



Vineet Nayar

**EDITORS' NOTE** Vineet Nayar is author of the highly acclaimed management book *Employees First, Customers Second: Turning Conventional Management Upside Down*. Nayar joined HCL Technologies in 1985 after earning his M.B.A. from XLRI, a leading business management school in Asia. In 1993, he founded Comnet, where he incubated the Remote Infrastructure Management (RIM) industry. In 2005, Nayar became President of HCL Technologies. He served as the company's CEO from 2007 until January 2013. Nayar is a member of the Global Advisory Board of Women Leaders and Gender Parity Programme as well as a Community Partner for the Forum of Young Global Leaders. In 2004, he established a nonprofit organization called Sampark, which aims to transform the lives of children, youth, and adults through education, social entrepreneurship, livelihoods, and uplifting of rural communities.

**COMPANY BRIEF** HCL Technologies Ltd. ([www.hcltech.com](http://www.hcltech.com)) is a leading global IT services company working with clients in the areas that impact and redefine the core of their businesses. Since its entrance into the global landscape after its IPO in 1999, HCL has focused on "transformational outsourcing," underlined by innovation and value creation, and offers an integrated portfolio of services including software-led IT solutions, remote infrastructure management, engineering and R&D services, and BPO. HCL leverages its extensive global offshore infrastructure and network of offices in 31 countries to provide holistic, multiservice delivery in key industry verticals including Financial Services, Manufacturing, Consumer Services, Public Services, and Health Care. HCL takes pride in its philosophy of "Employees First, Customers Second" which empowers their 85,194 transformers to create a real value for the customers.

# Effective Management

An Interview with Vineet Nayar,  
Vice Chairman and Joint Managing Director, HCL Technologies Ltd.

## Where did your initial interest in effective management come from and how have you become a thought leader in this area?

My first experience was at school where I had an American principal, who was a giant to me. She would get the best out of everybody – students and teachers – and the school was always buzzing with tremendous enthusiasm. The moment she left and someone else came in, the buzz was gone in the school. She gave me my first impression of a leader.

The second experience was when my father expired when I was still young and in school. Until that time, I had not seen the real human emotions of our town. But the community came to support the family and it was an enriching experience for me to see the love flowing, especially from people who I had thought were rigid and stiff; it opened my eyes to the fact that everybody has a deep-rooted and kind heart – they just don't always know how to express their feelings.

The third experience was when, in 1992, I incubated a start-up called Comnet. We didn't have anything then – no revenues or profits or visions or brand – to attract talent. This is the toughest part of a start-up – the only way the start-up will succeed is if you can attract good talent. I learned to work at attracting talent based on offering challenges and problems and not by pushing brand and entitlements.

The fourth experience has been watching my two teenagers growing up at home. This generation is different than mine – they think differently – and it's important for us to relate to this generation. I have a huge respect for their intellect and their ability to get something done. They have less respect for authority and direction. So the only way to get something done with them is to collaborate.

## What is the challenge behind making sure these principles are implemented in a large corporation?

The problem starts with business schools, which teach that strategy is about looking out the window for new opportunities. Research has shown that only 6 percent of the companies that lose market share are ever able to recover it; of the 94 percent of the companies that don't recover market share, 86 percent of the time, the reason is related to internal issues.

However, most of the teaching at business schools is about market opportunities and customers, and about externalizing the issue.

Doing that is intellectually stimulating, but focusing on the core issues in that 86 percent zone, which is tedious and boring, has to be done.

The second problem is that people have not connected the dots that tell us that innovation is not necessarily on the "what" axis in terms of what product and what services you sell. Innovation could also be on the "how" axis, in terms of how you run your company.

There are not enough examples, case studies, teachings, writings, and people convincing other people that by innovating on the how axis, you can achieve the same or better results compared to just focusing on products and new services for customers.

People have not connected to the idea that if they bring in the same rigor, intellect, and focus on internal cultural issues and make the organization align more closely to what the customer wants, they will achieve the same results.

The third reason is that, for a long time, you could be the world's best management without doing too much, so nobody wanted to do anything different because things were fantastic. When the recession came about in 2008, everybody started cost-cutting, because the shareholders took a dominant interest in the company and the easiest way to give results to shareholders is to cut costs. Also, cutting costs is easy to do. This brought about an epidemic of "short-termism." A related issue is the fact that the tenure of senior management is becoming shorter over time and, therefore, they are not focusing on longer term strategic issues like culture. When the management teams themselves don't have a long-term role, they try to adopt the strategies that will give them returns in 18 months rather than three to five years.

## How critical is employee engagement and is that key to successful management? How do you encourage employee alignment to create customer satisfaction?

Ask yourself, what is your core business? The answer is to create value for your customer, a value you deliver through products and services which are different than your competition.

The second question to ask is, where does the customer experience this differentiation? In services organizations, but even in product organizations, a lot of customers experience the organization and its culture through the employees.

If the employees in that value zone are helping customers experience that differentiation, which makes you grow faster, then the third and most important question is, what should the business of managers/management be?

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## Every growth economy is an emerging economy.

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The business of managers and management should be to enthuse, encourage, and empower these employees. Aligning your management team to enable employees to deliver higher value is one of the unique ways you can build and grow.

In terms of employee engagement, “employee first, customer second” is not an HR practice; it’s about alignment towards a common goal and making sure everyone is involved. It has nothing to do with motivation. People think that measuring employee satisfaction or motivation means they’re an engaged organization – this may not be correct. I believe an engaged organization is one where people are aligned towards the organization’s goal, and where management is in the business of making sure they have the tools to succeed – so the key is alignment.

One way to achieve this alignment is by making the organization focus on the employee’s objective by helping the employee find the answer to the question, what is in it for me?

Until you find the reason that will make the employee get out of bed happily each morning and come to work for you, you will not have an aligned or motivated organization and despite a “big” strategy, you may wonder why you failed.

### **Does the success of these strategies depend on what stage the company is in?**

No, it’s consistent throughout all stages. The reason people join a start-up is for tomorrow, not for today, so they’re clearly aligned towards tomorrow. In most large companies, this alignment often gets diluted.

The reason is that most large companies get stuck with looking in their rearview mirror and trying to sell everybody on how great they are – which is not always true. Thus smaller and smarter companies come in and take you by storm, and you can only survive by making an

expensive acquisition. One needs to be perennially paranoid these days to survive. Intel is a classic example of this agility; at one point, they were doubling the processing capacity of their chip every 18 months with a sense of urgency never before seen among technology companies.

This strategy is relevant for companies of all sizes and stages, because your performance can always be better tomorrow compared to yesterday.

### **Is it difficult for a company to remain entrepreneurial after it has reached a certain size?**

Yes, because unfortunately some entrepreneurs never decentralize innovation, which is at the heart of this problem. They still believe that they are the biggest “idea men” in the world, because at one time, they were. They want to create ideas but don’t have the time once the company reaches a certain size and scale and requires their attention on operational issues, so the organization slows down and everybody looks to this person for innovation that never comes. The best way to sustain an entrepreneurial culture in a company is by decentralizing innovation.

Once innovation is decentralized, there are two forms it can take: the first is incremental innovation, which happens at the ground level; so you keep innovating but the world doesn’t really notice because you are incrementally innovating every day. The only way that can work is when the innovation happens at the bottom of the pyramid because you ensure that you have systems and structures in place to exact the innovation, and the innovation is happening at the customer interface, therefore keeping you relevant as a company.

The second type is disruptive innovation, where you get dedicated teams to work like start-ups, focused on building one big, audacious idea. You set a direction and then let them put flesh and bones to the idea and once it begins to take shape, you can come back and give it wings to fly.

### **Is it possible to teach entrepreneurial skills or do you need to be born with them?**

What defines an entrepreneur is passion. I believe that you discover the passion you have in life once you get an opportunity. You cannot teach passion but you can help someone discover it, and once someone discovers it, they’re on their own.

### **At some point, shouldn’t India no longer be considered an emerging market but one that has emerged?**

The world is changing dramatically – the U.S. is an emerging market now. I say that because there are huge growth opportunities in the U.S. with some major decisions that have been made, such as investing in energy self-reliance and making sure that health care reform takes place. It is some of these types of decisions that have moved the U.S. back to growth economy status.

Every growth economy is an emerging economy. There won’t be too much growth in Europe because the tough decisions that need to be made are yet to be made.

I worry about India under the same rule: we are down from 9 percent growth to 5 percent growth. For India, with a low per capita income, an 8 or 9 percent growth rate is minimum to be able to get to a decent livelihood for everyone.

We need to fix our basic governance, citizen services, and infrastructure issues along with defining a bolder vision for the country, and that will give us the confidence to say India is moving in the right direction.

India has a billion people, so it is a fantastic bridge on which to build one of the best countries in the world.

### **Are the schools evolving in terms of what they need to teach?**

Yes and no. The speed of change, led by technology and the influx of an “always connected” Gen Y in the workforce, is redefining the future of the world and the future of management. Our schools are running behind in understanding and teaching how leaders need to lead in this new world, and that is so true with a lot of organizations too.

The old order is dead and the new order is not yet clear; thus, it is challenging and yet very interesting times for the schools to adapt to this new world.

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### **What is your focus for the future?**

Ideas excite me. The book was a good first step in sharing an idea – it has already sold 100,000 copies across the globe, proving that the idea resonates with many others. I will continue to spread the word and help leaders embrace the ‘Employees First’ philosophy to drive transformation. For the past few years, I have been focusing on the social sector, which is an area that could do with some innovation or transformation. I hope to be in the business of creating new ideas and solving problems until my last day.

### **Do you ever step back and enjoy what you have been able to achieve?**

The past has never excited me and all the awards are in the past; but the future is exciting. The biggest reward you get is when you see the eyes of a young person who has figured it out. It is not about how many awards you have because people will forget those; people will remember if you touched their lives. ●