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CHINA AND INDIA -- THE NEW CORPORATE MODEL

Taking A Page From Toyota's Playbook

Wipro and other Indian info-tech companies are boosting efficiency by emulating the Japanese carmaker

A year ago, executives of **Wipro Ltd.** got a glimpse inside a Toyota assembly plant. During a guided tour of the factory that produces Corollas near their headquarters in Bangalore, India, Wipro execs hoped to pick up fresh ideas for their businesses of developing software and handling clients' back-office operations.

There were plenty of lessons to learn, but for Sambuddha Deb, Wipro's chief quality officer, one stands out. Deb began to take a shortcut when the safety path painted on the factory floor made a sharp turn. The Japanese manager walking behind him reached out, took his shoulders, and gently guided him back onto the path. The message -- all the little rules count. "They had that sort of discipline. It's second nature to them," marvels Deb.

Before the Toyota tour, Wipro had been struggling to get on track in back-office services. That might sound odd: With \$1.7 billion in revenues, 42,000 employees, and a U.S.-traded stock that has advanced 230% in two years, Wipro is the embodiment of India's info-tech revolution. It's not only a leader in software development but also a pioneer in business-process outsourcing, where it does everything for clients from running accounting operations to processing mortgage applications. In that business, the company was respected for its low prices and dependability, but the work was too labor-intensive. Wipro wasn't doing enough to improve the way it did its clients' business.

That's one reason Wipro decided to use Toyota as a model for overhauling operations. Its aim is to make business processes as simple, smooth, and replicable as the way Corollas slip off that Bangalore assembly line every 5.3 minutes. In an unprecedented move, Wipro took on the tricky task of translating Toyota's vaunted principles for manufacturing into the realm of services. "What we do is apply people, technology, and processes to solve a business problem," says T.K. Kurien, the head of Wipro's 13,600-person business-process outsourcing unit.

Today, Wipro's paperwork processing operations in Bangalore, Pune, and Chennai bear an uncanny resemblance to a Toyota plant. Day and night, thousands of eager young men and women line up at long rows of tables modeled on an assembly line. Signs hanging over each aisle describe what process is being handled there -- accounts receivable, travel and entertainment, and so on. Team leaders such as P.V. Priya, who oversees medical claims in Bangalore, set goals with their colleagues at the beginning of each shift. Just like in a Toyota factory, electronic displays mounted on the walls will shift from green to red if things bog down.

RUNNING A 21ST CENTURY COMPANY

This infatuation with Toyota-like efficiency now permeates India's tech-services industry. The Indian companies see a kindred spirit in the Japanese auto maker. Like them, Toyota was forced to claw its way into a global business with low prices and a passion for quality. Such commitment is the key to becoming the back office for hundreds of Western companies, hastening the transfer of many thousands of jobs offshore. "If the Indians get this right, in addition to their low labor rates, they can become deadly competition," says Jeffrey K. Liker, a business professor at the University of Michigan and author of *The Toyota Way*, about Toyota's lean manufacturing techniques.

Think of any job that can be done remotely, by computer or telephone, and you're looking at a job that can be done by an Indian. Business-process outsourcing, or BPO, includes handling clients' call centers, accounting, human resources, and the like. Top Indian services companies don't just perform these jobs well. They demonstrate how a 21st century company ought to run. They have globalized workforces, super-efficient operations, and slavish devotion to customer service.

This emerging industry is helping India along the path to building a world-class economy. Already it supplies relatively well-paying jobs for upwards of 300,000. A 23-year-old can make \$7,000 -- enough to afford a motorbike, or even a Corolla, to commute in style on Bangalore's jam-packed streets. The Indian BPO industry grew 40%, to \$5.8 billion, last year and is expected to hit \$64 billion and employ 3 million people in 2012, according to a Nasscom/KPMG study.

CONTINUOUS IMPROVEMENT

India will only get there if it has more to offer than cheap labor. Any developing nation has that. So Wipro and other Indian tech leaders, including Tata Consultancy Services Ltd. and Infosys Technologies, are upgrading their services. They're automating processes to skip manual steps and using analytical software to mine data about their clients' customers.

The goal for Wipro is to become the Toyota of business services. Toyota preaches continuous improvement, respect for employees, learning, and embracing change. "It's the soft stuff that makes a big impact on the hard numbers," says Kurien, a cheerful 45-year-old. There is plenty of hard-edged analysis, as well. To embrace Toyota's methods, Kurien last year assigned teams to examine business processes, break them into discrete components, and come up with streamlined services to sell to clients.

Almost immediately, Kurien spotted a surprising problem -- cubicles. They're normal for programmers but interrupted the flow for business-process employees. So he came up with the idea of positioning people side by side at long tables and running processes up the line step by step. Wipro also adopted Toyota's *kaizen* system of soliciting employee suggestions for incremental improvements, and made *The Toyota Way* required reading. The company even did time-and-motion studies. One discovery: It took an average of nine minutes for employees to regain optimal performance after water and bathroom breaks. The water coolers were quickly moved closer to people's desks.

The initial response to all this "was a roaring disaster," admits Kurien. Some staffers felt like cogs in a machine, and they dragged their heels. Nandini Swamynathan, 34, who runs an employee-benefits help desk, was O.K. with Kurien's plans. Her staff felt differently. "The factory idea concerned people," she says. After hearing from his middle managers, Kurien did a reboot. He set up classes to explain the concepts and show how the methods would make their lives easier.

The results are coming in. Since the program started, the group has improved productivity by 43% and reduced the percentage of transactions that had to be redone from 18% to 2%. Customers are reaping rewards, too. Look at E-OPS, a Miami startup. On June 14 it announced the country's first round-the-clock paperless mortgage-processing service. E-OPS had just six employees on Day One, and they focused solely on marketing. "It's amazing that you can run a national company with just a handful of employees, and Wipro does the rest," says E-OPS Chief Executive Joseph Machado.

Indeed, Wipro's paperwork-handling operations run with factorylike efficiency. There are two shifts -- 8:30 a.m. to 6 p.m. and 6 p.m. to 3 a.m. When each shift starts, the teams, which are organized by process categories, gather with their team leaders for 10 minutes to discuss the day's goals and divide up tasks accordingly. Then they scatter to their desks.

During a recent visit by *BusinessWeek* to an office in Bangalore, we followed the journey of a single invoice through accounts payable. The first stop was the "imaging" room, where C. Venkatesh fed documents into scanners and attached electronic copies to work-flow software,

which manages each step of the process. Then H.V. Shivaram typed data from the invoice into the accounting software program, M. Rassal checked the math, Srikanth Vittal Murthy posted the charges in the general ledger, D. S. Varadharajan authorized payment, and B. Ravi Sekhar arranged for a check to be cut. Finally, V. Karunakaran printed and mailed it. If the process had hit a bottleneck, a digital display on the wall would have turned red. That would have prompted managers to swarm the center of the room, confer, and fix the problem on the spot.

Wipro's employees seem sincerely excited about their jobs -- work that would likely be considered sheer drudgery by U.S. college grads. Take 28-year-old Priya, who has worked for Wipro for nearly seven years. She has already submitted a handful of *kaizen*, and is thrilled at how quickly her bosses respond. "Even though it's something small, it feels good. You're being considered," she says. Empowerment on the job is spilling over into her private life. She's the first woman in her family to go to college, and recently told her parents that while they are free to arrange her marriage, they must pick a man who will not interfere with her career.

Kurien and his lieutenants do plenty to boost morale. It's stuff that would seem corny in the U.S. Employees who submit suggestions to *kaizen* boxes near their desks get little rewards -- pens, caps, or shirts. Every week, the bosses wheel out a cake for a top performer. Murthy, a 25-year-old accountant on the accounts payable team who aims to be Wipro's chief financial officer some day, was surprised with one in late April. He had led an effort to improve the handling of Indian government import approvals, cutting the time it took to process them from nearly 30 days to a maximum of 15 days. He got a cake with his name written on it in honey. "I was surprised management knew what I was doing," he says. Now, he says, "I want to do more projects."

Kurien feels he has a long way to go. "On a scale of 1 to 10, we're still at 4," he says. He recently started work in procurement and logistics. The next likely targets are engineering services and health-care claims processing, which are two of the industries that Wipro focused on for software services. His idea is to weave business-process services into the company's tech offerings to give clients an ever-widening menu to pick from. A customer who hires Wipro to write new features into its accounting software program may also hire Kurien's crew to run the new process itself.

With every new initiative, he has to hire and train a fresh team and come up with novel techniques for turning messy, manual processes into highly automated and efficient ones. Think of it this way. He's creating a mirror world to the way business is done today in the West -- but the reflection has to be sharper than the original image. If Kurien succeeds, a few years from now management gurus may be trumpeting the Wipro Way.

By Steve Hamm