

LEADING IN TURBULENT TIMES

AZIM PREMJI



FORUM OF FREE ENTERPRISE

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"Free Enterprise was born with man and shall survive as long as man survives".

— **A. D. Shroff**

1899-1965

Founder-President

Forum of Free Enterprise

INTRODUCTION

The Forum of Free Enterprise has been organising the Bhogilal Leherchand Memorial Lectures since 1988 at the instance of Bhogilal Leherchand Foundation. The late Bhogilal Leherchand was a very farsighted businessman with great social conscience.

In December 2002, the Forum had invited Mr. Azim Premji, Chairman of Wipro Corporation, to deliver the Lecture. He is widely lauded throughout India for his dynamism and equally so for his evolving the concept of "Wipro Values" and "Integrity Manual" for all his employees, encapsulating very high standards of ethical conduct in business leadings.

The text of his Lecture on "Leading in Turbulent Times" is an excellent treatise from a person who has set exemplary standards of leadership and performance. He has rightly laid stress on innovation and highest quality of service to succeed in a globalised environment. Mr. Premji has underlined that strong corporate governance is indispensable to deliver value to stakeholders and the imperative need for a robust cultural code.

The booklet makes very refreshing reading.

Mumbai,
30th June 2003

Minoo R. Shroff
President
Forum of Free Enterprise

LEADING IN TURBULENT TIMES

BY AZIM PREMJI*

Business has been going through turbulent times over the last few years. First, it was the changing landscape of the market and competitive landscape due to globalisation. Then came the economic downturn and recession, which led to many companies shutting up shop after decades of success and finally, came the scams in some of the top US corporations which shattered the already frayed nerves of the investors. The biggest challenge facing business therefore is how to lead during these turbulent times. This will ultimately determine the long-term image of the business community.

While economic downturns and business cycles are an intrinsic part of any business, they hurt us most when we are not prepared for them. At the same time, a downturn teaches us many lessons and offers us many opportunities. Understanding these will help us a lot in leading our businesses during the downturn.

* The author is Chairman, Wipro Corporation, Bangalore. The text is based on the Bhogilal Leherchand Memorial Lecture delivered in Mumbai on 2nd December 2002. The Lecture was sponsored by Bhogilal Leherchand Foundation and arranged jointly by Forum of Free Enterprise and Indian Merchants' Chamber.

The first lesson we learnt from the downturn is that the needs of the Customer change. Customers do not stop buying in a downturn. They only look twice as hard for Value. This is an opportunity to analyse every aspect of the Product or Service we offer and focus on those that offer maximum Value in the changed circumstances. It is also an opportunity to make new offerings to the Customer based on the new needs. Downturns force organizations to conserve their resources by concentrating on their core strengths and businesses and outsource non-core activities, for instance, specialized services or IT projects, to those who understand them best. This results in tremendous savings in energy and resources. The downturn also encourages organizations to innovate, which can result in multiplication of the Value offered to the Customer.

Second, the downturn is a great time to invest strategically for the future, especially since no downturn is forever. Assets can be acquired at lower prices; investments can be made at lower costs. Competitive and high performing talent is easy to attract and retrain. Investments can be made in Quality processes like Six Sigma, which can offer significant savings downstream. And when the inevitable upturn happens, all these investments can become a tremendous source of advantage.

Third, the downturn is an ideal time to transform the organization, cut the fat, make it more nimble footed and Customer focused. When employees know the

situation, they welcome and support change. This is also a good time to develop new competencies in people.

Lastly, we learnt that while we must push for aggressive revenue growth in good times, we must look at costs as if we are always in a downturn. There is no need to waste resources just because it appears to be plenty.

But, to my mind, more than the natural process of economic upturns and downturns, it is the recent financial and business scandals that have had very serious and long-term consequences. According to a study by Brookings Institute, a prestigious policy research body in US, the Institute has estimated that the current bout of scandals has reduced US GDP by \$ 38 billion or 0.36% in the first year itself. This has the same effect as the oil price moving up by \$10 per barrel. If we take into consideration the collateral damage due to loss of confidence in the economy, the cost of this reaches astronomical proportions. Paul Krugman, a leading Economist and one of the prominent contenders for Nobel Prize, feels that the damage done by these scandals to US economy is far greater in American history than the cataclysmic events of September 11, 2001.

Studies of firms in India and abroad have shown that markets and investors take notice of well-managed companies, respond positively to them, and reward such companies, with higher valuations. A common feature of such companies is that they have systems in place, which allow sufficient freedom to the Board but at the

same time keeping them tightly within a framework of effective accountability. They have a system of good corporate governance. Strong corporate governance is thus indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high-quality accounting practices.

And it is here that the greatest damage has taken place. More than the dollar amounts involved in the financial scams, it is the loss of confidence, which has dealt a body blow. Trust is fragile in nature. It takes years of efforts to build trust but only few acts to destroy it. Once it is broken, it is even harder to rebuild.

While laws can address this at the regulatory or legal level and the changes in the structure of the Board can address issues of their independent functioning, no act by itself can guarantee ethical behavior. We need to address it at the cultural level. To my mind, this is the most important issue. This goes to the root of the problem because it deals with human behavior and human motives. Enron failed not because the numbers in the book were wrong. It failed because the cultural code of the organization was faulty.

How does one build a robust cultural code? To my mind, it can only happen through Values. Gone are those days when people wondered whether Values can come in the way of business. Today, it is abundantly clear that they are a necessity for survival. Further, Values support business in a number of ways:

First, Values can serve as a strong anchor and help us to weather the passing storms in business. Values give faith in a time when it seems we are surrounded by darkness, because they prompt right actions. They build resilience and keep us going.

Second, Values provide us with courage to stand up to any distractions along the way. The strong desire to move ahead can at times tempt businesses to cut corners or bend the rules. This has a tendency to catch up as we have seen in the recent months. Values provide the necessary brakes or limits to keep leadership from going astray. Values essentially provide us with an internal discipline.

Third, Values transmit trust. Trust is not only at the heart of leadership but forms the essence of all relationships. Values can be a powerful cementing force between people who think alike. Ultimately this builds a powerful network of friends, business associates, team members and peers on the basis of shared Values.

It is not enough to talk about Values. They must be adhered to under all circumstances. There should not be any exception. These should be consistently communicated to the employees since the day they join the organization. The behavior of leaders should consistently send the same message as the communication through other channels. Only clear and consistent communication and practice of Values can create a culture that can withstand all turbulence.

Leaders thus have an important role in creating the

right Culture. It really begins with the thought in the mind of a leader. Let me end with a quote I came across recently, which amplifies this:

You sow a thought, you reap an action
You sow an action, you reap a habit
You sow a habit, you reap a character
You sow a character, you reap a destiny.

OPPORTUNITIES AND CHALLENGES

By AZIM PREMJI*

Never before has the role of technology been so pervasive and so central. The Internet has breached all physical borders and connected the world together like no other force has done before. For the first time, opportunities for creating wealth in India are at par with the best in world. There is no need for you to sacrifice the joy of remaining in your own country any more.

All opportunities are accompanied by their own challenges. I thought I would share with you a few of the lessons I have learnt in my own life, while leading the transformation at Wipro, from a small company three and a half decades back into a global corporation listed on the New York Stock Exchange. I hope you find them useful.

Lesson # 1 : Dare to dream

When I entered Wipro at the age of 21, it was a sudden and unexpected event. I had no warning of what lay ahead of me and I was caught completely unprepared. All I had with me was a dream. A dream of building a

* The text is based on the Convocation Address delivered at the Indian Institute of Technology, Chennai, on 27th July 2001. The text is reproduced here with kind permission of the author for the benefit of India's younger generation.

great organization. It compensated for my inexperience and I guess, also prevented me from being overwhelmed by the enormity of the task before me.

What I am happy is that we never stopped dreaming, even when we achieved a position of leadership in every business we operated in India. We now have a dream of becoming one of the top 10 Global IT Service Companies.

Many people wonder whether having unrealistic dreams is foolish. My reply to that is dreams by themselves can never be realistic or safe. If they were, they would not be dreams. I do agree that one must have strategies to execute dreams. And, of course, one must slog to transform dreams into reality. But dreams come first.

What saddens me most is to see young, bright people getting completely disillusioned by a few initial setbacks and slowly turning cynical and some of them want to migrate to America in the hope this is the solution. It requires courage to keep dreaming. And that is when dreams are most needed- not when everything is going right, but when just about everything is going wrong.

Lesson # 2: Define what you stand for

While success is important, it can become enduring only if it is built on a strong foundation of Values. Define what you stand for as early as possible and do not compromise with it for any reason. Nobody can enjoy the fruits of success if you have to argue with your own conscience.

In Wipro, we defined our Beliefs long before it became a fashion to do so. It not only helped us in becoming more resilient to stand up to crises we faced along the way, but it also helped us in attracting the right kind of people. Eventually, we realized that our Values made eminent business situation. It saves enormous time and effort because each issue does not have to be individually debated at length.

But remember the Values are meaningful only if you practice them. People may listen to what you say but they will believe what you do. Values are a matter of trust. They must be reflected in each one of your actions. Trust takes a long time to build but can be lost quickly by just one inconsistent act.

Lesson # 3 : Never lose your zest and curiosity

All the available knowledge in the world is accelerating at a phenomenal rate. The whole world's codified knowledge base (all documented information in library books and electronic files) doubled every 30 years in the early 20th century. By the 1970s, the world's knowledge base doubled every seven years. Information researchers predict that by the year 2010, the world's codified knowledge will double every 11 hours. Remaining on top of what you need to know will become one of the greatest challenges for you.

The natural zest and curiosity for learning is one of the greatest drivers for keeping updated on knowledge. A child's curiosity is insatiable because every new object is a thing of wonder and mystery. The same zest is

needed to keep learning new things. I personally spend at least 10 hours every week on reading. If I do not do that, I find myself quickly outdated.

Lesson # 4 : Always strive for excellence

There is a tremendous difference between being good and being excellent in whatever you do. In the world of tomorrow, just being good is not good enough.

One of the greatest advantages of globalisation is that it has brought in completely different standards. Being the best in the country is not enough; one has to be the best in the world. Excellence is a moving target. One has to constantly raise the bar.

In the knowledge-based industries, India has the unique advantage of being a Quality leader. Just like Japan was able to win in the overseas market with its Quality leadership in automobile manufacturing, India has been able to do the same in Information Technology. At Wipro, we treat Quality as the # 1 priority. This enabled us not only to become the world's first SEI CMM Level 5 Software Services company in the world but also a leader in Six Sigma approach to Quality in India.

However, even today I am dissatisfied with several things which we are not doing right in the area of customer satisfaction.

Doing something excellently has its own intrinsic joy, which I think is the greatest benefit of Quality.

Lesson # 5 : Build self-confidence

Self-confidence comes from a positive attitude even in

adverse situations. Self-confident people assume responsibility for their mistakes and share credit with their team members. They are able to distinguish between what is in their control and what is not. They do not waste their energies on events that are outside their control and hence they can take setbacks in their stride.

Remember, no one can make you feel inferior without your consent.

Lesson # 6 : Learn to work in teams

The challenges ahead are so complex that no individual will be able to face them alone. While most of our education is focused in individual strength, teaming with others is equally important. You cannot fire a missile from a canoe. Unless you build a strong network of people with complimentary skills, you will be restricted by your own limitations.

Globalisation has brought in people of different origin, different upbringing and different cultures together. Ability to become an integral part of a cross-cultural team will be a must for your success.

Lesson # 7 : Develop a rounded personality

Developing analytical skills is very important and most of you are very high on them. But while analytical skills will help you to define a problem accurately by breaking it into small parts, you need synthesizing skills to put all the parts together and arrive at a solution. This requires you to think creatively and laterally. Solutions to problems in the future will not be found within existing frames of

knowledge and experience. You will have to be innovative. Being innovative will require you to move out of your own comfort zones and look outside.

Similarly, your skills to communicate your ideas to others in a persuasive way will become more and more important. In the global-context, this will include your ability to interact with different nationalities.

You will be appreciated for your academic skills but success will require you to effectively apply your academics skills to live situations.

In Wipro, time and again, we have found that those who succeed most are those who develop a rounded personality.

Lesson # 8 : Take care of yourself

The stress that a young person faces today while beginning his or her career is the same as the last generation faced at the time of retirement. I have myself found that my job has become enormously more complex over the last two or three years. Along with mutual alertness, physical fitness will also assume a great importance in your life.

You must develop your own mechanism for dealing with stress. I have found that a daily jog for me, goes a long way in releasing the pressure and building up energy. You will need lots of energy to deal with the challenges.

Unless you take care of yourself there is no way you can take care of others.

Lesson # 9 : Have a broader social Vision

For decades we have been waiting for some one who will help us in “priming the pump” of the economy. The Government was the logical choice for doing it, but it was strapped for resources. Other countries were willing to give us loans and aids but there was a limit to this.

In the millennium of the mind, knowledge-based industries like Information Technology are in a unique position to earn wealth from outside. While earning is important, we must have mechanisms by which we use it for the larger good of our society.

Through the Azim Premji Foundation, we have targeted over the next 12 months to enroll over a million children, who are out of school due to economic or social reasons. I personally believe that the greatest gift one can give to others is the gift of education. We who have been so fortunate to receive this gift know how valuable it is.

Lesson # 10 : Persevere

Finally, no matter what you decide to do in your life, you must persevere. Keep at it and you will succeed, no matter how hopeless it seems at times. In the last three and half decades, we have gone through many difficult times. But we have found that if we remain true to what we believe in, we can surmount every difficulty that comes in the way.

I remember reading this very touching story on perseverance.

An eight year-old child heard her parents talking about

her little brother. All she knew was that he was very sick and they had no money left. They were moving to a smaller house because they could not afford to stay in the present house after paying the doctor's bills. Only a very costly surgery could save him now and there was no one to loan them the money.

When she heard Daddy say to her tearful Mother with whispered desperation, "Only a miracle can save him now", the child went to her bedroom and pulled a glass jar from its hiding place in the closet. She poured all the change out on the floor and counted it carefully.

Clutching the precious jar tightly, she slipped out of the back door and made her way six blocks to the local drug Store. She took a quarter from her jar and placed it on the glass counter.

"And what do you want?", asked the pharmacist. "Its for my little brother", the girl answered back. "He's really, really sick and I want to buy a miracle." "I beg your pardon?" said the pharmacist. "His name is Andrew and he has something bad growing inside his head and my Daddy says only a miracle can save him. So how much does a miracle cost?" "We don't sell miracles here, child. I'm sorry," the pharmacist said, smiling sadly at the little girl.

"Listen, I have the money to pay for it. If it isn't enough, I can try and get some more, Just tell me how much it costs." In the shop was a well-dressed Customer. He stooped down and asked the little girl, "What kind of a miracle does you brother need?" "I don't know," she

replied with her eyes welling up. "He's really sick and Mommy says he needs an operation. But my Daddy can't pay for it, so I have brought my savings". "How much do you have?" asked the man. "One dollar and eleven cents, but I can try and get some more," she answered barely audibly." "Well, what a coincidence," smiled the man, "a dollar and eleven cents—the exact price of a miracle for little brothers." He took her money in one hand and held her hand with the other. He said, "Take me to where you live. I want to see your brother and meet your parents. Let's see if I have the kind of miracle you need."

That well dressed man was Dr. Carlton Armstrong, a surgeon, specializing in microsurgery. The operation was completed without charge and it wasn't long before Andrew was home again and doing well. "That surgery", her Mom whispered, "was a real miracle. I wonder how much it would have cost?" The little girl smiled. She knew exactly how much the miracle cost... one dollar and eleven cents... plus the faith of a little child.

Perseverance can make miracles happen.

The views expressed in this booklet are not necessarily those of the Forum of Free Enterprise.

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

— **Eugene Black**

FORUM OF FREE ENTERPRISE

The Forum of Free Enterprise is a non-political and non-partisan organisation started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions and other means as befit a democratic society.

Membership is open to all who agree with the Manifesto of the Forum. Annual Membership fee is Rs.100 (entrance fee Rs.100) and Associate Membership fee Rs. 60 (entrance fee Rs. 40). Students (Graduate and Master's degree courses, full-time Management students, students pursuing Chartered Accountancy, Company Secretaries, Cost and Works Accountants and Banking courses) may enrol as Student Associates on payment of Rs.10 per year (no entrance fee).

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