Satyam's Aversion to Imitation Fuels Growth

In a stimulating discussion ranging from the immigrant mindset to evolution theory, **Ramalinga Raju,** a principal figure in the Indian IT community and founder and chairman of **Satyam Computer Services Inc.**, conversed with Rotman Dean **Roger Martin** for the 36th installment of the *Rotman Integrative Thinking Seminar Series* on October 26.

Based in Hyderabad, India, Satyam was established in 1987, taken public in 1992 (NYSE: SAY) and has a presence in 45 countries across six continents, employing approximately 17,000 people. It gained a Canadian presence with the February 2004 opening of a development centre in Mississauga.

Early in his career, Raju experienced a very different environment than that found in Indian business today. In the late-1970s, "business opportunities were led by what the government permitted you to do and what license you were given." Organizations often ran diverse operations – in Raju's case, this included real estate, manufacturing, and import/export activities.

Ramalinga Raju with Dean Roger Martin

Photo: Ken McGuffin

Satyam was launched not for its commercial potential but because it linked two of Raju's passions – knowledge and technology – and it complemented the half-dozen more enterprises in which he was involved. Satyam was such an afterthought that when Raju attended Harvard's owner/president executive program in the early 1990s, he hesitated mentioning the fledgling company in his profile because it was the least significant component of his portfolio.

In 1991, the Indian business climate experienced a fundamental shift, with globalization presenting new opportunities. Satyam was identified for its growth potential because it was in synch with the sweeping technological changes underway, leading Raju and his team to focus on IT and "systematically come out of many, much bigger, businesses we were associated with," a process that took five years to complete.

This focus on Satyam enabled its senior leaders to establish a culture of decision-making fuelled by "a willingness to come to a conclusion based on facts and rational assessment, and to take steps irrespective of what someone else has done." The general tendency in India used to be that you could only do something if it was tested out by an established organization, he says. "We never took this approach, and it led to some great opportunities to leapfrog others."

Rapidly expanding, with annual revenue growth often in the triple digits, Satyam now provides a considerable range of IT solutions, including software development, engineering services, supply chain management, e-commerce, and customer relationship management. In fact, Raju describes Satyam as comprising "a collection of two or three thousand value-creating entities"; separate organizations operating independently but collaboratively, and committed to the larger Satyam umbrella. The company has developed expertise in the automotive, manufacturing, pharmaceutical, non-profit, retail and telecom sectors, to name a few.

Raju attributes much of Satyam's success to the "immigrant mindset" of its employees. "We have a large number of highly-committed associates, [even moreso] than among established businesses in developed countries," he says. "Many of our people operate with the mindset of an immigrant whose new environment presents different challenges. The fact that one has to succeed in a new environment makes him stretch himself."

Raju is obviously proud of Satyam's culture of leadership creation, holistic thinking, and innovation. "Eighty per cent of our revenues today are derived from services that did not exist seven or eight years ago," he says. "If we extend that to 2010, I am quite confident that 80 per cent of revenue will come from services that don't exist today."

by Matthew Fox

Playing to Win: George Stalk

George Stalk

Photo: Ken McGuffin

Over the next ten years, competition will become so fierce that marginal victories and short-term advantages will not be enough to keep companies thriving; and winning will require relentless strategic execution and a 'hardball' mindset. That according to renowned strategist **George Stalk**.

Stalk, a senior vice president at **The Boston Consulting Group** and a director of the Rotman School's Dean's Advisory Board, is the co-author of *Hardball: Are You Playing to Play or Playing to Win?* (Harvard Business School Press, 2004). He spoke in the *Rotman Integrative Thinking Seminar Series* in October.

Stalk's hardball approach is not for the squeamish. In this universe, "failure to deliver is not tolerated; people don't get more than one chance; and all plans and budgets must clearly show how you are

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going to help a customer and hurt a competitor."

According to Stalk and the 'Hardball Manifesto', "strategy matters, and some strategies always work." These include 'unleashing massive and overwhelming force' – **Wal-Mart** is an example of a superb hardball player in this respect, he says; raising your competitor's costs; threatening your competitors 'profit sanctuaries' – areas they seem to 'own'; and finding and exploiting anomalies.

Toyota is one of the oldest and best hardball players around, says Stalk. "They are tough! They started competing with **Ford** and **GM** trucks – profit sanctuaries for these companies – and before long, they were determining how many trucks Ford and GM could sell, and at what price."

Another hardball strategy is 'taking it and making it your own'. "Don't worry about where an idea comes from; execution is the key," says Stalk. Most companies inflict some sort of compromises on their customers. Stalk's advice is simple: "Find them, and remove them."

In the end, playing hardball is all about getting to the 'heart of the matter', according to Stalk. "The heart of the matter is that set of fundamental, often systematic issues that is limiting the growth and success of your business. Often, these issues are so challenging that no one in the organization has the guts to take them on or the ability to solve them."

Getting to the heart of the matter isn't easy: It can involve closing inefficient plants; renegotiating agreements with unions, or eliminating certain products. "Most people's response to these issues is, 'that's not my problem'. It's much easier to make the small, daily decisions of business-as-usual and take incremental actions than to get to the heart of the matter. But it is crucial to your organization's success."

by Karen Christensen

Reinventing Innovation and Commercialization in Ontario

Ontario firms in traded industries trail their U.S. counterparts by 55 per cent in patent creation per employee – a key measure of innovative capacity. To improve our innovation performance, government policy needs to focus as much on the demand for innovation as on funding of R&D and the hard sciences. That is the key conclusion of Working Paper 6, "Reinventing Innovation and Commercialization in Ontario," released in October by the **Institute for Competitiveness & Prosperity**.

In its recent budget, the Ontario Government indicated that the Institute would conduct research into Ontario's commercialization of R&D. As a first step it is proposing a way to think about the issues related to innovation and commercialization. "We think economic policy requires a good model that relates resources to results," says Institute chair and Rotman Dean **Roger Martin**.

"We've reviewed the factors at play in innovation and are proposing that Ontario assess two complementary factors: the support for innovation and the pressure for innovation." The Working Paper refers to funding for R&D and availability of scientists and engineers as examples of support. In the area of pressure, it is referring to the forces that compel firms to innovate: sophisticated and demanding customers and capable competitors.

"Government policy in Canada has focused too much in the area of support for innovation, and within that has concentrated excessively on hard sciences and technology," says Institute Exective Director **James Milway**. "For innovation to occur, there also needs to be support from effective managers who are driving company operations and strategies." Public policy also needs to drive towards creating greater pressure on businesses. "No matter how much government support is given for innovation, businesses only innovate to the extent their customers and competitors pressure them to, and evidence indicates that this pressure is lacking in Ontario," says Milway.

Martin went on to say that many of the reasons typically given for our lower innovation aren't correct. For example, Ontario isn't under-producing scientists and engineers compared to its U.S. counterparts. In fact, a higher percentage of Ontario's population has a science or engineering degree – and every year it graduates more per capita than in the U.S. The real challenge is in producing more advanced degrees. Ontario trails the U.S. in producing Masters and Doctorate degrees.


James Milway

The Working Paper concludes that government policy in innovation and commercialization has to move beyond narrowly defined R&D and venture capital availability. "We need to find ways to inject more competitive pressure into our business environment. In that way, business leaders will be keen consumers of the R&D being conducted at our universities and hospitals."

The Institute for Competitiveness & Prosperity is an independent not-for-profit organization established in 2001 to serve as the research arm of Ontario's Task Force on Competitiveness, Productivity and Economic Progress. The Institute is supported through the **Ministry of Economic Development and Trade**. Working papers published by the Institute are designed to raise public awareness and stimulate debate on a range of issues related to competitiveness and prosperity. The complete Working Paper can be downloaded from: www.competeprosper.ca/public/wp06.pdf

by Ken McGuffin