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Imagine waking up to find yourself perched on a window ledge outside your corner office. The building is on fire. The windows won't open. The ledge narrows to nothing on both sides. You could stay put and pray that someone will rescue you. Or you could leap—you hope—to safety.

That's the metaphorical choice I faced five years ago, when I was appointed president of the Delhi-based IT services provider HCL Technologies. Although the company's revenues were growing by about 30% a year, it was losing market share and mindshare. Our competitors were growing at the rate of 40% or 50% a year, and the IT services industry was changing rapidly. Customers didn't want to work with an undifferentiated service provider that offered discrete services; they wanted long-term partners that would provide end-to-end services. Could HCL become such a company?

History will tell you it did. By 2009 HCL had changed its business model, nearly tripled its annual revenues, doubled its market capitalization, been ranked India's best employer by Hewitt—and pioneered a unique management culture that I call Employees First, Customers Second (EFCS).

How did I do this? I didn't. One hundred senior managers and 55,000 employees, the people of our company, accomplished the transformation. How did I persuade them to do it? I spoke the truth as I saw it, offered ideas, told stories, asked questions, and even danced. Most important, I made the leap myself.

Acknowledge Point A and Identify Point B

I realized that no one would jump into the future until the organization acknowledged that we needed to do so. So I spent the first few weeks of my tenure visiting HCL's offices around the world, meeting senior managers in small groups and at larger gatherings. I discussed the company's current situation—Point A, I call it. Some people sensed no danger; they could see only our track record, the booming IT services market, and our past successes. Many had no opinion; they wanted to wait and see. A few believed that the situation was dire and HCL should have changed a long time ago.

These meetings had a disruptive effect—not because I'm a great orator who oozes charisma but because I presented facts and articulated opinions that had not been aired before. Although we didn't give a name to these conversations then, we codified the process and came to call it Mirror Mirror. I had held up a mirror to the company in a new way, forcing people to see the reality of our situation. Gradually, it became impossible for anyone to argue that everything was fine. Now, whenever the environment changes, we use the Mirror Mirror exercise to rethink HCL's position.

I also met many customers during my travels, and it was from them that a potential Point B—where we should land—began to take shape. What struck me was that customers didn't talk much about our products, services, or technologies; they spoke mostly about HCL's employees. The value the company offered lay in the interface between customers and frontline employees—that was our value zone.

However, we weren't organized as if that was the case. HCL was a traditional pyramid, in which frontline people were accountable to a hierarchy of managers. The hierarchy usually made it more difficult for employees to add value. I began to wonder if we could turn the organization upside down, so that senior management—the heads of enabling functions such as human resources and finance and even the CEO—could become accountable to employees. This concept gradually grew in clarity and strength, and blossomed into the EFCS approach that underlies almost everything HCL now does.

Collaboratively Develop a Strategy

I had told everyone that we would set a strategy collaboratively—and I meant it. In July 2005 I convened a meeting of our top 100 managers and proposed that HCL transform itself from an IT services vendor into an end-to-end global IT services partner that could compete against the likes of IBM, Accenture, and EDS.

I didn't care if we adopted this exact strategy; I reasoned that if these smart and experienced people rejected my proposal, they would come up with another approach as good as or better than mine. I asked the managers for their views in order to identify the "Yes, buts…." These are the caveats and concerns that arise when any initiative—but especially one that entails change—is proposed. "Yes, buts…" are at the very heart of collaboration; if you don't respond to them, you'll never get the people who have questions or doubts to play with the team.

The "Yes, buts…" took three forms. Some managers feared that by taking on the major global players, we would forsake the position we had built over the past decade and would lose everything. Others raised issues I hadn't thought of, asking, for example, "The IT analysts favor the established players—how can we get them to recommend HCL?" A third group supported the proposed strategy and was exasperated with the status quo. These managers wanted us to act boldly, and often to ignore others' objections.

I said very little during these discussions. I did not want to provide answers, offer justifications, or make new suggestions; I wanted alignment to emerge on its own. Three days of debate later, we agreed to adopt the strategy I had proposed. Everyone was on board—at least in theory.

Bridge the Gulf

During this period I also held informal meetings with frontline employees, engaging them in discussions about the kind of company they wanted to work for and how they saw their jobs. These meetings became more formal in 2006, with a series of companywide meetings we called Directions. (We still hold them.) They involve thousands of employees and take place in large venues around the world. I usually make some provocative remarks about the company's future and then open up the meeting to questions, conversation, and discussion.

But I felt that at the very first meeting it would be counterproductive if I marched up to the podium in a suit and tie and expected people to open up to me. Only the boldest or the craziest would speak.

I had to remove the gulf between employees and executives. So I walked to the center of the stage and looked out at some 4,000 faces. I said nothing. A popular Bollywood number suddenly blared from the speakers. I started to dance. I wiggled. I danced into the aisles. I pulled people up from their chairs and danced

Vineet Nayar is the CEO of HCL Technologies and the author of *Employees First, Customers Second: Turning Conventional Management Upside Down* (Harvard Business Press, 2010).

with them. HCLites, as we call ourselves, still chuckle about my performance.

After a few minutes the music ended, and I went back onstage to make my remarks. Those words sounded very different coming from a sweaty man who had just proved in public that he couldn't dance than they would have coming from the emperor at the podium. Two hours of purposeful and animated discussions followed.

I went on to repeat that performance about 25 times that year, dancing my way around the world. I don't know whether people thought my dancing showed I was crazy enough to believe in EFCS or whether it disarmed them enough to accept change. I do know that by the year's end the change initiative had gathered momentum.

Use BODs for Change

Transformation requires action, not just words, but I don't believe in large-scale technology initiatives or massive reorganizations. We triggered change at HCL through small-scale catalysts that I call blue ocean droplets (BODs)—a phrase borrowed from the ideas in W. Chan Kim and Renée Mauborgne's *Blue Ocean Strategy*. I used four BODs at HCL:

Sharing financial data. At the time, employees had access to the financial information that pertained to their projects but didn't know how either their business unit or the organization was doing. Nor could they compare the performance of their team to that of others. We decided to share financial data extensively, within and across groups. The goal was to help people better see where we stood and to increase trust by greatly increasing transparency. Once people saw that I was willing to show them how the company was performing, they began to shed their mistrust of top management.

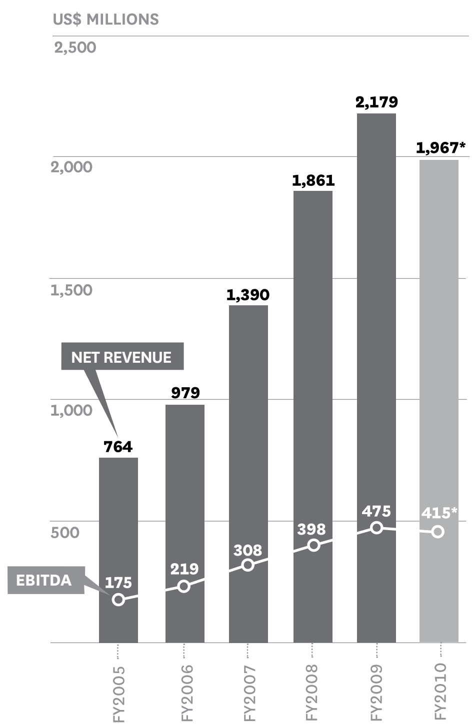
The smart service desk. I set up an online system that allows anyone in the organization to lodge a complaint or make a suggestion by opening a ticket. We have a defined process for handling tickets (for instance, a manager has to respond to every ticket), and the employee who opened the ticket determines whether its resolution is satisfactory. Not only does the system help resolve issues, but it effectively puts managers in the service of frontline employees.

The comprehensive 360-degree. Although HCL had a 360-degree performance review system in place, employees rarely reviewed managers because they didn't know what they stood to gain by doing so. I decided to allow anyone who had provided feedback to a manager to see the results. Employees would be more likely to participate, I thought, and managers would celebrate positive results with their teams. I knew I couldn't force managers to make their reviews public; I could only encourage them to do so. The best way to do that was to lead by example. In 2006 I posted the results of my 360-degree appraisal on the intranet for all the company to see. Most managers followed suit. If they didn't, it suggested they had something to hide.

The online planning process. Rather than reviewing the business plans of my 100 managers, as had been the case earlier, I asked the managers to make video recordings summarizing their plans and post them on an online portal, where other managers could review them, share feedback, and discuss changes. This made a difference in how managers formulated and communicated ideas. Consequently, plans became more specific and executable.

LEAPING INTO THE FUTURE

HCL's growth since 2005



*FIRST THREE QUARTERS OF FISCAL YEAR

SOURCE HCL TECHNOLOGIES

Calculate the Passion

As we improved the working environment for employees, it became clear that middle-level managers had lost some of their power. I thought about conducting an employee-satisfaction survey to see how to improve their lot, but I worried that satisfaction is a passive state, unlikely to lead to change. Engagement isn't much better; it doesn't necessarily lead to change either.

I wanted passion. We developed a new survey, the Employee Passion Indicative Count, to identify the drivers of passion in the workplace. This led to the creation of Employees First Councils, groups that focus on specific passions, from art and music to philanthropy and social responsibility. The councils help employees break down the barriers between their personal and professional lives and bring more meaning to their work. These groups had one unexpected benefit: Some sprang up around business issues, such as cloud computing, which channeled personal passion into company innovation.

Because of these changes, I was able to transform managers in the enabling functions from *petits fonctionnaires* into contributors to the business and the organizational culture. It's rare for these HCL employees to leave the company today, even though they are in great demand, because their work has become more meaningful and exciting.

Provide Transparency for the Board

When I arrived at HCL, in 2005, the chairman, Shiv Nadar, and the board already sensed that the company was heading for trouble. Shiv, HCL's founder and a legendary figure in Indian business, didn't have to be convinced that change was essential. I told him I needed a free hand. "Of course," he said. Shiv never once asked me what my approach might be. That was a good thing, because I didn't know at that stage.

Shiv and the board thought carefully about their role during the change process. They wanted the opportunity to discuss issues with me before we made major decisions, but they didn't want to get involved in day-to-day operations. I wanted their support and to tap into their collective experience. The best way to achieve both objectives, I found, was to be transparent. I constantly sent the board progress reports, held extra meetings, and ensured that more people than usual participated in the process. Senior executives and directors together came up with several new ideas and approaches, and over the next five years the board voted in favor of every proposal I brought before it—unanimously.

I didn't worry much about the stock market in the early stages of my transformation efforts. What's the point of making promises to analysts and shareholders who have heard it all before? I wanted first to show results and then to explain how we had achieved them.

Near the end of the year HCL started to win contracts that would have been out of reach for the company a year before. The first was from Autodesk, in November 2005. In January 2006 we won a large five-year contract with the consumer electronics chain DSG International—the largest IT services deal that any Indian company had ever secured.

That same year HCL closed five outsourcing deals worth a total of $700 million while competing with the world's biggest IT service providers. That's when the buzz began. The *Economist* wrote: "IBM and the other multinationals are becoming increasingly nervous about the fifth biggest Indian outsourcer, HCL Technologies."

The most difficult decision to make about transformation is when to start. We began when HCL was still growing at a healthy clip. We may appear to have been early, but I'm convinced that if we hadn't made our move then, HCL wouldn't be so successful today.

When the global downturn began, we started discussions again about Point A. Rather than engage in layoffs or restructuring, I asked employees for ways to help us get through the bad times. They offered many suggestions.

The Four Keys to HCL's Transformation

1: Mirror Mirror. Talk honestly. Face the truth. Enable people to see that a change has to be made.

2: Create trust through transparency. Find ways to build a culture of trust so that people will entertain the plan for change. Share financial data, good and bad, within and across groups. Use transparency as the basis for a new approach to performance reviews and strategic planning.

3: Invert the organizational pyramid. Make support functions and executives accountable to frontline workers, rather than the other way around. Not only does this increase value, but it brings clarity and meaning to the structure.

4: Recast the CEO's role. Transfer the ownership of change from the office of the CEO to employees. Allow the CEO to ask as many questions as he answers.

Some of them related to cost cutting, but most of them focused on how to increase revenues. Most important, HCL's employees felt that we had included them in determining how to weather the storm—unlike other IT companies, where, because management didn't take an inclusive approach, employees felt uncertain about their future and that of the organization. It's not accidental that while those companies' revenues fell, HCL grew by about 20% in the worst year of the recession. In 2008 we closed orders worth twice as much as those of the previous year and hired hundreds of employees globally, including in the U.S. and the UK.

I believe that many CEOs today are standing on a ledge, so to speak, unaware or unwilling to admit that the edifice behind them is on fire. Some are banging at windows, trying to summon help. Others have frozen in place. Only a few are thinking about boldly moving toward the edge. Having been in that position, I believe there is only one thing to do. Leap.

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