors/results-reports

EXHIBIT 3

**HCL TECHNOLOGIES DISTRIBUTION OF REVENUES BY
SERVICE OFFERING / VERTICALS / CONTRACT TYPE
(2008-2013)**

Service Offering Mix	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13
Enterprise Application Services	10.8%	23.6%	22.2%	20.9%	20.8%	17.7%
Engineering and R&D Services	26.7%	19.4%	19.6%	17.8%	18.6%	17.3%
Custom Application Services	36.1%	29.7%	29.6%	31.8%	31.3%	29.2%
Infrastructure Services	15.2%	17.6%	22.4%	24.5%	24.8%	31.5%
BPO Services	11.2%	9.7%	6.2%	4.9%	4.4%	4.3%

Revenue by Vertical	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13
Financial Services	27.3%	24.8%	24.9%	26.0%	23.8%	25.3%
Manufacturing	30.6%	30.9%	27.3%	28.0%	28.4%	28.8%
Telecom	16.0%	12.5%	10.9%	9.1%	8.0%	7.3%
Retail &CPG	8.8%	6.6%	8.2%	7.9%	8.6%	8.6%
Media,Publishing &Entertainment	5.6%	5.6%	7.4%	7.1%	6.7%	6.7%
Life sciences & Healthcare	5.7%	6.4%	8.2%	7.9%	10.8%	11.3%
Public Services	1.5%	7.6%	6.9%	8.3%	7.2%	8.0%
Others	4.5%	5.6%	6.2%	5.7%	6.4%	4.0%

Revenue by Contract Type for IT Services	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13
Time & Material	65.0%	61.5%	59.1%	57.5%	49.2%	47.8%
FPP/Managed Services	35.0%	38.5%	40.9%	42.5%	50.8%	52.2%

Source : consolidated from various financial reports downloaded from the HCL website :
http://www.HCLech.com/investors/results-reports

EXHIBIT 4

HCL TECHNOLOGIES : EVOLUTION OF CLIENTS' DISTRIBUTION (2008-2013)

Client Data (LTM)	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13
Number of Clients						
Active Client Relationship	279	367	408	467	536	549
New Client Relationship	30	37	51	70	50	36

Number of Million Dollar Clients	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13
100 Million dollar+	2	2	1	1	5	5
50 Million dollar+	3	4	5	9	10	11
40 Million dollar+	8	7	7	10	14	18
30 Million dollar+	12	8	12	22	25	30
20 Million dollar+	16	20	24	35	45	51
10 Million dollar+	34	43	58	73	96	102
5 Million dollar+	66	85	107	126	164	186
1 Million dollar+	201	253	283	332	397	428

Client Contribution to Revenue (LTM)	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13
Top 5 Clients	26.7%	20.6%	17.7%	15.4%	16.4%	15.4%
Top10 Clients	37.3%	28.9%	25.9%	24.6%	24.7%	23.8%
Top20 Clients	49.6%	40.2%	36.6%	35.3%	34.1%	33.0%

Client Business - (LTM)	30-Jun-08	31-Mar-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13
Repeat Business-Consolidated	94.0%	90.0%	91.9%	94.7%	95.3%	94.0%
Days Sales Outstanding - excluding unbilled receivables	**67**	**69**	**66**	**54**	**57**	**55**

"LTM" - Last TwelveMonths

Source : consolidated from various financial reports downloaded from the HCL website : http://www.HCLech.com/investors/results-reports
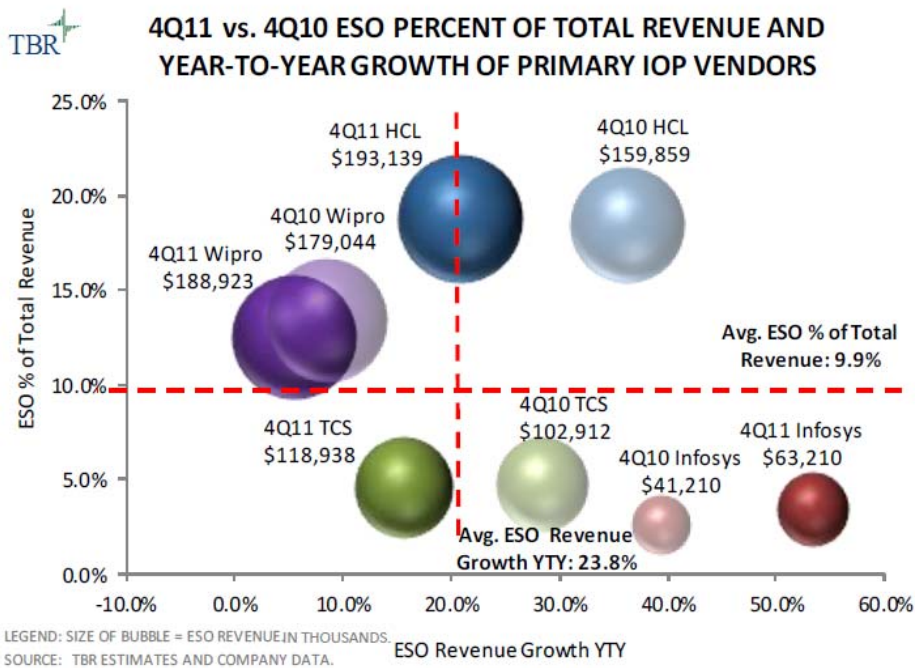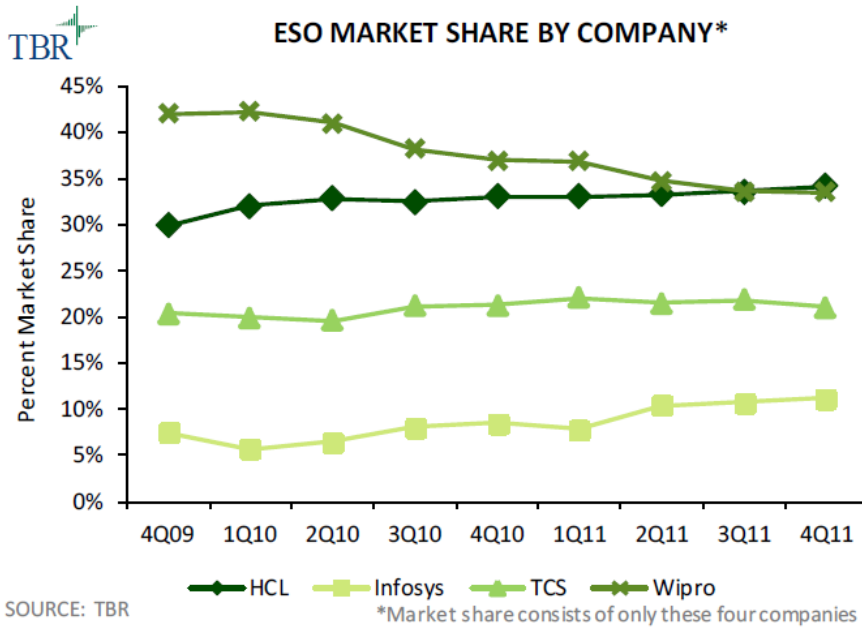
EXHIBIT 5

EPIC SURVEY : THEMES AND INDICATORS

Self	*Definition* : look for motivation within; reasons and friends to achieve gold without external influence	*Indicators :* creativity, knowledge, attitude, commitment, interest, skill, personality, work life balance, diversity, planning and organization
Secular	*Definition* : reply support, recognition, and growth opportunities from the organization to influence overall performance	*Indicators :* meaningful work, credibility, autonomy, trust and transparency, rewards and recognition, carry out of the month, physical working conditions, job satisfaction, job stress, people practices and policies, learning, salary, organization and culture
Social	*Definition* : look to peers (friends, colleagues, and superiors) for encouragement and motivation	*Indicators :* collaboration, connection to leadership, connection to colleagues, management support, family support, customer support, welfare

EXHIBIT 6

OUTSOURCING SERVICES : HCL VS. COMPETITION

TBR

ESO MARKET SHARE BY COMPANY*

SOURCE: TBR

*Market share consists of only these four companies

TBR

4Q11 vs. 4Q10 ESO PERCENT OF TOTAL REVENUE AND YEAR-TO-YEAR GROWTH OF PRIMARY IOP VENDORS

LEGEND: SIZE OF BUBBLE = ESO REVENUE IN THOUSANDS.
SOURCE: TBR ESTIMATES AND COMPANY DATA.

Source : www.HCLtech.com