

Michael Roach: Antistar at the helm of CGI

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Don't bother looking for Michael Roach's shiny dome in your favourite business magazine. You won't find him there.

"I don't place much faith in chief executives who see themselves as stars," he says. "When they make mistakes and take a fall, they always seem to emerge unscathed. It's employees who pay the price."

In a year and a half as the man in charge of CGI, he has granted one interview to the *Globe and Mail* and another last May to *Direction informatique* magazine. Now here he is in your Saturday Business supplement. He's hardly an administrator in search of glory.

"My vision of leadership is to transform good intentions into significant results," he says. "It's really all about results. Leaders who play at being the star will become distracted from their objective."

Michael E. Roach grew up in Pembroke, Ont., a small community south of Petawawa. A picture of the Ottawa River hangs in his Sherbrooke Street office to remind him of his hometown.

He was the man in charge of Bell Sygma when the BCE subsidiary merged with CGI in 1998. Four years later, he became chief operating officer at CGI before replacing Serge Godin in the CEO's chair in 2006, moving from Toronto to Outremont.

"I studied the business model," he says of his first years at CGI. "I probably drove (co-founders) Serge (Godin) and André (Imbeau) crazy with my questions."

So what did he learn? Pulling out a pen, Michael Roach draws a triangle. Its three points are meant to represent his three types of stakeholders: shareholders, clients and employees. "We believe that, in the long term, we cannot succeed if we don't try to find a balance among the three partners. That's the philosophy I encountered here."

As for the interests of CGI's shareholders, couldn't we discuss their remarkable patience for enduring five difficult years after the tech bubble burst? Mr. Roach has a ready response. Over a 15-year-period, the value of CGI shares, including stock splits, has increased 45 times.

If you want more figures, here are two: over the past decade, revenues have multiplied 18 times, while profits have multiplied by 32. That's how CGI has become the largest information technology company in Canada.

But it's not the numbers that Michael Roach is emphasizing this January morning, it's his employees. Be it noted that they are also company shareholders, owning 17%. Collectively, they hold a larger stake than all other shareholders.

"We are in an industry whose capital is human," Michael Roach says. While that may come across as a cliché, it's particularly true in a service industry such as his. "CGI has been structured for an era of human capital. CGI was built to attract and retain people." Every time an employee buys a share, bosses match it with another. Workers can thereby purchase shares at half price.

That helps motivate the troops. "Nobody washes a rented car," he offers by way of analogy. At CGI, the car belongs to the employees, at least in part.

Having employees who are shareholders helps reduce the rate of employee turnover, which is particularly high among IT companies. "We probably have the lowest employee turnover rate in the industry," Mr. Roach ventures.

The rate is slightly above 12%, whereas the target is to sustain it between 10% and 12%. "It's beginning to come down," he points out.

At the multinational General Electric, executives have come up with a catchphrase to sum up their managerial approach. They call it the GE Way.

At CGI, the phrase is the CGI Way. But don't expect Michael Roach to brag about it. "That would be arrogant."

Modesty is never far beneath his surface.

CGI FACTS

26,000 employees

107 offices in 16 countries

59% of sales in Canada, compared to 33% in the United States

\$3.7 billion in revenues for 2007

\$236.4 million in net profits for 2007

Source: CGI

PHOTO OUTLINE:

"CGI has been structured for an era of human capital. CGI was built to attract and retain people," says the boss, Michael Roach.

Awaiting the recession on a solid footing

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Does the prospect of a U.S. recession – either real or imagined – worry Michael Roach? If it does, he hides it well. He would rather discuss "opportunities." Picking up a notebook, he sketches a concise diagram representing the activities of a company.

"Before, the back room (support sector) was small," he says. "But later it grew. During a period of recession, the managers sit down and redraw the line between the back room and the front room (the company's main activities). They stress the role of the front room. Globalization also forces them to do that. The company's back room is, in fact, CGI's front room."

He says the same goes for governments, which concentrate more and more on their main activities.

Doubling in size within five years

So recession or not, he's sticking to his goal of doubling CGI's size within three to five years. "It's not a goal that we just came up with one morning. It's that our clients have told us they plan to expand on the global stage and they want an IT partner that is capable of keeping up with them."

Currently, 59% of the company's income originates in Canada, as opposed to 41% from abroad. That proportion will be reversed, if all goes according to plan. That means the next acquisition should happen abroad, perhaps in the United States or Western Europe, according to the chief.

Back to that three-partner triangle he's so fond of. "A client wants to be associated with a growing company. The employee also wants to work for a company that's growing. And the shareholder will invest in a company that's expanding."

Coming your way soon

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Throughout Quebec, CGI has a presence in Montreal, Quebec City and the Saguenay region. The opening of another centre will be announced before long.

The CGI model is decentralized: a main centre to which regional centres are connected. Because rents are lower in the regions, costs can be reduced -- and so can the rate of employee turnover, because competition for employees in a small South Carolina town is less severe than in a large centre like Chicago.

On the other hand, it can't be just anywhere. It takes qualified people. "If you open up somewhere and can't find good employees, it's like making your way to Sudbury just to realize that the nickel's all gone," he says.

By maintaining most of his workforce in the Western Hemisphere, Mr. Roach claims to have "a different philosophy" from his competitors.

"A client here doesn't want to have to track down who's responsible for his dossier in India. He wants to know that someone in Montreal is responsible, that he can call that person and he or she will be there. That's our model."

CGI currently has some 2,000 employees in India (from a total of 26,000), a number that can easily be expanded to 5,000. The exact number, he explains, will be determined by the clients' needs.