

The Evolution of Wipro, Ltd.

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This case is based on primary data sources

Introduction

On a sunny afternoon in February 2006, Jessie Paul, the Chief Marketing Officer of Wipro, looked out across the manicured lawns of the Sarjapur Campus on the outskirts of India's IT hub, Bangalore. As she reflected on some recent achievements at one of India's most successful IT service providers, she was also looking forward to challenges of the next decade of transitional challenges faced by Wipro. She had recently been charged with reinvigorating Wipro's brand strategy and coming up with a set of recommendations that would take it on a course to global leadership. The challenges were formidable: runaway growth, cut-throat global competition, and the pressures of delivering innovative solutions to demanding customers.

While the Wipro group of companies was an integrated corporation that delved into a diverse range of businesses, Wipro Technologies and Wipro Infotech, two of its key component organizations, focused on IT and IT-based services provisioning. Wipro Technologies provided services to organizations that wished to outsource business processes, IT solutions development, or technology infrastructure. Wipro Infotech sought to become a home-grown IBM, and looked to derive revenues from the domestic market. Wipro's aim was to continue its transformation from a low cost provider of outsourced services to become a global information technology leader, delivering world-class solutions to its global customers through a process of fostering ongoing internal and external innovation.

The IT Services Industry

At the beginning of 2005, the global IT services market was estimated to be approximately US\$630bn, and was growing at around 6% year on year. IDC had estimated that the global BPO market would grow to \$1.2 trillion in 2006, sharply up from \$300 billion in 2004, representing a quadrupling of business in a two-year timespan. Both American and European companies were planning to outsource key business processes, accounting for upto 23% of their revenues by 2007 (versus 5% in 2004). Offshoring had thus emerged as a major disruptive force in the global services industry [12]. India had emerged as the most competitive and popular IT-outsourcing destination in the world (See Appendix 2) and topped the ranking of The Global Outsourcing Report 2005 [17]. It was predicted that low-end outsourcing services would grow globally from USD 7.7 billion in Financial Year 2003 to USD 39.8 billion in Financial Year 2010, which implied a Cumulative Annual Growth Rate (CAGR) of 26 percent. In contrast, the revenue from the global KPO market was USD 1.2 billion in Financial Year 2003 and this was expected to grow to USD 17 billion by Financial Year 2010, which implied a CAGR of 46 percent [10].

Wipro had embarked on a process of transformation from being a low-cost provider of offshore resources, to a global competitor vying for close relationships with strategic customer groups. These business-to-business relationships addressed end-to-end requirements for IT and business services with large- and mid-scale customers. Wipro had the challenge of building on this initial success and expanding strategic client relationships in order to sustain growth. Given these strategic imperatives, senior management at the firm believed that continued efforts to enhance brand awareness, brand differentiation, and brand positioning would all play increasingly important roles [25].

Company Background and History

Founded in 1945 by M.H Hasham Premji, Western India Vegetable Products (WIPRO) was inherited by his son Azim Premji at the age of 21, on the death of his father in 1966. From its business focus at that time as a manufacturer of food products, Azim Premji led its diversification into the technology domain, first in personal computers, and then in software from 1984 onwards [36]. The company also moved to Bangalore, where it is still headquartered. Wipro also operated out of a number of other Indian cities, and

had also increased its global presence over the years. In Europe, it had offices in France, Germany, Switzerland, Finland, Sweden, and The Netherlands, with a regional headquarters in the UK. Its Asia-Pacific offices were in Japan, Australia, China, Malaysia, and Singapore. In North America, it operated out of the West, Midwest, North East, and Eastern regions, and in Ontario, Canada. Wipro's revenue had increased from in \$ 75 million in 1995 to \$ 1870 million in 2005

Mr. Premji owned over 80% of the shares of Wipro Ltd. (Wipro's parent company), valued at over 21bn, making him the richest man in India and one of the richest in Asia. As one of Asia's leading business leaders, he had been awarded many accolades for his leadership of Wipro, including Business Man of the Year 2000 by Business India, and Business Leader of the Year 2004 by the Economic Times. He was also the prime mover behind Wipro's achievement of advanced Six Sigma, CMM, and PCMM status. Today, Wipro Limited was among the first PCMM Level 5 and SEI CMM Level 5 certified IT Services Company globally. Despite his fame and fortune, Mr. Premji was known for his low-key personal management style, which focused mainly on professional values, integrity of character, and extremely high performance standards. He maintained a grueling work schedule, and had inspired many generations of technology leaders in his company and the wider IT industry in India. Wipro-ites across all walks of the organization were equally proud of their intellectual integrity and professional work ethics, and many referred to themselves as "baby-Premji's". A summary of Wipro's key landmarks is summarized in Table 1 [See Exhibit 1 for a more detailed milestone representation].

Table 1: Wipro Key Landmarks [42]

Wipro Key Landmarks	
Achievement	Year
Incorporated	1945
Initial Public Offering (IPO)	1946
Entered IT Business	1980s
Entered IT Services Business	Early 1990s
Listed on NYSE (WIT)	2000

By early 2006, the company had over 52,000 employees (of 23 different nationalities) working in 35 countries – the majority were based in India, although around 6,000 worked onsite in global customer locations. In January 2006, Wipro announced that its revenues had jumped by 9%, to \$617 million, while profits grew by 11%, to \$118 million, over the previous quarter. Since those results were released, Wipro's stock price had zoomed 15%. The majority of revenue generation was from North America (64%), with Europe contributing 30%, and Japan 6%. A summary of the company's recent financial results are shown in Table 2.

Table 2: Wipro's Recent Financial Results [26]

Year	Revenue (US \$ million)	Change on Previous Year (Revenues)	Total Net Income/(Loss) (US \$ million)
2004-05	1870	39%	363
2003-04	1350	36%	230
2002-03	902	85%	170
2001-02	475	25%	93.5
2000-01	382	63%	48.62
1999-00	234	28%	29.172

Recent Achievements

Over its recent history, Wipro had exhibited an impressive growth rate through the delivery of established services [outlined in Table 3]. These in turn served as a solid foundation for its continued focus on innovation, new services and value creation, and future investments in human resources, business efficiencies, and achieving best practices in multiple areas. One of Wipro's key strategies was to expand into related business areas, either through internal expansion, or acquisition. Wipro was one of the first

large Indian external service providers (ESPs) to foray into business process outsourcing (BPO) as it acquired Spectramind in July 2002.

Table 3: Areas of Recent Growth within Wipro's Service Portfolio [27]

Service	Revenues in 2004-05 (US \$ million)	Revenue Growth Over Previous Year	Proportion of Total Revenue
IT Infrastructure Management	94.9	82.7%	7.0%
Packaged Applications Services	150.7	64.5%	11.2%
BPO	148.2	54.0%	10.9%
Application Development and Maintenance	844.9	43.6%	62.4%

Wipro continued to added to its industry depth and expertise through a series of strategic acquisitions. In December 2005, Wipro closed a deal with New Logic in the Product Engineering Services space and mPower in the Banking space. In February 2006, the company acquired cMango Inc., a Sunnyvale, California, US-headquartered company in an all cash deal., buying not just credibility but a 120-member strong team and deep domain expertise in Business Service Management [38] [Exhibit 3 presents a summary of Wipro's strategic acquisitions]. In addition to their key growth areas [Outlined in Exhibit 4], Wipro had also been able to leverage one of the fastest-growing industry areas viz the semi-conductor industry and create a market for testing everything from circuits in development to final products [5].

In addition, Wipro had also launched an aggressive and proactive PR/Communications program which had been largely neglected in the earlier years and started competing successfully with competitors such as Infosys Technologies and Tata Consultancy Services [See Exhibit 6 & 7].

The Wipro Brand

“The Wipro brand represents entrepreneurship, stability and integrity and value for money”

-Sangita Singh, Senior Vice President and Head of Enterprise Application Services, Wipro Technologies

Early Evolution

“During the early stages of the brand evolution, the Wipro brand meant different things to different customers. Customers had vastly different perspectives of the brand”

- Vineet Agarwal, President, Consumer Care and Lighting, Wipro

During the early stages of its evolution, the Wipro brand was extremely diversified and had multiple identities. Wipro was initially a Fast Moving Consumer Goods (FMCG) company which made sunflower cooking oil, soaps, detergent, talcum powder, light bulbs and other consumer products. It subsequently diversified into an IT services company under the leadership of Mr. Azim Premji who was the Chairman and Managing Director of Wipro. As a result, to a housewife, Wipro was a soap manufacturing company while to an engineering professional, Wipro was a software engineering firm [28]. In those days, the Wipro name was more a convenient name to use rather than a vehicle to convey a coherent brand identity. The “W” Wipro logo was not consistently used and it was treated more as a convenience more than anything else. In order to communicate better with the customers and have a uniform brand identity, Wipro created and tested two brand themes, “We Care” and “Applying Thought”. This exercise was done during the period of 1996-1998 and was headed by Mr. Vineet Agarwal who was considered to be the father of the Wipro Brand and now the president of Wipro Consumer Care and Lighting. The theme “We Care” with the profile of a mother and a child was rejected by customers on the pretext that although the theme had a lot of warmth and human feelings, it lacked innovation. The theme “Applying Thought” gave a lot of feel on innovation and customers quickly accepted it and it gave them an impression of a company which was on a high-growth path. The company then spent considerable time, money and effort in order to build their new brand logo, a bright multi-colored sunflower along with the impact line, “Applying Thought”. The multi-colored sunflower exhibited a sense of innovation and diversity. The “Applying Thought” theme could be divided into thinking for the customer, application of the thinking and a continuous application of the thinking. Thinking for the customer was about human values, application of thinking was about proposing an innovative solution and continuous application of thinking was to

produce better products, optimize cost and integrate the concept of Six Sigma into the overall process. Since Wipro had so many diverse divisions which would have been open to various interpretations, a management decision was made to implement the new brand positioning regimentally rather than provide options. They performed a rigid implementation on issues such as size of business cards, position of logo on the card etc.

The Brand Today

“In order to compete with firms like IBM and Accenture, Wipro needs to be far more global than what it is today, currently it is too India-centric”

- Ramesh Emani, President, Product Engineering Services, Wipro Technologies

“Doing everything for all clients may have worked till now but this will not work anymore. Companies will have to learn to say no to business. It is no longer about being jack of all trades and master of none. Specialization is the need of the hour”

- Sudin Apte, Country Manager and Senior Analyst, Forrester Research - Indian operations, Pune

“For Wipro Technologies, among the customers who know us, we are number one in Leadership, Vision and Services. On the other hand, we are a fairly closed brand, unless you are our target buyer, you would not have heard of Wipro”

- Jessie Paul, Chief Marketing Officer, Wipro Technologies

Despite the fact that Indian IT companies had created some salience in the global IT market, they trailed when it came to intellectual property and brand building skills. As labor arbitrage slipped away, it was only the exponential value created by intangibles like the brand and IP that would have propelled them into the +\$10 billion league of global players [13]. The Wipro brand was considered to be extremely India-centric with a very limited global footprint. The brand was known for its reliability and predictability and its key value proposition was a cost effective solution for application outsourcing and implementation. Wipro realized that their brand identity and positioning had to reflect market realities and future needs. In order to do so Wipro undertook several strategic decisions in an effort to move up the value chain, enable intellectual leadership and build a global outlook. These strategic imperatives are discussed in detail below.

Moving Up the Value Chain

“Over the next four to five years, Wipro will start to serve the middle tier providers as well and when that happens, I am sure there will be room for innovation and for us to do things on a more proactive basis”

- Girish Paranjpe, President, Finance Solutions, Wipro

In the 1980s outsourcers in India did low-rung jobs such as data entry and some software development. In the 1990s they expanded by doing larger software projects and by taking over whole IT systems and back-office functions such as accounting for U.S. and European corporations. Now they draw a bead on more sophisticated services--engineering, research and development, and designing auto parts, sections of aircraft wings and chips for wireless services [7] [See Exhibit 5 for the Four Generations of Offshore Outsourcing].

As Wipro had been attempting to move up the value ladder, there was greater need for bright innovative ideas to flow more frequently. What had been embedded in the Wipro culture was brought to surface in the form of a slogan “Innovation is Wipro: Wipro is Innovation” [39]. At Wipro, the process of moving up the value chain was done in multiple ways, one of them was by trying to lead the customer with respect to new technology and new processes. The other was by trying to do so in a more efficient and effective manner. Wipro's product engineering and design services were especially pushing hard to deliver on innovation to create and sustain revenue streams for the future. The evidence towards a more IP and marketing driven model lied in the number of patent applications that had been made by TCS and Wipro over the past three to four years. The Factory Model as described in detail later was an apt example of Wipro moving up the value chain with respect to process optimization and efficiency. Wipro Technologies, which started off by providing back-office operations support to major US firms was now gradually charging upstream into consulting and other high-value services [15].

Global Outlook

“In another five to six years there will be a lot more Indian brands and Indian companies on a global basis in multiple sectors”

- Vineet Agarwal, President, Consumer Care and Lighting, Wipro

Compared to large U.S. ESPs, Wipro had limited name recognition among U.S. and European enterprise buyers. However, among its peer group in India, Wipro was clearly considered one of the most recognized vendors and often cited as an enterprise to emulate [1]. Wipro had recognized the need for marketing and branding efforts in the United States and had focused a great deal of effort and resources on several channels. There had been organization wide efforts to become the premium company across parameters such as best employer, customer favorability and corporate governance. Wipro's strategy was to capitalize on its momentum of rapid growth with an entrepreneurial approach, as it sought to be the pioneer in many new areas [2].

Table 4: Value of the Wipro Brand

Stakeholders	Value from the Wipro Brand
Customers	Comfort and Reference ability
Employees	Employer of Choice Globally
Partners	Best in Class Alliances
Industry Analysts	Increase Understanding to Drive Positive Referrals
Investor and Financial Analysts	Thought Leadership

Recent Initiatives

According to a survey, Wipro had emerged as the second most valuable and powerful IT brand in India. This came after a year of acquiring firms, giving Wipro access to new skills and intellectual property, upping marketing spends and ramping up to scale the consultancy target [14]. Wipro had realized the need to invest more for the future, in people, in innovation, marketing and perhaps most importantly, in the brand. The key strategies employed to create the right environment and facilitate the desired changes are discussed below.

Wipro “Applying Thought” program in Schools

The Wipro “Applying Thought” program in Schools had been an initiative to improve the Quality of the Education system in India. It worked with Teachers, Principals, Parents, Educationists, NGOs and other education bodies to bring about this change [40]. The program was initiated in May 2001 with 100 teachers from 5 schools in Bangalore. Over the next two and half years, it reached more than 2100 teachers and principals from 100 schools in 13 cities.

The Wipro “Applying Thought” program in Schools initiative had the following programs running across India:

Education Leadership Program: The objectives of the Program were as follows:

- Capacity building of educators in leadership roles
- To build leadership, instructional & organizational competence to enable participants to identify and address the needs of their institution
- To empower leaders to create a facilitative environment & lead the change processes in their institution

Teacher Program: The Teacher Program helped empower the teacher with perspective and tools necessary to initiate change. Spread over 2 academic years, the Teacher Program was a mix of dedicated modules and on-the-job support for teacher effectiveness.

Parents Program: The Parents Program was an integral part of The Wipro “Applying Thought” in schools initiative. It aimed to help parents be involved in the education of their children and play a proactive role in terms of shaping how the child grew up. The parent modules aimed towards parents who were:

- Informed about the latest developments in the field of education and the changes happening in the school as a result of the Wipro Applying Thought in Schools Program.
- Inspired to effectively participate in the education and comprehensive development of their children.
- Empowered with a variety of simple hands-on strategies and techniques so that they are able to foster learning at home.

In addition, the “Applying Thought” program also helped support young budding chess players and other talented individuals achieve their goals [29].

Thought leadership as the vehicle for differentiation

Innovation Council and Centers of Excellence:

"Innovation comes from applying creativity or applying thought. It is about action versus ideas. It is about implementation as much as it is about design"

-Mr Azim Premji, Chairman, Wipro Corporation [4]

The Innovation Council' was setup in late 2000 to build intellectual property, new products and services and take most outstanding ideas to market. The Innovation Council acted as an internal venture capital funding project, which would improve business productivity for the company and its customers, and according to Mr. Premji, "improve our ability to win deals and reduce the cost of delivery." The innovation Council was focused on funding ideas leading to Intellectual Property creation and developing Point Solutions [30]. It was a tool to drive and achieve scale of growth.

Wipro's new engagements came as a direct or indirect result of innovation. Wipro had been able create a successful track-record of innovating service delivery models – being among the first to remote deliver R&D, Infrastructure Outsourcing, Testing and BPO. Addressing a press conference at the Nasscom 2006 Leadership Summit, Mr Premji said that the annualized revenues generated through Wipro's innovation initiative and its 40 Centers of Excellence stood at over \$100 million, accounting for five per cent of the company's revenues. Wipro's innovation initiative and its Centers of Excellence had a team of close to 500 professionals working on a portfolio of projects. These projects are in areas of process improvements; execution; new service lines for delivering traditional onsite services through a global delivery model; business solutions such as gas distribution solutions; business process management solutions and R&D such as the development of intellectual properties and patents in wireless applications and mobile telephony.

The Innovation Council evaluated proposals and provided internal funding for the best ones. The resulting projects developed intellectual property that could be licensed to customers and integrated into their

products. The Innovation Council was made up of senior managers but the ideas were gathered 'bottom-up'. The engineers and project managers were immersed in the technical issues to generate the creative long-term ideas. The council's job was to choose the best ones and sponsor the same, based on its analysis of how the resulting technologies and components would, in turn, provide value to its customers. Specifically, the Council attempted to find answers to some critical questions such as:

- Did Wipro attract the best talent and keep the talent challenged and contemporary?
- Did they create higher value for their customers?
- How did they leverage their learning's within and without the organization?
- Did they perform low risk experiments to filter out "good" ideas from the truly outstanding ones?
- Did they capture the benefits of operating like a small company even as they grew rapidly?

The Factory Model

One of the prime examples of Wipro's success in thought leadership was the rollout of the Factory Model. The 'Factory Model' had evolved from Wipro's Innovation council and was called so because of its resemblance to the manufacturing assembly line where efficiencies and quality improvements are driven through standardization of processes. It was based on the principles of the Toyota production system and "lean" manufacturing. Wipro's Factory Model brought together the governance, architectural expertise, and delivery capability and aimed to accelerate development and management within a large corporate application development environment by using principles of componentization, much like assembly in a factory [35]. The Factory Model was most suitable when Wipro undertook program management and large-scale outsourced management of application development, especially where Wipro serviced multiple geographical or business divisions of the same client. It was founded on a common demand management process, centralized architecture and engineering services, core processes of software development driven through enterprise-wide standards, and a framework of a shared development, testing and deployment environment.

Wipro claimed that the benefits of the Factory Model included standardization across distributed businesses or organizational functions, reuse of knowledge and best practices from individual units across the enterprise, and better co-ordination and planning within IT, and that customers had achieved real benefits such as reduced (US\$ million) delivery times and costs of development. The Factory Model had helped global clients such as GlaxoSmithKline (GSK: NYSE and FTSE) improve their sourcing efficiencies through strategic offshore factories initiatives.

"The Factory Model highlights Wipro's commitment to excellence and its ability to innovate and add value to its customers"

- Ingo Elfering Vice President, Global Application Services, GlaxoSmithKline

Customer Forums and Relationships

"We have not done much of industry-wide Customer Forums. We are not able to create a strong presence in consumer expos which are so important today"

- Ramesh Emani, President, Product Engineering Services, Wipro Technologies

"We are trying to ingrain the idea of customer forums. We are currently the only major Indian firm without a customer forum"

- Jessie Paul, Chief Marketing Officer, Wipro Technologies

"Customers are trying to optimize value. The old boys' club of closed tennis court relationships is on the way out."

- Mr. Azim Premji, Chairman, Wipro Corporation [21]

Wipro had not been very good at communicating and reaching out to the customer and in the whole customer-centric thought leadership aspect [31]. In an effort to change this, Wipro undertook several customer initiatives in order to generate new ideas and ensure customer satisfaction. Mandala 2006 (May 21-23) was a Customer Forum organized by Wipro. It was a unique event that combined business with leisure. It offered a powerful platform for industry leaders to debate, exchange ideas and share best practices in key areas that would shape the future of the global industry, and its ability to innovate for newer markets and customers using the best of talent and resources [41].

In addition, Wipro had various councils, consisting of all their financial, human resources, quality and marketing personnel [23]. They typically met 4 or 5 times a year, one or two days each time, and significant part of the agenda was sharing what the other was better at. So that improvement of one division was quickly transferred to the rest of the company and eventually to the customer. In order to aid larger dissemination of news and information Wipro had recently employed horizontal based newsletters in addition to the vertical based and industry based newsletters.

After the departure of Vivek Paul (Wipro's former CEO), Mr. Premji made radical changes to the organization structure and tried to bring Wipro's leadership closer to the customer. In the process, he tried to de-layer the organization and empower the business leaders with a much higher degree of P&L and growth responsibility. The reorganization also brought the mainstream of the company, closer in alignment with the original corporate staff, which subsequently became their business staff [22].

Wipro's approach was to listen to customers very carefully and have them participate in the process. Sometimes, they had to restate what the Customer had said in many different ways before they got a breakthrough. It was a very useful process. The least they could get out of it was a more meaningful dialogue with the Customer and the best was that they come out with totally different ideas or insights. In addition, Wipro had also recently joined new forums such as the Berkeley Innovation Forum.

Managing the Global Workforce

"We invest in people. In three years, we will have a far more global footprint. Around 10% of our employee population will be based out of Philippines, Europe and other parts of the world"

- Sangita Singh, Senior Vice President and Head of Enterprise Application Services, Wipro Technologies

Wipro was focused on expanding its domestic workforce in target markets (the United States and Europe). Over the years the Wipro brand had been through various phases. Initially it was extremely India-centric, later under the leadership of Vivek Paul, there was an effort to change the purely Indian brand image and a conscious effort to hire Westerners and incorporate a Western Management style and culture [32]. Hiring Non-Indians had traditionally been achieved through foreign acquisitions. Paul joined Wipro in 1999 as Vice Chairman of the company and CEO of its global information technology, product

engineering, and business process services segments. He headquartered Wipro Technologies not in India but in Santa Clara, California. He encouraged his employees to be creative and exhibit thought leadership rather than merely execute the client's instructions. After his departure from Wipro, Mr. Premji took charge immediately and shook off the gloom that seemed to descend due to Paul's absence. He realigned the executive suite by eliminating Paul's position and distributing the responsibilities among four long-time lieutenants. According to Mr. Premji, a true global company was one which appeared to be local wherever it did business. It would hire local talent and buy companies that gave it instant industry presence. For example, the current (2006) head of the enterprise sales for Europe was a localite. In February 2006, the company acquired cMango Inc., a Sunnyvale, California, US-headquartered company in an all cash deal., buying not just credibility but a 120-member strong team and deep domain expertise in Business Service Management, which enables IT to deliver faster, more comprehensive and consistent business services, while increasing revenue opportunities and reducing service cost and business risk.. This was what a truly global company did. It operated close to its customers, and it constantly sought opportunities to arbitrage labor markets.

There was an active effort at Wipro to hire people who were not “clones” of people already inside the organization. Once hired, they needed to be protected so that the rest of the system would not push them out very in an effort to return to their familiar way of thinking and acting. Such new hires were invaluable in providing a completely different outlook and brand image to Wipro.

Future Challenges

Global Competition

“Our competitors are legitimizing the India delivery model for us. Now we have to stay ahead of them in the India delivery model while mimicking them more in terms of their brand and consultancy prowess”

- Mr Azim Premji, Chairman, Wipro Corporation

U.S. and European firms expanded beyond India. Call-center giant Convergys opened offices in Dubai and Budapest. IBM Global Services was adding staff in China, Hungary, the Czech Republic and Brazil. And Accenture was adding staff in the Philippines, China, Slovakia and the Czech Republic [8].

Also, other multi-location strategy companies moved and expanded in parts around the world. Indian IT firms such as Wipro faced increasingly stiff competition from countries such as China, Russia and Philippines which also tried to build a strong global delivery model at a relatively low cost [See Exhibit 8]. According to the Global Outsourcing Report 2005, China would overtake India as the premier outsourcing destination within the next ten years. Interestingly, some of India's offshoring giants were offshoring themselves, fueling the next round, and U.S. firms were joining in. In order counteract competitors such as Tata Consultancy Services and Infosys Technologies which were setting shop in diverse global locations such as Mauritius, Hungary and the Czech Republic, Wipro, had setup new offices in Shanghai and Beijing and planned to open soon in Bucharest, Romania. New business would come, because in a global downturn, everyone was looking to slash costs. For Wipro, it was about turning that opportunity into an inflection point [16]. It was also about restructuring straightforward commodity work into high-value partnerships. It was about selling something that no one in the world could replicate.

Backlash against outsourcing

"Outsourcing is killing our jobs. Forcing our middle class to compete with cheap foreign labor will result in systemic job loss and hurt America's standard of living, I'd prefer that businesses find a conscience and forestall offshore outsourcing. But if they can't forgo short-term profits for the broader interests of society, it's the responsibility of Washington to act."

-Lou Dobbs, CNN's *Lou Dobbs Tonight*, September 2004, Issue 35

"We are not dealing with cold reasoning here, but with emotions of Americans whose personalities changed after 9/11 and who feel threatened by anything that hurts their security, their wealth and their jobs. Outsourcing is no longer a choice but an absolute strategic necessity."

- Mr Azim Premji, Chairman, Wipro Corporation [20]

Like many others, Mr. Premji argued that shifting jobs to lower-cost countries would benefit the United States in the long run. Backlash was a passing phase, and ultimately, corporations as well as people would realize the greater business benefits [33]. It should be positioned as an inevitable process of globalization. Firms such as Wipro took a concerted view and action on the outsourcing backlash unleashed by the United States, Europe and Australia, and faced these challenges with a strong counterforce. One of the challenges for multinational global suppliers was to take this job creation and wealth creation, and see how it could be leveraged to improve the quality of life for a much larger set of people.

Diversification/New areas

The global expansion was here to stay. Spending on offshore information technology services would nearly triple in six years to approach \$60 billion by 2010, said research firm Gartner. Engineering design "will be the next big wave of global sourcing options" in manufacturing, the firm said and predicted that spending on outsourced R&D and engineering would grow tenfold in the same period [9].

Although Wipro had built considerable Intellectual Property in mature sectors such as Telecom and Product Engineering, there was a need to innovate on a proactive basis and build on the current momentum and diversify into new areas such as R&D and design [34]. It was thought-leadership, creative management and diversification into new and exciting areas that would create high value jobs, boost productivity, raise wages, provide international competitive advantage and produce the next generation goods and services [19]. Also, offshoring chip design promised to turbocharge business, letting companies produce more products quicker than ever before, and at low prices [6]. A key issue facing the company was whether it would be successful in leveraging this new system of innovation.

American and European customers had become acutely conscious of cost-cutting or productivity enhancements and had started demanding expertise in specific verticals such as manufacturing, retail or healthcare. Over the past year or so, Wipro had transformed their business model around a chosen set of verticals. But this was just the beginning of the transformation, which would have to pass through several stages to attain maturity.

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Appendix

Exhibit 1: Important Facts and Dates in Wipro's History

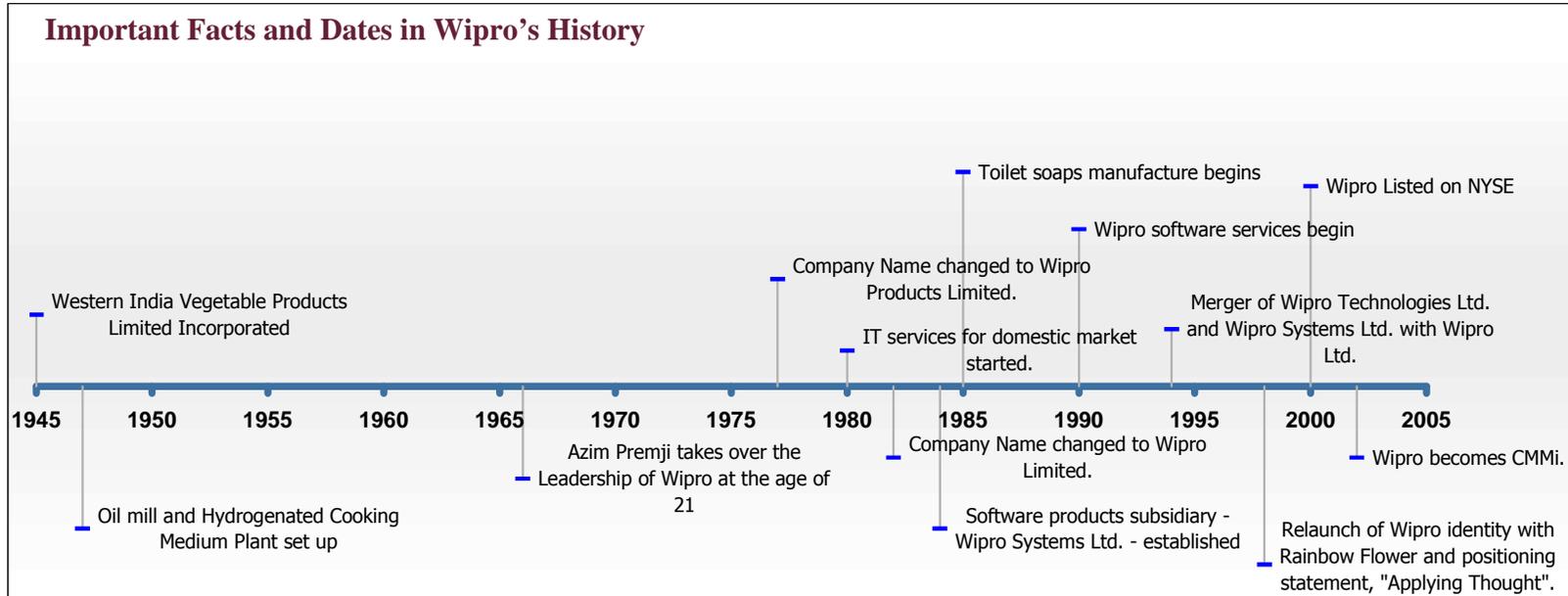
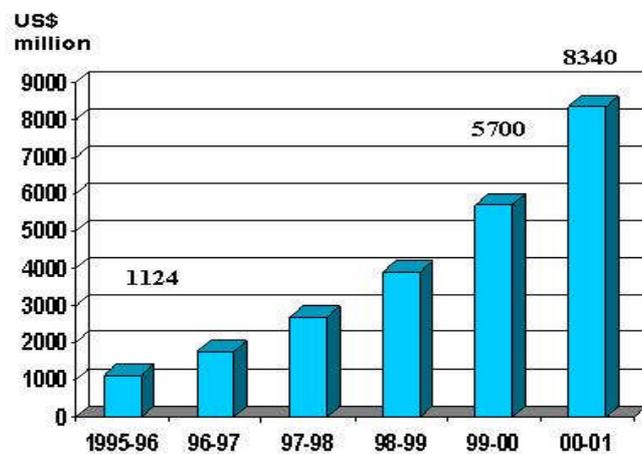


Exhibit 2: India's IT and BPO Industry Potential

At a country level, India's IT-BPO exports of approximately US\$23bn in the end of fiscal year 2006 were growing at around 30%. Although India's revenue share was less than 3% of the worldwide IT market, it was likely to expand its share to around 10% of the global market by the end of fiscal year 2010. India's Offshore IT and BPO industries had the potential of reaching US \$ 60 Bn. in exports by 2010 if they managed to sustain their current leadership. These industries could also aspire for an even bigger prize in the next five to ten years: an additional \$20 Bn. in exports by extending leadership through a targeted expansion of the offshore market [18].



Expected revenues (IT & ITES) ~ \$87B in 2008

Exhibit 3: Sample Wipro's Strategic Acquisitions (2002-2007) [37]

Company	Year	Space	Domain Specialist	Benefits, Access to
Saraware	2006	Design and Engineering Services	350	Telecom, Wireless Networks, Mobile communications platform
Quantech Global Services	2006	Mechanical design and analysis	500	Design, Analysis, Development and Program management of products
cMango	2006	Technology Infrastructure Services (TIS)	120	Business Service Management (BSM) Solutions
mPower	2005	Financial Services	351	Payments Space
New Logic	2005	Semi-Conductors	120	Wireless, RFID, Analog IP
Nerve Wire	2003	Securities	100	Consulting in Securities
AMS	2002	E&U	90	Consulting in Energy
Spectramind	2002	BPO	2500	New Service Line

Exhibit 4: Key Growth Areas [1]

Growth Areas	Markets	Key Products and Services Delivered
Global IT Services and Products	Americas, Europe and Japan	IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, technology infrastructure outsourcing and research and development services
IT-Enabled Services	North America and Europe	Direct Customer Interaction services, data processing and web-based services
India and Asia-Pacific Services and Products	India, Asia-Pacific and the Middle East region	Meet Requirements for IT products and services
Consumer Care and Lightning	India	Consumer goods such as soaps, toiletries, lighting products and hydrogenated cooking oils
Health Science	India, North America and Europe	IT requirements of the emerging healthcare and life sciences market

Exhibit 5: Four generations of offshore outsourcing (Moving up the value chain) [24]

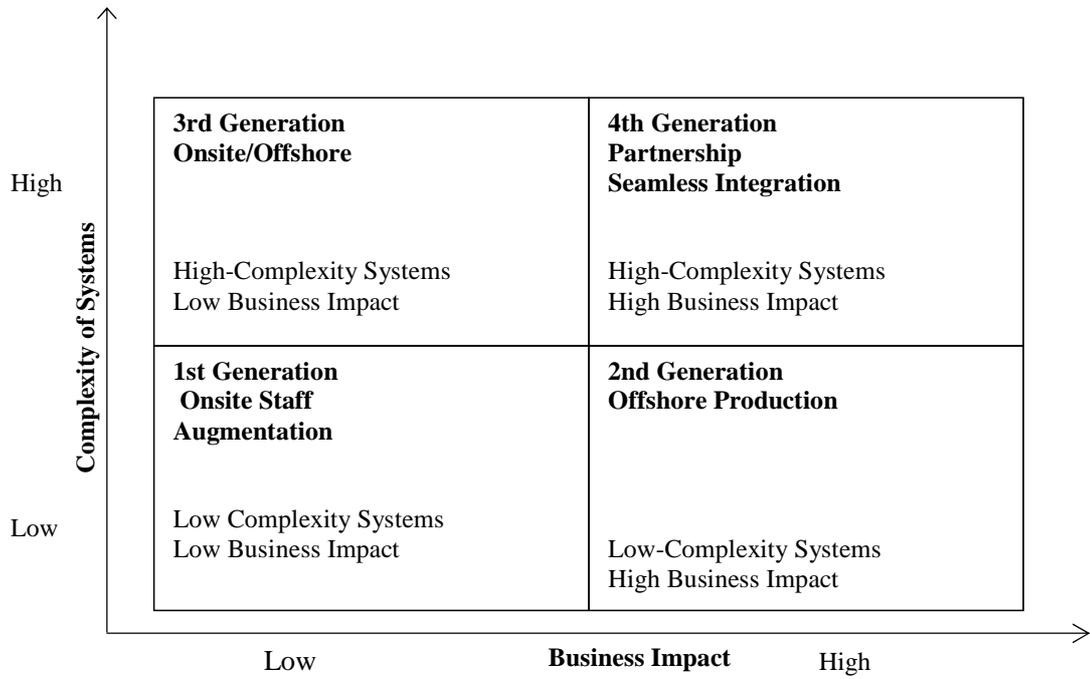


Exhibit 6: Wipro PR Programs and US Media Landscape [43]

<p align="center">Media Coverage</p> <p>From April to December 2004 Wipro had 39 features compared to 31 for Infosys (This number also includes 3 features in Rediff/India Abroad)</p> <p>In calendar year 2004, Wipro had 986 mentions versus 1,053 for Infosys (this number is from Factiva and includes Business Wire, FD Wire, Hoover's & PR Newswire)</p> <p>Wipro has higher media mentions in six months during 2004 and Infosys had higher media mentions in the remaining six months.</p>	<p align="center">Briefings</p> <p>32 new introductions to reporters/journalists were made between May and December 2004 , an average of 4 per month</p> <p>Of these 21 (66%) wrote articles on Wipro and/or mentioned Wipro in articles</p>
<p align="center">Press Releases</p> <p>Wipro issued 55 press releases in 2004 compared to 56 for Infosys and 45 for TCS</p> <p>Wipro Press releases that were successfully leveraged in media-RFID, Quarterly Earnings release, Desktop Research, AMR Research, TUI Deal</p>	<p align="center">Speaking Opportunities</p> <p>Secured 15 speaking opportunities between May and December 2004; of which 7 were accepted</p>

Exhibit 7: Historical View of US Media Mentions for Wipro, Infosys & TCS: 2000-2004 [44]

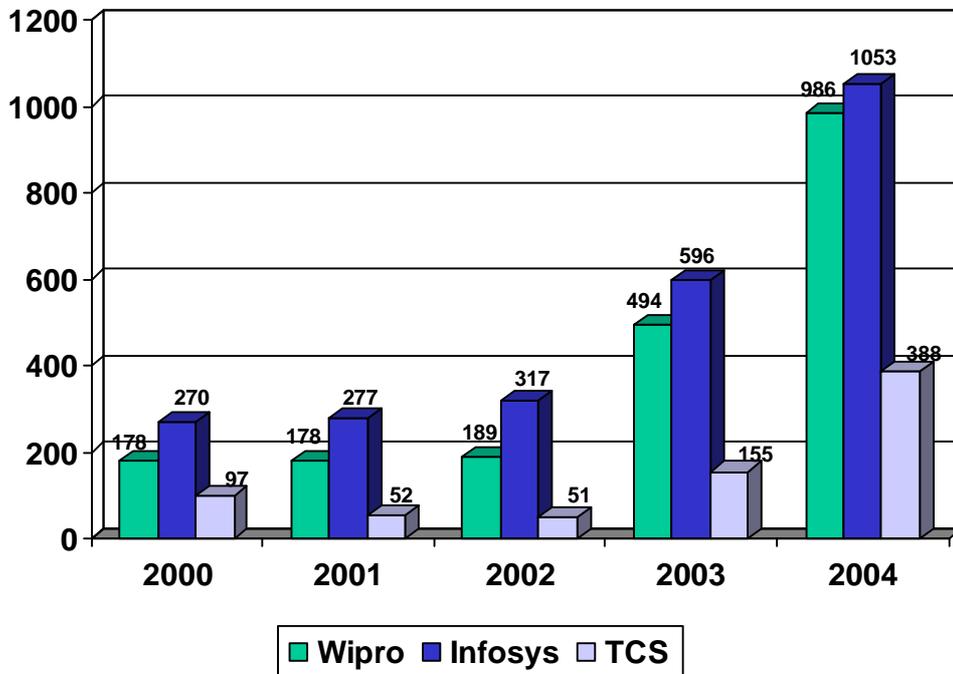


Exhibit 8: Comparison of Key Low-wage Offshore BPO/KPO Locations [11]

	China	India	Philippines	Ireland	Israel	Russia
Cost of Manpower (Case of IT Services)	IT Salaries-USD 6,360 to 9,540 per annum	IT Salaries-USD 5,375 to 8,960 per annum	IT Salaries-USD 4,250 to 6,800 per annum	IT Salaries-USD 25,500 to 35,700 per annum	IT Salaries are approximately USD 25,000 per annum	IT Salaries-USD 6,120 to 9,180 per annum
Geographic Location	24*7 support as China Spans 5 different time zones	24*7 support	24*7 support	Close proximity to Europe makes it a good near-shore destination	Close proximity to Europe makes it a good near-shore destination	Close proximity to Europe makes it a good near-shore destination
Demographic Factors	Low proficiency in English	High degree of proficiency in English	Compatibility with Western corporate culture	Compatibility with Western culture.	Compatibility with Western culture and proficiency in	Compatibility with Western culture
Government Policies	Favorable, Special Economic Zones (SEZs)	Friendly government policies for IT exports; creation of Software Technology Parks (STPs)	SEZs; license fee exemption; no export tax; supports the IT exports industry	Technology education fund, favorable tax laws and incentives	Strong policies with respect to IP rights, including copyright and trademarks	Old laws and tax
Other Advantages	Uniquely positioned to tap Japanese and Korean markets	Large labor pool with high quality IT training and good project management skills	38,000 graduates proficient in English	Advanced telecom infrastructure	Strong presence in niche software products and services	Moderate labor costs, highly talented labor pool, third-largest pool of engineers.
Disadvantages	Language and cultural incompatibility; insufficient project management skills	Unreliable power infrastructure	Scarcity of trained IT personnel, lack of project management skills	Small labor pool; high labor cost.	Population less than six million and hence a small labor pool	Poor Infrastructure; high bandwidth; weak telecom structure; cultural problems