

SATYAM CRISIS PUTS IT INDUSTRY OUTSOURCING CUSTOMERS & WAL-MART ON ALERT



Former Satyam chairman B. Ramalinga Raju, explaining the more than \$1 billion in phony revenue and profits he reported for years, compared the ongoing fraud to "riding a tiger, not knowing how to get off without being eaten." For customers of Satyam--and any other IT outsourcer--the looming question is: Could they get bitten, too?

Satyam counts 185 of the *Fortune* 500 as its customers. Wal-Mart has Satyam doing work for it that's "limited in scope and nearly completed," says a spokesman. Wal-Mart, which just a few years ago shunned outsourcing, now works with multiple global providers and expects to do even more. Research data reflects a whopping 61% of companies have new concerns about, or wouldn't work with, India-based IT services companies in light of the financial fraud that has rattled Satyam.

Executives at HCL, India's fifth-largest IT services company, immediately saw that the scandal "could have an impact on the view of Indian companies in general," says Shami Khorana, president of HCL Americas. The company quickly sent a letter assuring customers that its management and governance are sound, and HCL CEO Vineet Nayar said, "trust through transparency."

Legally, companies that didn't explicitly make fraud contingencies part of their contracts may find it hard to back out of a relationship with Satyam, says Hunton & Williams attorney Randall Parks.

Now is when best practices in outsourcing--risk management, multisourcing, project documentation, contingency planning--come under renewed scrutiny, and might get put to the ultimate test. Worst case is that Satyam collapses because it runs out of cash; the \$1.03 billion it reported having was really just \$65 million.

Sixty-eight percent of business technology pros who've worked with Indian outsourcers say they wouldn't work with Satyam based on what they know of the financial scandal. It's up to interim CEO Ram Mynampati and Satyam's new board--Raju resigned and all board members were replaced by the Indian government--to turn that impression around. Meantime, the rest of the Indian IT industry is scrambling to protect its hard-earned reputation. Half of the IT pros we surveyed say they have new concerns about Indian IT providers, though only 12% say they wouldn't work with one. Search for Jobs online www.employmentcrossing.com