



Wipro's Azim Premji: "I Don't See Growing to 200,000 People as an Insurmountable Challenge"

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Azim Premji, 60, owns more than 80% of Bangalore-based Wipro, India's third largest software exporter, which had annual revenues of \$1.8 billion in 2005. Forbes magazine reckons that his net worth exceeds \$13 billion, and it places him at No. 25 in its most recent ranking of the world's richest people. In the first of a two-part interview with Knowledge@Wharton, Premji speaks with [Ravi Aron](#), a professor of operations and information management at Wharton, about Wipro's reorganization last year following the departure of its former CEO; why the company chose to move to an organizational structure based on so-called verticals; how Wipro's business operations are changing; and the challenges the company faces in recruiting and building management talent. Pratik Kumar, Wipro's head of human resources, joined Premji in answering some questions. The second part of the interview will appear in the next edition of Knowledge@Wharton.



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Aron: After Vivek Paul [Wipro's former CEO] left the company last year, you made radical changes in your organizational structure. How did they affect your markets and your vision for where Wipro is going?

Premji: The most important thing you must appreciate is that, with the reorganization, we tried to bring Wipro's leadership closer to the customer. In the process, we tried to de-layer the organization and empower our business leaders with a much higher degree of P&L and growth responsibility. That is why we removed an entire layer which was there previously. Our executives are seasoned enough in their jobs and they have performed long enough in their roles to be confident that they can deliver results through the new structure.

The reorganization also brought the mainstream of the company, which is really our global technology business, closer in alignment with the original corporate staff, which has now become our business staff.

Aron: As part of your new structure, have you started redefining the organization with P&L responsibility at the level of the vertical? [*Editor's note: Wipro's vertical structure divides the company into units such as Telecom Service Providers, Product Engineering Solutions, Finance Solutions, and Enterprise Solutions. These units further cater to industries such as banking, insurance, securities, and so on.*]

Premji: No. Each vertical is like a self-contained business. It is like a mid-sized company even by U.S. standards, because each vertical generates about \$300 million in annual revenues. Though they work under a common structure, with resources such as Finance, HR, Quality and Marketing, each vertical has people who represent these functions. So, in effect, each vertical is like a separate company.

Aron: Does that mean you intend to delegate more authority and responsibility to these self-contained companies?

Premji: Absolutely.

Aron: What is your thinking behind this?

Premji: It all goes back to leadership. It speeds things up and gets decisions made faster. It empowers people more, and it allows them to further empower those who report to them, because their jobs have suddenly become much more responsible.

Aron: So, in some sense, are you saying that a desire for greater customer proximity drove Wipro's reorganization?

Premji: Yes, it did -- as did a drive for speed. I hope the reorganization will make Wipro more agile because it's one thing to design a new organizational structure, and quite another to execute well. We believe that the new structure will help us execute our strategy well.

Aron: It's unusual for an Indian company to organize itself in terms of customer-facing, autonomous sub-companies. Do your senior executives have the necessary strategic views to be able to deliver under such an organizational structure?

Premji: We have been moving toward this type of structure for the past three years, though we have nailed it down more comprehensively now. We have tested it in various stages, and now we have the confidence to do it more thoroughly. It's not that we suddenly decided to create customer-facing units. We have greater maturity in this tested organizational structure compared to our competitors.

Aron: Let us now turn to some of your business challenges. I notice that Wipro's BPO revenues are growing rapidly. If you look at revenues per employee -- that is, the value that each person who works for Wipro contributes to the bottom line -- that number has grown by about 6.5% to 8%, whereas Wipro's BPO operations have notched up growth of more than 30% over the past 18 months.

Premji: I agree with you, but I think this is a matter of misaligned productivity. I think you will see different ratios in the future.

Aron: I also notice that Wipro's overall revenues, if you compare fiscal 2005 with 2004, grew by about 38%. In contrast, companies like Infosys and Tata Consultancy Services (TCS) grew at 47% and 45% respectively. So my question is: Is there a particular way in which you want to differentiate yourself from these other Indian IT firms or is that really not an issue?

Premji: It's always an issue to differentiate Wipro and get closer to target companies like IBM and Accenture rather than companies like Infosys and TCS. We are trying to do this in two or three ways. Consider, for instance, our product engineering services business. I think we are trying to do it by way of the competencies we have built there, with specialized teams for telecom and embedded systems, which are focused on verticals. Scale is another differentiator. In the products engineering services business we are 10,000 people strong, which makes us the largest products engineering services company in the world on a third-party basis. It gives us a huge depth of competence.

Moreover, the business we do now is evolving to models where we take turnkey responsibility for deliverables such as the design of end products -- next generation products. We don't just make subsystems for customers or work as part of a project team. We are also trying to build similar skills in some of our other businesses. We use the competencies developed in practices like technology infrastructure as well as in enterprise platform implementation to differentiate ourselves from others.

Yet another area where we plan to differentiate ourselves more strongly than we have done in the past is

the Wipro Quality System. This is an integration of SCI, CMM Level 5, Six Sigma and lean manufacturing, which we believe will take us to the next level of quality as compared to our global competition. We have already launched lean manufacturing in software last year. We have a pretty good hands-on feel for what we can expect from it, but we have to fine-tune it as we go along. I think we have a very solid platform.

Aron: You said that you are now taking on turnkey responsibility for deliverables and that you no longer plan to do sub-system work such as testing a chunk of circuits...

Premji: You can do both. You don't demolish a cash-cow business. You just simultaneously try to build the business of tomorrow, which really differentiates you.

Aron: That's a great point.

Premji: The mundane business is also extremely profitable. It has a tremendous annuity value, and you don't ignore businesses like that. For example, maintenance of software and hardware are tremendous annuity businesses. If you build strong efficiencies into execution, they make very good margins. It is like a yin-and-yang situation: How do you build these strong annuity businesses and at the same time build other businesses that will establish certain differentiators in the marketplace, so that your image as a partner takes on a different dimension? That is the question.

Aron: For the high-end, turnkey businesses that you are transitioning into, you said you now employ 10,000 people -- and that makes you the largest company of its kind in the world. Could you give us a couple of interesting examples, off the top of your head, which symbolize what you are trying to do?

Premji: Of course. For instance, we have been working with some global telecom companies on designing the next generation of main switches. With a leading European mobile communications company, we are designing the next generation of mobile hand sets, including certain embedded technology, which becomes a differentiator for them. For an automobile manufacturer, we are designing a fairly sophisticated telematics system. *[Editor's note: Telematics is an emerging auto communications technology which integrates wireless voice and data to provide services such as emergency roadside assistance.]*

Aron: This is interesting. Does it mean that Wipro is moving beyond offering headcount-based services into developing products, or product equivalents, for companies? This is a question that financial analysts often ask Indian IT companies.

Premji: Yes, but the typical customer is an OEM [original equipment manufacturer]. Sometimes the intellectual property belongs to him completely, sometimes it belongs to him and to us jointly, and sometimes it belongs to us completely. It depends on the model we use for the particular customer, and the area where we are working for him.

Aron: Do you see a difference between this kind of business -- the telematics project, designing handsets for the European telecommunications firm, etc. -- and, say, designing billing software for General Motors or Motorola? Is there a difference between these lines of business?

Premji: Not necessarily. It depends on the originality of the work and the technical ladder height at which we operate. But the turnkey projects allow us to set Wipro apart because very few companies have the depth of knowledge to be able to tackle such work, whereas in projects such as billing software, we are exposed to much wider competition. Another thing that makes us unique is that we started our company designing hardware for the Indian market after imports were banned in 1980. That is how we built the competency platform which we transitioned into serving the global customer.

Aron: So this goes back to the history of Wipro's own trajectory of innovation, if I understand you correctly.

Premji: That's right.

Aron: Are the examples of turnkey projects you gave me significantly more innovative than projects like ERP [enterprise resource planning] integration or adding a CRM [customer relationship management] patch for a company?

Premji: They are certainly technologically more complex. You need people with deeper experience and the ability to handle greater complexity.

Aron: What demands do these new businesses make on your senior management? And what are you going to do to make sure that they are ready to meet those challenges?

Premji: Our managers need to have a strong integration of managerial skills and technical understanding. One cannot substitute for the other. That is not an easy combination to get, especially if you want to sustain growth. Technical people tend to be more "techie" and management people are more "managerial." To have strongly integrated managers who have a deep understanding of technology is a rare and difficult combination to build. You have to invest a lot in selecting and training these people.

Aron: Traditionally, companies like Wipro and the other Indian IT firms have been known for their technological competence. They are known for recruiting some of the best minds, but you just said that you have to train them very heavily in management skills. What kind of challenges do you have in mind?

Premji: We have done a lot of recruiting from campus. A few of the people we hire have MBA degrees, but typically they are hired from campus. We train them in Wipro's quality and managerial processes early in their career, and we give them a strong blend of responsibility for people and technology. We keep them fine-tuned on technology through a lot of refresher programs that we run within the company, in which we use faculty from universities quite extensively. We get first-rate faculty members from the leading engineering and science institutes to train our people.

Aron: You made an interesting observation about the difficulty of having technical folks do managerial work, and how it makes growth a challenge. This brings me to a question that is often asked about Indian companies. Today, Microsoft's revenues are more than 20 times Wipro's revenues. In your mind, do you see Wipro growing to the size of Microsoft or IBM?

Premji: It would be reasonable to assume that Indian services exports in IT and in BPO will grow cumulatively for the next five years at about 35%. They are now growing between 23% and 25% a year. I do not see any reason why leading companies like ours cannot grow faster than the growth of exports from India. After that, it is a matter of interpolation and desire. Do you keep scaling the organization? Do you use high-leverage models? Do you use productivity tools so that your headcount doesn't increase as fast as your revenues do? That is what we are trying to achieve, and it is not an easy challenge. How do you build maybe 8% productivity growth a year in your business model? To do that, you have to grow 8% a year in terms of revenues with the same headcount, or to grow 16% in revenues a year but with just an 8% increase in headcount.

Aron: Wipro currently employs some 45,000 people. If you grow at 30% a year for the next few years, let's say your revenues double, but you wouldn't want your headcount to double to 90,000. One of the observations that often is made about service companies -- in contrast to product companies -- is that businesses based on human skills inherently don't scale gracefully. Beyond a point, the company becomes

so large that it is impossible to manage an organization if it grows to, say, 150,000 people. This seems to suggest there are natural limits to growth and asset size. What do you think?

Premji: I don't see growing to 150,000 to 200,000 people as an insurmountable challenge. Take a company like Accenture -- it has almost 120,000 people now, and they have scaled up by almost 20,000 people in the past two years. That has come about mainly because they have gone to global delivery models. That is doable. After 200,000 people, you might have to think laterally about how to grow beyond that point. You have to think about partnership models -- how do you manage partners and still have transparency with your customers? That is important, because you are still responsible for the deliverables in the end.

Aron: If Wipro wants to scale up to the size of Accenture or IBM in terms of revenues, what are the challenges of training large numbers of technically competent people who are unused to Western management styles? What is Wipro doing about that?

Premji: We have two sets of training. One is campus-induction training and technical training, which is bundled into one; the other is training in leadership and soft skills. Our leadership training focuses on management development, but we go deeper into the organization and we also include issues like training people in areas such as consultancy, negotiations, and customer sensitivity as well as cultural training for Germany, the U.S. and Japan. This is handled by an internal team supplemented by external faculty, including academics or consultants who have specialized areas where they can contribute.

We provide leadership training at the entry level, which is for people when they first go into supervisory jobs. Then we have training for middle management, senior management and top management. All these are modular, residential workshops, and they are conducted by faculty members, at least 60% of whom are internal. It has been working reasonably well. In fact, we are investing much more in this area. We've done some reorganization so that our training is linked with evaluation. After people have gone through the training programs, we follow through and monitor how they perform on the job.

Aron: The problem for Wipro going forward and ramping up in terms of revenues and people in India is not going to be the availability of programmers or technical people; it will be the availability of upper and middle management. If you look at business schools in India such as the Indian Institutes of Management (IIMs) or the Indian School of Business, companies like Wipro, Infosys or TCS are not attracting the top talent from those institutions. The employers of choice for those students seem to be the investment banks and consulting companies. This poses two kinds of challenges for you. First, how do you attract the top talent from campuses? And second, how do you get lots of really sharp people for your middle- and upper-middle management? I would really like to hear your perspective on this.

Premji: For one thing, we have spread our recruitment net wider than the top five business schools in India; we now hire people from the top 25 management institutes. We have MBAs whom we have recruited from these institutes, and they rank very close in quality to people we hire from the IIMs. We have to be careful to focus on the top half or top 33% of the class, because then the students tend to be very bright. Our experience with these students has been extremely good. Many investment banks and multinational companies that recruit in India, paying students multinational salaries and offering overseas jobs, are not present at these institutes. Our competition here typically tends to be companies hiring for domestic jobs and non-investment banks. That has made these institutes a strong source for recruiting management talent. In fact, last year we took in 160 people from these schools.

Second, we do lots of internal training and give people major responsibilities even if they are only 60% ready. Our experience is that people are pretty elastic when you give them responsibility, and they just grow rapidly with the job. Third, we have a good reputation for recruiting laterally, and we recruit from our competitors as well as from other industries. These people bring high levels of project management skills, service skills and customer interaction skills in terms of the way that middle managers and supervisory managers have to deal with customers. Our experience has been strong on this count also.

And because we have been recruiting from outside for many years now, our culture seems to have enough veracity and openness to be able to induct even middle management and senior management talent from outside and still integrate them into the Wipro culture without any serious disengagement.

Knowledge@Wharton: What leadership qualities do you look for in executives you hire at Wipro?

Premji: We have defined seven or eight leadership qualities. We have defined those because we needed some consistency in terms of what we measure against when we recruit; what we measure against when we promote; and what we want our training to be oriented towards in terms of the skills and competencies we want to build into people. Pratik, could you add more about the leadership qualities?

Pratik Kumar: We look for people who can work effectively in an unstructured environment, who have great adaptability and who can be reasonably comfortable in situations that are not crystal clear and where there is a level of ambiguity. We also recruit people who have a lot of self-initiative because these are qualities that will lead them to succeed in our kind of environment.

In addition, we have a clearly crafted list of leadership qualities with which we measure our own managerial talent and I will touch on those very quickly. One is customer orientation, because we believe that for an organization to be successful, this is a particularly important rule. Strategic thinking is becoming more and more important; we need people who can balance short-term and long-term goals, and who are ready to sprint and run a marathon at the same time.

Self-confidence is another quality that I think is becoming increasingly important. Many people have spent their whole lifetime working in environments which have been predominantly Indian. When they have to deal with people from different cultures and with different styles, it is important to see how well they are able to hold their own. Self-confidence also means your ability to take good news as well as bad news. How well are you able to do that? That is another important element. Other important leadership qualities we look for are commitment to excellence, willingness to groom other leaders in the organization, and the ability to work in teams. All these qualities are interwoven in everything we do in the organization.

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