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# EMPLOYEES FIRST, CUSTOMERS SECOND

turning conventional management upside down

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EMPLOYEES  
FIRST,  
CUSTOMERS  
SECOND  
**VINEET NAYAR**

KEY CONCEPTS FROM EMPLOYEES FIRST,  
CUSTOMERS SECOND



Today, many products and services have become commodities and companies often distinguish themselves not by what they sell but by how they deliver those products and services.

Yet this fundamental shift in the markets has not—yet—induced any significant change in the way most companies are structured and managed. While they compete in the 21st century, the majority of today’s companies are still shaped, organizationally, by 20th century management ideas.

Vineet Nayar, Vice Chairman and CEO of HCL Technologies (HCLT), believes this must change.

He recommends an alternative that includes some unconventional—even radical—management practices. At HCLT, Vineet Nayar adopted an “Employees First” structure in which management is accountable to employees, as well as the other way around.

In the book, *Employees First, Customers Second: Turning Conventional Management Upside Down*, he describes how HCLT successfully left behind out-dated 20th century management practices and embraced the management of the future, and how other companies can too.

## **EMPLOYEES FIRST, CUSTOMERS SECOND**

*Employees First, Customers Second* explores the steps of HCLT’s transformational journey as the company recognized the need for change, created a culture of trust through transparency, turned the organizational pyramid on its head, and shifted the responsibility of change from the office of the CEO to the employees using small catalysts, or “blue ocean droplets,” that produced big results.



## WHAT IS “EMPLOYEES FIRST” PHILOSOPHY?

HCLT defied conventional wisdom when it turned the management structure upside down. By putting employees first and customers second, HCL was able to activate the value zone - the place where frontline employees interact with customers and create real value for them.

By doing so, it fired the imagination of both employees and customers and set HCLT on a journey of transformation that has made it one of the fastest growing and profitable global IT services companies. According to BusinessWeek, HCLT is one of the world's most influential companies.



## DOES “EMPLOYEES FIRST” WORK?

When HCL Technologies embarked on the “Employees First” journey in 2005, shifts in the IT services market had left the company struggling to compete with its global competitors. After a series of successful experiments that turned the management structure upside down and transformed the company, HCLT is now one of the fastest-growing IT service partners in the world.



## WHAT HAS HAPPENED IN THE LAST 3 YEARS?

- HCLT grew at a CAGR of 24 % and increased its market capitalization by 186% in the last 3 years
- Doubled the number of \$10 Mn, \$20 Mn & \$50 Mn customers and tripled the number of \$100 Mn customers
- HCLT's revenue per employee is amongst the highest in the Indian IT industry today
- HCLT was also featured as one of the most innovative and disruptive companies globally –
  - Included in the first ever Executive Dream Team published by Fortune
  - Emerged as the top ranking IT Services company in APAC, in Forbes Asia's 'Fab 50 List'
  - Ranked by TPI in the Top 6 Global Service Providers by TCV across ALL 3 geographies (Americas, EMEA, APAC)



## THE EFCS TRANSFORMATION

HCL implemented a four-phase transformation for its “Employees First” journey. These were:

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 **Mirror Mirror, Confronting the Truth**  
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-  **Using Transparency to Build Trust**  
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-  **Inverting the Management Pyramid**  
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-  **Recasting the Office of the CEO**  
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To shift thinking and create real, sustainable change during this process, HCLT used many small catalysts that set the journey in motion.

HCLT experimented with various practices throughout the “Employees First” journey.

While many of these practices worked for HCLT, the small catalysts that create big changes may be different in other companies, industries, and cultures.

Experimentation is encouraged.



## Mirror Mirror, Confronting the Truth

To create the need for change, HCLT needed to establish their Point A—the reality of their business situation. Open, honest conversations unveiled the truth, and created the need for change. At the same time, HCLT worked to establish a vision of the future, a Point B, that inspired and motivated people with the romance of tomorrow.



### CEO's Musings

#### Mountains Beyond Mountains

I grew up near the foothills of the Himalayas. One day in grade school, my geography teacher led my class outside and pointed to the striking mountains in the distance.

“What do you see beyond the mountains?” she asked.

Being eager students, but not knowing the answer, we made up all kinds of impressive answers. Again and again she asked us what lay beyond the mountains. Finally, we had to admit that we did not know.

“Good,” she said. “That is the right answer. Now let’s go inside and see if we can find out.”

The role of leadership is that of the teacher—to point to the future and encourage people to think about it.



## Using Transparency to Build Trust

In order to build the trust needed to enact change, HCLT threw open the windows of transparency and shared the company’s financial information—the good as well as the bad—with employees across groups.

By pushing the envelope of transparency, HCLT built trust between management and employees. That trust led to employee-initiated action.



### CEO's Musings

#### The Amsterdam Window

I remember a visit I once made to a friend’s home in Amsterdam. It had huge windows that looked out on the city’s main canals. The home was flooded with light, and the rooms felt very exposed to people outside.

“Why do you have such large windows?” I asked.

“It keeps the house clean,” he said.

I took his answer to mean that the bigger your windows, the more glass you have in your house, the more visible the dirt will be—to you and to everyone who visits or passes by. If you can see the dirt, you will be much more likely to get rid of it.

A transparent house has a dramatic effect on the culture inside. And that’s exactly what we did at HCLT—threw the window of transparency open and let the light in.





## Inverting the Management Pyramid

HCLT turned the traditional organizational structure upside down and made managers and those in enabling functions—such as HR and finance—accountable to the frontline employees who work in the value zone, just as those employees were accountable to their managers. These structural changes made long-term, sustainable change possible.



### CEO's Musings Dancing at Directions

In 2006, as I prepared for a meeting about issues relevant to our employees, I knew I had a chance to make a big impact and a lasting impression. This gathering, called “Directions,” couldn’t be a traditional corporate meeting in which the almighty CEO appeared on stage, delivered his pronouncements, and retreated to his office. It had to reflect the changes to the pyramid we had already made.

And so when I came on stage to make my presentation and looked out at the people in the audience, I started to dance. I am not a world-class dancer. People gasped. They laughed. I made a fool of myself and I made some funny remarks. And then we settled down to two hours of very serious, very constructive conversation. In all the meetings we have held since then, we have opened ourselves up to every question and comment. And sometimes I even dance.



## Inverting the Management Pyramid

### Open 360-degree Review

To help invert the organizational pyramid, HCLT opened the 360-degree performance review process to all employees who a manager might influence—and allowed anyone who had given a manager feedback access to the results of that manager’s 360. This practice increased participation, empowered employees, and made the 360 review a development tool, not an evaluative one.



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## ★ Recasting the Office of the CEO

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HCLT transferred the responsibility for change from the office of the CEO to the employees, creating a company that was, in many ways, self-run and self-governing. Employees now ask and answer as many questions as the CEO, increasing the speed and quality of innovation and decision-making in the value zone.



### ★ CEO's Musings A lesson from the poultry farm ▼

During my school years, I took a summer job on a poultry farm. Every day, my friends and I would gather baskets of eggs from the henhouses, carry them to sheds on the other side of the farm, and go back to the henhouses for more.

After a day or two, we decided this egg-handling methodology had its limitations. It was slow, boring, and inefficient. We started experimenting with the egg delivery methods. For two weeks we tried everything we could think of, but nothing made much difference. We grew tired of experimenting and went back to doing the job as it always had been done.

On my last day of work, I had a revelation about the job. Tinkering with the process wouldn't change the nature of the work. We had been stuck in an archaic structure and until that changed, nothing else could change.

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## ★ Recasting the Office of the CEO

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### The Value Portal

To help recast the role of CEO and transfer responsibility from senior management to the company as a whole, HCLT launched the Value Portal—a system that enables employees to offer suggestions and solutions for change. To date, it has led to more than 500 ideas that HCLT has implemented, creating more than \$25 million in value.

### Smart Service Desk

Smart Service Desk (SSD) is a system HCLT created to resolve problems between the enabling functions and the frontline employees. Any employee with a problem can open a trouble ticket, which is assigned to a manager responsible for its resolution. Since only the employee who opened the ticket can sign off on the solution, SSD helped address and resolve thousands of longstanding problems.





## CEO's Musings The Skeptic

I spoke at a conference where a man approached me and introduced himself as the CEO of a hotel chain in China. He complimented my talk, and then said: "I see no sense in the "Employees First" philosophy. At least not for me and my company," he said. "My company is growing and thriving."

I guessed he wouldn't be speaking with me if that were totally true so I asked what his company's growth was. He said it was slightly higher than the industry average. I told him I thought this was cause for concern, that if he wanted to make a big leap ahead he had to put employees first. He could double his growth!

He laughed, and I laughed with him, but I could see I had planted the seed of an idea in his mind. I hope that it found some sunlight and nice rain droplets. Next time I'm in China, I will stay at one of his hotels and find out.



## **The Next Wave: EFCS 2.0**

**From Management Driven, Employee Embraced  
to Employee Driven, Management Embraced**

The Employees First story at HCLT is rapidly evolving with employees taking up the ownership of change from the management. HCLT is already witnessing instances of the blue ocean droplets producing big results.



A platform created by employees to go from official to social at work now boards over 59,000 members.



A bottom-up initiative designed by front line employees, for front line employees with the goal to recognize and celebrate the most innovative ideas at HCL



A program focused on nurturing young leaders to showcase and implement ideas for social impact



A social responsibility initiative to emphasize the power of every single employee to create a change not just in the organization but across the community. Through this program the employee spends a day with the community and donates a Rupee a day, which ultimately adds up to an avalanche of positive social activism.



A platform focused on making knowledge the currency across the organization by bringing together communities of passion.

## TO LEARN MORE



**Vineet Nayar** is Vice Chairman and CEO of \$3.9 billion HCL Technologies Ltd, leading a team of 83,076 professionals in 26 countries to drive growth in the IT services industry. Vineet has instituted several radical programs that began a quiet transformation across the organization. His mantra of “Employees First” and a strong belief in value-based leadership has been recognized globally. *Fortune* magazine has characterized HCL as having “*the world’s most modern management,*” and IDC recognized it as having “*the most cohesive and articulate vision*” in the IT services sector. Vineet has won many global citations for developing the EFCS model including the first ever ‘Leader in Digital Age Award’ by CeBIT, the world’s largest trade fair showcasing ICT and ‘*HRD Excellence - Pathfinder CEO Award 2010*’ by the National HRD Network. Recently Vineet was chosen by *Fortune* magazine in its first ever global “*Executive Dream Team*” which the publication described as an “all star leadership” that could lead any company through turbulent times and “could coalesce and dominate in any industry”.

“Today’s youth work very differently to anything we’ve seen before. They are natural collaborators, communicators, innovators. We just need to give them the tools they need, and get out of their way ”

Vineet Nayar

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