Human resources management and values at wipro

Wipro, one of India's most admired companies had grown from a small producer of cooking oil founded in 1945, to a large diversified corporation by Indian standards: 23, 300 employees, $1, 349. 8 million in revenues, and $230. 8 million in profits for the fiscal year ended March, 2004. Sales had increased by an average of 25% a year and earnings by 52% annually during the period, 1999-2004. As 2004 got under way, Wipro's senior managers looked back with satisfaction at the company's recent financial performance. The software division had spent the last three years restructuring itself completely so that it could start selling end-to-end solutions to customers, instead of bidding for piecemeal projects. In quick time, Wipro had built three new businesses – enterprise solutions, infrastructure management and business process outsourcing that together accounted for 30% of total software revenues. These businesses were expected to be the company's major growth drivers in the future. The main challenge which Wipro faced was to develop the necessary human resources.

BACKGROUND NOTE

Early History

Premji had gone to Stanford University, where he studied engineering in anticipation of taking over the family business, Western India Vegetable Products Ltd., or Wipro. In 1966, while Premji was still a student, his father died. So the 21-year-old Premji returned home to take over the cooking oil business. Premji immediately began to professionalize the company, hiring MBAs and giving them sufficient operational autonomy. Gradually, Premji diversified into toilet soaps, competing with giants such as Hindustan Lever. Later, he decided to move into hydraulic power systems.

Even as Wipro made good money, Premji continued to look for new opportunities. In 1977, India's socialist government asked IBM to leave the country. Premji decided to get into computer hardware. In 1979, Wipro began developing its own computers and in 1981 started selling them. The company licensed technology from Sentinel Computers in the United States and began building India's first mini-computers. Premji hired managers who were computer literate, and strong on business experience. They learnt quickly about technology and made hardware an extremely profitable venture. It was only a matter of time before Wipro engineers started developing software packages, which were not then readily available off-the-shelf, for hardware customers.

After a failed effort at developing branded software packages, Wipro purchased an IBM

mainframe and began working on software projects for IBM clients in 1987. During this period, the hardware business prospered in a market that grew at 70-80% annually between 1988 and 1995. Wipro's reputation for quality and customer service made it the first choice for many customers in India. In the mid-1990s, however, India's branded hardware business shrank dramatically. Competition from unbranded PCs which were priced substantially lower, ate into Wipro's sales and margins. Bad debts also rose.

Meanwhile, Wipro's software services business was taking off. After 1995, there was no turning back for this business. In 1998, the company united the software and hardware divisions. As the IT business was taking shape during the 1980s and early 1990s, Wipro also expanded its cooking oil and

hydraulics businesses and diversified into other areas-baby care products, medical electronics, lighting, and finance. By the late 1990s, Wipro had become one of the most sought after stocks in India.

Starting in 1998, with the help of Shombit Sengupta, a Paris-based consultant, Wipro went through an 18-month self-examination and market research exercise. The company rearticulated its beliefs through a Promise Statement and laid out a five-year vision. At the same time, Wipro adopted a new logo-a multicolored sunflower-as a symbol of the company's single corporate identity, with the slogan, " Applying thought". Premji hoped the flower, through its vibrant colours would project Wipro as a company that was youthful, energetic, multi-faceted, innovative, large and diversified. The Promise Statement emphasized four values: human values, integrity, innovative solutions and value for money.

To signal its commitment to quality, Wipro underwent the rigorous process of certification by the Software Engineering Institute (SEI). In December 1998, Wipro became the world's first software services company to attain the SEI's Level 5 rating, the highest within the SEI's Capability Maturity Model (CMM). Originally developed as a tool for the US defense department to evaluate software made by its vendors, SEI CMM was a recognized world standard for excellence in software quality. To complement the SEI process, Wipro turned to Six Sigma. In 2003, 80% of Wipro's 328 customers bought more than one service line from Wipro. And 40% of the customers were using at least three service lines. A good example was a telecom customer for whom Wipro was maintaining business applications. The customer had also given it BPO work, basically, technical support for installing a broadband product. Most of

Wipro's moves during the period 2001-03 were made with the aim of becoming a solutions company – on the lines of Accenture and IBM. In line with these moves, Wipro modified its organization structure. To improve domain knowledge, Wipro organised itself by verticals (manufacturing, retail and utilities). To get closer to the customers, it opened eight development centres around the world, which employed 50-150 people each. To upgrade its profile and acquire intimate customer knowledge, Wipro significantly raised its investment in sales and marketing. Despite these achievements, Wipro realised it had not become a truly integrated solution provider. Wipro believed it had to own the process completely to generate more lucrative businesses like process re-engineering. But Wipro executives remained optimistic that it was only a matter of time before they would start providing end-to-end solutions to global customers.

ORGANIZATIONAL CULTURE

Wipro laid a strong emphasis on shared beliefs and leadership values. In 1973, much before it

became fashionable to do so, Premji had articulated a set of beliefs that would shape Wipro's

strong and distinctive organizational culture.

Respect for the individual. People are the greatest asset. Achieve and maintain a position of leadership in each of the businesses we are in. Pursue all tasks to accomplish them in a superior manner. Govern individual and company relationships with the highest standards of conduct and integrity.

Be close to the customer in action, example and spirit, and ensure superior quality products and services. Measure effectiveness by the long-term profits achieved for the enterprise.

Premji once commented on the Wipro beliefs:

" To meet the challenges of the future we are prepared to change everything about ourselves except our beliefs, as they alone guide, govern and bind us together as an organisation. It is essential that we consciously internalise our beliefs and be fanatical about consistently practising them. If we fail to honour our beliefs, we will lose credibility, not only as individuals, but also as an organization." 2

Premji was dead against boosting sales by securing orders the non-Wipro way. Any deal that

required practices that compromised their integrity was not acceptable to Wipro. Wipro avoided customers who wanted favours while entering into business deals. Business heads were expected to achieve their targets-despite lack of flexibility over issues like integrity. Premji expected them to factor this inflexibility while setting targets. He believed Wipro was well positioned to attract customers through good technology, excellent after sales service and a competitive price. Wipro was known to issue notices to employees whose integrity was suspect. And if any inappropriate behaviour was proved, the employee was sacked regardless of his or her position. Premji's personality and style of working had made a tremendous impact on Wipro's way of functioning. A man who shunned publicity, Premji stood out among the engineers who dominated the tech industry, combining

aristocratic reserve, a merchant's frugality and the obsessive drive of an entrepreneur. He was rarely seen on the cocktail circuit with other corporate chieftains in India, instead spending his rare free time trekking in the mountains around Bangalore. Despite becoming one of the richest men in the world, Premji had not changed much. He also remained unruffled when the tech bubble burst in 2001 and the market capitalization of several companies including Wipro was sharply eroded.

Premji believed it was important to lead by personal example. He had once taken an auto rickshaw from Bangalore airport while returning from his travels, an act unbelievable in a country where high power distance was an integral part of most cultures. His only car was a 1996 Ford (F) Escort. While on the road, he did his own laundry and stayed in three-star hotels. His wife for 29 years, Yasmeen, often drove herself in a tiny Fiat when she visited her family in Bombay. When the case writer asked him at a recent meeting with ICFAI faculty in Hyderabad, how he remained so unassuming and modest, Premji's answer was as direct as ever:

" I don't think I have done anything that should make me feel that proud."

True to his style, he quickly changed the topic, diverting the attention away from him.

As one writer mentioned,

" Wipro employees have often seen him chug up the stairs to reach his tenth floor office on MG Road. Others have seen him walk into movie halls for an evening show with his wife and buy her roasted corn on the cob from the

roadside stalls. On a visit to Delhi once, he happily hopped into the front seat of a Maruti 800 of a sales manager and went around on his calls." 4

Extremely cost conscious, Premji expected employees to switch off the lights each time they left their office. Premji himself made random checks to see that the lights were switched off at the end of the day. Rumours floated that he even monitored the number of toilet paper rolls used in Wipro's facilities!

Despite his low profile, Premji liked to be in the thick of things. His outward simplicity hid a tough business mind. Wipro's chairman drove his executives hard. Employees felt Premji was often better prepared for meetings than they were. In the intense quarterly review meetings, Premji grilled executives with tough questions but welcomed feedback and dissenting opinions. While Premji could be curt, he rarely raised his voice, instead expressing displeasure through calm, public observations about where and how managers had failed. " I demand of others only what I demand of myself," Premji mentioned. Premji was also known to spend substantial amounts of time both with customers and employees to get a more direct feel of the business. Premji had no immediate plans to retire. He had not indicated whether his successor would be one of his two sons (both of whom are still studying) or Paul or someone else. Premji once remarked,

" Wipro has always been run by the ablest hands, Parental lineage has never been a

discriminating factor for or against anyone."

By all accounts, in a company where the family held such a large equity

stake (over 75%), the

professionalisation of management had been unprecedented.

HUMAN RESOURCES MANAGEMENT

Over the years, Wipro had built a strong and powerful top-management

team of professionals. By and large, Wipro filled up senior positions from

within, except for some specific specialised requirements. One of the rare

exceptions had been Vivek Paul who joined Wipro as Vice Chairman in July

1999. The turnover at the top had been negligible till the mid-1990s. In the

late 1990s, however, a few senior people did leave to launch start-ups.

Recruitment

Wipro believed in employing the best people and investing in them. The

recruitment process had been shaped by Premji, who personally selected the

first 500 people when he was setting up the infotech division. An active

participant in the campus placement programmes, Wipro was a hot favorite

among leading B School and engineering college graduates. Wipro's rigorous

recruitment process aimed at identifying highly talented, extremely

motivated

self-starters. During recruitment, Wipro made efforts to understand people

from various anglesnot just with respect to the current job. In selecting

employees, Wipro looked for both technical competence and a good fit with

its values. As recruiting demands rose, Wipro had developed a number of

tools to support its hiring and development activities. For instance, a "

preference inventory" was used to assess their needs, preferences, and expectations of candidates in a given role.

For experienced professionals, Wipro used a two-step hiring process. Candidates considered

promising after a first interview proceeded to the final round where they were typically interviewed by the division head. Others, including entry-level candidates hired directly from engineering colleges, went through two screenings-one based on grades and the other on an aptitude and technical test. They had only one interview, which typically lasted one hour. With the exception of overseas hiring for sales and marketing positions, Wipro met 35% of its recruitment needs through on-campus hiring, and the remainder through experienced lateral hires, typically from India's smaller information technology companies.

Premji led from the front by chasing the very best – both in campuses as well as in other companies. Even if, some of the people he interviewed on the IIM campuses decided to join other companies, Premji kept track of them year after year. He would lure some of them to Wipro many years after he first met them. But even then, the person still had to go through a really rigorous selection procedure. This was something that put off some people, and also challenged the pride of others.

The PCMM initiative

In June 1999, Wipro began using the Software Engineering Institute (SEI) People Capability

Maturity Model (P-CMM) to improve managerial effectiveness, developing talent, and building teams.

Ranjan Acharya, Corporate Vice President (Human Resources Development) recalled,

" In 1996, we started off with the feeling that though there were a number of people

processes already in place, these processes should talk to each other, they should be integrated. We also wanted to find out if we compared favourably in our people processes and measured up to the benchmark of the practices of the best companies in the world. We were also getting into people centric businesses where the need to have benchmarks was more pronounced. We needed an integrated people process that was aligned to our business requirement. And in PCMM we found a framework, which was ideal to our needs."

PCMM helped Wipro streamline its Human Resources processes significantly.

According to Acharya,

" The drive for quality, HR service delivery, Six Sigma and many others were happening simultaneously and PCMM gave an impetus to our enablement. Similarly, though we did have a strong competency framework we initially started it with a training objective. Now it includes, competency based selection, performance management, career banding etc. So, it played the role of a connecting link, a direction setter and that of a consolidator to certain gains that were happening as part of our basic drive. Each PCMM

Level flows from one Level to another and lets us define gaps. Since our gap analysis was very comprehensive it helped us frame a solution for the gaps."

Acharya added

" PCMM, per say, was not our destination or event, but something that happened during the journey like ISO or Six Sigma. PCMM validated the strength of our processes. The assessment came as a reaffirmation of what we had been doing and that gave us the confidence to continue it in future as well. Starting from basic processes at Level 2 to integration of competencies in Level 3 to building teams at Level 4 and continuous improvement at Level 5, many of the building blocks were already there but what we did was to fine-tune them and link it to the framework. Our selection data form has changed.

The competency-based selection makes it more comprehensive. Our training is also based on competencies now. New things aren't happening but they are getting focused. So our selection, training, performance management effectiveness will definitely go up"

The 360 feedback initiative

Wipro realised that to develop its human resources, clear and continuous feedback had to be

provided. Wipro introduced 360-degree feedback to make the appraisal process more rounded, by adding feedback from juniors and peers. As Acharya recalled,

" The 360-degree was not a solution looking for a problem, but an answer to a key

organizational imperative."

A few cultural enablers facilitated the introduction of the 3600 feedback process at Wipro. Enough training had been given to managers to develop their self-confidence. Wipro believed there was a culture of openness where employees were free to express their views. The top management consistently emphasised that a manager would not be penalized for admitting mistakes but only for hiding them. Managers were encouraged to be self-critical, instead of having to project only their good sides.

Some managers advocated that the 3600 feedback should be used as a development tool alone and not be shared with the supervisor. But Wipro decided that it should be part of the appraisal. Wipro also felt retaining the qualitative comments, as they were, was important. Any editing might affect credibility. The feeling could be if this was edited, then what else could have been edited? So Wipro decided to reproduce all comments verbatim even if a few comments did hurt.

Acharya recalled,

" Initially, managers gave the names of juniors across business units who were favourably disposed towards them. The junior was therefore redefined as a direct report. Where the actual direct reports were less than three, we took care to prevent direct identification. While peers had no fear of being victimized, there was a fear that this might come in the way of daily

interactions. We were concerned whether peers would be honest enough with the feedback. There is a temptation for some of the reports to use this as a tool to get even with their bosses or in some cases, compensate for their own adequacy. That is the reason why we give the mathematical distribution of the ratings. It helps to understand if one respondent has taken an extreme stand, either positive or negative."

Leadership development

Wipro's philosophy was that leaders to some extent were born and some extent made. It was

important to select those who had a potential for leadership and also to develop their intrinsic

leadership strengths. While in some specific cases, it was necessary to bring outside fresh talent who could shake up the organization, there was a compelling need to develop leaders from within, who had the advantage of growing up with the core values of the organization.

Wipro realised that leadership was a fairly vague and hazy concept.

As Acharya put it,

" The biggest problem with a concept like leadership is that it can mean so many things to so many people. There is a strong temptation to attribute all possible good qualities one can think of and come out with hundreds of qualities, similar to a film hero! The truth is that such supermen or women do not exist and if they do, they may be impossible to attract."

Wipro's corporate HR team identified eight leadership qualities, after

extensive research,

understanding best practices and checking with thought leaders. The

qualities were:

1. Customer Orientation

2. Strategic Thinking

3. Aggressive Commitment

4. Self- Confidence

5. Commitment to Excellence

6. Global Thinking and Acting

7. Problem Solving

8. Building Star Performers and Teams

These qualities were illustrated by examples of leadership behaviours that

were observable. This made it easy to understand and identify the

competencies. Wipro looked at selection as the starting point in leadership

development.

According to Acharya,

" When we go to the campuses, we ask ourselves a simple question: Will we

ever make this person a member of the top management in Wipro? If the

answer is yes, we consider him or her further. The selection processes clearly look for the behaviours illustrated in the leadership competencies. So it is easy to identify whether these competencies are present or absent. We use these qualities to select young leaders on the campus and we also use it when we select very senior people, even though we may look for higher levels of proficiency for them. The axiom is simple: if we know what we are looking for, we will certainly find it, even if it takes a little longer!"

The next step in leadership development was feedback. Each year, all leaders above middle managers went through a 360 – degree feedback and received feedback from their juniors, peers and managers. Initially, it was a very traumatic process. Each leader's scores were compared with those of his or her peers.

Wipro introduced another program called " Winds of Change" for converting feedback into action. Realising that leadership training was not an event, but a process, Wipro had created five different training programs.

1. Entry Level Program (ELP): This was the first program a fresh recruit went through. The program helped the newcomer to become a good employee, like how to become an effective team member, how to participate in meetings, communicate thoughts and feelings to others

2. New Leaders' Program (NLP): This was designed for the first time manager. Many

people continued to be more comfortable managing technology rather than people. This program taught them how to build teams, communicate, lead according to situations and coach others.

3. Wipro Leaders' Program (WLP): This was meant for the managers of managers who still wanted to manage the teams directly.

4. Business Leaders' Program (BLP): This program was for General Managers in waiting who needed to look at business as a whole and understand bottom line implications. It covered relevant elements of finance and environmental scanning.

5. Strategic Leaders' Program (SLP): This program aimed at potential Chief Executives, enabled managers to design and develop strategies in a global environment.

While participating effectively in each of these programs was necessary to move up the next step in the ladder, it was not adequate. Wipro had learnt over the years that true learning came from exposure to various situations. The company had attempted to create opportunities for people to grow by moving across various functions, roles and by living and working in different countries. Leaders also needed to be coached specifically for certain skills and mentored by other successful leaders. Wipro realised that developing leaders took time and patience but in the long run, it was worth the investment.

A breeding ground for entrepreneurs

A distinctive feature of Wipro had been the large number of employees who had left the company to launch their own ventures. In the late 1990s, Wipro had thrown up more than 50 start-ups and 88 CEOs many of whom had started off on their own or set up operations in India for international giants like Lucent, Hewlett Packard and Philips.

According to people familiar with the company's style of working, Wipro provided many of the ingredients that helped shape future entrepreneurs. Right from the beginning, Wipro's culture had been extremely achievement-oriented. There were a few traits anyone who worked in Wipro for a few years imbibed, diligence, an almost fanatical adherence to ethics, a great emphasis on longterm relationships, and the habit of speaking one's mind, without bothering about hierarchy. This gave most Wipro employees the courage and confidence to venture out on their own.

Early on, Wipro recognized that if it had to retain talent, it had to give sufficient autonomy to the star performers. Wipro had many divisions and regions, which it structured as independent profit centres. They drew up their own investment targets and budgets, which went through Wipro's corporate executive council. Profit centre heads acted like chief executives. They either handled independent businesses or verticals.

As Premji explained,

" Wipro leaders develop a complete business perspective early in their career. Wipro leaders get early general managerial/ CEO responsibility to get a good grounding and exposure to all aspects of the organization: finance,

operations and people perspective. This helps them develop the ability to see the big picture early in their careers. The feeling of ownership is built through higher responsibilities early in their career."

While Wipro gave employees enough autonomy, their business plans were expected to be rigorous. Even minute details and assumptions were examined by the top management team.

Wipro staffers felt that if they could sell a project to the top management, they could sell it to any venture capitalist.

FUTURE OUTLOOK

As the new millennium got under way, employee attrition was a key concern for Wipro. Since the late 1990s, the biggest source of attrition was people with experience ranging from two to four years, going overseas, especially to the United States where IT professionals were in great demand. Other recent graduates would work for a couple of years at Wipro, and then leave for graduate studies in the United States. Some employees left to join startups. Personal reasons also contributed to the attrition. Many Indians eventually wanted to settle down in their cities and towns of origin. After marriage, women often followed their husbands. If there was no Wipro office in that location, the only option for women was to leave the company.

Another challenge for Wipro was to meet the growing aspirations of young employees. Premji had shaped Wipro's disciplined, frugal culture. While shareholders appreciated Premji's rupeepinching, it was different with employees. Software engineers, many of whom were at the prime of their life liked to enjoy themselves. Some employees had adopted Premji's values like

a badge of honor, but others, especially overseas staff, frustrated with the parsimonious culture, sometimes left for greener pastures elsewhere.

Although Wipro had first issued options in 1984, and was the first company in India to do so, only a handful of people had been involved. Wipro had also used " shadow options" for a few select individuals since 1993. In an effort to attract and retain key talent, Wipro put in place a stock option program in October 1999. Under the October 1999 plan, 2, 000, 000 options were issued. Eligibility was extended to high-performing managers in grades 5 and above-in total about 90% of senior and middle management and 30% of the total employee base. The decision to grant options was based on individuals' performance, their criticality, their market value, and their potential. The average grant was 1, 000 options at a strike price of Rs. 1, 086, vesting over a five-year period, though the top 10% of performers at all levels received sizable grants two to two and a half times above the median. But there was a feeling among some employees that Wipro's stock option plan was too parsimonious. The plan had also attracted far less media attention than in case of Infosys. Meanwhile to raise motivation levels, Vivek Paul had taken various steps to revitalise the work environment. To cut through the bureaucratic approval process, Paul had created an authorization manual clarifying the managers' authority. To improve internal customer service, Paul set goals and objectives with clear accountability for all service functions. He also developed internal customer service measures and feedback mechanisms. Previously, the company conducted employee perception surveys once every two or three years. Paul implemented a " dipstick" survey of 12 simple questions to see how employees were doing

every six months. To strengthen relationships among employees, he initiated employee celebrations and events, started special interest groups, such as employees of a particular " batch" and created occasions for people to get together with their families. Paul also saw the need for a system that would help individuals move more freely within the organization. An online job posting system for all openings within Wipro Technologies was one such idea. After getting clearance from their manager, employees could move into a project elsewhere in the company.

Exhibit: I

Wipro Values

Human Values

We respect the unique needs of customers and employees. We are sensitive to their differing

needs in our interactions with them.

Integrity

We deliver what we commit. With honesty, fairness, reliability and uprightness in whatever we do.

Innovative Solutions

We consistently offer novel and superior solutions to satisfy the needs of the Customer.

Value for Money

Delivering higher Value to the Customer through continuous improvement in quality, cost and speed

Human Values

This value is very important to us because:

a) For employees:

Brings out the best in employees as it has been proven by research that '
Customer satisfaction is contingent on employee satisfaction'. Helps in
attracting and retaining the best talent. Talent finds comfort in an
environment of universal values; and attrition gets reduced.

Employees prefer a company where they feel they are being respected for
who they are.

Ensures that all individuals are treated in a just and equitable manner.
Opportunities of advancements are governed by individual merits.

Helps in building warmth and restricts chances of negative interactions.

Communicates that we care.

b) For customers:

Competition has provided Customers with numerous options. They will
choose products

and services that satisfy their needs. The identification of unique needs and
providing

solutions for satisfying them will attract Customers.

Helps Customers to build trust in the company.

Helps in delivering ' Customer delight'.

Helps to keep in touch with Customers and satisfy their changing needs on an ongoing

basis.

Gives a competitive edge.

Helps in building warmth and lessens chances of negative interactions. . Ensures that all

Customers whether big or small are given due attention and consideration.

Customers like to deal with vendors who treat them with respect and show care and

understanding about their specific requirements.

Positive behaviours which indicate presence of " Human Values":

Being accessible to team members.

Listening to other people's point of view even if you do not agree with it.

Not interrupting others until they have completed what they want to say.

Allowing free expression of views during meetings.

Encouraging people to put across their point.

Providing an environment conducive to feedback, creativity, personal and

professional

growth.

Res