



P. Srikar Reddy

Managing Director & CEO

Editor's Note: *In this month's issue of Executive Perspective, martinwolf interviews Srikar Reddy, Managing Director and CEO of Sonata Software. Srikar has been with the organization since 1986, and has helped build the company into one of the largest software systems integrators in India. Today, Sonata Software is a global software and services provider serving Fortune 100 companies across the globe. Srikar's vision for Sonata is based on building the organisation with empowered people and providing a differentiated value proposition to its clients. Srikar has an Engineering degree from REC, Tiruchirappalli and is a Post Graduate in Management from the Indian Institute of Management, Calcutta.*

You've been at Sonata for a while. What are some of the biggest changes you've seen in the IT industry, and how has the company adapted to face them?

I started at Sonata in 1986, when Sonata began. The global IT industry, and definitely the Indian IT industry as we know it, was nascent at the time. Sonata started by focusing on building products. Today, my perspective is that of an India-focused IT services provider.

So from when we started, up to the early or mid-90's the industry centered on sending people from India to the US to do staff augmentation on site. At the time, the largest companies had a few hundred employees. A major shift happened when GE, wanted to use offshore resources to scale up the work. That's what really started what is today called the offshoring model.

Around the same time there was a big problem—the Y2K problem. So once it was established that Indian programmers could do this type of work, they started branching out into other roles such as traditional application development, maintenance and routine infrastructure, and other tasks. So initially it was a labor arbitrage issue, centered on commodity-type work.

The next improvement was to deliver the same work using a higher quality process. Today, we are coming to a stage where people are now looking at the Indian IT services market as a resource capable of providing more and more value rather than pure cost arbitrage—and as a result, it's now a \$50 billion industry in India.

Under your leadership Sonata's share price has gone up dramatically. What would you say is your secret for creating so much value?

We believe our value is a clear derivative of value created for our clients. Over the last 3-4 years, we have achieved a much deeper

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understanding of our core competencies and how we can use them to offer differentiated value proposition to our clients. Basically, we've taken what we're really good at and identified not just how we can help our current clients but also identified prospective clients who we can go after. That focus is combined with decisive action, a strong account management process and increased investment in sales and marketing. Additionally, we've built new capabilities in new technology areas, strengthened our leadership team, and, more importantly, changed our mindset and simplified our processes. These actions have helped create huge value for our client businesses, and that in turn, has reflected on our intrinsic value—our EBITDA has gone up 8-10x in 4 years. So that has been reflected on our stock price, and investors have shown their belief in our strategy, ability to perform as a team and ability to achieve our financial targets.

And it's not just our performance. We have clearly articulated our vision regarding who we want to be, where we want to be, and how we want to get there—and we are executing on it. We are very clear on what we do and how we differentiate ourselves, and both our clients and investors have a much better understanding of that.

Naturally, as Sonata has grown and the Indian IT industry has grown, there have been challenges. What are some key challenges that you have encountered or that you have seen the industry encounter?

The Indian IT Industry has been able to grow very big, but there remains an issue of the brand being perceived as low cost and labor arbitrage rather than high value. But people have been trying to break the mold in terms of communication and branding, and the industry in general is collectively working to solve that issue. At the micro-level, our challenge has also been how we change the brand perception, changing the mindset of our clients and potential clients to demonstrate that we can actually win. Improving our execution speed from concept to the final product is always a goal, as is aligning our vision with our ability to act on it quickly. Finally, we continually strive to get the right talent and maintain our ideal culture as a company.

Where do you see the overall Indian IT industry heading, especially as Modi and other Indian government officials keep stressing the digital revolution.

The overall industry is definitely shifting toward higher value services, as we have talked about before. I expect our market share to increase, as the industry matures and clients are more comfortable with the concept of dealing with partners like us. We expect clients to become increasingly open to working with non-traditional Indian providers—ones that are more focused and bring more depth to a deal.

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Obviously, there has also been a large shift on the digital level, as firms change from using their money to run the business to using their money to change the business. The shift in where we see the money being spent is really critical. Another interesting thing we’re seeing is who in businesses are getting involved in technology. Decision-making is no longer limited to the CIO—instead, conversations are being held with multiple executives, each of whom contributes to the overall business vision. As the world continues to move faster and competition increases, this fusion is getting lot more critical. The industry is trying to address the challenge in different ways as new technology is being thrown at it and people seek out comprehensive solutions. Big companies are throwing a lot of money at investing in tech to try and build these solutions themselves, but mid-size companies are squeezed and can’t compete with big companies or startups. In India companies like Flipkart are funded by private equity for billions of dollars—but nobody likes to fund a mid-market retailer to help them transform their technology, even in low amounts like \$10 million. So this creates a market for ready-made solutions that may not be 100% comprehensive but still provide a competitive edge. There is space for various kinds of companies in the market, from large players to focused players like us, all able to make their presence felt and get their message out.

How do you see the industry changing, especially with the increasing focus on cloud services, digital, mobile, and e-commerce? What opportunities do you see for Sonata?

Basically our vision is simple. Our vision is to help transform our clients’ businesses through thought leadership and execution excellence, fulfilling employee aspirations. We achieve this through a differentiated mix of IP and specialized services. As you know, our focus is on 3 verticals: travel, retail and independent software vendors. Our core offering to these companies is help them leverage new technology, and we are accomplishing this across the globe in America, Asia, Europe, Middle East, and Australia. The biggest opportunity we see is what is popularly referred to as the digital transformation of our clients businesses, especially in the upper mid market space, which is our sweet spot where we can offer a compelling value proposition.

How do you recent acquisition has play into the strategy, what do you look for in mergers and acquisition?

We have a unified digital strategy, and are able to offer a holistic digital transformation comprising various elements of digital technology: big data analytics, mobile, IoT, cloud, social, ecommerce. Our vision centers on being able to combine all of this and offer a complete digital transformation experience. We are planning on

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creating this whole holistic experience by creating technology platforms through M&A, partnerships or building our own. As an example, we’re facilitating a complete digital transformation for a brick and mortar retailer looking to go digital. Similarly, our Travel for the Future, will be a complete travel experience, from booking to after-travel experience, and we are building a complete cloud platform for ISVs offering DevOps and other cloud transformation offerings.

As far as our recent acquisitions go, Rezopia is a cloud based travel platform that is allowing us to build a holistic digital transformation solution for the travel industry. And our enterprise mobility platform, Halosys, offers exactly what enterprises need to be able to deploy mobile solutions. Both of these examples are in line with the strategy I mentioned, driving both IP and services to create a comprehensive digital strategy.

As far as what we look for in M&A, the first thing is that is we ensure all acquisitions are consistent with our vision and strategy. We are very clear about of what we want in terms of technology domain, client base, and quality of talent. Our philosophy is that we believe 1+1 should be at least 3, if not four. There has to be a complete cultural alignment in the ability of teams to work together, and a common shared vision and belief by our target that Sonata can help them achieve their stated vision. We believe in the talent and management of the acquired company—we want them to stay and grow and we believe that they have a good vision and that we can play a part in fulfilling it.

What are your thoughts on the Microsoft Dynamics ecosystem? How is Microsoft doing in creating a cloud-first, mobile-first environment?

We have been working with the Dynamics team since 2004, since they first set up their business unit. At first, they were too small, and we jointly invested with them with building capabilities—that’s how we built up our whole retail practice. Today I think the platform has really grown, not just as a CRM platform but also as a modern platform that is not bogged down by legacy as are some of the other older ERP solutions. This creates a strong advantage, and facilitates moving onto the cloud—which today is a major part of their focus. In the new organization, it is part of the main cloud and engineering team, providing access not only to Microsoft cloud and serving as a demonstration of Microsoft’s cloud platform in terms of its scalability and applicability to enterprise. So it’s a tremendous opportunity for us, and we believe that we have a chance to scale up to both inorganically and organically to become a very significant player in the Dynamics space.

How do you summarize your leadership style?

People have told me that I am very decisive, so once we decide to do something there are no second thoughts. Additionally, I prioritize inclusivity and advocate a collaborative way of getting things done. Having a strong team is important to me, as I believe in talent development and set increasingly aggressive goals for my team.