

MindTree

Lessons in Entrepreneurship from the Indian IT Industry

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As a founder of MindTree Consulting, it is an honor to be here with all of you today.

MindTree was born in 1999 as a next-generation IT services and consulting company. Within a year of its birth, MindTree ran into a period of deep turbulence. First, there was the Internet and the dot-com burst. Then came 9/11 and a global economic slowdown. This was followed by the Indo-Pak nuclear stand off that stopped the world from coming to India. As if that was not enough, there was the SARS outbreak that further slowed down business in Asia. There could not have been a worse time for a fledgling start-up to come into the world. But looking back, there could not have been a better way to be baptized by fire. Today, we have been able to steer the ship through all these events, which were not budgeted for, in the business plan we wrote to raise money from venture funds.

Though MindTree is still a work-in-progress, we look back with the satisfaction that it has come to be known as one of India's most respected employers in successive external surveys. We are a 3000-people organization today, known for our "up- the-value-chain" quality of work, our business-backward approach, our values and our social sensitivity.

This year, MindTree will become the first ever Indian IT services company that will hit the \$100 million mark in all of six years. Larger players have crossed that mark in 12-18 years or more. Yet, it is not MindTree that I want to talk to you about in today's address.

I want to talk to you about the IT industry which has opted to walk a different path very different from the ones many other traditional Indian businesses have trodden. As a result, the IT industry has been able to lead India to her rightful place in the community of nations.

There was a time when an Indian arriving at any international airport was deemed to be an illegal immigrant and a taxi driver. Today, even if one is a taxi driver, people assume, that if Indian, the person probably writes software code!

In my opinion, where you reach is a function of your Vision and more than that, it is a function of values you choose for yourself. The IT industry could become truly global and truly world-class because of several conscious choices it made, even as

we came from a developing country backdrop. Let us take a moment and glean a few lessons from the industry, without Godfathers, so that we can create many memorable enterprises in every other field.

Enterprises that will grow to serve the world, build unusual new value and create legacy. Because, in my mind, these three words best exemplify what entrepreneurship is all about: developing a service-centric mindset, the creation of unusual value and finally, a deep sense of leaving something behind. Without these, you do not become an entrepreneur worth the conversation.

Lesson # 1: To be world-class, you begin and end with Quality

The first lesson from the IT industry is about its adherence to Quality. Quality begins only when we admit that we are here to serve. Entrepreneurs who want to build great organizations must deeply believe in the basic tenet that they are here to "serve" others. Most acts of entrepreneurship are motivated by someone's ego, the desire to be rich and powerful. These are legitimate reasons. Yet, these are not enough to create memorable companies. The only way to build great institutions is to remain focused on the simple tenet to create great quality, at affordable cost and have the product or service delivered the way the customer loves it. The unstated rule of this game is that we have to keep improving quality while constantly lowering the cost and improving the way we deliver. That was how Japan won the automobile race. That is how we have, so far, won the software race. More than half of the world's SEI CMMi level 5 companies are in India. The IT industry embraced the Quality mantra way back in 1990s when the world was still questioning the relevance of quality in the software world. Rather than join the controversy, we joined the cause. It was a repeat of what the Japanese had done in the 1960s. While principles of Quality were developed in the US through the 1940s and the 1950's, there were few takers of Deming and Juran in the US. A war ravaged Japan embraced every word they spoke and redefined what the term "Made in Japan" conveyed. To build great a enterprise, we have to breathe, dream and deliver quality ahead of what the customer is asking for and ahead of what the competition is doing. In companies like Infosys, Wipro, MindTree or TCS, there is no argument with a customer. In MindTree, we have a simple principle - we do not like to be paid for work that is not appreciated.

Lesson # 2: It is about what you know, not who you know

The second lesson we all must take away from the IT industry is something very profound. This industry runs on the principle of "what" you know, not "who" you know. There is a world of difference between the two starting points.

In India, thanks to our feudal history, followed by a few hundred years of foreign rule, two interesting aspects of the business persona evolved. First, the fact that Kings ruled us for thousands of years, created a mindset of largesse in business people. It continues even today - people align themselves to political power centers to get a contract, get access to capital or corner other benefits. When that becomes your core competence, learning the language of world-class business becomes your core incompetence. If the primary focus of management is to observe, align with and live off power centers, they can not generate power by themselves.

The second deeply ingrained cultural issue with Indian businessmen is the drug of intermediation. Because we were ruled for many hundred years by people of foreign origin, people whose language we did not understand, a whole breed of Indians came up whose job was to become "intermediaries". Sometimes, knowing an intermediary became more important than knowing the rulers. Rulers change, the intermediaries remain. Business people found opportunity in cultivating such people. Over time, this has become a deep seated addiction. Once you build your business on the strength of who you know, and not what you know you will be on that treadmill. Over years, the speed will only increase.

The IT industry is a notable exception to this rule. It is amazing how the successful IT companies have seldom done business through intermediaries and commission agents. Neither have they settled professional rivalry or created competitive gain by running to legal or extra-legal power centers in Delhi or Dubai. When you build your own business, make sure you deal with the customer directly. Do not fall into the trap of intermediation.

Lesson # 3: Great organizations are built by people with an "abundance" mindset

The third lesson to be learnt from the IT industry is a mindset of abundance and not scarcity. When you build an abundance mindset, you are buoyed by it. In 1993, I was one among many people who were invited to the inauguration of Infosys' low-budget campus. On that occasion, Mr. Narayan Murthy made a public vow that Infosys would strive to make a hundred Infosions (not employees) millionaires by the year 2000! It was unheard of that an entrepreneur would evaluate his success or the success of the enterprise based on how much wealth it could create for people who work for the organization! As a result, Infosys has become a global company, buoyed by the spirit of shared wealth creation. The wealth created by an enterprise is not a private property just because its seed was in the capital of the entrepreneur. At MindTree, we began by stating that every MindTree Mind will be a part owner of the company. It is not a symbolic statement. It is a firm departure from an outdated, feudal mindset. That mindset, prevents companies from becoming truly global, truly admired and truly sustainable.

Lesson # 4: Great enterprise is built by people who are proud to pay their taxes right

The third lesson from the IT industry is in its pride in paying taxes right. You will never hear that Narayan Murthy, Azim Premji or Ashok Soota losing sleep over the sound of the tax-man's foot steps. These people, like all of us in the industry, are proud to pay our taxes right. In the last many years that I can recall, every single year, I have received a tax refund by mail from the Income Tax Office of Salary Ward, Bangalore without ever visiting them or being visited by them. That simple thing is not understood by most Indian businesses. We overplay the issue of complex government regulations and corruption to justify our personal tax evasion. The primary qualification for a would-be businessman becomes, the ability to fudge accounts and evade taxes as if that is all there is to creating great enterprise. Great nations, great economies are built when people pay their taxes right.

I am not blind to the fact that sometimes we all suffer because of an occasional bad law or a bad interpretation of the law. At MindTree, when we are some times faced with something like that, we first pay the tax and then we fight it out. We do not smear our face because some one else is in the black. The day, your business can be an open book, your passport to stardom is stamped with all the right visas.

Lesson # 5: To be world-class, you have to be hierarchy-free

The fifth lesson from the IT industry is its total disregard for hierarchy. Our car parks have reserved slots for only two kinds of people - customers and people with disabilities. If Ashok Soota comes late to work, his car gets the farthest slot from the portico. We do not have special toilets for "owners", we eat in the same canteen with everyone else and all the rules that apply to every other person in the organization, applies to us first. In Wipro, the joy (and the nightmare) for a traveling salesperson was discovering Azim Premji as one's neighbor in the frugal guest houses the company maintained. Any person, irrespective of his or her level in the organization, can send a mail to a Narayan Murthy or an Ashok Soota - openly questioning company policy, direction or practices and these people admit that they are accountable. When they do that, they lay down the importance of transparency and governance two critical requirements to become a global player in any business. It is amazing how social memory gets created when leaders set the example.

I must share with you this small but significant anecdote that exemplifies the concept of hierarchy in most businesses. A few years back, the wife of an industrialist was showing me around their workplace. A part we were about to enter had been cordoned off for some genuine reason. As the we were walking up the staircase to that area a security guard stopped us. This vastly embarrassed and enraged the lady. She briskly ignored him, entered the area and pulled up someone senior as to how the Security Guard was indiscriminate and ill-informed. Read, how come he did not recognize her? That night, I could well imagine the dressing down the Security Guard would have had. Rest assured, he in his entire life, will never question any pretty woman who speaks English with a hint of arrogance. In the IT industry, that man would have been feted, his photo would have been on the Intranet and he would have received a spot award. At MindTree, Security Personnel are under strict instruction not to salute any one of us. Their job is to be vigilant, not respectful. On the rare occasion our spouses drop in, they have to sign a visitor register and get a badge like any one else.

Lesson # 6: Leaders exemplify personal integrity

The sixth lesson from the IT industry is about the unimpeachable personal integrity

of the people at the helm of affairs. When I was in Wipro, Mr. Premji had invited Mr. Narayan Murthy to speak to the Corporate Executive Council. Mr. Narayan Murthy was speaking about the personal standards of integrity followed at Infosys. Even at that time when corporate governance was not a buzz word, his wife had to pay for her own expenses while traveling with Mr. Murthy.

More recently, when Mr. Azim Premji's son, Rishad was relocating from New York to London and wanted to stay in the company guest house for a few days, he was flatly refused that privilege. There are times when I travel with my wife Susmita accompanying me, if she and I share a meal at a hotel by ourselves, I make it a point to write on the bill that half of it should be debited to her. It is quite another story that she pays under protest. According to her, while she eats 25% of the food she has to pay for 50% of the bill! Companies like MindTree, Wipro and Infosys live by the principles of complete transparency and integrity down the organization. These are articulated and evangelized by the top management. When there is the inevitable, occasional breach, irrespective of the quantum of offence, who is involved and what is at stake, the organization deals with the matter with immediacy and seriousness.

Lesson # 7: Great enterprises believe in setting up "hairy, audacious" goals

The seventh lesson to be gleaned from the IT industry is about the linkage between great success and setting up of hairy, audacious goals. The linkage between greatness and size of the vision was officially discussed at the World Economic Forum a few years back, when a study presented showed that the one thing common among all noteworthy organizations in the world is, the size of the goal they always set for themselves. They never ever made their dreams hostage to the constraints of their times. They never thought of the future as something connected to the present by an incremental staircase. To them, the future was irrationally large, unbelievably beautiful and they coveted it so much, they made it happen. When I was sent to set up shop for Wipro to the Silicon Valley in 1990, the Reserve Bank of India did not permit us foreign exchange to open an office. So, Wipro's Office was my two bed-room apartment in Cupertino. I bought an electronic typewriter and a

fax machine both for a couple of hundred dollars and declared myself open. Little could anyone imagine that the same organization would become a multi-billion dollar, household word in the global IT industry in 15 years from then! Wipro always set up for itself, monstrous goals and created the path towards it. Infosys is a great example of setting up many such goals too whether it is the goal to produce the first hundred millionaires in the IT industry, or to become the first Indian company to be listed on NASDAQ.

Lesson # 8: World-class organizations are deeply inclusive

No vision in human history has ever been delivered without creating inclusion. That is the eighth lesson I want to talk about today. The one significant difference between the IT industry and all others is the amount of substantive, and not symbolic inclusion it has created. Inclusion is not about building temples and charities and at the same time, maintaining a safe distance between the entrepreneur and the smallest person who works for the organization. I want to explain the concept of inclusion to you at three levels at the level of information sharing, at the level of caring for those who are close to you and finally at the level of those who are only remotely connected to you.

First, let us talk about inclusion by "information sharing". Information is everything. If information is not shared or shared selectively, we can never build inclusion. Ashok Soota, Chairman of MindTree has a beautiful principle we call it 95:95:95. It means, 95% of people must have access to 95% of the information at 95% of times. As a venture funded, privately held company, we are not required to share financial details with anyone. Ashok got the venture capitalists to agree that all MindTree Minds will have full access to all financial profitability data. These, and many other "sensitive" information are routinely sent out by Ashok through an electronic newsletter called "Snapshots". Do we run the risk of these getting forwarded the wrong people? Oh, yes we do. But the benefits far outweigh the risks. If we cannot trust our own people, how can our customers trust them?

Now, let me tell you about caring for people who are close to you. I want to tell you about a man called V. Chandrasekaran who is the CEO of Aztec. Known popularly as VC to colleagues in the industry, he is an example of building inclusion by deeply caring for people close to him. One such man for whom VC has deep caring is Inder. After dropping out of his Class 7th in a small hamlet named Guru in Ratu Thana near

Ranchi, Inder ran away to Delhi where life brought him and VC together. After that, over the decades, VC has moved places in life while Inder has taken charge of his mobility as driver and Man Friday. VC has remained as loyal to Inder as Inder has been to VC. When Inder chose his wife, VC and his wife got them married and when VC built his own house in Bangalore, at the same time, he also bought Inder an apartment so that he too has a respectable, secure and comfortable living. But more importantly, VC and his wife took personal interest in his son's Suryadev's education they enrolled him at the best school in the neighborhood. Today, a young, self-assured Suryadev is topping his class and has dreams to be a scientist! VC's personal success is not about how he has raised his own two children - his success is in irreversibly changing the track for Inder. Very recently, when VC's son got married and friends from the IT industry were invited to a five-star hotel for the reception, guess who were receiving guests and mingling with everyone? Inder and Suryadev both dressed from head to toe in the same finery that VC's family members wore.

Now let me explain the concept of inclusion that involve people who we would never meet, people who are often twice or thrice removed from our zone of interaction. When Infosys was to be listed at NASDAQ, the entire NASDAQ team firmly believed that the floor price could do well with an increase by another quarter of a cent. When they insisted that Infosys should up the price, Chairman Narayan Murthy turned down the suggestion. He said, if that was so, let the investors see that immediate gain for themselves and feel good about their investment rather than Infosys pocket the increase. Multiplied a million times over, that quarter would have been big enough money for anyone else in Mr. Narayan Murthy's shoes!

To him however, the collective goodwill of people he would never see meant much more than the guaranteed prospect of an immediate gain.

The IT industry has come up to be what it is today, because in every deal, it leaves something behind on the table so that people come back to deal again.

Lesson # 9: The organization's resources are not "my" resources

The ninth lesson from the IT industry is about making a clear distinction between personal resources and organizational resources. Sometime back, the media was agog with a few celebrity weddings among Indian businessmen. In one of them,

media reports said, invited guests were flown in free to the venue by the airline which was started by the groom's father. Just because you start a company, does not mean you "own" it. My company's resources are not my resources. The truth is that such misuse of organizational resources is quite common place among business owners and industrialists in India. You would seldom see such impoverishment of the mind in the IT industry. When Azim Premji's elder son wed recently, he called barley a couple of hundred people home to celebrate the wedding. Good but inexpensive food was catered by restaurant in town that is passably upper middle-class. As the guests talked over food, dinner boxes were quietly handed over to their drivers who had parked their cars a little away from the venue of the reception.

Lesson # 10: Admirable organizational prosperity begins with austere leadership

The tenth lesson from the IT industry is about austerity. If you are waiting at the venue of a conference in Bangalore, what car do you think you are most likely to spot Nandan Nilekeni in? A Toyota Qualis. All the founders in MindTree were senior people in the industry, prior to our starting the company. One thing we were all clear about the raising of MindTree called for exceptional austerity. When we started MindTree, the members of the Internal Board took voluntary salary cuts of anywhere between 50 to 75%. We decided that none of would use MindTree money to stay in luxury hotels or travel business class. In the last six years, we have followed that diligently even as some of us travel more than 120 days a year! Most people think, if you have it, you must flaunt it. That well may be the way many lead their lives, leaders in the IT industry stand out with their sense of connectedness with the larger reality. Greater wealth comes to those who respect its power to create change and look at themselves as a mere conduit. An entrepreneur is like a municipal water pipeline it is meant to convey the water, not quench its own thirst.

Lesson # 11: It is about ordinary people delivering extraordinary results

The eleventh lesson from the IT industry is about its ability to deliver extra-ordinary things with ordinary people. My father was an honest, government servant with a last salary drawn of Rs. 300 in 1967. My co-founder Janakiraman's father was a

village post master in Tamilnadu. Another co-founder, Parthasarathy's father was a traveling ticket collector in the Indian Railways and Ashok Soota's father was a colonel in the Army. Yet another founder Kalyan's father was a geologist in the coalmines and the youngest founder, Rostow's father was an accountant

That tradition is pervasive in the IT industry. Recently, I was looking at the demographic profile of 300 young engineers who have just joined MindTree from premium engineering colleges around the country. Each one has come to MindTree, not on the strength of who she knows, but solely on the solidity of what she knows. Far from being privileged, one in three comes from a rural, agricultural background. 1 in 5 comes from a small business owner's household. The rest come from family of salaried folks of the neighborhood. How affluent are these families? 1 in 3 has a combined household income of less than Rs. 10,000 per month. The median household income is a modest Rs. 16,000!

You know what is interesting about us? When the time comes - one of these people will become the Chairman of MindTree. By design, that position will not be open to the children of any one of the Founders.

Lesson # 12: Play it by the book

The twelfth and the final lesson from the IT industry is that you can become world-class, by playing it by the book. The IT industry was not created by people born with a silver spoon. The dice was loaded against them as much as it was loaded against anyone else. The mediocrity of the system was not their excuse to take short cuts in life. They were clear in their minds that it takes time to build sustainable enterprise. Each leader is deeply driven by the desire to be admired, ahead of the need to be successful in the ordinary sense of the term.

Here is an industry that has delivered two things worth noticing. One, it has made India a Brand. Two, it has delivered the Brand without bending the rules. It has proven that such things may take time, they may call for greater resolution, but they can be done. Even out of India!

Thus, the IT industry is just a proof of concept in the years ahead, it must be outdone in size and importance by many other enterprises, in many other fields. By playing it by the book.

Someday, when you build your own enterprise treat it the way a small farmer treats

his land. Some years, the harvest is good. There are also years when a cyclone comes from nowhere and it razes the standing crop that is ready to go home. Some years, he just looks at the sky as barren clouds are moved away by the unseen winds. Yet, he does not ever give up.

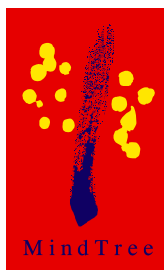
Uncomplainingly, he gets up again, one more time and goes back to till his land.

Contrast that with the mindset of many entrepreneurs whose only purpose is to get rich quick from idea to IPO!

Great value, my friends, is borne out of the feeling that an enterprise is a piece of invisible land we all have been given. Our charter is to create unusual, lasting value out of it - value that nourishes other lives. Value that builds greater value. In building it, sustainability and not chimera must guide our vision.

Thank you for getting me here today. I wish you all the very best in what you seek to achieve. Go, make the dream.

(This forms part of the speech delivered by Subroto Bagchi at the LST 2005 in Mumbai on September 24, 2005, organized by the National Entrepreneurship Network, Wadhvani Foundation and SP Jain Management Institute. The author is co-founder and Chief Operating Officer, MindTree Ltd.)



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