

30 March 2009

## **IIM Indore**

### **10<sup>th</sup> Annual Convocation Speech**

By

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Good evening Friends,

Let me be among the first to welcome you all to the first day of the rest of your life. This is an important day – a day when you shed the comfortable cloak of academic monastery and step out, armed with knowledge and insight, into the glaring heat and light of the real economy.

For the outside world, this important day will probably merit a column in the local papers tomorrow and find its way onto local TV news tonight, but other than that it will fade away into the myriad happenings of a nation on the run and a world where tectonic shifts are taking place. But for all of you in this room, today is a crucial moment in your life and if we were to pause and reflect deeply, its significance on a larger landscape also becomes clear.

Your graduation means that the Indian economy has just been gifted some brilliant minds raring to go, the growth engine has just been pumped with some fresh adrenalin. As the finest managerial talent in the country, you do not need me ....to tell you .....what you mean to the country and its future.....especially at this time when India and indeed the world is going through a rare transformational experience.

I mean, in the current climate definitions of everything is changing; An investment banker ironing five shirts on Sunday evening is the new sign of optimism; The capital of Iceland now is ... oh about \$2.80... (All those of you that thought of Reykjavik – Keep up please!) But my favourite is the one about the US banks on the Hill in front of Congress, justifying their bonuses. They told the US government: "We still demand our bonuses, only they should be even bigger!" The Government official was incredulous - "You have got to be joking!" he replied. "You have, between you, brought the entire banking system and the real economy to its knees!" 'Perhaps' said the bankers. 'But name another business that has just attracted £700 billion in fresh capital in tough times like these.' ?

Thank you ladies and gentlemen, for inviting me to part of this special event. I am delighted to be visiting IIM Indore; your Director, Prof Ravichandran has been known to me since his IIM Ahmedabad days. I am happy to share my thoughts with all of you on a very important day, a day when over 170 of you, will graduate and make the transition into the real world.

#### **Leadership**

This unprecedented crisis has brought to centre stage the whole issue of people and leadership. How well we come out of this situation depends singularly on the leadership in business and in government that will steer individual countries out of this situation. Your generation is one to have grown up in the good times, big salaries, overseas opportunities and investment bankers waiting with offers. I am delighted to hear that this year the entire batch has been placed though some of our contemporaries are finding the going tough. This alone demonstrates how tough things are out there. But every crisis, as we know, throws up opportunities and I believe that this crisis can be a period of much learning for all of us.

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When people talk of the recovery and future growth for India, they are placing their confidence in you. This is not merely a lofty sentiment, but based on hard facts as seen from the reality that most of the top business leaders and academia in the country today and high profile Indians overseas are from institutions such as IIT and IIM. The Finance Ministers commitment of Rs. Rs 660 crore for setting up of seven new IIMs is a step in reiteration of the same sentiment. The India that we all foresee cannot be created without the world's best managers and engineers at the helm of the engine.

So I want to say this very clearly .....what you plan, think, dream of and do will be intertwined with the future of the nation at some point in time, to some extent, you have no choice, that is the price you pay for having graduated from IIM.

### **Impact of Economic crisis**

So what are the opportunities before you ? The intention of my talk today is to share with you my thoughts on where India is headed, what we need to learn from the present crisis, what opportunities this crisis presents and what all of this means to you.

The down turn has turned the business world upside down, heroes have fallen and the so called underdogs are the new heroes. Hollywood as usual as been fast to catch on to the public sentiment. So we Slumdogs as Millionaires and Financial Institutions playing the role of villains in blockbusters.

The unglamorous is in. Public sector banks such as SBI have risen from the dust, their perception of safety coming back to favour. Indeed the lack of coupling in some vital areas like pension and provident funds and the Indian model of a piloted course and reliance on a domestic economy actually looks more stable than many other more export oriented counterparts. This is even resulting in a reverse brain drain of sorts. Your own placements reflect this trend as seen from the tilt away from Investment Banking to now include Education, Pharma and even PSUs.

Over the past few months I have been travelling extensively the world over, its been very useful to get a sense of what other countries are going through and how global leaders are tackling the crisis. At the World Economic Forum for instance the common underlying theme was that there should be a renewed focus on the real sectors of the economy and less on financial engineering. India, China and Russia to a lesser extent will remain the few islands of growth in the next few years – essentially markets that have large internal markets, which are not terribly leveraged, will continue to grow, but the prognosis for many industries in the developed world is more pain, at least in 2009.

### **The Emergence of Ethical conduct**

Ethics, Good Governance, some form of Govt control and check, especially in the Banking and Financial sector, these are the thoughts that are being commonly reiterated. Closer to home the Satyam debacle brought back the realisation.

Luckily for India, Dalal Street may dominate Mumbai, but not the entire landmass the way Wall Street woes have captivated the US. In my own estimate India will have a GDP growth of 5-6 % in the coming financial year, no one can predict when the upswing will happen, it could take a year or two years. So while we need to brace ourselves for more austere measures in the immediate term, we need to keep an eye on the longer term and be ready for the upswing and the opportunities it will present.

This is exactly the stance that a company like TCS has adopted. The IT Industry like everyone else has been affected. So for now we are concentrating on becoming more efficient and trimming the fat which one tends to put on during periods of hectic growth – in other words 'lean and mean' is in. This focus on what I call "Real Time Management" is not unusual, it's logical. When the external environment is not in your control, then have you control what you can.

I'm sure many of you perhaps want to ask of me, how the Satyam matter impacts Industry and in particular TCS. Firstly let me say that this in no way reflects the status of the IT Industry. We are more transparent and disclose much more information than many of the Multi-national we show through metrics how we run our business. We are among the fastest firms to declare audited results like clockwork every quarter and among

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the companies who provide numbers in multiple accounting formats. At TCS, the governance values have a 140-year old pioneering legacy. Over 60% of the Groups assets are held through charitable trusts and the Tata name is a unique asset that represents Leadership with Trust.

TCS employees like in other Tata group companies commit to the Tata Code of Conduct at the time of joining, ethical conduct is part of our DNA and can never be compromised. The Tata model is based on the premise that “doing well” and “doing good” are one and the same. The economic crisis has only revealed the solidity in this kind of thinking. TCS’ work in projects of National importance such as NREGS, NSE, NSDL are a result of this kind of thinking, the Tata Nano is yet another example. Today several companies thus far focused only on exports are looking towards India’s domestic market.

### **Emergence of Good Governance**

Another issue that has emerged is that of Governance. How does a company ensure good governance? I would like to share with you what happens at TCS.

Firstly our approach is that of long term we are building not just a company but an institution that creates value for our customers and other stakeholders. One cornerstone of this, is the Tata Business Excellence model or TBEM which is based on the Malcolm Baldrige Awards. We document all our business processes and are assessed by a team of other group Executives. The model is holistic and demonstrates how our processes lead to the business results we achieve. It keeps asking us “What did you learn from your processes? What have you improved?” One of the key parts of the TBEM exercise is the review of the governance in the organization. We review and improve upon the organization accountability of management actions, fiscal accountability, transparency in operations, selection and disclosure policies for governance board members, independence in internal and external audits, protection of stakeholders interests as appropriate. A separate corporate governance assessment is carried out by a C level executive along with Reputed Consulting firm once in 2 years. The board members are interviewed to understand the operations of the board. The findings are shared in a report with the company executives and a consolidated summary is shared leaders of the TATA group.

### **Customer in focus**

I believe that Good Governance must permeate to dealings with Customer as well and the crisis is a time to come closer to your customer. Efficiency is big on their agenda as well. TCS addresses this squarely through our assurance of “Experience Certainty” which is our brand tag line. This has an interesting origin. TCS focuses greatly on quality and dashboards to monitor our service levels. We give our customers’ access to a set of 25 metrics that we call our delivery dashboard giving them real time insights into their work promoting a level of transparency that they do not see anywhere else. These metrics that include time and cost over-runs if any, no. of defects in the code per 1000 function points, the type of effort being expended and so on. And of course through this continuous feedback loop, we are able to make constant improvements in the levels of service delivery we provide.

### **India Advantage**

This kind of confidence in service delivery, stems from our 40 year experience, our history runs parallel to India’s industrialization. And history has shown us that we in India are at an advantage in withstanding the challenging times and perhaps turning an adversity into an advantage. Austerity is a part of our DNA being a developing country. We have lived with scarcity. This has its advantages -it forces you to make do with less, it forces you to optimize your resources, it challenges you to find creative solutions and then gives you an opportunity to test these solutions in a tough environment. If you get all of this right, you even have something to export.

Not surprising then, it is from India that has emerged the One lakh car – Nano, the Rs 12,000 Simputer, refrigerators built to survive voltage fluctuations and the Chandrayaan which at Rs 386 crores, is the cheapest moon mission of the 21st century. Some of you may know about EKA , with a sustained performance of 132.8 Teraflops it is Asia’s fastest supercomputer, built by the Tata’s Computational Research Laboratories Ltd. (CRL) in Pune. Each of these are unique, indigenous and innovative. The point is that our ‘non rich’ status has its advantages.

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The dichotomy of the two India's can actually fuel a new dimension of technological Innovation, it can be led by IT. Cutting edge technology is coming face to face with basic challenges of education, healthcare, poverty bringing at this cusp, a unique kind of convergence leading to a unique kind of Innovation capable of impacting the world. What I find exciting is the possibilities we have in India to do this.

Every Indian sector – Retail, Power, Utilities, Energy, Automotives, Education, each of these is poised for transformation and offers unique opportunities for young leaders to participate in their transformation, they offer you the opportunity to put to use your management skills. These companies offer a chance to a wider base of employees to actually be involved in creating a global entity, not just for the man on top. The general trend towards convergence of technologies, the widespread penetration of IT and globalization, has resulted in a new common set of skills in demand. So lateral movements between industries is not only possible but even desirable, gone are the days when a 'steel' guy was for life, today technology companies such as Apple has a non engineer at its helm, and it is not unusual to have an engineer in the Retail sector.

Corporate India is becoming professional, it is also hungry to go global in industry after industry. The scale and ambition of vision are totally different. My understanding of the youth of today is that they want more from life. Opportunities exist today in this country to create your own dream job. There is a chance for entrepreneurs to actually build world-class companies and their own future , the challenge to build up from scratch, scale it up, create enduring value for yourself and others..... this is luring Indians back to India and to Indian companies.

### **Sectoral Growth**

Looking beyond the current austere times, the future promises some interesting developments. Consider some facts.

India is the 5th largest retail destination globally. While organised retail in India is only two percent of the \$215 billion retail industry, it is expected to grow driven by changing lifestyles, strong income growth and favourable demographic patterns.

FDI in infrastructure investments into India is now permitted up to 100 per cent in sectors such as roads and highways, ports, electricity generation, transmission and distribution, industrial parks, among others. The Indian Power Industry for instance is transforming from a Govt controlled PSU to Business management in a Corporate framework, the sector is seeing the active participation of private players, naturally this has created a huge demand in the changed roles of technical & managerial personnel at various levels.

Increasingly Green Energy is going to drive the agenda of both Govts as well as businesses. As an emerging sector it offers huge potential for Technology innovations and an opportunity worth thinking about.

India's telecommunications industry is booming, the country's mobile-phone market adding **over 6** million new users a month, is one of the fastest-growing in the world and presents exciting opportunities. The Ministry of Communications and IT's Vision 2010 aims to reach 500m mobile-phone subscriptions, coverage of 85% of the country by mobile networks, a mobile penetration rate of 90%, and 80m mobile connections in rural areas. While we are all witness to the exciting developments in this sector in our cities, the rural telephony market, it's a huge and pregnant with opportunity, waiting to be tapped. Telecom offers the dream of connecting the two India's we live in – it promises to bridge the digital divide. This kind of work is certainly very different from what you would do in a swanky office handling a risk management kind of portfolio; however it has a sweet earthy smell and offers the immense satisfaction of transforming lives.

India's future lies in the development of its Tier II cities. Cities such as Indore, Nagpur, Pune and Ahmedabad will drive the pace of our growth. Take Indore for example, it is a favoured test market for industries owing to the diversity of its population, I am aware of plans for a Software Park, I saw several shopping malls during my drive earlier, Tata International, India's leading leather and leather products exporter is based at Dewas not far from here, infact it would not be wrong to say that Indore is one of the fastest developing cities. Combine this

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with the fact that this city has a great supply pool being an educational hub with good schools, Engineering and Management institutes, the city has great potential.

The best way to exploit this potential is to make it attractive enough for business to invest and managers like you opt to take the lead in grabbing the opportunities here.

India's growth must be uniform, to achieve 7% growth which is the figure quoted by our Finance Minister, you cannot have laggards, all sectors need to grow. Agricultural transformation is imperative and this too needs management expertise and technology expertise. The Govt must invest into the rural sector and innovation efforts must look to transform productivity and other challenges peculiar to this sector, should we ignore it, it will pull down the pace and negate the progress.

This pace of growth is not without challenges. Because organisations and the environment in which they operate are changing much faster than they did a few decades ago, the chasm between the skills required and skills available is widening rapidly. The needs are vast. All these developments indicate the strong need for managerial leadership, especially given the fact that not only are we competing globally we are also acquiring globally.

I hope I have given you a sense of the giant size transformation we are talking about, imagine the managerial talent this calls for collectively.

### **Being Hands on as a Life Skill**

As you step into your new careers , it is useful to understand that life need not start with a bang---you have to build it step by step. Life experiences at the grass root level help to build up a huge vocabulary, upon which you can draw as you grow in your career. So companies such as Unilever & GSK will promptly dispatch the suave MBA into the remotest rural destination to see the transformation happening there and TCS would get its software engineers to write code, companies such as SBI may actually have their trainees deliver to desks as a way to get to know people and their functions.

At TCS, we think of ourselves as a learning organization, given that technology has a short shelf life, unlearning and learning is a survival tactic. So from the time you join as a young engineer you train in software tools to soft skills, deployment in projects means learning on the job, this operational experience is invaluable later, since we work in sectors as different as Banking and Biotech, domain experience in these is vital, periodically you are encouraged to pool back all that you have learnt by opting to teach young trainees. We have a system of committing a certain minimum time of the year to learning / training for every individual as part of the growth plan. So at every level of seniority there are opportunities for continuous education. This forms a very solid foundation for leadership roles.

Rolling up your sleeves and getting your hands dirty has its merits. It gives you the capacity to shoulder immense responsibility from a young age, to grow as a leader among your peers, to be aware of the different forces that interact in one's work sphere, to understand the community that one works in, and to bring together the whole gamut of organizational effort to make things happen. When I was setting up data centers, mainframes and other machinery that would fill this room in the 1980s but still provide less processing power than in our laptops today, many of the decisions I made in the middle of situations laid the groundwork for me to be able to evolve as a team leader and mentor to my colleagues.

### **Conclusion**

I'd like to close my talk by saying that the crisis has been a wakeup call to the World and India, while making your life choices take a sweeping look at what is happening in the country, take up the challenge to make a real difference , there are a million opportunities everywhere, put your management skills to full use.

I ask you today , will you be one of those to join the bandwagon and take up the traditional careers that IIM students do or will you be amongst those that will create something unique. This is something I would like you to think about.

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Whatever your decision may be, I hope you build your careers with substance; have the satisfaction of having contributed to society and having given something of your expertise for social good. This is not about making a sacrifice- it is about conducting ourselves with responsibility.

If I have managed to provoke you into thinking about what is happening in the country, the extraordinary challenges this offers you and enormous job satisfaction, which can be your reward .....that alone would have been worth this journey. Thank You !