SOOTA'S FOREVER PLAN FOR HAPPIEST MINDS

The executive chairman wants the IT services company to thrive for generations. What are the odds?

Ashok Soota, executive chairman of Happiest Minds Technologies, is relying on a three-pronged strategy to secure the future prospects of the IT services company he co-founded in 2011.

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Ashok Soota, the grand old man of Indian IT, has always defied sceptics. In 1985, he was picked as the chief executive officer (CEO) of Wipro Ltd's IT business. His previous stint was at a manufacturing firm, Shriram Refrigeration. Wipro's employees, back then, wondered how he would cope in the high-tech industry. Soota ended up leading the company's IT business for 15 years.

When he announced Happiest Minds Technologies Ltd from the terrace of his house in Bengaluru's Koramangala in 2011, along with 11 co-founders, sceptical scribes peppered him with tough questions. What is it that this new company brings to the table? After all, the IT services landscape was already crowded, and commoditized. Everyone agreed, it does take a lot of chutzpah to start a venture at 69—most hang up their boots by then—but, did he really have it in him to build another company? Between Wipro and Happiest Minds, Soota had also co-founded Mindtree Ltd.

A decade later, many of those questions have been answered and critics silenced. Happiest Minds' executives were initially eyeing revenues worth $100 million in five years and wanted to go public in 6-7 years. While those timelines got stretched a bit, the company has more or less delivered what it promised in 2011. Disruptive technologies such as cloud and mobility were beginning to shape up and Happiest Minds positioned itself in these niche areas, catching the transition of global corporates to the digital. Large, established IT giants hadn't yet pivoted to offering services around emerging technologies.

Happiest Minds clocked revenues of over $100 million in 2020-21 and Soota, at 78, took the firm public in September 2020. The initial public offering (IPO) of Happiest Minds was subscribed over 150.98 times and the stock listed at ₹351 on the BSE, logging 111.45% listing premium. It doubled investors' money in a single trade session. Those who subscribed to the IPO and held on to it after the listing have registered over 852.29% gains from its issue price of ₹166 a share with the scrip touching a record high of ₹1,580.80 on 16 July 2021. That was a clear jackpot.

Now, Soota appears busy planning the firm's next phase. He wants Happiest Minds to exist and flourish for generations, or as he says, "in perpetuity".

However, all this is easier said than done. Soota knows well that most leaders who create large organizations do expect them to exist in perpetuity but the mortality rate of companies are also high. Yet, there are companies that have thrived for decades. General Electric (GE) Co., IBM Corp., McKinsey & Co., and the Tata group have all managed to stay at the top of their game for close to a century. What are the odds Happiest Minds can do it, too?

"The want, need, desire, and aspiration to keep an organization alive, kicking and contributing into perpetuity is an idealistic play for sure," said Harish Bijoor, brand expert and founder of Harish Bijoor Consults. But the track record of businesses can't necessarily foretell their future. "But who says it will not happen, as well?"

THE PERPETUITY PLAN

Soota's perpetuity strategy hinges on three pillars: ownership, leadership, and business strategy. First, Soota doesn't want his shareholding in Happiest Minds to be diluted below 40%. Currently, the promoter group (Soota and family) holds 53.5% in the company. Soota is deliberately avoiding a situation like Mindtree which was acquired by Larsen and Toubro (L&T) Ltd in 2019 against the wish of the founders whose combined stake stood somewhere in the mid-teens at the time of the acquisition. "This also gives us the scope to expand. We are generating a lot of cash but when we broaden our scope, we may at some stage need the money to do larger acquisitions, without diluting below this point," Soota said in an interview.

The second part of the ownership strategy is about SKAN or Scientific Knowledge for Ageing and Neurological Ailments. It is a medical research trust that was set up for research in ageing, neurological areas, and human microbiome. Nearly all of Soota's wealth will be parked in a private trust, the dividends of which will go towards the benefit of SKAN. The trustees who succeed him will be mandated to exercise their votes along with the management team, which is essentially the executive board of Happiest Minds.

Beyond leadership, a firm's longevity depends on how it adapts. Entities that survived evolved ownership structure, leadership philosophy and business strategy with time

Two generations of trustees have been identified and the prime role of each trustee will be to bring in their successor. "Through this framework, Happiest Minds and SKAN, two mutually dependent entities dovetail beautifully together to theoretically flourish for 100 years or more," Soota said. From a leadership point of view, Soota's game plan is the executive board which currently comprises four members: Joseph Anantharaju, executive vice chairman and CEO of product engineering services; Ram Mohan C., president and CEO, infrastructure management and security services; Rajiv Shah, president and CEO, digital business services; Venkatraman Narayanan, managing director and chief financial officer.

While Happiest Minds does not technically have a company-wide chief executive, Soota has empowered the executive board to be "individually and collectively the CEO of the company". The executive board has been in existence for four years and Soota believes that the results delivered so far are proof enough that the model is viable.

Meanwhile, Soota believes that a majority of the top management must be groomed internally—external leaders, however, may be brought in to inject new ideas into the organization. "For grooming the next leaders, the first step is identifying future leaders and developing plans for them, including job rotation or expansion opportunities to develop multi-faceted skills," he said. The executive board will be infused with new ideas as Soota plans to bring in a new leader in the group every 5-7 years. "Since the executive board collectively functions as the CEO of the company, the continuous renewal does not lead to the turbulence which sometimes accompanies the arrival of a new CEO," he said.

Executives who have worked with Soota in the past said that he often gives enough freedom to his leadership, a trait that might help the executive board with quick decision-making.

The final element of the perpetuity plan is business strategy, which, according to Soota, is the most difficult aspect to manage. "I can only guide future generations of the executive board with few principles. We have laid down a 10-year vision because we anticipate there is going to be a huge change in the next 10 years and this business is going to look dramatically different from what it is today. Let's not suddenly get caught by surprise," Soota said.

In the tech industry, like we have seen in the current digital cycle, companies must quickly adapt to survive.

TECH PROWESS

So, how has Happiest Minds leveraged new technologies thus far?

Simply put, the firm's current services include all the buzzwords from the world of technology—artificial intelligence , blockchain, cloud, digital process automation, internet of things and others. The bouquet of these technologies is used to help global clients in digital transformation projects.

Digital services generate 96% of the firm's business, one of the highest among Indian IT services providers. In comparison, the digital business of India's second-largest IT services firm Infosys contributed about 56% to the company's total revenue for the September quarter.

Happiest Minds is also betting big on intellectual property (IP)-led revenues to complement its services. Currently, IP-led revenues contribute about 10% to its overall topline. "We are fundamentally a services company and (are) not trying to be a product company. Our IPs are designed to fuel our services that we deliver to our customers," said Sridhar Mantha, chief technology officer at Happiest Minds.

Mantha leads the 'Technology Council' at Happiest Minds where he, along with his team, are responsible for future-gazing—they anticipate the possible technology changes over the next three-five years. "It helps us gauge how well we are prepared and what more we should be doing. Every year, we look at the new technologies coming in," he said. Based on his team's inputs, business strategists at the company formulate plans. The firm is currently working on technologies such as blockchain, computer vision and drones.

THE ROAD AHEAD

The road towards perpetuity, meanwhile, will not be an easy one for Happiest Minds as it operates in a highly competitive landscape that has both large- and mid-sized players. Nevertheless, Ashok Soota believes the firm is well positioned to win. "Almost every sale is a technology and consulting led sale. We have to convince the clients both on the knowledge of technology and on the understanding of their problem," Soota said. "We are increasing our domain knowledge to the mix of consulting and technology-led abilities; we already have a leadership position in edtech and hi-tech. And healthcare and retail are growing rapidly," he added.

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mint SHORT STORY

WHAT

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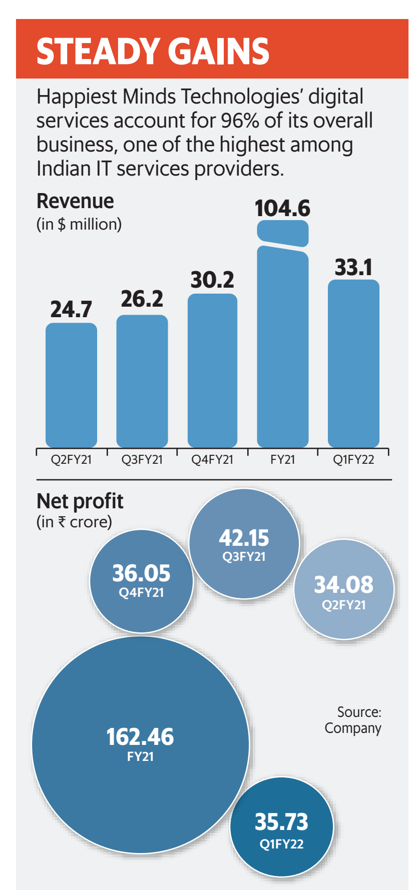
In terms of leadership, Happiest Minds does not technically have a company-wide chief executive. However, the executive board is empowered to function as the CEO, individually and collectively.

BUT

One of the key prerequisites for the model of perpetuity will be a stable leadership team. In the past, about five of the company's co-founders left the organization in the first few years.



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One of the key prerequisites for Soota's model of perpetuity will be a stable leadership team. At least five of the firm's co-founders have left the organization in the first few years. While industry experts feel this might be a challenge, Soota is confident of his current team. "All of them have been known to me for long, since my Wipro and Mindtree days. So, there's tremendous stability in this group."

Beyond leadership, a company's perpetuity may hinge on how it adapts over the next decades. The ownership structure of firms that have thrived, their leadership philosophy and business strategy have all evolved with time, often multiple times. "Of these, business strategies are the most transient and Happiest Minds' 'Born Digital' positioning is already being replicated across the industry," Abhisek Mukherjee, co-founder and director at management consulting firm Auctus Advisors, said.

The common thread among the survivors is the ability to craft and sustain a differentiated identity for their brands and employees. "These identities are unique blends of capability, excellence, and trust. A Tata brand is trusted, and its employees are expected to be highly capable leaders with integrity. A GE employee carries the lifelong badge of being considered a superior technology leader. This identity, when widely shared, acts as a force multiplier and drastically enhances the longevity of companies," Mukherjee said. "It coalesces stakeholders during tough times–customers, leaders, employees and even the media–and increases probability of survival in the long term."

The challenge for Happiest Minds, and for Soota, is to create this identity around the brand, its leadership and the employees. Currently, Ashok Soota's personal brand perhaps overshadows the corporate brand but that is not necessarily a challenge, said Mukherjee of Auctus Advisors. Many of the survivors have, at various times, been associated with their leaders: Jack Welch and GE, JRD Tata and Tata Sons, for example. "The challenge is to craft a unique identity and integrate it among all stakeholders, both internal and external," Mukherjee said.

Like always, this perpetuity plan also has its critics. After all, how easy will it be to replicate Ashok Soota's passion across multiple generations of leaders and trustees? We may know the answer a few decades from now.