

# Applying The 7 Essentials at HCL Technologies

**H**CL successfully identified not only *what* but *how* The 7 Essentials had to be applied in the real world. It came through with impressive delivery on each of The 7 Essentials, the first two being addressed in reverse order; that is in itself a valuable lesson. When turbo-charging a company's growth, one does not necessarily need to start at Essential #1: Create and Sustain a Breakthrough Value Proposition. In HCL's case, it started with redefining the market and then reverse-engineered the value required to redefine the market.

### **Essential #2: Exploit a High-Growth Market Segment**

The most burning question facing Nayar, at HCL's first Blue Print meeting in July 2005, was "How do we get a big piece of the core IT outsourcing market?" His answer was provocative. "Since the market is stagnating, we will have to inject a catalyst inside it and redefine a market segment to create an explosive growth opportunity." In other words, HCL had to create an "explosion" that would redefine an exponential-growth market within the somewhat stagnant outsourcing market. What could that opportunity possibly be? It turned out to be delivering

*outstanding quality*. This might not sound revolutionary, but it was, at least for this company.

It made sense; consumers were frustrated. Their outsourcing suppliers had promised to support them and their products, but services were dreadful—long-term, inflexible contracts and the outsourcers weren't delivering on their promises. Customers were becoming increasingly vocal to HCL about their needs not being met by other outsource providers.

Explains Nayar:

“We found the gap. The supplier gap was between the five or six global providers who were achieving more than \$3 billion in revenue and the many smaller providers. The global providers had very rigid contracts with their customers and lacked a good understanding of what customers were going to want, much less the ability to be flexible to meet a customer's changing needs. In contrast, the smaller providers could not serve customers globally. When we talked to our customers, we found the opportunity gap to be supplier trust along with contract and results transparency at the intersection of the supplier engagement and customer relationship.”

There it was: HCL's strategic opportunity! By taking the battle to the core of the market—to the interface between the customer and the services provider—they knew they could win.

Having decided to redefine “the outsourcing market with quality and innovation,” Nayar's team still had to define its Breakthrough Value Proposition, one that no other IT company could provide globally. “The Blue Print in 2005 was framed on *what* we would do to pursue the core market of IBM and the Accentures of the world, and *how* we would execute a disruptive service offering that is highly valued by customers,” Nayar explains. These insights still define HCL's Blue Print, and the result has been a five-year compounding revenue growth rate of 63 percent.

## **Essential # 1: Redefining the Value Proposition: On the Lookout for a Breakthrough**

To grow beyond its 2005 revenues, HCL needed to win larger, integrated deals that involved both software applications and hardware infrastructure. These benchmark deals were dominated by IBM, Electronic Data Systems (now a division of HP), Computer Science Corporation, and HP.

Anant Gupta, Nayar's operations-focused counterpart, led the effort. But what would differentiate HCL's services from the others in the industry? What long-lasting value could HCL offer? At last Gupta and Nayar agreed that their engagements with customers would always, and forever, be based on trust, transparency, and flexibility. They would build their business on these pillars; that's what would make HCL different. One example is that HCL was the first to develop a trusted approach called co-sourcing for clients. This enabled HCL and the customer to jointly manage the IT infrastructure.

Gupta balanced his emotionally aspirational foundation with pragmatic execution. "We adopted a flawless execution model philosophy," he notes. "This was critical to our value proposition, so that when we took risks, they would be backed with a proper plan of execution and a strategy of risk mitigation." Timing was also of the essence. "While we believed there is a value proposition in terms of a two-, three-, and even four-year horizon," he notes, "customers also want *quick wins* as the first step toward a long-lasting and significant relationship. So we focused on quick wins, delivering results in three to nine months—with longer-term wins (beyond nine months) accruing even longer-term value to the customer."

In order to take market share from the other global players, HCL had to become far easier to do business with as well: more flexible, more transparent, more capable of establishing deeper relationships with large enterprise customers.

Above all else, the team had to deliver on the promise to redefine value for these new, large customers. When the team

studied IBM's and Accenture's services, they found that these other companies were largely based on having better talent and greater experience in outsourcing.

"When you are the new company on the block, competing with established global providers, how do you beat *that*?" Nayar asks with a smile.

"Redefine the rules: We believed that if we could actually deliver the entire IT operation remotely, we could deliver value uniquely in three ways. First, HCL would be able to provide customers with higher visibility to their operations through a dashboard. Providing customers real-time data from their outsourced operations, we were perceived as being more open with reports and transparent.

Second, we could offer higher flexibility to grow and decrease the IT infrastructure as our customers' business required. And third, we would be able to do it at a lower price point and response time that no other supplier could offer. Of course, it isn't just price that is important; we were also willing to offer risk/reward arrangements, such as penalty clauses based on performance benchmarks and sharing cost savings, as a sign that we were willing to invest in our customer relationships for the long term."

Once that was decided, HCL invested significantly in the systems, processes, and tools required to deliver on its value-packed promise.

Nayar believes that competitors can copy *what you do*. However, they cannot precisely copy *how* your company executes on its promises, especially if you build your differentiated value proposition on what you offer *and* how you execute it.

Importing ideas from other industries is a hallmark of successful exponential growth. In the case of HCL, the company recognized that it needed to deliver value through a services supply chain of some sort. To do this, the HCL team studied supply chain systems and processes in manufacturing industries, and then reported on them through a series of measurements on a real-time IT dashboard.

“We discovered that value is created in the interface between suppliers, employees, and customers. We call this the *Value Zone*,” says Nayar. Indeed, it was within the Value Zone that HCL Technologies was certain it could create an exceptional-growth opportunity.”

Nayar realized that the Value Zone offered an opportunity to cut costs *and* operate smarter. In fact, by delivering a more sophisticated offering—incorporating infrastructure, applications migration, and design services—HCL could improve the economic return for customers in more ways than the customer had ever experienced.

### Luck or a Leap of Faith?

Says Anant Gupta:

“It was definitely a leap of faith when it came to executing our value proposition. It was based on three tenets: *trust*, *transparency*, and *flexibility*. That leap of faith is built upon the hope that the customers would find us a trustworthy and transparent organization that also is committed to flawless execution. The customers had to buy into that belief.”

Fortunately, it came through in the convincing body language of the people who were part of our engagement team; from sales, to outsourcing delivery, through to the executive management team. I believe customers really got the comfortable feeling that ‘Yes, this can be done.’ I think that is what shifted customers from their traditional outsourcing suppliers to HCL.”

### **Essential #3: Marquee Customers Fuel HCL's Exponential Revenue Growth**

High-growth companies enlist their Marquee Customers to sell for them. This was one of HCL's Blue Print messages as well.

But first, HCL had to identify and win over these valuable Marquee Customers. Early on in the endeavor, the company received some good news. McKinsey & Company, which was consulting for Advanced Micro Devices (AMD) on an outsourcing request, had heard about HCL's Blue Print goals and invited the company to compete for the AMD outsourcing contract.

Taking McKinsey–United States up on the invitation, HCL discovered that AMD had very different requirements from what was originally perceived. AMD was not looking so much for rapid change as a series of quick wins, based on customizing its outsourcing approach to their specific needs. Furthermore, it wanted flexibility in the customer engagement, and transparency as well. HCL went to work with its proposal and in the end beat IBM, HP, and Accenture to the contract.

AMD was a twofold win: Not only did HCL win the confidence of the McKinsey team and AMD, the success attracted the attention of other potential Marquee Customers in the financial services, retail, and manufacturing industries. The HCL team quickly moved to leverage the AMD relationship in order to establish Marquee Customer opportunities with leading companies such as Autodesk, Nokia, and Teradyne.

Attracting Marquee Customers made a real difference across each of HCL Technologies' business units. One of the big deals for the Infrastructure Services Division, for instance, was Cummins, the world's leading diesel engine manufacturer. Cummins took a chance on HCL Technologies—and was pleasantly surprised when costs decreased and customer satisfaction increased. After that, Cummins *wanted* HCL to succeed, so that it could grow and provide more services for Cummins in the future.

Thus, Cummins became a Marquee Customer, offering to share its winning experiences with corporate prospects to which HCL was marketing to. The Cummins-HCL relationship is *the* winning combination. “Over the past five years, we have won contracts with 100 percent of the customers that Cummins has referred to us,” notes R. Srikrishna, HCL’s Senior Vice President of Sales. “Customers love to buy from their customers’ other customers.”

How do you turn a single Marquee Customer into many more? In the case of HCL Technologies, the company formed a “Customer Advisory Council, with companies like Cummins and Boeing aboard. At the council meetings, HCL could suggest new services, develop new product strategies, and listen to customers tell them how to make their services even better.

Keeping customers happy pays off—and HCL makes a practice of it. “We make sure to live up to all our commitments and not just meet service levels. We really want to exceed basic service levels,” explains Vijay Kumar, Senior Vice President, Delivery/Operations. “We have to be flexible in order to meet our customers’ changing requirements. We have to offer new solutions and create flexible agreements that have flexible financial terms. As a result, we gradually get to a win-win approach to business—customers become our friends. This is our insight into executing a win-win payoff.”

HCL works hard to facilitate this communication between its current customers and potential customers. In November 2008, for instance, HCL hosted “Unstructure,” a Marquee Customer annual event that brought more than 600 executive-level customers and prospects from across industries and nations to Orlando, Florida. The event featured thought leaders in economic trends, growth, and, of course, outsourcing strategies. HCL Technologies’ current customers were encouraged to share their experiences with the new prospects.

### A Unique Perspective from Cummins

Can customers become your sales force *extraordinaire*? Vernon Wilson, Executive Director of Information Technology, Cummins Business Services, offers his perspective on the HCL-Cummins win-win equation:

“In 2003, one of our major initiatives was to look at offshoring the Cummins Infrastructure Support arm. During the process we visited seven offshore vendors. We selected HCL Technologies because of its commitment to task. When we met the HCL executives, including Vineet Nayar, we saw that they were clearly committed to *making Cummins a better company* by partnering with us and helping us drive our costs down.

Moreover, we liked HCL’s emphasis on highly skilled workers. During a visit to HCL, I saw technical support professionals wearing three colors of shirts. Each of the colors stood for their certification on Cisco’s networking products. As they advanced through the certification process, their shirts changed colors. That was the most astounding sight I have ever witnessed during my infrastructure career. What this process communicated was HCL’s commitment to technology and the training of their employees in advance of changing technologies. HCL wasn’t selling us just a service but state-of-the-art technology support. And it communicated this in a delightfully unique way.

Vernon Wilson noted that Cummins holds its vendors accountable to their commitments. “That’s what makes for a successful relationship,” he says. “But HCL’s particular accountability to task has been ‘overwhelming,’” he explains, “continually exceeding our expectations.” For example, when Cummins rolled out a major initiative called ‘Through the Lens of the Customer,’ the HCL team volunteered to participate in the training, right along with Cummins’ employees. That speaks highly of HCL’s commitment to the task.

Wilson continues:

“We realized that we were taking a risk outsourcing to a smaller company like HCL. It was a new business for them. But Vineet Nayar demonstrated his commitment to us by backing it up with penalty clauses. If HCL did not deliver on a certain cost and service level, HCL would be penalized. This was a *unique* commitment compared to HCL’s competitors—one that could only be made if HCL was confident in its execution processes.”

Wilson also noted that HCL was willing and able to flex its resources to meet his company's changing demands. HCL took Cummins global as fast as it could, for instance, soon supporting Cummins in eight languages from HCL's help desks in Poland, India, and Ireland.

***Transforming from Customer to Marquee Customer***

By now, Cummins has been a benchmark customer for HCL for several years. That relationship shows just how valuable a Marquee Customer can be. Says Wilson:

"This has been an overwhelming success for HCL. At Cummins we pride ourselves on being a very open environment. We share our wins with other companies. Integrity is one of our big core values. So when we have been asked to visit or entertain possible customers for HCL, we openly share our journey with them, in two- or three-hour sessions. And when other potential HCL customers visit us here, they quickly pick up that we are not trying to sell them anything; we just tell them the facts about our success story with HCL. In this manner, my own bottom line is this: HCL is a company truly committed to success and technology, and it has a vision and leadership that matches well with Cummins' direction."

### **Essential #4: Leverage Big Brother Alliances for Breaking into New Markets**

As a company executes its growth strategy, it will inevitably find gaps in its portfolio of products or services. Filling those gaps with premier brand alliance partners not only expands the business but enhances its value proposition and credibility with Marquee Customers. As HCL's Infrastructure Services Division won larger and more complex deals, for example, customers demanded integrated solutions that it did not have. These included data center hosting, desktop support services, and the capacity to manage thousands of office printers.

Infrastructure Services Division's first global alliance, with SunGard Systems, supplied its customers with hosting and

business continuity services. Another alliance, with Unisys, made desktop outsourcing possible. An alliance with Xerox, meanwhile, provided print, copier, fax, and scanner services. These alliances gave HCL the ability to offer industry-leading services and a one-stop shopping value proposition.

Why did these top companies partner with HCL? Simple: to establish partnership alliances (rather than subcontracting relationships) and to give customers the benefits of a combined services offering at a level of quality that had won HCL high marks for customer satisfaction.

Nayar's team also focused on partnerships that created *Influence Zones*. HCL convinced the top consulting firms—McKinsey & Company, TPI, and Gartner—that customers had unmet needs and that HCL could offer unique ways to provide them. Nayar also created alliances with Microsoft, Cisco, and SAP. He said with a smile:

“We had often asked our partners if they were in the business of selling tools. Wrong idea. Instead, we started to say, why don't you collaborate with us to use your tools to provide services on a revenue-share basis? For example, we approached Cisco and asked if we could jointly provide services to manage Cisco's networks for telecom carriers. This would deliver increased visibility on bandwidth utilization, application response time, and optimizing bandwidth. Working smart would improve their service levels and reduce their costs.

Then we went to SAP and offered to partner with them on software implementation. All of this was so that customers could look to just one value zone for trust, transparency, and flexibility.”

Through this steady partnering with suppliers, influencers, and customers, HCL was able to get its partners to describe the benefits of the Value Zone to new customers.

Explains Nayar:

“Mobilizing everyone you work with to sell for you—that’s the secret to becoming an exceptional growth company. For every one of our HCL salespersons, we also have 100 partners directing customers to us. A 100:1 effect. That creates a sales force that is nothing less than industry shaping.”

### **Essential #5: Become the Masters of Exponential Returns**

Blueprint companies balance revenue growth with consistent earnings and, most important, cash flow. HCL had succeeded at that over the years, with a significant share of cash reinvested in the company to fuel future growth.

How does one balance cash flow with growth investing? “Our fundamentals are built on profitable customer relationships and profitable business units,” says Anant Gupta. “We are growing at 60 to 70 percent of a larger base. So the investments that we continue to make need to be made 12 to 15 months ahead of time. Instead of building infrastructure in advance for 500 people, as we did then, we now build it for 3,000.”

Nayar adds:

“The first step is to invest to the level your company can afford. If you can write off \$10 million, then invest only \$10 million. If you can write off \$100 million, then limit your investment to that level. For instance, when we started our investment in Remote Infrastructure Management, we had only \$10 million of capital. So we said, ‘If we don’t see growth by a defined milestone, then that’s the end of it!’ Every one of our business plans has what I call a *Death Date*. By the time the Death Date is reached, the concept must be proven, and revenue should be visible—or we kill the project and write off the investment.”

HCL's Remote Infrastructure Management is charting its own path to a billion on the six-year trajectory, thereby demonstrating that the company can successfully build billion-dollar business units.

The second step toward balancing revenue growth with consistent earnings, says Nayar, is creating passion for the idea.

“Any idea can be made to work. You have to come to India to look at the hawkers on the street; or to see how wireless messaging services are being used by the fishermen on the coasts of India to find the best price for their catch. Or how mobile phones are being used by farmers to find out where best to market their produce. In contrast, when you have an executive who is only worried about his bonus, he will not be absolutely focused on making the brightest ideas work.”

This might sound strange or, alternately, self-evident, but it has been proven to be true.

Third is a strict regime of financial reporting and corporate governance. Says Nayar:

“My belief is that money in the hands of the shareholders generates the highest return to investors. That means that the shareholder invests in a company to get in excess of 10 to 30 percent per annum. So, to keep shareholders' money on your balance sheet as cash is a sin because if you have excess cash in your balance sheet, you should return it to the shareholder.”

Fourth is leverage. In Nayar's words:

“The concept of leverage is to not go into significant debt; debt is largely an American concept. Our concept of leverage is shaded depending on the opportunity—in other words, borrowing versus the returns that you can achieve.

Since companies in India can borrow in U.S. funds at 2 to 3 percent and deposit in India at 10 percent return, we would be wise to leverage our balance sheet. By the way, this is still true in our current global economic crisis. If you have a business plan, look at the cost of borrowing versus the cost of interest that you can get on the excess funds and make a leverage decision. Obviously, don't overleverage your company. That could cause it to fail if the project fails."

### **Essential # 6: Practicing Inside–Outside Leadership—Corporate-wide**

HCL management focuses on dynamic duos or what it calls dynamic duos in a box. This means that HCL embraces the Inside–Outside pair concept. It's relevant not only for top management; rather, it is applied throughout the entire organization.

In the case of HCL, CEO Nayar is Mr. Outside. Mr. Gupta, meanwhile, is Mr. Inside (see Figure 8.1). Nayar says:

**FIGURE 8.1**

**HCL Technologies' Inside–Outside Dynamic Duo: Anant Gupta (left) and Vineet Nayar (right)**



Source: HCL Technologies.

“Our entire structure is based on dynamic-duo pairs. This creates what I call *alternate structures*, meaning that even with different reporting relationships, Inside–Outside pairs can be formed with complementary skill sets. Anant and I are really different, for instance, but this is beneficial. He comes from an R&D [research and development] background. He can visualize technology trends a million times better than I can. To complement him, I focus on external essentials, such as alliance and customer relationships.”

Unlike some companies, HCL replicates this Inside–Outside Leadership throughout the organization. In the Infrastructure Services Division, for instance, R. Srikrishna, Senior Vice President of Sales plays Mr. Outside, while C. Vijay Kumar, Senior Vice President of Delivery and Operations, is Mr. Inside. The secret to Srikrishna’s and Kumar’s success is not only that they do their own jobs extremely well, but they have also spent time in each other’s jobs—enough to trust the other to know what he is doing.

In terms of organizational structure, HCL is even organized so that Inside–Outside pairs report to other dynamic-duo pairs. To ensure success, the company makes a point of finding complementary pairings.

HCL’s pairings focus encourages teamwork. “We are quick to appreciate what each person brings to the table,” says Kumar. “There is a careful balance. And while any person may be called upon to do another’s job, the culture is built on trust and respect for the role that people do, in fact, assume.”

In the end, it’s the results that count. Kumar explains:

“Senior leaders have a common goal, which brings a lot of synergy in how we work together. While each ‘yin and yang’ pair is typically evaluated on six metrics (sales, sales growth, profitability, service quality, customer satisfaction, and continuous improvement) the relative weighting varies. Customer sales are more highly weighted for the

outside executive, for instance, while delivery satisfaction is more highly weighted for the delivery leader.”

What makes this organization work so well? A culture of mutual respect across leadership, recognition of what each person contributes, and the fact that many of them have worked together for a long time. A culture of transparency, down and across the organization, Kumar emphasizes, builds a culture of interaction that drives effective teamwork.

This all makes sense for long-term players, but does the introduction of external talent change things? Kumar, Mr. Inside, explains: “We recognize that newcomers face leadership challenges. But we also realize that we will limit our growth if we do not spend the mentoring time necessary for our newcomers to be successful.”

### An Extended Family

All of this camaraderie sounds too good to be true, but it isn't. There is a family component to HCL's pairing management approach, especially since relationships often extend beyond normal 9-to-5 office hours. “We often support the other person's extended family, especially in times of trouble or illness,” explains Gupta.

## Essential #7: The Board Balanced with Essentials Experts

As with other Blueprint Companies, HCL's Board of Directors is not dominated by investors and management team members but balanced with *Essentials Experts*. In HCL's case, six of the ten are from independent companies. Two have accounting backgrounds. One is an IT entrepreneur who has grown IT companies from scratch, with failures and successes among them. Another has a call-center background. HCL wants its directors to ask tough, probing, real-life questions, and the management team gets them.

# HCL's Blue Print for Continued Exponential Growth

**T**he odds of reaching \$10 billion are, indeed, similar to what it takes to achieve the first billion. Only 5 percent of America's billion-dollar companies have succeeded in the climb beyond \$1 billion to \$10 billion in revenue.

In considering the next leg of the journey, Nayar does not bother weighing the odds. "While investors tend to measure success in financial terms, \$10 billion in revenue is not our goal," he says. "I believe we will automatically get there, not because we plan to get there but because of how we conduct our business. Besides, I don't want us to be known for our size. I want us to be known for the value we create for our customers and for our employees."

What does it take to continue exponential growth beyond a billion? "First, focus on *value*-centricity, as opposed to *volume*-centricity, which I believe is a contrarian view," Nayar asserts. "I have always told my people that if you want to focus on volume-centric ideas that do not create significant value for customers, don't even walk into my office. At HCL, nobody gets excited because of the size of this business. It's quality and service to customers that counts."

He continues:

“For example, there is a very small business unit within HCL that is creating rave reviews because it has developed a very innovative tool that automatically maps all the customer processes along with the software applications and infrastructure layers onto a piece of paper. This innovation immediately demonstrates the tangled web of processes and systems customers are trying to run their businesses with. The revenue of that division is less than \$50 million, but they were nominated as the best business within HCL Technologies, and won all awards hands down. My philosophy is that the only way you will succeed is by taking a contrarian view of the market, and then executing on that point of view extremely well. That’s the first, well, essential for success.”

The second fundamental part of continuing exponential growth beyond a billion, he shares, is to *stretch the envelope of trust*.

“Trust is often missing in business. People really do want trust partnerships. As the world is increasingly threatened by negative economic and political forces, trust will increasingly become the standard by which people form a relationship. If you are in the business of offering trust and if you can seriously say ‘trust me,’ you are in the right place in terms of truly excellent business practices. So HCL stretches the envelope of trust, by being flexible, and above all, transparent in its dealing with its people, customers, employees, and shareholders.”

Third, for HCL, is emphasizing the *Employee First initiative*. “Only the Employee First Value Zone will lead us to explosive success,” states Nayar. For example, the company recently

made the largest acquisition in the information technology industry, paying \$700 million to acquire Axon, a British firm with 50 percent of its revenues coming from the United States, Australia, and China. "The reason the integration has worked very well," says Nayar, "is that first we respect the employees. We respect who they are, what they are, how they work; and that respect allows us to grow because these employees perform at an exceptionally high level. Trust creates that."

The fourth part of continuing exponential growth beyond a billion is *disruption in the value proposition*. HCL believes that remote infrastructure management, which it helped create a few years ago, must go through another level of disruption. In other words, last year's value proposition is already out of date. It is evolving again to stay ahead of customer requirements and the competition. For example, HCL set up a help desk operation in Raleigh, North Carolina, which is staffed by U.S. employees to complement offshore solutions with onshore ones.

Fifth is pursuing *new markets*. Nayar says that while HCL has targeted the total IT outsourcing market, "We keep looking for what is new in such regions as Continental Europe, and what is new are such recent business models as global delivery." To that end, HCL is looking forward to changing its business model to one that emphasizes revenue sharing. "In that way," he explains, "we can share the risks and rewards with our partners and customers." For example, when a customer buys a Cisco product or a security product from Computer Associates, HCL receives a royalty.

### **Continually Evolving the Blue Print**

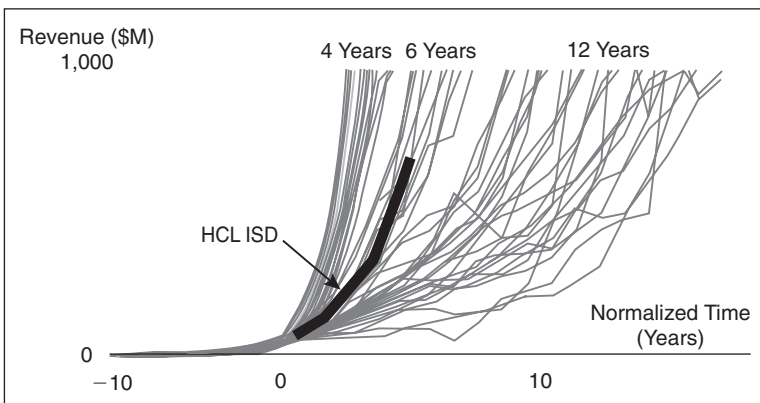
Blueprints are made to evolve, and the HCL Blue Print of 2005 is doing just that. The new Blue Print is expansive and modular as it is redrawn to adapt to HCL's expanding global marketplace. Nayar grows passionate as he describes the future of the outsourcing IT industry.

“The outsourcing market will be anywhere between \$25 billion and \$28 billion in expenditures by 2012. If you look back about 18 months, we had only two chapters—one was Applications Software and the second was Business Process Outsourcing Services. Many people thought infrastructure management was one of these two. But it isn’t. So we’ve created a third chapter called the Remote Infrastructure Management chapter, which is creating new opportunities, navigating with many industries on security and compliance. It’s a \$100 billion industry with an offshore segment of about \$28 billion. So that’s more proof that it’s a new industry, not even what it was three or four years ago.”

He adds, “For the next decade, the Blue Print is our framework for exponential growth.” (See Figure 9.1.) Dialoging the evolution of HCL’s Blue Print with Nayar after a panel discussion on the 7 Essentials at the Harvard Club in New York, it became evident that Nayar was thinking the company could

**FIGURE 9.1**

**HCL Infrastructure Division’s (ISD) Growth Trajectory**



Source: Standard & Poor’s Computstat, Blueprint analysis.

potentially face management bandwidth challenges as the services business model tends to be complex due to the high number of customized solutions.

Taking the Blue Print to the next level, Nayar launched *myBlueprint*: an Employee First initiative to invert HCL's Blue Print from the Office of the Chief Executive to empower Inside–Outside Leadership pairs across HCL to create their own blueprint growth plan for 2010 and beyond. Nayar explains the insights behind his innovative management initiative:

“We took the first step to fix management bandwidth by implementing Inside–Outside Leadership across HCL. The reason behind utilizing this approach was to create a self-run, self-governing organization. Our leadership pairs could leverage their complementary skills to address common problems and make independent decisions. As a result, we were more productive than a hierarchal system. The next challenge was to create a planning mechanism for these pairs. I kept asking a most critical question, ‘What is the evolution beyond self-governing Inside–Outside Leadership pairs?’

The answer is *myBlueprint*. These pairs are being challenged to grow beyond self-governing to self-planning. *myBlueprint* is creating a new paradigm for business planning: for Inside–Outside Leadership pairs to create their own myBlueprint and review it with pairs around them. These 360 degree reviews provide the opportunity to leverage the Inside–Outside Leadership community—innovators (inside), account managers (outside), delivery managers (inside)—to incorporate their ideas into an ‘open book’ *myBlueprint* plan. The community helps me think through the plan, learn from the best and lead closer to customers.

To simultaneously initiate more than 300 *myBlueprint* plans globally across HCL, Nayar faced management and information

systems challenges. First, there were four necessary ingredients critical to enabling this process:

1. An organization structure based on Inside–Outside Leadership pairs
2. A culture of openness where colleagues add value rather than compete with one another
3. An Employee First initiative that empowers teams
4. A CEO comfortable with the use of social networking tools

Second, the corporate IT function had to support the latest social networking tools to enable teams to share their plans across their 360-degree community. Finally, Nayar insightfully points out that leaders not open to feedback and sharing their plans tended to correlate with underperforming units.

A unique advantage of the *myBlueprint* process is that plans are recorded not just for sharing but for the CEO to review and provide input. Nayar personally reviewed each of the 300 plans to provide his perspectives, suggestions for improvements, or endorsements. As a result, the value of CEO and management reviews shifted from “I have no value to add” or “Let me summarize the plans” to adding perspective on how to help leadership pairs improve their blueprint.

Nayar shares his excitement for *myBlueprint*:

“The summary of all 300 *myBlueprints* is the CEO’s *myBlueprint*, which becomes the company’s Way Forward. I called this process *myAnalysis* and *The Way Forward* to represent the direction the company should take based on a summary of all of HCL’s *myBlueprints*. We now have a new HCL Blue Print derived not from the CEO but based on all of the Inside–Outside pairs who reside in the value zone close to our customers.”

Sustaining global leadership and influence requires leading change. HCL's Blue Print events are transitioning to a culture of social networking of myBlueprint growth plans. Nayar shares his perspective on this breakthrough management technique:

"You have to recognize that Facebook and Twitter are now integrated into the corporate culture as the place where outstanding thought leadership and communities share insights and communicate. As corporate leaders, we have a new choice: We can let our best resources communicate outside our walls or integrate social networks to enable teams to collaborate in ways you could not imagine. I believe in five years, Inside-Outside Leadership pairs combined with social networking will create the ultimate self-run, self-planning organization. Leaders will be defined by the followership they earn because others want to follow, not the power of protecting information or being the CEO or group leader. They have a plan that makes them accountable to one another and the customer, not just the company. Everyone wins."

### **The Long View: Growing through a Recession**

No doubt about it, the 2009 downturn dramatically slowed growth for most companies around the world. Is that entirely bad? Through the lens of its Blue Print, HCL sees opportunity in economic downturns. During the economic downturn of 2001 to 2003, for instance, HCL saw that many of its competitors had locked their IT customers into 7- to 10-year contracts that they could not easily adjust or exit. That's where HCL saw an exceptional-growth opening. If it could write its contracts with flexible provisions, so that the customer could better manage through these downturns, HCL would have a service that customers would prefer to buy.

For HCL, the global economic slowdown doesn't signal the need to step on the brakes. Instead, Nayar believes the way out of the recessionary times into the recovery phase is in aggressively increasing investment, opening new offices, and offering new services. This may sound counterintuitive, but it's not. It's wise business practice.

To be sure, Nayar believes, the IT sector will feel pain in the short term. Slower growth can be anticipated. In the medium to longer term, though, he believes that HCL is just the medicine for exceptional growth: HCL's services can reduce cycle times and take hundreds of millions of dollars out of business operations. Based on that belief, HCL has signed more deals than ever before over the last few quarters. And, Nayar believes, HCL's growth will continue into the next decade. He explains:

"At HCL, we do not look at the short term. If you are in a car race and you see a bend in front of you, which is what we are seeing now, you do not know whether there is a road after the bend or a dead end. A typical, bean-counter CEO would step on the brakes because he believes there is a 50 percent chance that there's a dead end around the bend. We believe we are on a racetrack and we should position ourselves to accelerate out of the curve. At HCL, we look back at the companies that emerged successfully from recessions, and we found that those companies that wisely invested their cash, selectively executed mergers and acquisitions, and actually stepped on the gas were the companies that were the leaders in the next growth cycle.

So we are stepping on the accelerator. We are investing more than ever before. We are increasing our sales headcount. We are reaching out and opening new offices. We are adding new services that we hope will accelerate our pace of generating revenues. Our short-term revenues are irrelevant, because these will change in proportion to what our customers want to see immediately. But in the medium to long term, what I am hearing the customer say

is 'HCL, you are the answer to the problems I am facing.' That is a wonderful statement to hear, and that is *why* we are stepping on the gas."



## Part Three Summary

### Key Points

- HCL utilized all 7 Essentials by defining actions that align to each Essential. Particularly redefining higher-order benefits by focusing on the Value Zone; leveraging Marquee Customers such as Cummins Business Services to sell for HCL, and employing Inside–Outside Leadership pairs across the organization.
- Vineet Nayar's focus on empowering employees to achieve growth defines HCL's growth trajectory rather than the goal itself. He shows that focusing on the values and fundamentals for achieving compounding growth will prove successful over the long term.
- HCL focuses on five values as a platform for sustainable growth:
  1. Value centricity
  2. Trust
  3. The Employee First initiative
  4. Disruption in the value proposition
  5. New markets

HCL is a testament to the fact that it is possible to define the values that will guide decisions and frame a growth blueprint.

### Unexpected Findings

- Shiv Nadar, Fouders of HCL, laid the foundation for another billion-dollar company by spinning out HCL

Technologies. He established a “rare” track record of building multiple exponential-growth businesses.

- Vineet Nayar employed a Blue Print metaphor as a visual to frame HCL Technologies’ growth framework. Utilize a similar visual framework to develop a shared vision and energize your team.
- HCL’s plans or Blue Print is actionable, a corporate-wide process, and is continually evolving. Nayar focuses on empowering and seeking buy-in from all HCL employees to the Blue Print framework. He looks to each leader to be accountable to execute his or her portion of the Blue Print. HCL is a global leader that proves companies can develop and apply a similar Blue Print framework and leadership approach in order to fuel long-term growth.
- Companies in Asia are applying the same growth fundamentals as America’s highest-growth companies. The 7 Essentials are universal and globally applicable.