**Case Study- Infosys(A)-Strategic Human Resources Management**

***Introduction-***

After a decade of fast growth, going from 250 employees to 15,000 employees and from $5 million in revenue to $754 million as well as being ranked No. 1 in the Business Today Best Employer survey, Infosys Group felt a rude shock in 2003 when it fell off of the Best Employer List completely. Because of this disaster, the leadership of the company held a meeting in November of 2003 to set a new and aggressive milestone for the company: to ensure that Infosys Group was on the Top Ten lists of both Best Performing Companies as well as Best Employers by 2007. While leadership set this seemingly attainable goal, the HR team knew it would be no easy task as no large organization had ever been able to achieve this distinction because of the need to control costs for financial performance and the spending required for employee satisfaction. The fact that Infosys fell completely from the Best Employers list caused a huge media uproar and commotion in the industry, and the situation was referred to as the “downfall” of the poster of the Indian software industry. As Infosys continued its growth, the HR team knew it needed to prevent crises like this from happening in the future, but they did not have a model or path to follow.

***Background-***

In 1981, after working in the public sector and at a start-up software firm in India, Narayana Murthy, along with six others, left their jobs at the software firm and founded Infosys with only $250 borrowed from their spouses. From the start, Murthy and his six colleagues shared a vision of creating wealth in a legal and ethical manner. Youngest cofounder and current CEO Nandan Nilekani stated that they wanted to build a company that “was professionally owned and professionally managed, with good corporate governance, good employee management, and good ethics.”

The bureaucratic and heavily regulated governmental environment in India in the 1980s made it very difficult for Infosys to get off the ground; taking 12 months and 15 visits to Delhi to get permission from the government to import a computer and one year to get a phone line. The issue of foreign exchange for travel abroad was controlled through the Reserve Bank of India, and all of these constraints meant longer lead times in executing business. By 1986 Infosys still only had one client and by 1989 when the U.S. government put a restriction on the number of B1 visas it issued each year, Infosys was no longer able to visit its customer locations in the U.S. and the company was at a point where it was almost completely dissolved. After one of the cofounders left the company to pursue other opportunities in the U.S., the remaining cofounders discussed dissolving or selling the company, but when Murthy offered to buy out their shares to continue the company, the rest of the cofounders decided to stay in it with him.

The HR team at Infosys continued to make attempts to make the workplace more fun and meaningful, however even though they instituted a number of programs and events to do so, employee discontent continued to rise. As it continued to grow with each passing year, the diversity and disparity of the employee hierarchy was becoming more apparent and middle and senior managers were not in touch with the rapidly changing realities of the employees at lower-levels. Managers were unable to understand the frustrations of the lower-level employees who were doing less interesting work and found it challenging to take a hands-on approach to management and also struggled with effective delegation as their responsibilities expanded. This ultimately led to a high turnover rate, even though the company was expanding and growing, which meant high employee costs because of the need to build up recruiting efforts.

***Problem Analysis***

***The Problem***

           In 1999 Infosys decided to implement a series of changes including building a portfolio of core companies and services and reorienting the way people were measured, compensated, promoted, and rewarded in an effort to improve productivity, cost-competitiveness, and efficiency. After changes were made including the introduction of a variable pay structure across the entire organization, flattening the organization by removing eight of its fifteen layers, and a promotion policy that depended on the needs of the organization rather than solely on the individual’s performance and seniority, Infosys remained high on the Best Employer lists in 2001 and 2002. In 2003, however, Infosys fell off of the lists completely, shocking everyone else in the industry as Infosys had always been recognized for its path-breaking HR practice.

Upon analysis of the situation, the Infosys management realized that the changes that had been initiated since 2001 had an unintended impact in de-emphasizing the traditional culture of Infosys, which was a small company and collegial environment where processes and policies were flexible and customized to individual needs. Challenges in managing expectations and communication within the large organization led to employees being doubtful about the impact of the changes as well as being unclear about the rationale behind the changes, which appeared to be benefiting the company at the expense of the employees (Delong & Rengaswamy, 2005).

***Possible Solutions-***

Even though Infosys has consistently known for its outstanding HR practices and employee satisfaction, it has experienced many ups and downs in the way its employees feel about the work environment. Much of this can be attributed to the growing pains that come with such rapid growth that Infosys experienced. When a company is doubling in size each year and constantly evolving, it is challenging to manage communication with employees, which I feel is one of the biggest causes of the problems with the employee dissatisfaction at Infosys. Communication is a free and simple thing that can cause employees of a company to feel valued and worthy, as well as help them understand where they fit into the company and what their role means the company as a whole. One of the biggest complaints over the course of Infosys’ history was that employees felt as though they were losing the ability to do meaningful work and weren’t clear as to how they fit into the changing policies and practices that were being implemented at the company.

Another possible solution would be to try to make moves to bring the original small and collegial feel of the company back because it seems as though that is another one of the biggest complaints from the employees over time. While it usually doesn’t hurt, improving employee satisfaction doesn’t always have to be done through spending a lot of money. I think that the solution that Infosys really needs is related to changing the work environment so that the employees feel valued and as though they are doing meaningful work.

***Recommended Solution-***

Strategic Human Resources Management is all about balancing human resources so that the company is meeting the needs of its employees and the employees are meeting the needs of the company (WiseGeek). If this is not balanced, either the employees or the company will suffer, or sometimes both. The solution that I recommend for the improvement of employee satisfaction at Infosys is a focus on improving communication within the organization. I believe that if communication is improved and managers work more closely with their employees, the employees will gain a better understanding of their roles within the company, the value they are providing to the company as a whole through the work they do, and how decisions that are made by the management ultimately impact them. I also think that if the managers work more closely with the lower-level employees, they will gain a better understanding of the issues and frustrations that the lower-level employees might be facing which will help them take steps to improve any problems that might be occurring. Companies who work hard to meet the needs of their employees can cultivate a work atmosphere conducive to productivity. Strategic Human Resource Management is the best way to achieve this because by being able to plan for the needs of employees by thinking ahead can help to improve the rate of skilled employees who chose to remain working for a company, which then improves the employee retention rate and can reduce the money companies spend on finding and training new employees (WiseGeek). In the case of Infosys, the greatest employee need is to feel as though they are doing meaningful work and to understand where they fit into the ever-growing organization and how the changes that are made impact them, and that is not something that money or material benefits can help achieve.