

# **Information Technology Enabled Services (ITES) Sector Industries Might be Cut Down to Size, but Globalization Will Continue**

**An IISD Commentary**

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Allegations of corruption and fraud against leaders in the information technology enabled services sector (ITES) are ironic given that this sector provides global systems and solutions for transparent and accountable financial control.

One can only wonder if the CEO and financial controller of India-based Satyam Computer Services Ltd. were using their own solutions for financial reporting when they defrauded the outsourcing giant's shareholders and stakeholders. There is allegedly a billion dollars missing and, according to commentators, a lot more overstating and understating is expected to be unearthed.

Yet, the best-in-class checks and balances that were needed to prevent such large-scale scams were omnipresent. Satyam's board included the former cabinet secretary, the inventor of the Intel Pentium chip, a dean at the India School of Business and a professor at Harvard. The audit committee included independent directors, and financial disclosures had been filed with regulators and stock exchanges in India and U.S.

We must see this as a wake-up call to the fact that global societies need better mechanisms for raising capital and a brand new take on what signifies "value" and "relevance" for shareholders and stakeholders alike. In addition, regulators and policy-makers need to get out of their ivory towers and take more responsibility for governance and market failure.

While some have dubbed this scandal "India's Madoff," this embezzlement has little to do with rich private investors that were ready to take large gambles in transactions that happened in the dark. Rather, it involved institutional investors, socially responsible investment funds, trusting individuals and, moreover, 53,000 employees.

As public disenchantment with the corporate world looks set to continue and companies find it difficult to demonstrate ethics and relevance, there is certainly the need to address the challenges.

Against the backdrop of global market upheaval, IISD and AccountAbility will soon publish a report on responsible competitiveness in information technology enabled services, which we hope will raise the profile of business process outsourcing and software services as catalysts for more sustainable and equitable globalization. Our primer looks at how this could be done—how the world can be made more sustainable and "flat" though improved opportunities for knowledge and growth.

Certainly the ITES sector still has much to boast about. It has invested unprecedented amounts of capital into improving e-connectivity, building skills, providing high-end employment and inciting entrepreneurship in the host economies that have been lucky enough to attract investment. It gave lower income economies a real hope of diversifying from low-end agriculture

and manufacturing into more valued-added and higher-end industries. In the past decade, ITES upgraded itself from supporting routine and repetitive tasks to providing the intelligence for resource-efficient, productive and globally coordinated value chains in every industry—from financial, medical and legal services to low-carbon logistics, transport and energy.

The days of outsourcing are far from over. ITES industries might be cut down to size, but globalization will continue to provide the architecture for dealing with challenges still to come.

Sustainable development cannot be envisaged without ITES, and the sector is just waking up to this imminent opportunity.

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