How India Found its Feet

How India Found its Feet: The Story of Indian Business Leadership and Value Creation, 1991-2010

By

Arvind Agrawal

CAMBRIDGE SCHOLARS

PUBLISHING

How India Found its Feet:
The Story of Indian Business Leadership and Value Creation, 1991-2010,
by Arvind Agrawal

This book first published 2013

Cambridge Scholars Publishing

12 Back Chapman Street, Newcastle upon Tyne, NE6 2XX, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN (10): 1-4438-4820-4, ISBN (13): 978-1-4438-4820-6

To the Memory of

My Parents

Smt. Gayatri Devi and Shri Shrikrishna

&

My Parents In-law

Smt. Snehlata and Shri Tirath

CONTENTS

Acknowledgements ix

Preface x

Inspiration for this Book xii

Indian Business Acumen Unleashed xv

Chapter One 1
Mr Deepak S. Mahendra

Chapter Two 11
Mr Atul Mohan Bindal

Chapter Three 23
Mr Jack Yan

Chapter Four 33
Mr Raman Roy

Chapter Five 53
Dr Nimita Limaye

Chapter Six 67
Mr Pradeep Bhargava

Chapter Seven 81
Mr Prakash Iyer

Chapter Eight 97
Mr Rajnish Virmani and Ms Neelam Virmani

Chapter Nine 112
Mr Vijay Chavan (IPS)

Chapter Ten 126
Mr Deep Kalra

Chapter Eleven 142
Dr Indira J. Parikh

Chapter Twelve 161
Mr Maninder Juneja

Chapter Thirteen 180
Mr Varun Gera

Chapter Fourteen 192
Prof. R. G. Nambiar

Appendix A 219

Appendix B 221

Appendix C 222

Bibliography 225

Credits for Illustrations 226

ACKNOWLEDGEMENTS

I must sincerely thank FLAME for supporting and funding this initiative. I am forever indebted to Dr Indira J. Parikh for faithfully encouraging me to complete this project. Many thanks to all those who agreed to contribute to this work by answering my questions. Sometimes their passion was so electric that I could feel their soul. My thanks to the students who came forward to help me transcribe the lengthy interviews. My heart goes out to my wife Sushma and daughter Aakriti who kept my spirit up for many late nights. I appreciate my son Akshay who patiently listened to my experiences over long distance phone calls. Like other works, there are too many other people to mention, but I deeply thank you all.

PREFACE

The pillars of growth for an economy are the strong instruments of governance: political freedom, strong legislature, rule of law, and a free civil society. Above all these areas stands the free human spirit that, once unshackled, unleashes energies that are unbounded.

The story of India over the last two decades is an inspirational story of the liberation of the human soul that overcame many hurdles to bring about India's "Golden Period" of economic development.

The early 1990s were catastrophic for the Indian economy. The threat of economic meltdown was looming large over our heads. After pursuing three decades of a closed economic model, we were so burdened with debt that we had to pledge our "gold" to buy a lifeline from the international community to meet our import requirements. We were burdened by a massive population. Whereas in the developed world domestic consumption drove their economies, millions of Indians needed to be fed through subsidised rations. The primary pursuit for our policy makers remained how to feed, clothe, and shelter our population.

Our economy opened in this environment. The 24th July 1991 marked the date on which Dr Manmohan Singh presented the budget and announced the opening-up of our economy to foreign investment. Indian businesses grasped this small ray of hope and India eventually grew into an engine for global economic growth.

How did this transformation take place? What strategies worked and which ones failed for these adventurous business leaders? How did India produce millions of revenue generating stars that became the envy of the world? What led to the creation of hundreds of thousands of entrepreneurs, some of whom took their businesses global in the short span of a decade? The Indian consumer suddenly took centre stage for many such Indian ventures.

India significantly transformed in the short span of 20 years. These changes were not limited to the economy, but included the development of our society as a whole. What were the aspirations, individual aspirations that were driving this growth? What were the initiatives that we followed to bring us recognition and respect in the world community? What challenges did these early entrepreneurs have to surmount? This unique moment in history is captured in this book through interviews of some of

these visionary leaders. This book covers the stories of thirteen individuals, some of them businessmen turned entrepreneurs, others leading companies founded by others, and some who left their cushy high paying jobs to jump into the mad rush to create value. These individuals who went through this critical period in Indian history recount their personal triumphs and tragedies. India will never be the same, and the transformation is captured in their experiences.

Before we begin, I must highlight the distinct difference in our growth as compared to China. Formerly, the Chinese are known for being factory workers and blue collar workers. Indians developed the cerebral part of the business and are respected all over the world for that. We skipped the so-called “Industrial Revolution” and directly jumped to the “Knowledge Revolution”. We used to lose our intelligentsia to more developed nations through migration. We are seeing a reversal of that trend.

The period between 1991 and 2010 has been rightly called the “Golden Period” of economic development. Economic recovery in the developed world is still slow since the collapse of the global economy in 2008; the European Union is still struggling to bail out its member states. India and China seem to be the only rays of hope in an otherwise gloomy world. Because of its young population, some experts predict that India may have a slight edge over China. It is amazing to see the entrepreneurial spirit in our youngsters, particularly their willingness to create new business models. The foundation for a bright future has been laid. It is not a question of "whether" or "when" now, but "how" our youngsters will leverage the economic engine.

INSPIRATION FOR THIS BOOK

As the academic calendar was being drawn in early 2011, Dr Indira J. Parikh, President of FLAME, announced some good news. We were to host our very own international conference. She had been able to persuade two Boston schools, Suffolk University and the Knowledge Globalization Institute, to host their next international conference in India at FLAME. The title of the Conference was "Knowledge Globalization" and the theme was "Managing Challenges of Emerging Economies". This conference would be FLAME's first attempt to knock on the doors of higher studies. The event had to be successful, but it also had to be novel enough to excite people to converge on our campus.

Knowledge Globalization Conference: 2012
Pune, India
January 5-7, 2012

Call for Papers

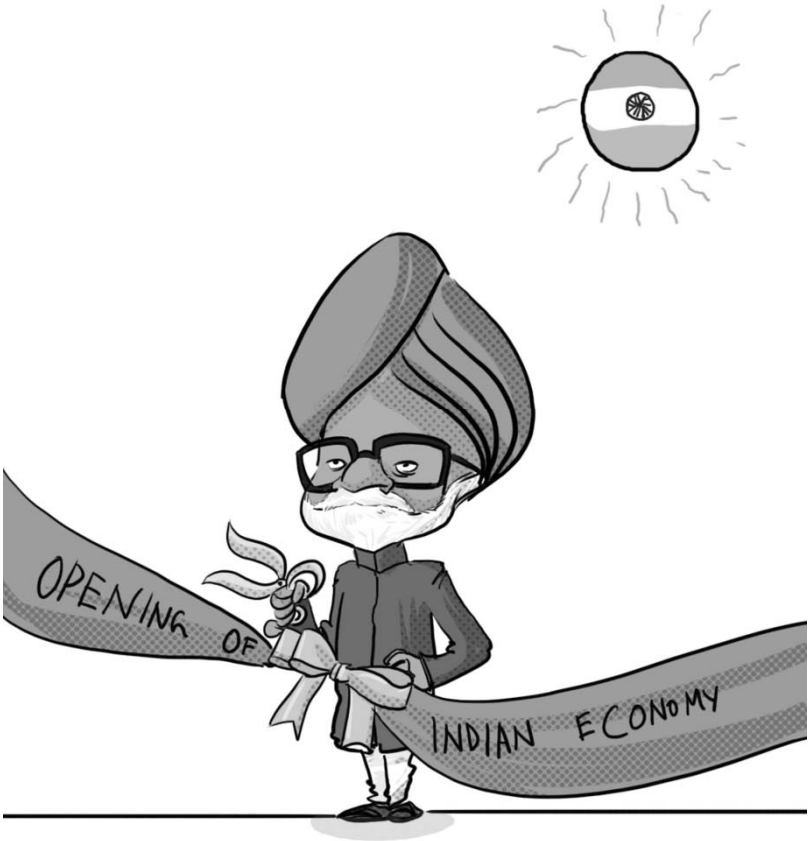
Conference Theme: Managing Challenges of Emerging Economies

First International Conference hosted by FLAME, Pune

Various facets of "knowledge initiatives" had to be investigated because it had to be more than just an academic exercise. We organized panel discussions with leaders in industry and academia. As we started talking to industry leaders, it emerged that their use of "knowledge" in growing their own companies had been significant. "Business leadership" and "market supremacy" quickly became popular topics. "Globalization" became important as companies began to grow their export businesses. Multinational companies had to start thinking of India as a significant

opportunity. Stories about this development piqued my curiosity, so I finally approached Dr Parikh to determine if she thought there was value in investigating and cataloguing India's unique economic growth over the past two decades. Our nomenclature for this generation of business leaders was "Business Intelligentsia on the Cusp". These Indians had made it into the most sought-after jobs in India. They had studied at the best schools and were looking to spread their wings. They were the eager beavers who wanted to challenge themselves, but were held back by archaic rules and investment hurdles. Providentially, Indian policy makers decided to open our doors and these "strong men" took advantage of it.

Several of these leaders were my erstwhile colleagues. While I had taken the easy way out and moved to a job overseas, they had fought the good fight at home. They have come out winners all the way, sometimes beyond their wildest dreams. It became my passion to understand and catalogue these experiences. I had intended to write a small treatise for the conference, but the material was so overwhelming that it became a book-length project.



Dr Manmohan Singh, then Finance Minister, opening the Indian Economy in 1991 budget announcement

INDIAN BUSINESS ACUMEN UNLEASHED

The Indian GDP has grown from ₹ 6,391 billion in 1991, to ₹ 42,863 billion in 2007, averaging a compounded growth rate of 11.8% annually. Given the reliance on domestic consumption instead of on exports, and having a young demography, India is a better bet in the long run. Market capitalization on the Indian stock markets has gone from almost nothing in 1991 to ₹ 180 billion (18,000 crores) in 2011, a compounded annual growth rate of 29%. During this time period, US stocks (DOW index) only grew at a compounded annual growth rate of 7.7%.

Such a significant shift could not have happened by chance. Such a transformation also could not have been entirely due to the change in law as Dr Manmohan Singh started a process of renewal of the economy in 1991. The opening-up of the economy triggered the global success of India's IT and outsourcing industry. This growth hailed the arrival of a new era for the Indian economy. This book captures the long-hidden strength that India had, and was finally able to express for itself.

CHAPTER ONE

MR DEEPAK S. MAHENDRA

Managing Director, M/s Foundation Brake Manufacturing, Ltd

Chassis Brakes International is a company carved out of Bosch Chassis Systems India Ltd., as a part of restructuring of their Foundation business.

Mr Deepak S. Mahendra is a B.Tech (Mechanical) from NT, Mumbai (1976).

He has around 36 years of work experience. He started his career with Telco (now Tata Motors) and later joined the Kalyani Group, where the association lasted 33 years. This included more than 27 years in various functions in Bosch Chassis Systems India Ltd.

He is responsible for the conceptualization and implementation of the project for setting up a second state-of-the-art Chakan unit to manufacture brake systems and components for the domestic and export market.

Mr Mahendra was chosen to develop the after-market operations of the entire company and make it a significant business segment of revenue and profit.

Mr Mahendra was also the Executive Director of Precision Seals Mfg. Ltd., a subsidiary of Bosch Chassis Systems India Ltd., which manufactures rubber parts.

Disclaimer

All views represented here are the personal views of the individual. They do not reflect his organization’s views, policies, or strategies.

Dear Reader, The interview below might ignite some thoughts or remind you of some experiences of your own. This space is where you can note down these thoughts. You can then email them to me at IndiaFoundItsFeet@yahoo.com where we can use these to update the next edition of this book with your contribution. Enjoy Reading!

Arvind Agrawal

Collaborative manufacturing is the new mantra in globalization

Mr Deepak S. Mahendra on Building "Excellence in Manufacturing"

Learning 1

"Global" Competitiveness

We realized early on in the 1990s that the following would not help us compete globally and sustain our business over the long-run:

Labour Arbitrage: In the manufacturing industry, automation quickly replaces labour. So to compete internationally, labour arbitrage cannot be the advantage.

Offer base level products: We realized that we would not be able to succeed by offering a base level product with low value addition, or by offering a very labour intensive product to try to make it competitive.

What worked very well for us was to offer a product that was higher in the value chain while adding labour, design, and process inputs. We were very successful, and our company was doing exports of very high value.

What does this require?

1. A huge management bandwidth
2. Communication with the customers on a daily basis
3. Investments in process knowledge
4. Investments in R&D

Typical Indian product exports have little value addition. They are just basic castings and mouldings. Finishing, subassembly, and final assembly, where significant value was added, happened overseas. One company that was successfully supplying auto components to Global OEMs had its employees working in their design office. Their designers co-designed components with the designers of OEMs, so that they were built using a simpler process at a lower cost.

A person who designed from the user side would often work in complete ignorance of the process side. Even if he were aware of the process side, he could not be expected to know how it might have been improved globally, and what kind of R&D might have already gone behind it. Just as someone does product R&D, someone else is doing the process R&D.

So to get the best of both worlds, they have to work together to come up with the best and least expensive product. Otherwise, they tend to add more material to ensure that it has a failsafe. Similarly, others will suggest

something else to be added, so it has even more of a failsafe. However, this may not be practical.

Simulation software allows you to feed the information now and immediately know the result. You can simulate the road conditions to see the performance. This software allows you to make the product design approach so simultaneous that you can get the best of both worlds. We learned that we had to work with our customer's multidimensional knowledge. Bringing together the engineering, process, and product people ensured that we produced a superior process.

Learning 2

Building "Trust"

We had to develop "trust" and "belief" with our customers. The path is a difficult one that lasted a period of 6-7 years.

How do you do it?

Our buyer first gave us a pilot order of around 50,000 units per year. We came up with a solution:

Various rounds of audits - customer, vendor, and process;

Multiple rounds of inspections.

These trial orders convinced the buyer:

That we could provide the same level of expertise, technology, and service that were available in the US.

That we have completely understood the "intent" of the customer requirement both "stated" and "unstated".

They started giving us bigger orders. Over six years, they almost doubled their orders every year. This is a crucial building block for growth, based on building trust year after year. The customer was getting the same level of service that they were getting locally, but at a lower rate.

Learning 3

"The unsung heroes are the people who make the process knowledge intensive"

There was no difference between the competence of engineering people from India and the USA. Process knowledge is the same in both countries. They build highly automated facilities to save money on labour. That is why their investments run into millions.

In the USA, money is cheap and labour is expensive; however, in India, the opposite is true. At the end of the day, the product is the same. With people doing the work instead of machines, we added value to the services we offered, the designs that we built, and the process that we developed. We worked longer hours on the process designs, layout designs, and review mechanisms. We simplify the process and then propose cost cuts.

Learning 4

The "Knowledge Pool: Information does not qualify you as a Boss or a Leader, but Knowledge and Wisdom Do"

A company's global manufacturing centres contribute to their knowledge pool. Formerly, people moved to a new company for higher remunerations after having acquired new techniques or becoming more skilled. This is what professionals do. Professionals are people who acquire knowledge and leverage it to get a better paying job.

Now, big companies are setting up what is called an "electronic portal", where all such lessons learned are stored on data portals, and these lessons are available for the entire organization to see. You create an e-design portal, or e-testing portal, and input all your knowledge of design, process, and testing where everyone in the organization can share it. No need to reinvent the wheel.

These portals are mandatory. You cannot proceed to the next step unless you've entered this information in the portal. That's why they have interlocks. In the first stage, you complete the data, and complete the loop. They have these automatic interlocks which ensure that all your learnings in design, process, testing, are captured in a common portal called e-design, or e-testing, or PDS (Process Data Sheet), etc., where it is available for the whole world to see. Suppose you are trying to make a line for the assembly, and you encounter a problem. One option is to break your head, and find a solution, a "jugaad" as they call it. Another option is to go to the portal, discover that it has been done previously in Mexico, get the design, and do the same thing here. This is the new trend we are following in the manufacturing industry to avoid the problems of the past. This is what we call the "lessons learnt". There is a term for this in ISO, 'TGW-TGR' - things gone wrong and things gone right.

You record these things for posterity so it becomes human independent. IT has created a level playing field, so now you cannot be someone's boss based only on information, which was the case with our

predecessors over the last many years of industrialization. You look back in your time to when IT was not so prevalent; your bosses were your bosses not because they were necessarily intellectually superior to you, but they had more information than you had, and they would leverage that.

They never let information simply be available to everyone in a free and secular manner. After that, what you do with that information is intelligence. And what to do with intelligence is wisdom. So let's rule by wisdom instead of more information or a better IQ. Create such portals, and make information available to the whole universe.

Learning 5

"Focus on long term instead of quick returns"

Lack of Products

Despite huge strides in IT and BPO/KPO Industries, in India we do not have a "PRODUCT" portfolio. We are happy providing IT/BPO/KPO "SERVICES" to the world! We are happy being the back office of the world.

Products like SAP, Oracle, and Windows do not come out of Indian IT companies, although many Indians may be involved in developing these products.

Inability to Focus on Capturing Customer Voice

We must have a way of capturing the customer voice. The customer is talking through his body language. Through his lifestyle he is conveying something to us. The Apple iPad or iPhone were not created because somebody came and told them the specs. However, in India, somebody else usually gives the specifications to us.

Inhibition to take Risk

This is where the concept of risk comes into play. Only one in twenty will be successfully converted into a product. You need to spend your effort in capturing and understanding all twenty voices in order to succeed in one. This is market research, which is an investment that our businesses must make.

Low Appetite for Investments in Research

Investment in research is considered to be a waste. Global leaders put 7-8% of their revenues into research.

My suggestion is that companies should commit that kind of money without expecting returns. They should let brilliant people work in a research environment, create an ecosystem where they can thrive, and allow them to work freely. My worry is that I don't see such investments being made in India because they cannot promise tangible results.

From "Know How" to "Know Why"

Indians have learned the "know-how", which means that we know how to make this or how to grow this, but we still don't know the "why" of it. The term "know-why" comes from a Japanese technique of "5 Whys". This means you have to ask the question "why" five times to get to the root of the design. Most Indian designers, however, would ask only two whys and stop at that. Because of this approach, we know the generics, but we don't know the fundamentals. That's the reason Indian product and service quality is not considered world-class. It's no surprise that the results are second-rate when we are trying to make world class products without fully understanding the "why".

Market Research - Example

Take Hollywood vs. Bollywood. We are the world's largest producer of films, but how many go global? Very few make it internationally. Somebody in Hollywood makes an animated movie, spends $200-300 million (₹ 1200 crores), and that movie goes on to become a global hit. Now, the question to ask is, how did they know that this would be a success? How do they know that people will like it? How do they know that customers will like it in India, the Philippines, China, and Indonesia? Knowing what the public wants before they know it themselves is the trick. This is a very deep insight that Hollywood has learned, and today they are making films which you don't even know whether you will like, but they are already making them. They invested more than half a billion in Avatar, how did they know that it would be a global hit? If it had failed, the whole studio would have collapsed. So the reason behind so much confidence is the consumer research, which makes them sure. Through research, they knew that people were getting hungry for 3D.

Capture Trends and Predict even before the Customer Knows What He/She Wants

India has to move from providing information collation, to providing intelligent solutions, and then move into market research and wisdom. In every field, we should be able to draw mega trends, read between the lines. Then, you will find out what the thing is that people want; that will tell

you how to meet the future demand. India has to achieve original thinking based on market research.

Chapter One - Author's Comments

Mr Deepak S. Mahendra was one of the key leaders who brought about the transformations in the manufacturing sector. What you just read was his experiences and learnings over the past 20 years, and his vision for the future of the Indian manufacturing sector.

The story of India's economic growth over the last 20 years has been fascinating. We have gone from being called "underdeveloped" to "developing" to now an "emerging" economy. This recognition is resulting from the high rate of growth we have been experiencing as well as the high visibility of our companies. The poster boys for this transformation have been the IT, BPO, and KPO industries. Interestingly, this has hidden the revolution in the manufacturing sector that has been brewing silently. The consumer revolution was made possible by domestically manufactured automobiles, air conditioners, washing machines, construction machinery, etc. It was quite fashionable for Indians to bring back a TV or a video player from an overseas trip in the early 1990s. Today all of these can be bought locally, and what a choice, I must say!

It is fascinating to analyse our growth as a society and compare that to individual challenges. Individuals are guided by their personal motivations, while the society grows through knowledge enhancement as a whole. Despite our institutions of higher learning, IITs, IIMs, and now IISERs applied research has not been undertaken. The industry has to break out of the shackles of reproducing western products and embrace the high value addition path as prescribed by Mr Deepak S. Mahendra for it to create true future value for consumers.

CHAPTER TWO

MR ATUL MOHAN BINDAL

Managing Director Asia – Khosla Ventures advisory Services[1]

Atul Mohan Bindal is Managing Director Asia with Khosla Ventures Advisory Services since last year. Atul assisted investee companies and startups to identify business opportunities across India and the region, to extend their presence through joint-venturing, strategic alliances, and other fit-for-purpose arrangements. Atul then helped nurture the companies through the early stages of growth.

Until last year, Atul was President of Mobile Services at Bharti Airtel, Ltd. across India, Bangladesh, and Sri Lanka, operationally leading the $8 billion business through what was arguably its most challenging phase. As President of Mobile Services, Atul chaired the Mobile Management Board, and sat on the boards of three affiliates/subsidiaries as well as the apex Airtel Management Board.

Prior to Mobile Services, Atul was President, Telemedia Services for Bharti Airtel. While there, he turned around an underperforming, 12,000+ person business into a vibrant $800 million dollar national operation generating 43% ebitda from 3.2 million customers. Atul started his journey

[1] At the time of submission

in Bharti Airtel in 2003 as Group Chief Marketing Officer Mobility, bringing years of proven global experience in marketing, sales, and operations to the then burgeoning Indian telecommunications industry. Atul successfully navigated Bharti through the first wave of hyper-competition in the industry, heralding a long period of growth for the company. As Group CMO, he drove the introduction of several new disruptive and innovative marketing and business initiatives enabling the company to leapfrog the competition.

Before joining Airtel, Atul was Vice-President and General Manager Asia, Middle-East, and Africa for Honeywell Power Systems, Inc. He was instrumental in seeding and kick-starting the distributed energy business for Allied Signal/Honeywell. Atul served with Allied Signal/ Honeywell for almost seven years across India, Asia, and USA in both P&L as well as senior business development roles in different SBUs. As Vice President & General Manager, Atul was on the global board of Honeywell Power Systems, Inc. as well as an Asia Executive Committee member.

Atul has also worked with DHL International as Regional Commercial Director Asia-Pacific based in Singapore with responsibility for Marketing, Sales, Service and e-Commerce for the $1.3bil region that included 42 countries. In the earlier part of his career, Atul worked in various leadership roles in Marketing, Sales and General Management with American Express, Lipton and Shell, playing an instrumental role in creating memorable brands and shaping successful businesses.

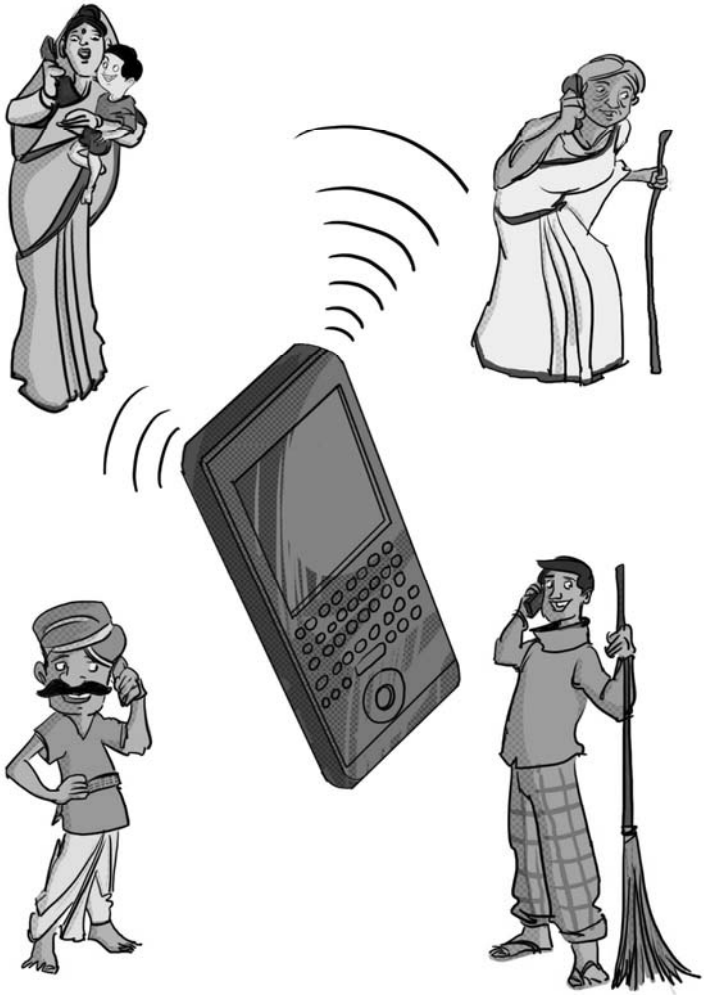
Atul has an MBA from IIM Calcutta and an AMP Graduate from Harvard Business School. His first degree was in Mechanical Engineering from Delhi College of Engineering, University of Delhi.

Disclaimer

All views represented here are the personal views of the individual. They do not reflect on his organization’s views, policies or strategies.

Dear Reader, The interview below might ignite some thoughts or remind you of some experiences of your own. This space is where you can note down these thoughts. You can then email them to me at IndiaFoundItsFeet@yahoo.com where we can use these to update the next edition of this book with your contribution. Enjoy Reading!

Arvind Agrawal



The mobile communication revolution in India – affordability to the masses