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Indian offshoring giants walks a tightrope

BY BOOSTING PROFILE, TATA RAISES RISK OF BACKLASH

By Karl Schoenberger
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Subramanian Ramadorai has a challenging mission ahead of him: selling a new image for India's oldest and biggest offshoring company.

Ramadorai is chief executive of Tata Consultancy Services, a huge enterprise that has long provided temporary labor and offshoring services to U.S. high-tech companies. But while Tata's workers are everywhere, the company that supplies them to America's cost-cutting employers has managed to keep a low profile.

That's going to change soon.

In August, TCS, as the firm is widely known, listed itself on the Bombay Stock Exchange as a public company and raised $1.2 billion to drive its growth. However, Tata's new prominence is putting it in the crosshairs of a passionate political backlash against an industry accused of driving down U.S. wages and taking good high-tech jobs offshore.

``Tata is going to stand out because it's the original, like IBM or HP,'' said offshoring analyst Ravi Kalakota, president of E-Business Strategies. ``Tata was the place to work in the 1980s, and it's the one that spawned off all those other companies like Wipro and Infosys.''

TCS is a division of Mumbai-based Tata Sons, which owns an 85 percent stake. The parent company dates to the 1870s, when patriarch Jamsetji Tata started a textile mill and helped spark homegrown Indian industry under the British Raj. Ratan Tata is now chairman of a sprawling $21 billion family-owned industrial concern that makes everything from steel to automobiles to power plants and has a reputation for philanthropy and arts patronage.

Offshoring pioneer

TCS, however, will go down in the annals of offshoring as the original high-tech body shop. Starting in the early 1990s, TCS blanketed the American landscape with legions of itinerant software programmers from India. Its young workers installed ``millennium bug'' patches and took on tedious code-writing projects. And they were a bargain.

Tata pioneered an industry that eventually evolved into the dynamo of offshoring, or sending work to cheap labor markets overseas. Instead of strictly relying on low-wage contract workers on temporary visas, Tata and its competitors found that long-distance digital connections allowed them to do much of the work in India, efficiently and at vastly reduced costs.

But with fierce competition from rivals Wipro Technologies and Infosys Technologies, Tata developed a reputation as a sleeping giant. Indeed, in the fiscal year ended March 31, TCL's revenues grew 29 percent, compared with 49 percent for Wipro and 41 percent for Infosys.

Tata's IPO gives the company money to compete in the critical U.S. market and expand in Europe, analysts say.

``Their going public was a wake-up call for the organization," said Vivek Paul, chief executive of rival Wipro. ``It was like a dose of caffeine. But it remains to be seen whether that caffeine is going to have a short-term effect or a sustainable effect on the way they do business."

Tata's methods haven't been popular among U.S. technology workers, however, who complain that guest workers suppress local wages and offshoring takes good jobs overseas.

The offshoring backlash is spurring Ramadorai -- a bespectacled, balding man with a relaxed smile -- to try to improve Tata's image. He said he wants to raise the company's visibility to investors and prospective customers and at the same time spread the word about its ``corporate social responsibility."

``Our value system and our tradition of corporate social responsibility, of giving back to the community at large -- this has not been visible," Ramadorai said in a rare interview, given at the company's office in Santa Clara.

`Treading gently'

Tata has a policy of hiring in the United States for as much as 50 percent of its workforce for public sector contracts, Ramadorai said. It rehires and retrains some of the state agency workers it has displaced through outsourcing. To minimize criticism, Tata promises not to use offshore labor on unemployment-related contracts.

``It's a brightly lit stage, so we're treading gently and doing responsible management of these contracts," said Victor Chayat, Tata's public relations manager.

However, Tata does not have a local hiring policy for the vast majority of its business in the U.S. private sector, which accounts for about two-thirds of its global revenues.

As many as 8,000 of Tata's 40,000 workers are based in the United States. Chayat said about 700 are non-Indian U.S. residents, nearly all of them employed in the public sector programs.

The sensitivity over Tata's public sector work recently surfaced in Nebraska, where the company was awarded a $7.9 million contract. A local politician complained that Tata planned to send state Department of Labor jobs to India, and other critics accused Tata of mishandling a similar contract in New Mexico -- charges that Chayat dismissed as groundless.

The biggest blow to Tata's reputation was in Indiana, where it lost a $15.2 million unemployment benefits contract in November 2003 following intense criticism. Gov. Joseph Kerman said the way the bid was put out discouraged Indiana companies from competing, and he launched an ``Opportunity Indiana" initiative to review the state's procurement process.

However, Harris Miller, president of the Information Technology Association of America , praised Tata as a ``high-quality company."

``There have been some state contracts that have generated controversy, but they're making aggressive efforts to hire locally," said Miller, whose association supports offshoring and opposes legislation aimed at curbing it.

Florida protests

Tata also stirred the pot in Florida in mid-2002, when Siemens, the German telecommunications company, decided to cut costs by replacing U.S. employees at its facility in Lake Mary with a Tata crew. Workers complained they were required to train replacements who were paid about a third of their $70,000-plus salaries and had entered the country inappropriately on L-1 visas, which are intended for intra-company transfers.

``The visa holders who replaced us sit at our old desks, answered our old phones and worked on the same system and programs we did, but at one-third the cost," laid-off worker Pat Fluno testified before Congress in February.

The protests resulted in the introduction of legislation aimed at reforming the L-1 visa program, which has not passed.

Tata's labor practices apparently were examined at that time, without finding of fault.

``We have come out clean on every single one of the records compliance issues, whether it was about L-1 visas or whatever," Ramadorai said. ``For us, this is all part of being in the business."

Ramadorai also said that if Tata stands out, it's only because the company has been in the United States far longer than its major Indian rivals, Wipro and Infosys. Tata has made deeper inroads into the politically sensitive public services sector, he said.

Tata also relies more heavily than Infosys or Wipro on L-1 visas, rather than the more conventional H-1B visa designated for technically skilled workers.

Ronil Hira, assistant professor of public policy at the Rochester Institute of Technology, said recent public data suggests Tata's imported workers in the United States were paid well below prevailing wages for the high-tech industry here.

``But Tata has shown a lot of political savvy," Hira added. ``They've been here since the the 1980s and they've established R&D ties with universities and are involved in a bio-information project in Buffalo. They're here to stay."

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