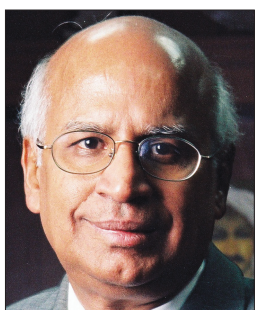


Moving up the value chain

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

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and their requirements. These are some of the visible capabilities which will become the value differentiator model we are building on over the next decade or so - not just price, which is the current model. It will be price and quality along with perceived, and actual value of these services.

How does a company like TCS get that balance right between managing a very large and multidisciplinary organisation and, at the same time, fostering innovation?

Even within a large corporation like ours, we have created smaller centres of excellence or what we call 'innovation labs'. For example, at this office where we are sitting now, in Chennai, there is an innovation lab looking at the intersection of the travel and hospitality industry with technology. By creating such entities, we fuel our innovation. We create multiple structures, not to build bureaucracy but to create smaller, nimbler, faster thinking entities. At the same time, as a large organisation, we have the capability to convert these innovative outcomes into products or services and then take them to the market, which includes our existing customer base. We also look at bringing in innovation from outside by partnering with others, or investing in start-ups, to bring in synergistic capabilities.

What advantage does TCS possess as part of a larger industrial group?

One advantage is the transfer of knowledge within the TATA group itself. We have various forums within the group - on quality, business excellence, human resources, best practices in finance, or even common

forums for sharing research - these are all very vibrant and have been institutionalised over the last ten years or so. Another process we have put in place is facilitating the mobility of people from one organisation to another within the group. The group of companies may also transact business with itself purely as a technology provider or as a service provider. We also create certain business opportunities by partnering together and then taking them to the market, based on the experience gained in exercising these capabilities internally.

How you see the role of corporate social responsibility in the context of sustainable business development in your organisation?


The Tata group itself is recognised for its value systems. We serve the community in various parts of the country and in the various parts of the world we operate in.

The whole concept of trusteeship is reflected in the mechanism by which the group is structured - almost 66 per cent of the group holding is in charitable trusts.

Through dividends, these monies are ploughed back into society through the charitable trusts. So what comes from the people also goes back to the people, multiple times over, through the funding educational scholarships and educational institutions, through healthcare initiatives, through and other social initiatives such as hospitals etc.

The second way we implement the ethos of corporate social responsibility, is through the individual companies. TCS utilizes its core skills in technology and systems to contribute directly to social programmes such as literacy programmes or the National Rural Employment Guarantee programme, or schools programmes where we have created computer labs. TCS also contributes to the Child Line initiative whereby children in distress can access portals which instantaneously connect them with some help agencies. We also effectively contribute to natural disaster relief efforts like the Asian Tsunami and Hurricane Katrina in the US.

What are the Business benefits beyond this philanthropy?

There is certainly a long-term business return which manifests itself in a multiple of ways, but can't be measured directly in terms of dollars or pounds. One direct benefit is when people consider working for a company like ours as one of the best experiences of their lives. Another is where customers might think they would like to partner with us in some of these community initiatives. If our company is seen as a good corporate citizen, it underlines our reputation as a company that believes in, and does, what it says. Those attributes are very important both to us and our customers. 

One of TCS's Global Delivery Centers (Chennai)

