

# DARING TO DREAM Connecting Silicon Valley To SriLanka



*Mangala Karunaratne, Founder and CEO, Calcey Technologies.*

A former Silicon Valley veteran who launched his software product engineering services company nearly 19 years ago in Sri Lanka, Mangala Karunaratne is the Founder and CEO of Calcey Technologies. The company went from delivering small piecemeal projects to serving more than one hundred enterprises and SMEs in the US, UK, Nordics, and Australia. Among that client base are names such as PayPal, Wikimedia Foundation, and even Stanford University. Mangala Karunaratne spoke about the founding of Calcey, the journey, the work they do, their culture, and the future as they set their sights on an accelerated growth trajectory.

By Udeshi Amarasinghe. Assisted by Jennifer Paldano Goonewardena.

### **Can you tell us how it all began?**

I worked in Silicon Valley until 2002, and my career there took me through the dot-com boom. Life was good, and making money was easy; it was as close to a rock-star life as it could get. And when the dot-com crash happened, I moved back to Sri Lanka. It was not the perfect time to get married with no job, but we went ahead. At first, I wanted nothing to do with technology and pondered trying my hand at something else simply because I was burned out. But my father advised me to startup in what I know technology, and then just run a non-tech business as a side venture. I started with two hired employees, which turned out to be a big mistake as we couldn't drum up any business while chasing the local corporates. I'm yet to know what went wrong then; perhaps my approach was at fault. Because, back then in 2002-'03, no one here in Sri Lanka was interested in digital transformation.

For the first three years, business was hard to come by. I reached out to my network of contacts in Silicon Valley to tell them about my new software services company. Gradually, we began receiving small projects that were not more than two hundred to three hundred dollars in value, but we delivered on time without compromising quality. The latter was crucial. Then we started receiving projects that were a few thousand dollars in value, which we also delivered successfully. Over time, the value of the projects that came our way grew. Then came one client from San Francisco who asked us to develop some software on a tight, three-month deadline. We got the job done, and that ended up being a significant turning point. After all, they were a large company, and we were probably smaller than their mailroom operation. That project allowed us to prove ourselves and sowed the seeds of our eventual growth. What was a startup with myself and two other employees is today a company with a 150 strong team. It was very organic but steady growth due to our commitment to quality and on-time delivery.

### **How would you describe the journey so far?**

The first four years were the most challenging, and we were desperately trying to keep our heads above water. We weren't making enough money and had to let go of our first two employees. So almost overnight, we became a company with no

employees but had a world class website for the time. I guess that's the beauty of the internet—it lowers your barriers to getting started. We were always cognizant of the need to survive in a challenging environment, so we created an attractive website to showcase our services. It made much sense at the time because it was our visiting card and the only thing we had to show a potential client. I quickly learned to work with freelancers whenever we got a project. They would all come into our small office on a Friday evening and work until Monday morning. We would regularly squeeze in more than a week's work hours into those two days. We got more done than most people did in a week, and that's how we survived. Those early days were fun despite it being a roller coaster of a journey. Eventually, we could afford to hire people full-time, and things started to change, this time for the better.

I decided to return to Silicon Valley in 2007 as Calcey had grown into a team of thirty by then. I felt that it would be good to be based in Silicon Valley for a few years as it would allow me to work directly with customers, which means we could grow faster. So I moved to California with my young family in tow. With me based in the Valley, we grew into a team of 70 people. I returned to Sri Lanka in 2011. I worked day and night in the US. With the clients during the day and with the team at night. Those efforts paid off. Over the last five years, we've grown by more than 400 percent, tripled the number of active clients, and entered several new markets, including the UK, Sweden, Australia, and, most recently, Japan.

The onset of the COVID-19 pandemic took us by surprise in its early days, but it didn't take long for us to take back control of our growth momentum. Suddenly, with curfew and lockdowns imposed, people had no way to come to work, and we decided to work virtually. Unlike others, our transition to a remote work model was relatively smooth. In 2019, way before the COVID-19 pandemic, our employees voiced their desire to work from home at least once a week. We started a trial in January 2021, which allowed us to identify any shortfalls we had regarding processes and infrastructure. And when the pandemic hit, our shift to a remote-first model was easy since we had everything in place. It was all because we listened to our employees.

The pandemic also helped change how I saw myself and my role within Calcey. Until 2020, I remained firmly entrenched in the founder mentality, thinking of myself as a task-oriented 'manager of managers' whose job was to guide and shape day-to-day operations. But with everyone working remotely, our team

gained more space to step up and take charge at all levels, which is brilliant. And I also had to give them that space; otherwise, the remote-first model would have come crashing down like a house of cards. Thus, I have learned to lead and focus on the big picture rather than on the mundane. It also allows our team and their complete talents to shine through, which bodes well for the next phase of our growth journey.

All in all, 2020 was a good year for us as a company. There was a time when we were rightfully concerned about the impact on our business. But last year went to become our best in terms of revenue, customer satisfaction, and employee satisfaction. Recently, we were recognized as a Great Place to Work too.

### **Can you tell us about Calcey's culture?**

Although we have managers, we prefer not to create static hierarchies. Instead, Calcey is a flat organization where people can speak up and always be candid. We tend to promote individuals who challenge each other with facts, logic, and reason over those who don't. There's no point in having 'yes' men beside you in a business. We have always had a responsibility and ownership- driven culture. We work hard and play hard. Most importantly, while we don't take ourselves seriously, we take our work seriously.

My end goal is to make this company a satisfying place to work in rather than an easy place to work in because satisfaction comes from overcoming challenges and achievement and supported by science. We encourage people to be themselves, and we listen to our people all the time. That's how our remote work model came about.

I still remember March 2020 vividly. As soon as the pandemic hit, a raft of new clients we had worked hard to sign put their plans on hold. Within two weeks, we lost about 30 percent of our projected revenue for the quarter. I couldn't sleep as we had over 140 people on our payroll at that time. Many IT companies resorted to salary cuts. I was talking to my senior management team about how we could come out of this situation. We considered salary cuts, but I listened to my managers when they advised against it. They suggested not to preempt the future right away, mainly because we had enough money in the bank and confidence in our ability to weather the storm. Although new clients didn't come through immediately, most of our existing clients grew their engagements with us over

time, so the business did very well. I'm glad I listened to my management team.

**Would you be able to talk about the clients and the solutions that you offer?**

We are a product engineering company that helps bring a client's idea to life through technology. Initially, 100 percent of our business came from tech-oriented clientele in Silicon Valley. Upon my return in 2011, we wanted to expand beyond the US market to the European market. However, we still did not have a sales team as our growth came entirely on the back of our consistency in delivery and customer recommendations. Then we hired a sales professional in a bid to pursue business in Europe, and that worked out very well. Today, we work with large-scale clients like PayPal, Wikipedia, and Stanford University, but most of our recurring revenue comes from small to medium enterprises. In Silicon Valley, the top developers join the big guns like Facebook, Google, Apple, and Twitter, which means SMEs have a hard time finding top talent. Therefore, they collaborate with us to build the software they need.

**What are your thoughts on Sri Lanka's flourishing startups in the tech space?**

We need to encourage them. As a country, we need to strengthen the digital economy and promote digital and tech startups; it doesn't matter whether it's products or services based; what matters is the number of dollars they earn for the country. The potential of the technology industry far outweighs that of traditional labor-intensive sectors. It is the way forward, and I believe we need to create more universities to teach our children programming to help them figure out ways to join the industry.

**the government is focusing extensively on technology. What are your thoughts?**

I am pretty hopeful for the future as the Government has focused on developing this sector, which they have demonstrated by setting up a Ministry for Digital Infrastructure Development. Industry veterans are also managing the ICTA. I hope that they take progressive actions to ensure that the entire country benefits and that projects are not limited to just the digitization of Government offices. As a proponent of STEM (Science, Technology, Engineering, and Mathematics) education, if the Government invests and focuses more on promoting STEM

education in the country, we will have a lot more people launching more tech companies. The revenue generated by ten people in a successful digital startup will far outweigh the revenue generated by ten people launching a brick-and-mortar business. And that's why I hope the Government's focus on STEM education will bear positively upon the future generation of this country.



I do not think we need to build massive buildings for education institutes; there are plenty of underutilized government buildings. Buildings do not matter in this day and age; the quality of education is what matters. The money that the Government spends on buildings should be on world-class educators. If we educate and guide the next generation on the right path, they will grow to be resilient enough to take care of the future.

### **What are the new trends globally and locally?**

None of us expected such a significant impact from the COVID-19 pandemic, which forced us to rely on technology. We all talk about AI, Machine Learning, electric vehicles, green energy, and more, but I see many day-to-day activities

being digitized, which creates tremendous opportunities. The amount of potential the digitization of everyday processes will unlock is so incredible that it will be an excellent opportunity for the country to mobilize software startups to solve these problems or attract some development work to Sri Lanka.

**While there is tremendous talent in Sri Lanka, there seems to be something that blocks its potential from being harnessed. What is it?**

As a company, we have more work than we can cater to right now, simply because we can't find the right people. I believe that everything will fall into place organically if we educate our children. It does not matter whether young people join a company like ours or venture into a startup. It's going to benefit the economy as there are plenty of opportunities out there. The COVID-19 pandemic has created opportunities for the future generation. For instance, a disadvantaged family that we were assisting had three children learning using one mobile phone, which meant that only one child could follow online lessons on a given day. So we gave them an iPad. We noticed that these little children were very tech savvy. They knew how to set up apps on the iPad. Remember, these were disadvantaged children who are now digitally savvy, which I believe is a positive outcome of the pandemic. If we could continue with this trend rather than pushing school children completely back to books and exams, I think the next generation may turn out to be a lot more digitally savvy and broader-minded.

**if, as a country, we can serve only up to a certain level and not beyond, how are we going to address this bottleneck?**

As a whole, the IT services industry in Sri Lanka may employ about 100,000 people. In contrast, TATA and Infosys in India alone may hire 300,000 each, so these companies individually have three times more personnel than we have within the entire country. But I don't believe we should compete on numbers.

Think of IT talent as a three-tier pyramid. The ones at the top are the cream of the crop with the most advanced skills and knowledge, but right now, some of them have no choice but to do work that would perhaps be better left in the hands of someone in a lower tier. So what we need to do as a country is to expand the number of people who can slot into each tier. Essentially, we need to build capacity. That's our main problem.

We need to find a way to create a digital Sri Lanka, which means that the country

needs to educate more children in programming. I do not think lack of money is a reason not to do it. If there is a will, there is a way. Like I said earlier, we need to figure out how to educate more young people with the money and the resources we already have. Most Sri Lankans cannot afford to pay for quality private university education, which is costly. However, I am sure we could set up Public-Private Partnerships (PPPs) and incentivize the private sector to invest in academic programs. For example, Seedstars has shown interest in coming to Sri Lanka and setting up a sustainable yet free education institute using the “01 Edu system”, which presents an innovative curriculum in software engineering and programming. 01 Edu system comes with a renowned industry-leading reputation, and the curriculum has been rigorously designed to help students learning the skills necessary to succeed in a digital world. Taking a different approach than the classic teaching methods we have today, learning is facilitated through a collective and co-creative process in a professional environment. As a country, we need to attract these world-class institutes because they allow more young people to pursue education in the digital space.

At Calcey, we once had a self-taught CTO who had only completed his secondary education, which shows that people whose DNA is wired to learn by themselves often do. However, we can't expect everyone to be like that. However, if we have at least one percent of such individuals at the top of the pyramid, they can empower more mid-tier talent, who will then go on to empower even more lower-tier talent. In that way, the top one percent of people will create a ripple effect that benefits the entire industry.

### **But do the top-tier people remain in the country?**

Like myself, most founders of successful Sri Lankan software companies are returnees or are based elsewhere. I, for some reason, always wanted to return to Sri Lanka. The most significant attrition from our company is to Australia. Rather than stopping people from migrating to Australia, we support them and continue to support them once they move there. Some of them are open about their migration plans when they join us, and we provide them with the required letters for their applications. This way, we still benefit from employing talented young people who will work for us for a few years before migrating. I believe it's unfair to prevent them from leaving because who are we to tell them what to do with their lives?



**What can we do to encourage more young people to compete globally? even in the sphere of e-sports, there are excellent young players here. But they have a hard time making it onto the global stage?**

My personal opinion is that traditionally parents want their children to become doctors, engineers, and lawyers. Simultaneously, the constant urge is to study to pass exams, and hence, young people are not encouraged to play games or even spend time in front of a computer or go out there and hone their innate talents. Most people in Sri Lanka see things like playing video games as unfavorable. In the US, children sometimes play games all day, sometimes even foregoing sleep, which makes them insanely good at doing one thing. On the other hand, I don't think our children are allowed to do that. Yes, we can be backward in that sense. We have to be progressive if we want to take this country forward. Let's take the legalization of cannabis. In most major states in the US, industrial cannabis is a big business, and Thailand has legalized it. Some countries, in general, are very open-minded to change. We need to emulate that. While Britain has gone past its Victorian values, we still seem to be clinging on to them, which were imposed on us in the first place. Similarly, if the Government legalizes cryptocurrency in Sri Lanka, people will not resort to informal buying. While if legalized, the country can impose a tax on the gains. When it comes to decision-making, lawmakers must be bolder and be ready to accept change. I believe that the leadership of this country is trying to bring in changes systematically, which, given the state of our bureaucracy and its red tape, will take much time. By then, we will be a generation behind yet again!

**Do you think that we have the necessary environment for returnees to set up business here?**

I could have made a lot more money had I stayed back in Silicon Valley. But that would have been led by a pure desire only to make money. What matters is how content you are, wherever you are, and I am content here. It takes a lot more investment to start a business in the US, which also involves a lot more risk, whereas, in Sri Lanka, I can try a new venture at a lower cost and fail. But depending on their product, I advise certain startups to go to the US, as they may not have enough opportunity in Sri Lanka. I say I'm content in Sri Lanka because while I'm managing Calcey, I have also ventured into an investment in Pannala, a farm, and a digital nomad venture in Mirissa. However, I will have to be a dollar billionaire to do the same in the US while working in Silicon Valley, so in Sri

Lanka, I can get a lot more done with a lot less.

While I can't complain about my work and life in Sri Lanka, I'm worried about the next generation and the country. I tell startups not to wait till the system changes. As an entrepreneur, I had to think out of the box within a complex system, and so must others. There'll be many people complaining of the system and its failure, but if you are an individual who wants to do something despite the obstacles, then I believe there are opportunities. It's the same everywhere in the world. Many are reluctant to go against systemic barriers because it's hard. But hardworking hustling entrepreneurs figure things out for themselves. Sri Lanka will not be perfect, and neither can we wait for the perfect moment. We have to start somewhere.

At Calcey, we no longer look for people with a university degree when we recruit. Instead, we focus on the individual's ability to do things. The issue in Sri Lanka is that not many people are self-taught. The education system in this country

doesn't inculcate the learning mentality in the student. The culture is one of being taught. If teachers guide students in the art of introducing themselves, simple things like going online and googling, the future will be so much brighter. That's where I believe the COVID-19 pandemic has brought about a tremendous difference. Suppose young people discover more about YouTube and Google as learning platforms instead of scrolling through their Facebook feed. In that case, it's safe to say that the pandemic has positively impacted the future generation.

### **What are Calcey's plans for the future?**

We have hired a proven senior executive, Gehan Dias, the former General Manager at London Stock Exchange Technology in Sri Lanka, which means I am relieved of looking into day- to-day operations. We have also added Pete Deemer, a global thought leader in agile development, as an advisor. I focus on the big picture and the growth of the company and find it immensely liberating. The employees have delivered on their responsibilities and, we are focused on growing annually at least by 30 percent. We grew by 400 percent in the last five years, and we can double Calcey's size if we grow by 30 percent in the next three years. As a boutique software firm, we don't want to grow into an organization of 1,000 people. The maximum for us would be 250 to 300 because, under our business model, we offer a personalized service to the customer, and that's why

we focus on a realistic growth trajectory. In the meantime, we are adding new capabilities like IoT, AI, and machine learning. We have clients in the US, UK, and Sweden and are now working hard to open up opportunities in Japan. We are also evolving our commercial model, wherein in some cases, we have taken equity in high-potential startups in London and New York. It's an excellent way to expand our bottom line, as we get a big payday if any of them do well. We have done this thrice with product startups who have raised money from Silicon Valley and sign up multi-million-dollar clients.

Three years from now, I wish to see Calcey grow into a company that's twice as large as it is now while also being an employer of choice for Sri Lankan software engineering talent. We want to be seen and recognized as an employer and a launchpad for an immensely successful career in the global IT services industry.