

## **Speech Of Mr. Azim Premji, Chairman, Wipro Corporation Delivered At The Inaugural Function Of The International Conference Held On 9th August 2003 At Leela Palace, Bangalore**

Distinguished members, people on the dais, guests and friends we have an old association with the Institute of Chartered Accountants of India. As a company right since 1966, we have been very actively recruiting graduate students passed out from your institution every year and this year also we have been recruiting across the corporation at least 25 chartered accountants.

**Our experience is very positive.** I think the theme of this conference is very timely and very very appropriate and really sums up what is happening in whole world including what is happening in India and more concerned that this turbulence is not settling down. So one can expect a significant amount of turbulence to go to the next one year. First, it was the changing landscape of the market at comparative landscape due to globalisation, which led to this turbulence. Then came the economic down turn and recession which led to many companies, many leading companies closing down shops after decades of success and finally came revelation of some leading US Corporations in terms of ethics of their operation and integrity of their operations which shattered really the confidence of investors. The biggest challenge therefore facing business today is how to lead, how to manage and how to be successful in these very very turbulent times. This will ultimately determine the long term image of the business community and to be quite honest the image of the business community has never been lauded.

While economic down turn, while economic up turn, while business cycles are intrinsic part of any business they hurt us most when they are not prepared for that and they take us by surprise at the same time down turn teaches us many lessons and offer us many opportunities and we must learn from these lessons.

Understanding these will help us in leading a business during these down turns. The first lesson, which we learn from the down turn, which happened over the past two to two and half years is the need for the customer change. Customers do not stop buying in a

down turn. Please, please be very clear, customers do not buy in a down turn, they only look twice hard at the value of its buy or the value of what they buy. It is said opportunity to the customers to enlarge every aspect of the product or services be offered and focus on those that give the maximum value in the changed circumstance. It is an opportunity to the customer to make new offerings. It is an opportunity to the company to make new offerings to the customers based on new emerging needs and also to anticipate these needs, because they are changing. Down turn force the organization to conserve the resources by concentrating on their cost strengths and their businesses and outsource non cost strengths and non cost services.

This is what is happening in the field of Information Technology with the extent of growth of the outsourcing businesses far outstripping GDP growth rates and a far out stripping the growth in technology sector. This results in tremendous savings in energy and resources. The down turns also force organizations to innovate, which can result in multiplication of value, which is offered to the customer. Second, down turn is a great opportunity in a great time to invest strategically for the future. Especially, since no down turn is forever as such, it can be acquired at a lower prices, investments can be made at lower cost. Comparative and high performing talent is much easier to attract and retain. Investment can be made in quality process like sigma which can offer significant savings down stream and where inevitable upturn happens and it always happens all these investments can become a tremendous force of advantage. Sir, the down turn is an ideal time to transform the organization, cut the fat make it more lip informative and more customer focused when employees know the situation they will come and support the change and it is exceptional and remarkable how much they are willing to rally behind this change. This is also a good time to develop new competitiveness in the people.

Lastly, we learn that while we must push for

aggressive revenue growth in good times we must always focus on productivity and execution as if it were in perpetual down turns. But to my mind, more than the natural process of economic up turns and down turns it is the recent financial and business scandals that have the more serious long term effect and consequences.

According to a study by Brooklyn Institute in the United States, which is a respected and prestigious Institute and does a lot of work on policy research in US, the Institute has estimated that the current bout of scandals has in the same effect on the US economy as let us say the oil price moving up by dollar strength. So bad, so it is that consequence, it is that amplitude, if you take into consideration the collateral damage due to the loss of confidence in the economy and loss of confidence in business leadership. The cost of this reach is even much more and gets multiplied. Studies of firms in India and abroad have shown that markets and ventures take notice of well-managed companies, respond positively to that and reward such companies with much higher valuations. A common feature of such companies is that they have systems in place, which allows sufficient freedom to the board at the same time keeping them tightly within the framework of effective accountability.

These companies have a system of good corporate governance. Strong corporate governance is thus indispensable to resilient and vibrant capital market and an important instrument for 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 in terms of scandals, which we go again preventive. More than dollar amounts involved in financial scams it is the loss of confidence, which is dead, which is deadly blow. Trust is fragile in nature and by definition it is fragile, it takes years of efforts to build trust but only a few acts to completely destroy it. Once it is broken it is even harder to rekindle and rebuild. While laws can address the regulatory and legal level and the changes in the structure of the board can address the issues of their independent functioning, no act by itself can guarantee a fickle behaviour. We need to address it at a cultural level, to my mind this is the most important issue. This goes to the root of the problem because it deals with human behaviour and human nature and human motives.

Enron failed not because the numbers in the

books were all cooked. It failed because the cultural code of the organization was faulty and got progressively destroyed and the world did not realize it. How does one build a robust cultural code. In my opinion it can only happen through values. Gone are those days when people wonder whether values come in the way of the business and whether they hinder speed. Today it is abundantly clear that they are necessary for survival. Values are completely necessary for survival. Further, the value supports business in number of ways. First values can serve strong anchor and help us to wither the passing storms in the business. Values give faith in the time when we seem to be surrounded by darkness because they prompt right actions they build resilience and keep us going.

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

Third, values transmit trust; trust is not only at the heart of leadership but forms 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 peer review are the channels. The leaders must walk the trot. They must practice what they preach. If they do not do that the values are completely hollowed. Only clear consistent and unwavering communication and practice of values can create a culture that can withstand and gain from turbulence

Leaders do have an important role in creating the right culture. It really begins with a thought in the mind of the leader. Let me end with a quote I came across recently, which amplifies this *“you sow a thought and you reap an action, you sow an action and you reap a habit, you sow a habit and you reap a character, you sow a character, you reap a destiny”*.

Thank you very much.