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THE FRENCHMAN STEADYING WIPRO'S SHIP

Leading from Paris, the new Wipro CEO Thierry Delaporte is bringing fresh energy to the IT company.



Wipro's new chief executive officer, Thierry Delaporte, clearly has his task cut out for him. Wipro's IT services revenues are still in the \$8 billion range while its closest competitor HCL Technologies Ltd crossed the \$10 billion mark in calendar year 2020. HT

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BENGALURU

When Frenchman Thierry Delaporte took the CEO's job at Indian IT services major Wipro Ltd, the currents had not been in the company's favour. In FY2019, for the first time in its history, it had fallen to the fourth position by revenues among India's IT majors. It used to be the second largest by revenue during most of the early days of India's IT story—from 1984 to 1998—and, since then, had held on to the third position, behind Tata Consultancy Services Ltd and Infosys Ltd. But losing the third position to the Noida-headquartered HCL Technologies Ltd came as a sharp reminder that the company was falling behind in the IT sweepstakes.

Momentum counts for a lot in the technology services and the consulting business that Wipro is in. Business begets business. Satisfied customers add more customers through a virtuous cycle of endorsements and recommendations to clients, vendors and others. Wipro was clearly losing momentum.

Delaporte's predecessor Abid Ali Neemuchwala, who took the job in 2016, set out with a stated mission to turn the company into a \$15 billion enterprise with operating margins (a measure of profit in the overall revenue pie) of 23% by 2020. When he resigned in early 2020, the company's revenue stood a shade above \$8 billion, with an operating margin of 18% for FY20.

The competitive scenario was tougher than ever. TCS and Infosys, the larger rivals, held their turf even as a slew of smaller IT companies started chipping away at specific sectors and competencies. Accenture, IBM and Capgemini—the global majors—had large development centres in India and partly as a consequence, had gotten better at competing on price. Client needs were shifting rapidly towards newer paradigms such as digital, cloud, analytics, machine learning, internet of things (IoT) and artificial intelligence. The war for talent in these hot domains was brutal.

Wipro's organizational structure wasn't particularly agile, either. It operated with seven so-called strategic business units (SBUs), several service lines, and nine geographies, adding to overheads and overlaps. To top it all, by the time the Paris-based executive took charge, on 6 July 2020, the covid-19 pandemic had hit. It was uncertain when he might be able to

visit the Bengaluru headquarters of the company that he was leading. Tomorrow, it would have been a year since he took the job, and he is yet to set foot in Bengaluru.

LEADING FROM AFAR

Today, Delaporte has a nascent yet credible turnaround story to tell. Part of it doubtlessly is the timing. The pandemic has meant an acceleration of digitalization around the world and IT companies have seen business soar. But he has had to position the ship in an optimal direction to be able to harness the tailwinds.

For now, investors have cheered Delaporte's moves. The stock price has more than doubled since his joining. The bellwether Sensex rose 47% during this time. On 23 April, Wipro wrested back the position as the third largest Indian IT company by market cap from HCL Technologies, after a gap of 18 months.

The transformation of the company's structure has been aggressive. There are now just four so-called strategic market units and two global business lines, as of January 2021.

Delaporte adopted and communicated a five-point strategy. It involved accelerating growth through prioritization of sectors and markets, strengthening relationships with strategic clients and partners, enhancing the company's portfolio of business solutions, building talent at scale, and simplifying the operating model. "Our simplified operating model is designed to drive customer centricity. Our new operating model will drive agility and empowerment for leaders and teams who are closest to the clients," Delaporte said in an interview.

"This is in line with putting (the) customer at the centre of the operating model and driving proximity with them," he added.

A big move in Delaporte's tenure so far has been the acquisition of London-headquartered Capco in March this year—at \$1.45 billion, the largest in Wipro's history. The deal is expected to bolster Wipro's presence in the banking, financial services & insurance (BFSI) space, which contribute about 30% to the total revenues. Analysts

are a bit wary about the Capco acquisition, though. "Capco's revenue stagnancy is of concern as it can be a further drag on the already low growth of Wipro. Given its on-site/consulting-heavy nature, the acquisition should weigh on IT services' margins," ICICI Securities said in a report.

It's not a deal Delaporte can leave to chance. Earlier this year, he roped in Accenture leader Stephanie Trautman as the chief growth officer who will play a key

role in ensuring that the deal is a success. "The team under her is settling down well," he said.

Delaporte aims to take a "flexible and open approach" to Capco's integration, given the scale and nature of the business. Capco will operate as a separate global unit, reporting directly to Delaporte. Over the next few quarters, Wipro will develop an integrated operating model to cross-leverage its capabilities seamlessly and bring the best of Wipro and Capco to current and prospective clients, he said. Given Capco's strong brand presence and recognition in the US and UK markets, the Capco brand will be retained going forward.

Wipro has taken an aggressive stance on mergers and acquisitions because "M&A is an integral part of our business strategy," Delaporte said. "The acquisitions will improve access to markets and service offerings."

Some of the other recent acquisitions include: Ampion, a leading Australian provider of cyber security, DevOps and quality engineering services; Encore Theme Technologies, a specialist Finastra software partner in financial services; 4C, a leading Salesforce multi-cloud partner in Europe and the Middle East; and IVIA Servicios de Informatica, a specialized IT Services provider to financial services, retail and manufacturing sectors in Brazil.

"Wipro is going through a lot of changes and re-imagining its operating model. This (speer of acquisitions) was a much-needed initiative to translate its strategy into execution," said D.D. Mishra, a senior director analyst at Gartner. "The outcome of these endeavours may take some more time to be visible, but it has a healthy pipeline at the moment to deal with. The direction of change towards becoming a more flexible, adaptive, and composable organization is a step forward in the right direction," he added.

Chairman Rishad Premji, who cherry-picked Delaporte for the job, thinks he has made the right choice. "He has made bold changes to build a more customer-centric and growth-focused organization, driven by a culture of high performance and strong values," he said.

LEADERSHIP EVOLUTION

Rishad is a third-generation leader from the Premji family. Wipro was inherited by Azim H. Premji from Rishad's grandfather Mohamed Hasham Premji, who established it as Western India Vegetable Products Ltd in 1945. From a manufacturer of vegetable *ghee*, *vanaspathi* and refined oil in Amalner in Maharashtra, Wipro entered into the fledgling IT industry in 1981, with Ashok Narasimhan as the founding chief executive officer.

The company grew rapidly in its initial years. In 1984, Premji wooed Ashok Soota

mint SHORT STORY

WHO

Paris-based Thierry Delaporte, Wipro's new CEO, is yet to set foot in Bengaluru after being appointed to the job in the summer of 2020. But his distinct touch is already visible in the firm

HOW

The stock price has more than doubled since his joining. On 23 April, Wipro wrested back the position of the third largest Indian IT firm by m-cap from HCL Technologies after 18 months

NOW

It remains to be seen whether the IT major's turnaround in fortunes will hold even as the pandemic-induced digitalization wanes. Also, margins could come under pressure as expenses increase

to join as president of the IT arm of Wipro when its turnover was just ₹7 crore. By 1998, when Soota left Wipro Infotech to start his own venture, the division's revenue had zoomed to \$500 million.

Vivek Paul replaced Soota as the vice chairman in 1999 and under his leadership, Wipro touched the \$1 billion revenue mark in 2004. The bull run somewhat ended with Paul's exit in 2005. Wipro did not have a replacement, so it put in place a new organizational structure wherein the leaders who had functioned below Paul were given independent charge of the businesses they led—reporting directly to Azim Premji.

Gradually, revenue growth started declining and it began lagging its peers. Premji tried several options to bring growth back. In April 2008, he experimented with a joint CEO model by appointing Girish Paranjpe and Suresh Vaswani as co-CEOs for its IT business—an unusual model in the industry. Clearly, it did not work.

Premji dismantled the joint CEO model in 2011 and appointed company veteran T. K. Kurien. It was under his watch that Wipro shut down its hardware business in 2013. In 2016, Abid Ali Neemuchwala replaced Kurien but failed to deliver on his ambitious target of turning Wipro into a \$15-billion company.

SECOND WIND

Chart 1: After lagging behind its peers for years, Wipro's m-cap has surged past HCL Tech in recent months.

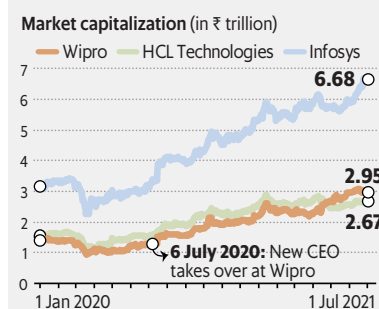
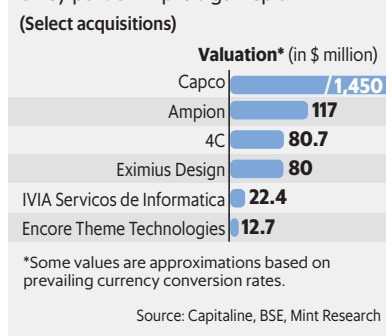


Chart 2: With Thierry Delaporte as the new CEO, strategic acquisition has been a key part of Wipro's gameplan.



RIGHT INVESTMENTS

Cut to the Delaporte era, growth is at the top of a list of priorities. "We will be obsessed with growth and profitability," he said, adding that growth does not come without significant strategic investments. "Our investment plan covers a broad spectrum of areas—from sales, partnerships, capabilities, IPs (intellectual property), culture and talent," Delaporte said.

The company is laying the groundwork for an ambitious domain specialist hiring drive. "These will be people with deep technology expertise, and the right mindset. This specialist talent campaign, combined with our desire to re-skill at scale, is a major investment area," Delaporte said.

Wipro's recent large deals include a contract with German retailer Metro AG for an estimated value of up to \$1 billion across nine years and a five-year IT transformation contract from Telefónica Germany to help the telecom company modernize and launch a range of new offerings, including 5G products and services.

"Large deals have a different DNA," said Nitin Bhatt, technology sector leader at

consulting firm EY-India. "They require a different risk appetite, investment ability, commercial construct, and the need to leverage an ecosystem of partners to create long-term value for customers," he said.

When asked about what was working for him, Delaporte highlighted a few factors that had hindered Wipro's growth in the past. Growth was not broad based and largely led by one geography—the US. "We had spread ourselves very thin in terms of markets and sectors. There were mixed results in terms of mining large accounts and winning large deals," he said.

Delaporte also believes that Wipro in the past did not have a high-performance culture. "Perhaps we were too accommodative. Our earlier delivery structure was way too complex with multiple delivery units...too many overlaps, duplication, slower decision making."

As part of its strategy to focus on specific geographies, Delaporte is betting big on Europe where the demand to adopt digital technologies is high. Nearly all sectors are poised well for growth in the Americas as well, the largest market for Wipro. With large-scale vaccinations underway and the stimulus provided by the government, Delaporte expects the economy to bounce back strongly.

Based on conversations with clients, Delaporte expects IT spends to either stay flat or grow as a percentage of their revenues. "Absolute IT spends will certainly grow well. However, we must not forget that the spread of the pandemic and speed of vaccination roll-outs will be key factors," he said.

The new chief executive officer clearly has his task cut out for him. Wipro's IT services revenues are still in the \$8 billion range while its closest competitor HCL Technologies Ltd crossed the \$10 billion mark in calendar year 2020. Wipro's operating margins for FY21 stood at 20.3%, an expansion of 218 basis points over the previous year. This compares with higher FY21 operating margins of Infosys (24.5%), TCS (25.9%), and HCL Tech (21.4%).

It also remains to be seen whether the momentum will hold even as the grip of the pandemic loosens in the coming months. Also, margins could come under pressure as expenses like travel increase.

For how long will Delaporte continue to run the Sarjapur, Bangalore-headquartered company from Paris? Employees are keen to meet the 54-year-old CEO, just as he is keen to meet them. "I plan to visit as soon as possible...May be in the next few weeks," he said.

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