



Global  
Business Leadership

# SHAKING THE GLOBE NEWSLETTER

Courageous  
Decision-making in  
a Changing World



## GET TO KNOW INDIA: NOW!

Volume 1, issue 1

The fraud perpetrated by Satyam chairman Ramalinga Raju does not surprise me. A quick glance at the board of directors reveals insiders, not objective executives who could keep the firm out of harm's way. This is not a board constructed for oversight of top management. Information on the company's website regarding board member backgrounds is available to any investor. In this case, that information should raise a red flag. The board profile of five board members reveals that two members are the cofounders of the company, one is the president of Satyam, one is a politician, and the other is an academician with over 40 years of experience at a university that provides many of the employees to the company. Most companies with whom I work consider the independence of the board members as an opportunity to both show the good, the bad, and the ugly to top management and to create a ready source of experience and expertise to draw upon in building a value-led enterprise. The word "Satyam" means "truth" in Sanskrit. Action, not words, would have kept this company on the right track. At least the chairman recognized his folly in continuing the charade and confessed. Better late than never.

### *What should change in the future:*

As a result of the Satyam scandal, clients will need to do even more "due diligence" to find a stable and secure outsourcing provider—one that has independent directors, an established track record, and transparent financial resources allowing the outsourcing firm to absorb growth or, in current times, problems caused by the recession. Many firms, including Accenture and others, meet these criteria. The scandal has not tarnished the reputations of all BPO providers. Indeed, clients realize fraud is fraud and that it arises from the lack of integrity of particular people, processes, and governance—not from the industry itself.

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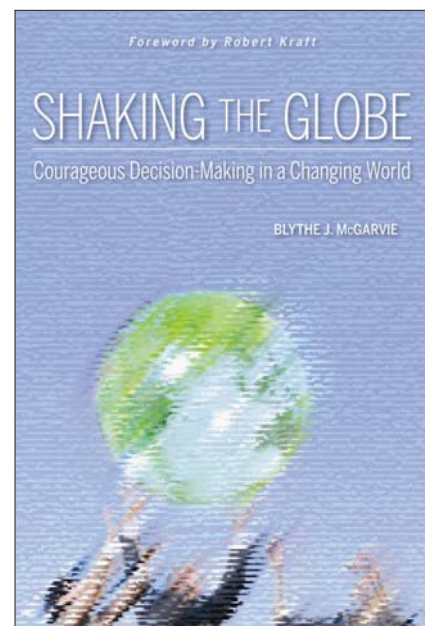
*India is a geographical term. It is no more a united nation than the Equator.*

—Winston Churchill.

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McGarvie outside the Taj Hotel in Mumbai April 2008.



Blythe McGarvie's *Shaking the Globe*, with a foreword by Robert Kraft, will be published by Wiley in January 2009. Purchase it at these or other fine book sellers:



This does not mean that Indian outsourcers can proceed with the same business models they have been using. To mitigate risks of using outsourcers, clients must understand the long-term relationship with their potential outsourcer. Performance metrics tied to compensation over a 3 to 5-year time frame gives incentives to both parties. The client will want to invest in improving its processes and saving costs. The BPO will want to invest in people and to provide innovation to a new client project. The BPO's experience in other client projects will be a key distinction that any financial service client will want to explore. In the future, more U.S. clients will choose to work with companies governed by the disciplines of Sarbanes-Oxley, subject to scrutiny from the U.S. regulators, and not merely parts of family businesses

or non-independent special entities that may take funds intended for BPO operations for use in other parts of the conglomerate.

## Untangle the web:

Indian outsourcers will need to untangle the web of unrelated businesses that may use the funds derived from their BPO clients to fund other companies. For example, Wipro is an acronym for Western India Vegetable Products. This company has its roots in the food business and is involved with multiple unrelated businesses outside of the information technology service company. Outsourcers need to make their sources and uses of funds more transparent in order to rebuild trust. ♦♦♦

### Global Perspective: Items of Note

**'Atlas Shrugged': From Fiction to Fact in 52 Years, by Steven Moore, in the *Wall Street Journal*.** Moore writes: "Some years ago when I worked at the libertarian Cato Institute, we used to label any new hire who had not yet read 'Atlas Shrugged' a 'virgin.' Being conversant in Ayn Rand's classic novel about the economic carnage caused by big government run amok was practically a job requirement. If only 'Atlas' were required reading for every member of Congress and political appointee in the Obama administration. I'm confident that we'd get out of the current financial mess a lot faster." URL: <http://online.wsj.com/article/SB123146363567166677.html>

**In the Lap of Luxury, Paris Squirms, by Elaine Sciolino, *New York Times*.** Sciolino writes: "France is the birthplace of luxury fashion, and here the recession biting the world has the feel of a morality play. As high-end consumers everywhere have suddenly suppressed their appetite for luxury goods, what was once considered a recession-proof industry has been hit hard....But there is also, paradoxically, an underlying satisfaction here that an era of sometimes vulgar high living is over and that a more bedrock French way of life will emerge. Only in France is the recession lauded for posing a crisis in values." URL: [http://www.nytimes.com/2009/01/15/fashion/15paris.html?\\_r=1](http://www.nytimes.com/2009/01/15/fashion/15paris.html?_r=1)

**The 2009 Index of Economic Freedom:** Covers 183 countries across 10 specific freedoms such as trade freedom, business freedom, investment freedom, and property rights: For over a decade, The *Wall Street Journal* and The Heritage Foundation, a preeminent Washington, D.C., think tank, have tracked the march of economic freedom around the world with the influential Index of Economic Freedom. URL: <http://www.heritage.org/Index/>

## About India



India, officially the Republic of India, is a country in South Asia. It is the seventh-largest country by geographical area, the second-most populous country, and the largest democracy in the world. Visit the country's official website at: <http://india.gov.in>

**Name:** India (Republic of India)

**Population:** 1.2 billion (2008 estimate)

**Languages:** Hindi, English, multiple other languages

**Capital City:** New Delhi

**Largest City:** Mumbai (13.6 million; 20 million metro, approximately the size of New York, Mexico City, and Seoul)

**Other:** Declared independence from British colonial rule in 1947; became a republic in 1950.

