

At C Level:

Ramalinga Raju
FOUNDER AND CHAIRMAN
SATYAM COMPUTER SERVICES
HYDERABAD, INDIA

Satyam Creates Value Through Learning

By Tony Bingham and Pat Galagan

Satyam may be the biggest publicly-traded information technology (IT) company you have never heard of, unless of course your company has outsourced work to one of its 30,000 employees for such services as application development, business process outsourcing, enterprise solutions, system integration, IT services, or quality consulting.

Founded in 1987 by B. Ramalinga Raju and his brother B. Rama Raju, Satyam has grown from a small India-based computer services company to a worldwide purveyor of business services—many of them offered virtually. The increased use of outsourcing by global companies has fueled much of Satyam's growth. Now operating on six continents in about a dozen markets—including automotive, banking, healthcare, manufacturing, media, and telecommunications—the company surpassed \$1 billion in revenue in 2005. In 2006, the *Black Book of Outsourcing* named Satyam number two on its list of the top 50 best-managed IT outsourcing companies. Satyam is also a 2006 winner of the ASTD BEST award.

The Rajus believe in creating value for society as well as for shareholders. One of the company's foundations, the Emergency Management and Research Institute, has created the equivalent of a 911 emergency service for the 22 million inhabitants of 50 towns and cities in the Andhra Pradesh region of India, saving more than 4,000 lives in its first year. *T+D* spoke with Ramalinga Raju, chairman of the company, about the role of learning and development at Satyam.

We wanted to start by asking about the three or four most critical business areas for Satyam and how learning is related to those areas. Where is the company going strategically and how does learning support that strategy?

MAYBE I CAN START BY OFFERING SOME COMMENTS about what I consider to be most fundamental to our success—which these days is also vital for every organization—and that is the enormous change that we face, particularly in our industry. In 1991, when we started providing services virtually, that was an altogether different way of delivering them. It so happens that the virtual delivery of services has brought a different way of creating value and distributing it across the world. So for every company, particularly in the technology and services arena, I believe that change management is at the very core of success these days. Companies that are managing change better are able to provide more assured and consistent growth and create greater shareholder value.

There was a time when I was relatively new to business when I thought that creating value in business was about working hard and realizing whatever opportunities were out there. My perception has changed. I have come to realize that value creation is a transformational process in the sense that you're not creating things anew; you're transforming existing things to a more desired state. That applies, for example, in manufacturing as much as it applies in services. In both industries, you bring about transformation progressively until you attain the most desirous state. You are trying to change according to what is of importance for the customer and, in a methodical fashion, to use your knowledge, technologies, and competencies to bring about a desired state that the customer appreciates.

So if change is a transformational process, then what is underlying this magnificent process? In my opinion, it is all about an organization's or an individual's ability to learn. So in that sense, learning links up very deeply with value creation and making businesses more successful. Organizations that are able to learn on an ongoing basis and to make better use of human resource assets are the ones that are able to provide better performance. These beliefs have been at the core of what we have been trying to do within Satyam.



India-based IT company taps into employees' abilities to learn.

When you look at value creation and learning's impact on value creation, how do you know it's working?

IF WE ARE LISTENING, OUR STAKEHOLDERS WILL TELL US.

It is suggested that most often we may not be listening well or may be misinterpreting what we are hearing. We have in our organization an environment made up of our employees and associates, and our investors, customers, and society in general. And each one is looking to derive something from the relationship that they forge with the company.

Sometimes what the company does and what the stakeholders expect is in consonance and in some instances, it is not. Therefore, bringing about the right balance between ex-

pectations and what you deliver to the stakeholders becomes quite vital.

You may delight your customers a great deal by offering your services at low cost and that may not necessarily result in value for the investor. And sometimes, even if you satisfy your investor and your customer, it may be coming at the cost of what you are doing for your own employees who are the foundation of an organization's long-term growth and performance. Therefore, it is an ongoing struggle within the organization as to how you bring about this balance.

Innovation and partnerships account for some of your company's success. Does learning help make those two things work?

ABSOLUTELY WITHOUT ANY DOUBT. If you have to continually deliver high value to your customers, then you must do things in the best way possible and that links up to innovation. And innovation essentially takes place in an environment of continuous learning, where you are continuously questioning whether you can do a thing better than you did yesterday or whether you are able to do things better than your competition—it is an environment where you're constantly wanting to differentiate yourself. Therefore, learning links up with innovation.

On the other hand, if you want to provide certain value to your customer, then you have to be intimate with him—understand what really matters to him and make his success your mindset. You have to put yourself on his side of the table and ask questions that are going to lead toward managing his business better. You have to understand his value drivers and his competitive environment. And that is a constant challenge for companies like Satyam because we want to transform ourselves from being a technology provider to applying all our expertise to his business.

Most often you may have people who are either good at technology or good at understanding and appreciating a given business environment. But unless you have architects who can bridge the technology and business gaps, you will not be able to provide the best solution to the customer. And in that sense, again, learning is a constant challenge because you have to learn what the best solution is, what is at the leading edge in technology, and what business issues are facing your customer. So all of these issues link to the ability of the company to constantly learn and innovate.

If I was a learning leader in your company, how would I know I was being successful in your eyes?

ONE OF THE THINGS WE HAVE PROMOTED IN THE COMPANY is a mindset that brings objectivity to given aspirations at a company level, at a business unit level, or at the leadership level. We believe that as much as language is a great asset and tool, it is also sometimes an impediment. It may bring a lot of subjectivity to things that make different people look at a given reality in different ways. Therefore, in our organization we promote the concept of a metrics-led approach as the most fundamental. In fact, the language of metrics is our official language, second to English. In a growing organization, one of the challenges is that we understand each other very well. We should understand the current reality well, and we should understand what is most desirable to customers.

Our experience has been that if we learn to objectively express things in a metrics-led fashion, then that brings about clarity. And if we are able to achieve what we originally desired in a manner that is clearly reflected in the metrics, then we know that we have arrived. Metrics by themselves are not going to do the magic. It is more of an art than a science, but if we follow a certain discipline we have found that things work fairly well. You may also express your aspirations by a kind of rough metrics. For example in our organization, we have the mindset that every Satyamite is a leader delighting the associates, investors, and customers.

In that order?

IT IS A BALANCE AMONG THESE THREE CONSTANTS. And if they are in that order I would say it is probably on account of the fact that an associate is a value creator; an investor is one who supports you in that effort to create value; and you are delivering value to your customers. And if you have done it well, your associates and investors reap the benefit.

Coming back to knowing if you are successful...if we are able to capture reality in an objective fashion, then it is most likely that you know when you have arrived. We realize that this attempt to express things in an objective fashion is not a static thing. It's a dynamic process because the environment keeps changing and the assets within the organization are changing too. And the choices that we make about how we use those assets to deliver value may also be undergoing constant change. So we have to view this as dynamic and deal with it accordingly.

For a growing organization like Satyam—where we are 30,000 people today—it is vitally important that we all have a common platform and speak a common language. There may be 100 different ways of approaching our business and maybe each one of them can be successful, but in an organization that is sizable and growing rapidly, you cannot afford to mix many ways of doing things. Then you would not understand each other. You would not understand your constituents and deliver value in the best possible manner. We have been making significant investments to create balance.

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If the language of metrics is the official language, what are some of the key metrics that you look at for success?

THESE DAYS OUR INVESTORS ARE NOT SHY ABOUT WHAT THEY WANT. They are looking for growth and for profitability. To them, it is not enough that you delivered it this quarter, and it is not enough if we are confident we can deliver it next quarter. They want to have confidence that we can deliver it on an ongoing basis.

To do that, we cannot be doing the same things time and again because the nature of the services that we provide requires constant change. What we delivered yesterday is not the same thing that the customer is expecting us to deliver tomorrow. The prices we set today may not hold good for the future. So the manner in which we bring our offerings together is quite vital. We continually assess that which is of importance.

We have a model that lets us evaluate how prepared we are to deliver value in a consistent fashion. We call it the Six P Model. The six Ps stand for people, process, product (which represents our ability to automate things), proliferation (which is capturing and applying best practices), patents (which is about innovation), and finally promotion (which addresses our ability to communicate well with our constituents). That is how we consistently deliver value through high-quality assets that we build.

Another consideration is what you do with these assets and what you deliver to the stakeholders. We express that through a model that we refer to as the Five R Model. Everything ends with an R: faster, better, cheaper, larger, and steadier. These capture some tangible issues, such as financial metrics, and also some intangibles, such as customer satisfaction.

If this is the manner in which you are trying to meet your objectives, what is it that you should be doing? What is your strategy? We are proceeding with a mindset that strategy is not limited to what you do at the organizational level where you might be meeting the objectives of external stakeholders about a given thing. Strategy, in my opinion, is about asking the right kind of first questions and having the right kind of answers. Would you like to be the most respected company? Would you like to be the largest? Would you like to deliver specialized services in a given area? Those are questions that may demarcate a strategy for you, and they should be asked at various levels within the organization. If someone is in charge of a support function, then he faces strategic issues as well. He may have to constantly align his strategies with what is of importance to the company. Strategy is as much an imperative for him as it is at the organizational level.

And learning and development?

THERE IS A CONSTANT NEED FOR PEOPLE TO UNDERSTAND what is important to meet a goal. We believe that we have to break down the hierarchy and elevate most associates to positions of leadership because, in our view, leadership is not about the number of people who report to you or how many people are following you. Leadership is essentially about doing what ought to be done in the best possible manner. So we believe that it is value-creating entities within the organization that effectively come together to serve a larger purpose in a way that determines the design of the organization, not the traditional hierarchies.

We also believe that the vantage point in an organization is very important. If you ask someone what his strategy is, then it is in reference to what he does. Strategy is of importance for him no matter where he exists in the organization. Most often this question is asked at the organizational level and therefore strategy may become synonymous with what the organization's strategy is. So we go to great lengths to promote a mindset of growing and distributing leadership throughout the organization. And if we are able to perform well in this attempt, we believe that there is a chance that the organization will do better and be significantly enhanced.

Is that why you've established a leadership school separate from your learning center?

ABSOLUTELY. When we say that every Satyamite is a leader, it is not lip service. We truly believe that leadership at all levels is fundamental to the organization's performance. Leadership is an acquired trait that can be nurtured. And we believe that it is the responsibility of the organization to create an environment that is most conducive for leadership to grow.

Running an organization is about making sure that all the pieces work together. In my mind that is the fundamental value of leadership. It is self-evident.

“Leadership is not about the number of people who report to you or how many people are following you. Leadership is essentially about doing what ought to be done in the best possible manner.”

If the value of leadership is self-evident, how do you decide, as the senior leader of the organization, how much to invest in leadership?

THAT'S A TOUGH QUESTION. What we have learned is that any problem can be handled effectively if we have a way of breaking it down to its component parts and dealing with each one as a freestanding entity, and then synthesizing things to accomplish a desired state. So, in that sense, I am really alluding to balancing things. There is so much we need to do, and there is only so much we can afford to do. That analysis tells us that the organization can afford to make significant investments in leadership by setting aside time for associates' self-development and for development that proceeds collectively toward a certain task.

So that has led us to establish the Satyam School of Leadership and to determine that there is a need to have at least 10 percent of our associates provided with the right kind of motivation for self-development. That led us to recognize that it is not a small task to develop 3,000 people who work in 55 different countries. And there are those who are aspiring to attain leadership positions. Therefore, we concluded that we had to have the right kind of physical infrastructure and use the best technologies that exist today to also bring them together in a virtual environment. These fundamental assessments led us to put a medium- and long-term plan together for developing leaders.

Satyam is known for its commitment to social responsibility. Can you tell us about the work of the company's foundations?

WE GIVE ENORMOUS IMPORTANCE TO OUR ORGANIZATION'S SOCIETAL RESPONSIBILITY. The Satyam Foundation is focused on urban transformation. And there are a couple of foundations that we have established as a family. One is the Byrraju Foundation, which is focused on rural transformation. It has adopted about 160 villages in India that cover a population of close to 1 million people. The foundation provides something like 55 different services in these villages. We follow what we refer to as the 100 Percent Principle. It means that the gap between what is desirable and where we stand should be completely bridged in a very short time.

Here are some examples. In these villages, before we got there three years ago, only 50 percent of the people were literate. We are aiming to make 100 percent of the people literate by the end of this year (2006). Four percent of the villages suffer from hypertension and diabetes but don't have access to medical care, so we are providing free medicine to cover 100 percent of the target group.

With the Byrraju Foundation, we have established a few cooperatives that provide business process outsourcing services to meet some of our internal needs and some government needs.

Another foundation, EMRI (Emergency Management and Research Institute), was started with the vision that we should do our bit to create the equivalent of the United States' 911 services so that a whole range of emergencies could be attended to efficiently. We have been able to persuade the Indian government to set aside one single phone number—108—for emergency services. We signed a public and private partnership with the government of the state where we are headquartered to provide these services on an exclusive basis. So in a matter of 10 months or so since we have started, we have rolled out these services in about 50 towns and cities. Andhra Pradesh has a population of 80 million people and these 50 towns have a population of about 22 million people. Since we have started we have been able to save about 4,000 lives or about 30 lives a day.

As a pioneer in the Indian offshoring industry, what lessons have you learned there?

THE OFFSHORING MODEL, which is about virtual delivery of services, at one time was seen as particular to companies that got started in India but now it has become a universal model and is proving to be one of the most important disruptive technologies. As a company that has been in the forefront of this virtual delivery of services revolution, we are attempting to establish for our global customers the fact that we are in a position to deliver a wide range of services in a comprehensive manner that would match the best that we see in global systems integrators. We have made fairly good progress in the last five or six years in being able to deliver these integrated solutions, from consulting to business process outsourcing, and many things in between. Our goal is to provide our global customers with high-quality affordable solutions. In that sense, it's been a very exciting journey.

You had more than a billion dollars in sales last year. That's exciting too.

WE ATTAINED \$1.1 BILLION LAST YEAR. We were the first to do it in the shortest period in relative terms in comparison with any other company in India. We have been very fortunate to be in the right place at the right time. **T+D**

Ramalinga Raju was interviewed by Tony Bingham, president and CEO of ASTD, and Pat Galagan, executive editor of ASTD; pgalagan@astd.org.



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Rates valid through 12/31/06. Subject to change thereafter.