

Leadership in Infosys Technologies – A Case Study Report

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Abstract

This study focuses on providing enterprise solutions through ongoing maintenance, enhancement, and upgrading at all stages of their talent pool. Leadership as a core intervention to address Infosys' HR problems is the subject of this study. This report Infosys is an IT service giant, and keeping its talented employees is crucial for the firm. Human resources carry the organization's overwhelming market value to the world's businesses. In this case study, we first analyzed the organization. We established its biggest problem: its elevated turnover rate, followed by a few suggestions to consider the importance of successful top Management in fostering confidence in the current workforce. Infosys employs a competency system to recruit and promote staff, which assesses their expertise and abilities through various assessments. Create more challenging metrics for results. Correct information in science and technology and systems engineering, leadership, process improvement, and so forth would be offered. In particular, a promotion and acknowledgment were for the successful development plan. Initially, the SWOT analysis will be applied to Infosys, based on an examination of the competitors. In the following section, the discourse on the form of procedure introduced will be evaluated. In the final chapter, main recommendations will be provided to make it possible for the firm to resolve its study posits.

Keywords: Leadership, project management, quality processes, performance appraisal.

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1.0 INTRODUCTION

1.1 Background

Infosys Technologies is one of the most successful IT outsourcing companies. It was initially co-founded in 1981 and is currently headquartered in Bengaluru, India. Infosys is the second-largest software multinational in India after Tata Consultancy Services (TCS). Today, Infosys has 65 offices and 74 development centers around the world. Its services range from software development to product engineering and business consulting, and some of the services are offered to large enterprises like Microsoft, Google, Yahoo, Oracle, and SAP.

Infosys has a workforce of 160,245 employees (34.7% are women) of 89 nationalities. The company's goal is to provide business solutions by continuously maintaining, enhancing, and updating its considerable talent pool skills at all levels. Infosys uses a competency system to hire and determine the promotion of their employees, which tests their knowledge and skills by creating more rigid performance benchmarks.

Subsequently, appropriate training is provided in technology and project management, leadership, quality processes, etc. In addition, there is an ambitious management program in place with rewards and recognition. However, an HR intervention method called iRace was later introduced into the company due to the most recent economic recession. As a result, employees started showing their frustration at public forums, and social media sites later turned into massive attrition. In February 2010, about 4000 employees resigned (3% of the total workforce) and followed executives' resignation in the following months. In the past 12 months, more executives at both top and middle Level left the company. As a result, the attrition rate has significantly increased to 16.3% by the end of the 2013 financial year compared to 14.7% from the previous year. The latest attrition rate sits at 18.7% [1].

1.2 Purpose of the Report

This report will firstly apply SWOT analysis to examine Infosys' current situation, followed by competitor analysis. The second section of the

information will evaluate the works of literature on the intervention method we proposed. Finally, the last team will point out key recommendations to ensure that the company overcomes its current crisis.

2.0 ANALYSIS AND FINDINGS

2.1 SWOT Analysis

2.1.1 Opportunities

- Emerging technology presents new business opportunities for IT services providers, and Infosys has taken concrete steps to take advantage of that.
- Pricing power and cost optimization are the main competitive advantages of Infosys.
- Those are the exact qualities clients look for at a time of recession in the global economy. Thus, tough times could be bad news for most businesses but profitable for Infosys.
- In recent years, increasing European and North American companies have moved their operation to India, creating endless opportunities for local business in India.
- The strategic alliance between Infosys and Schlumberger allows the IT Company access to a profitable business in the gas and oil industries.

2.1.2 Threat

- Apart from India, countries like China have low cost, but skilled labor is also undergoing rapid industrial expansion. Customers might potentially switch to service companies based in other countries.
- As India has a highly-skilled but low-cost labor force, Infosys competes with many other IT companies worldwide for a talented workforce. It may drive up wage levels and make it more challenging to retain qualified staff.
- More than 500 middle-level managers have left the company during the last 12 months.

2.1.3 Strengths

- India has the benefit of low-cost but highly skilled labor who usually speak perfect English, are culture-sensitive, and familiar with western practices due to India's colonial past.
- Infosys has 160,405 employees and poses a strong presence in India.
- With over \$4 billion in hand and no debt, Infosys is in a robust financial position.
- Infosys focuses on innovation. It invested \$100M to create new ideas from Mobility, Cloud, and Big data. This also helps Infosys build a solid image for innovation, which is very important in the IT industry.
- The company is becoming a global brand and further widened its business channel, as it has 74 development centers across the globe.

2.1.4 Weaknesses

- To attract more sales, Infosys lowered its pricing, which negatively impacts margin. On the 2013 financial report, its gross margin decreased from 41% down to 37% [2].
- For the fourth quarter of fiscal 2013, Infosys added only 56 new clients, a steep decline from the 89 it did in the previous quarter.
- Wage continues to rise, from 42.9% to 44.8% of its total revenue.
- Infosys has suffered from a low margin and slow growth since S. D. Shibulal became the CEO in April 2011, while its major competitors, such as TCS and Hindustan Computers Limited (HCL), continue to do well.
- It encounters difficulty to retain its talents because of the freezing salary policy and has the highest turnover rate among its competitors.

2.2 Competitive analysis

The former director of human resources at Infosys, Mohandas Pai, stated that leadership is flawed, and "the issue with Infosys is that they put a CEO from the founding team, and that has not worked" [1]. Pai eventually finished his 17 years career at Infosys and left soon after; S. D. Shibulal became the CEO in April 2011. In 2012, Infosys put its new policy "salary freeze" in place, which significantly affects its ability to attract and retain talents. The impact of these failures is clearly shown in its financial statement. Its rival, TCS, had the biggest win in the 2013 financial year with total revenue of US\$12.5 billion (Rs 67787 crore), which is US\$4 billion over Infosys. Instead of reflecting on its issues within the organization, the company seems likely to live in denial. S. D. Shibulal, the CEO of the company blamed "global economic uncertainties" for its poor performance (Appendix 1).

A recent journal article (2014) published in Human Resource Management International Digest looked into the human resource policy of Infosys' another rival, HCL Technologies. It found out, unlike most businesses, HCL Technologies puts its employees ahead of its customers. Their "leadership mode in many ways invert the pyramid of organizational hierarchy, recognizing that the true role of management is to enable, enthuse and encourage frontline employees working in the value zone where they interact with customers" [2]. By putting employees first, HCL Technologies ensures its workforce will always provide the most outstanding service. In the case of Infosys, [1]stated Infosys' client base had a sharp decline in the fourth quarter of fiscal 2013. Additionally, it was later reported to have issues with its client base, which caused a significant number of cancellations [3].

With too much interference, even on the smallest of matters, from founders, the junior managers felt essential and less freedom to exercise their powers and use their minds for any actions under them.

Besides that, many issues between HR director Pai and CEO Shibulal led to discontent in top Management and slowing down the whole management decision-making process leading to organizational dissatisfaction [4]. This process led to the plan to reorganize the Management, which was eventually shut and not pursued further.

Despite boasting an excellent training center at Mysore in India, few are seen in public and doing great work. The three-level leadership structure and such talented minds don't seem to be effectively used by Infosys' top Management. Indian IT companies are creating a global presence by venturing into international markets now. With this new global growth strategy, Infosys's competitors, particularly TCS, Cognizant, and HCL, are gaining markets and growing business internationally with focused leadership. Due to its dwindling Leadership, Infosys is getting slow in this race.

2.3 Key Findings

Leadership at both the upper and middle levels is one of the significant causes among all the elements that contributed to the failure of Infosys. The company has been focusing on restructuring the top Management but neglecting the middle management's loss.

3.0 LITERATURE REVIEW

In this part of the report, we will briefly review the pieces of literature on leadership. From the company analysis, we found out that Infosys has leadership development issues within the organization. Administration refers to coaching and inspiring others to behave to lead to effective and efficient performance accomplish tasks [5]. [6] Stated that leaders have an essential role in an organization because they can attract, encourage, and retain employees and directly affect the organization's satisfaction and effectiveness [7]. Agree that leaders are crucial in achieving organizational goals, and their behaviors are considered a salient example to shape followers towards their performance. As we mentioned earlier, the company has been struggling to attract new clients. Additionally, resignations of significant talents have shaken the confidence of existing clients towards The company. [8] In his research, because of rapid change in the marketplace, top-down leadership does not lead to organizational success on its own. Middle managers play a vital role in overseeing and accomplishing organizational goals within the company. They deal with the daily running of the business with the knowledge of the operation and direct relationship with clients and employees [9]. In Infosys, middle managers are the essential talents dealing with external clients and

are also responsible for employee's productivity, commitment, and satisfaction [10]. Still, the turnover rate of the middle management is rising. [11] [2] [1] researchers Believe that solid leadership at the middle management not only assists employees to understand their value in the organization and enable them to connect organizational goals to individual tasks.

Although there is direct financial saving from cutting middle management positions, [9] pointed out that loss of middle managers means the company has less valuable skill sets and talents and the necessary capability for organizational success. However, the failures often happen without notice, and it is not easy to be translated into monetary value [9]. This research determined that long-term alignment's multicultural component, rooted in, cherished, and implemented through effective Management in the ideals of the organization, plays an essential part in the explanation of South Asian companies in their corporate success and sustainability as they face strategic options in an international volatile market setting [13]. Infosys is another Indian IT stronghold whose massive tumult occurred on 18 August 2017. The reasons given are 'prolonged disturbances' by Vishal Sikka, General Manager of Infosys (MD), and the company's board chairman. Hence the crew left, and all investors went through a projectile as the Indian economy was confronting the heavy burden of trade barriers in the USA. Infosys was seen as an extraordinarily competent and advanced company. The resignation of Vishal Sikka provided a mark of doubt about the institution's future path. Vishal Sikka's dismissal presented challenges. The purpose of this case study is to evaluate the relevance for large organizations of leadership development and the identification and preparation of internal talent for more excellent management positions [14].

4.0 RECOMMENDATIONS

In 2013, Infosys went into major restructure after it suffered significant loss both financially and non-financially. In April 2014, the company dismissed its top executive council, which was its highest decision-making body. Instead, the new structure required senior executive Srinivas and Rao to report to CEO D. Shibulal regarding company matters. Because of the recent cost management program, the company moved 500 employees back to India from its US base. Around 20% of these employees decided not to return. Many of those who did not return had 10 to 20 years of experience and valuable skill sets.

After adopting the new structure, Ashok Vemuri, one of the potential CEO candidates, left the company for its smaller rival, iGate Corp. A few months later, another potential candidate V. Balakrishnan, former CFO of the company, handed in his resignation letter. In late May, Srinivas suddenly resigned from his post as the company president. It was

the last draw for shareholders of the company, and the company finally chose to find a new CEO externally and forced Shibulal to retire early from the CEO post. Furthermore, many middle-level managers have been negatively affected by the change, so more than 500 of them left in the last few years. It raised new concerns over the company as such exits would damage its relationship with current and potential clients.

As you can see, Infosys's succession plan hasn't gone as predicted, and the unpredicted loss of middle Management is alarming. To assist the company in going back on its track and prevent further loss of middle management talent, we recommend several actions that could be executed in the next three months.

- **They created a development culture:** Setup leadership development programs for middle managers to match their leadership behaviors with current organizational strategy and goals. Through the program, the company should also listen to them for valuable insights. We recommend bringing external consultants to tailor the program development. This program could be costly but might be the most effective way as external consultants have extensive knowledge of their profession and tend to be unbiased. Alternatively, we recommend that the middle managers attend local leadership conferences and classes at local colleges and cover the cost.
- **Individual development:** Utilize current performance appraisal results to customize personal training and development programs for targeted managers for specific needs. This process will strengthen the middle manager's commitment to the training program itself as it is designed to improve its particular competencies. As a result, the program can help managers perform more effectively to achieve organizational goals and reach personal career goals.
- **Executive support:** Senior executives need to support the development programs for middle managers with follow-up discussions and on-the-job coaching. By doing so, the company sends a clear message that it values the middle manager's significance. It also creates an atmosphere where people feel a sense of belonging and feel they are cared for at the workplace.
- **Building confidence:** Spotlight on past successes and future grand plan which will Boost both middle-level Management's and employee's confidence about the company.

5.0 CONCLUSION

This report has tried to focus on leadership as a critical intervention to solve the HR issues at Infosys. Infosys is an IT service giant, and the company must retain its talented workforce. Human Resources bring an overpowering business value to the organization, and

companies worldwide have become aware of this. In this case study, we have first analyzed the company and identified its central issue, i.e., high attrition rate, followed by some recommendations that would establish the understanding that effective top Management plays a significant role in building confidence in the existing workforce. Infosys must develop a second line of command to achieve the company's current goals. Apart from that, individual development is necessary to build influential team culture.

This culture will cultivate bonding and belonging among individuals, thus, developing loyalty towards the company. Retention of the talented and trained workforce is vital as Infosys, or any company spends large amounts in training the employees. Efforts should also be made to improve recruitment, training, appraisal, and development cost-effectively. Through this approach, they can achieve remarkable growth and face the complexities in the market, thus, develop higher customer value. If used efficiently and wisely, the above recommendations may help Infosys retain its talent pool and have a competitive edge in the IT industry.

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Appendix

Appendix 1

Cash Flows					
in Rs. Cr.					
	HCL Tech	Infosys	TCS	Tech Mahindra	Wipro
	Jun '13	Mar '14	Mar '14	Mar '14	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Net Profit Before Tax	4451.20	14002.00	23544.47	3117.80	9608.20
Net Cash From Operating Activities	4170.15	9148.00	12941.93	1294.20	6588.60
Net Cash (used in)/from Investing Activities	-2985.48	-2307.00	-7189.32	-455.00	239.60
Net Cash (used in)/from Financing Activities	-1175.37	-3177.00	-5684.32	-917.40	-4088.60
Net (decrease)/increase In Cash and Cash Equivalents	-0.48	3698.00	111.95	-78.20	2690.30
Opening Cash & Cash Equivalents	156.29	20402.00	326.42	2366.70	7864.60
Closing Cash & Cash Equivalents	155.81	24100.00	438.37	2288.50	10554.90

Source : Dion Global Solutions Limited

P&L Account					
Profit & Loss account					
in Rs. Cr.					
	Infosys	TCS	Wipro	HCL Tech	Tech Mahindra
	Mar '14	Mar '14	Mar '14	Jun '13	Mar '14
Income					
Sales Turnover	44,341.00	64,672.93	38,757.20	12,517.82	16,295.10
Excise Duty	0.00	0.00	0.00	0.00	0.00
Net Sales	44,341.00	64,672.93	38,757.20	12,517.82	16,295.10
Other Income	2,576.00	3,114.71	1,611.20	472.38	190.30
Stock Adjustments	0.00	0.00	-0.90	-7.83	0.00
Total Income	46,917.00	67,787.64	40,367.50	12,982.37	16,485.40
Expenditure					
Raw Materials	0.00	0.02	2,548.50	251.66	0.00
Power & Fuel Cost	0.00	0.00	246.80	201.30	120.40
Employee Cost	24,350.00	21,466.56	18,337.50	4,628.61	6,971.50
Other Manufacturing Expenses	3,990.00	0.00	0.00	0.00	3,280.80
Selling and Admin Expenses	0.00	0.00	0.00	0.00	0.00
Miscellaneous Expenses	3,474.00	21,672.63	8,515.10	2,837.69	2,361.10
Preoperative Exp Capitalised	0.00	0.00	0.00	0.00	0.00
Total Expenses	31,814.00	43,139.21	29,647.90	7,919.26	12,733.80

	Mar '14	Mar '14	Mar '14	Jun '13	Mar '14
Operating Profit	12,527.00	21,533.72	9,108.40	4,590.73	3,561.30
PBDIT	15,103.00	24,648.43	10,719.60	5,063.11	3,751.60
Interest	0.00	23.41	374.70	76.46	86.80
PBDT	15,103.00	24,625.02	10,344.90	4,986.65	3,664.80
Depreciation	1,101.00	1,080.55	736.70	441.91	427.00
Other Written Off	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	14,002.00	23,544.47	9,608.20	4,544.74	3,237.80
Extra-ordinary items	0.00	0.00	0.00	0.00	226.60
PBT (Post Extra-ord Items)	14,002.00	23,544.47	9,608.20	4,544.74	3,464.40
Tax	3,808.00	5,069.55	2,220.80	840.02	778.90
Reported Net Profit	10,194.00	18,474.92	7,387.40	3,704.72	2,685.50
Total Value Addition	31,814.00	43,139.19	27,099.40	7,667.60	12,733.80
Preference Dividend	0.00	28.76	0.00	0.00	0.00
Equity Dividend	3,618.00	6,267.33	1,973.60	835.36	467.00
Corporate Dividend Tax	615.00	788.96	335.30	139.82	79.40
Per share data (annualised)					
Shares in issue (lakhs)	5,714.03	19,587.28	24,663.17	6,968.70	2,334.73
Earning Per Share (Rs)	178.40	94.17	29.95	53.16	115.02
Equity Dividend (%)	1,260.00	3,200.00	400.00	600.00	200.00
Book Value (Rs)	736.64	224.90	119.03	146.84	367.86

Source : Dion Global Solutions Limited

Infosys Comparison with Competitors <http://www.moneycontrol.com/competition/infosys/comparison/IT>