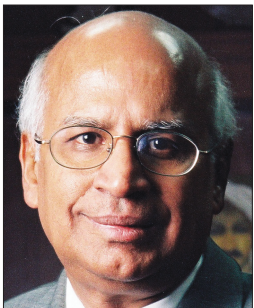


# Moving up the value chain

## INTERVIEW WITH MR S. RAMADORAI

CHIEF EXECUTIVE OFFICER OF TATA CONSULTANCY SERVICES (TCS)



**S. RAMADORAI** started at TCS as a systems analyst over 3 decades ago. He was charged with setting up TCS's operations in the US in 1979. Since taking the reins as CEO at TCS in 1996, Ramadorai has been responsible for the growth of one of the world's largest software and services majors – TCS boasts over 70,000 consultants working in over 50 countries and six continents. Mr Ramadorai is also the chairman of TATA Technologies, chairman of CMC, and vice chairman of TATA Elxsi. He is the former chairman of Nasscom and currently a member of the National Council of the Confederation of Indian Industry. He has been awarded the Padma Bhushan by the president of India.

### What are the key factors which triggered the phenomenal growth of the IT services sector in India?

A key factor is our higher professional education system which produces a significant number of engineering graduates. Another driver, which led to the establishment of IT services companies in India, was the increasing demand for professional technology capabilities from outside the country and the trend towards outsourcing IT related services. Some of us started to proactively develop IT services, employing the pool of educated talent in India, to cater for this international demand. Other historical events like the year 2000 (Y2K) problem, and the whole dot.com explosion hugely accelerated this development.

### To what extent did the IT boom in India influence government policy in terms of the regulatory environment?

Initially, the need for government intervention was purely with regard to import and export clearances from the countries from which we brought in the technology. Then there was need to address foreign exchange issues and visas for people to travel.

When the government saw the outcome in terms of exports, and its contribution to the GDP, they also recognised the potential for growth, including the employment generation capabilities of this industry and the impact in terms of attracting foreign direct investment. All of these factors accelerated the whole policy framework and effected a change in government's thinking. An enabling environment for imports was created e.g. tariff reductions in customs duties etc. as well as fiscal incentives like reduced taxation with the creation of export processing zones. Local governments also began to proactively invite companies to set up operations in their states.

As an industry, we engage with governments on these issues, both nationally and internationally, through bodies like the National Association of Software Companies, CII, the Indo-British trade groups, the Foreign Office and the Immigration Offices in the UK or the US, or through agencies like the Information Technology Association of America.

### How have developments in the IT sector had an impact on Indian industry in general?

I believe a whole ecosystem has evolved around the IT

industry, far beyond what was originally anticipated. Other industries greatly benefit from the support infrastructure which has been created. For example, the communication industry, the retail industry, healthcare and the travel and tourism industry as well as the manufacturing sector, and even farming practices, have benefited in terms of the R&D capabilities and the best practices which are being learned by the IT sector and transferred to the wider business community. The growth in the IT sector has also benefited the academic and the educational institutions, both private and public, in attracting a lot more students.

### Do you consider the entry of foreign global players into India's indigenous IT industry a threat or an opportunity?

I think we view any competition or any liberalisation with a very open mind, because it creates healthy markets. All this encourages greater innovation and increase the amount of players. Consolidation will always happen over a period of time but, at the end of the day, if ideas thrive and get developed in an open environment, it benefits us all. Hence, the increased presence multi-national companies in India, or more Indian companies for that matter, are a good thing.

### Although your industry has historically benefited from the large talent pool in India, how is the industry going to sustain that talent pool in the future?

Nasscom and McKinsey have studied this issue in detail and examined the aspirations of our industry in terms of where we want to be by 2010, and beyond. It has concluded that there is an urgent need to upgrade our education institutions, failing which we could have a potential shortfall of half a million suitably qualified professionals by 2010. Industry is working hard with the government, and academia to address this issue.

### Looking forward to the future, what is your vision for India's IT industry and the business model it has forged for itself in the global market place?

We will be continuously moving up the value chain in terms of the intellectual content in the services which we offer. We will offer localisation in real-time to suit each market segment, as well as innovative products or services based on understanding our customers

