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BUSINESS SCHOOL
**CO-CREATION: HARVESTING
THE UNCONSCIOUS TO
CREATE VALUE**



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**HOW CUSTOMERS
INFLUENCE THE
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**IS ADVANCED TECHNICAL
KNOWLEDGE NECESSARY
TO BECOME AN
INVENTOR?**



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**EXPLORING FOR
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LAND, AND SPACE**

A 4Ps B&M QUARTERLY SUPPLEMENT ON CORPORATE LEADERSHIP

A PLANMAN MEDIA-
IIPM THINK TANK
PUBLICATION

HONCHOS

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MANAGING UNCERTAINTY

LEADING CEOs ACROSS
SECTORS DISCUSS HOW
THEY MANAGE THE
UNCERTAINTY THAT IS
ALL PERVASIVE IN THE
BUSINESS ENVIRONMENT
OF TODAY

(from top left anti-clockwise)

1 | Rohit Saboo, CEO, NEI

2 | Ajay Chacko,

President, AETN18 Media

3 | Anirudh Dhoot,

Director, Videocon

4 | Deepak Gulati, CEO, Tata Docomo

5 | Mahendra Swarup, President,
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The Great Indian Dream

REKHA, EDIFY, DELIBERATE

HOW THE FAULTY HEALTH POLICIES COULD NEVER MAKE IT UNIVERSAL

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The boiling kettle test - Honchos, are you really worth the praises?



MANISH K. PANDEY, EXECUTIVE EDITOR, HONCHOS

HONCHOS is “all” about those exemplary business leaders under the Sun who are spearheading successful outfits in the face of “uncertain” challenges and “certain” opportunities, round the clock, day-in and day-out. These capitalistic heroes have always been there and will always remain. Without them, organisations would be running around in the pursuit of happy capitalism like headless chickens – visionless and myopic – (always) meeting their ends before the checkered flag is waved. As far as I can recollect, a combination of curiosity, conviction, perseverance and passion is what makes a Honcho.

Take Jeff Bezos for instance. When he started Amazon.com in 1994, who in their right mind would have believed that books could be sold online? But he was curious. Very curious infact, about the “uncertain” blue ocean that had not been board-pinned on the maps of businesses till then. He had an unflinching faith in his idea and the perseverance and passion to wait long enough to see his venture disrupting an entire market. Today, Amazon has annual revenues of \$34.2 billion and sells everything. Well, almost everything! The company recently marked its entry into the tablet market by launching the Kindle Fire – a tablet which has been touted as the only formidable competitor of the iPad.

Not very recently, the world lost one such Honcho who took charge of anything and everything. He was the legendary Steve Jobs. He founded Apple in the 1970s, got booted out by his very own CEO and Board, but returned eventually as Apple’s CEO, revolutionising the IT industry with creations like the MacBook, the iPod and the iPhone. His ‘reality distortion field’ made almost anything possible that

Moore’s Law could define. Post 2000, it was perhaps only his company which continued to grow despite competitor advancements and financial meltdowns. Starting with personal, he single-handedly ventured into music, retail and consumer electronics, and tasted success. The reason is simple. He was passionate about his work and above all, knew the art of managing uncertainty. From another perspective, Steve Jobs became the uncertainty for his competitors. Not to say that others of his league had all been failures. But then, he was the best.

Today we live in one of the most uncertain times and therefore the most pressing challenge that CEOs face is that of managing uncertainty. The business environment has dramatically changed. It looks as if uncertainty is here to stay for a while. And the effects are filtering through: complications, correlation, diversification and change – words we will be hearing more frequently in the future. What worked a decade ago no longer seems relevant. Obsolescence and change is the only constant.

Since uncertainty is omnipresent, and often cannot be taken control of with either time or knowledge, we must learn to manage it. Question is: How do you get a boiling kettle off the stove? Burn your hands if you will. Or use an insulated grip. That’s what decides a Honcho in the business sense. The costs of ignoring uncertainty can be very high in terms of unwelcome surprises and poorly calculated risk-taking behaviours. The challenge is to develop a useful approach to managing uncertainties in decisions that affect our day-to-day affairs or policies at all levels. Like I said before – it’s the kettle question. You can’t do without the heat. And most certainly, both Bezos and Jobs didn’t get burnt! ■■



Aurobindo Chaudhuri Memorial Great Indian Dream Foundation



Gudiya a 9 year old Dropout from School

The second time we met Gudia was after 6 months of our first meeting. This time was different, we were disturbingly shocked to see the adverse changes that had engulfed and forced her into such an ill fate. Those little eyes that once twinkled with the gleam of becoming a doctor, sparkled no more. She now worked as a servant, cleaning dishes and doing chores in a rich mans house, only to earn a square meal for her struggling family.

We asked Gudiya...

"Where is that aspiring Doctor that
We had seen 6 months back?"

**She replied "She is dead..."
Just like my father!"**

**LIKE GUDIYA 40 MILLION CHILDREN ARE STILL BEING EXPLOITED
MOSTLY NOT BY CHOICE BUT DUE TO CIRCUMSTANCES**

**GIVE THEM A CHANCE
BRING A CHANGE.
SUPPORT A CHILD**

Today's Homework*

1. Beg and collect 20 rupees from Mehrauli - Badarpur crossing.
2. Clean and wash the dishes at Mrs. Sharma's house.
3. Kneading the dough for the evening meal.

- Gudiya

* This is a translated version of the actual quote that Gudiya had written in her notebook exactly two days after she was forced to leave her school. Gudiya has been enrolled in one of our School's situated at Madanpur Khadar and we are am sure if you stand by her, one day she will definitely achieve her dream of becoming a doctor!

This is no fiction. It's the true story of a 9 year old deprived girl child, Gudiya. According to her friends and teachers, she was extremely good in studies at the time she was in class III.

Unfortunately she can't go to school anymore, because she has to earn money for her family after the sudden demise of her father, who was the sole bread earner of the family. *She had to choose between her books and starvation. The choice was obvious, she decided to help her mother by earning a livelihood to support her family and the education of her younger brother.*

This is an appeal to you on behalf of Gudiya and many others just like her, who are the victim of the indigence of their families. They are forced to dropout of school because their family can't afford the cost of their studies. With your contribution we will make sure, that all children have an equal opportunity to education and that no girl has to drop out of school.

To support the cause, send in your contribution by cheque or DD in favour of "Aurobindo Chaudhuri Memorial Great Indian Dream Foundation", along with your details or sms to +91 9999999911.

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Great Indian Dream Foundation**

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Given the unpredictable nature of forces governing businesses, conventional strategies no longer work. What are CEOs doing to manage uncertainty?



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GM'S EX-CEO BREAKS SILENCE

Rick Wagoner, ex-CEO, General Motors (GM), finally broke his public silence of over three years by addressing the 1,100 winter graduates at Virginia Commonwealth University in his hometown - Richmond, VA. He was ousted from General Motors by the Obama administration as a condition of the government's rescue of the company and had since then maintained silence in the public eye. His speech, kept short at twelve minutes, incidentally spoke about taking risks and accepting defeat gracefully. He also briefly mentioned General Motors when he spoke about accepting challenges and cited the example of how he accepted the job at the company in New York City at the start of his career despite being vehemently against taking a job in New York at that time. He went on to become the youngest ever CEO of GM at the age of 39 and led the company and the industry on to new paths such as forging alliances and focusing on high margin trucks and SUVs. However, he soon ran out of luck when the organisation started giving losses close to \$85 billion leading to closure of factories and a series of job cuts. He eventually had to resign in order to declare bankruptcy and accept government bailout.

OLYMPUS EX-CEO PREPARES FOR BATTLE TO FORGE A COMEBACK

The much publicised departure of Micheal Woodford, ex-CEO, Olympus Corp., from the board of Olympus took a dramatic turn recently when he said that he has sufficient backing to return to power in the organisation. Having dared questioned the shady deals taking place in the company amounting to \$1.7 billion he was ousted by the board first from the top job as the organisation's CEO of fourteen days, and then as a member of the board. But he is now preparing to return to the company where he worked for over 30 years to attempt to salvage the company from its maligned and debt ridden future. Gathering the support from the employees and the shareholders shall be crucial to Woodford's scheme of plans. He is currently engaged in building a fresh management team to replace the existing one, subject to the shareholder's approval. The presiding board while having agreed to resign is also determined to place a board of their own choosing. The final word shall come from the shareholder's through the ballot of vote to be conducted within a few weeks time.



FORD STARTS SEARCH FOR NEXT CEO



There may have been no official releases relating to this yet, but the buzz doing the rounds of the industry suggest that the company has begun the process of finding a successor to their incumbent CEO – Alan Mulally. While Mulally has not provided any clear time frame for retirement, the question of succession had been looming over the company for some time. The probable candidates for his succession include Mark Fields, President of American operations and Joe Hinrichs, chief of operations – Asia, from within the organisation. The other external choices for the position are John Krafcik, CEO of Hyundai Motor Co.'s North American arm and Phil Martens, CEO of Novelis Inc. (the US arm of HindalCo). Both Martens and Krafcik have previously worked at Ford. Mulally, aged 66, joined the organisation in 2006 from Boeing Inc. and is credited with turning around the automaker having saved it from a federal bailout that rescued most of its US competitors. Whoever the chosen one, we only hope that he be able to fill in the large shoes of the current CEO.



CYRUS MISTRY TO LEAD TATA GROUP

A shift of guard has begun to take place at India's oldest and most respected corporate group, Tata Sons. The holding company of the \$80 billion tata conglomerate led by Ratan N. Tata shall soon be succeeded by Cyrus P. Mistry, the 43-year-old MD of Shapoorji Pallonji Group. The first step for the same was taken when the board appointed him as the deputy chairman of the group. He will work with Ratan Tata for a year before taking over the reins completely in December 2012. Commenting upon the decision, Ratan Tata said that he is a good and a far sighted choice and that he would equip him with the requisite exposure, involvement and operating experience before handing him the full responsibility of the group. The Mistry family has long held strong relations with the Tata group and maintains a valuable 18% stake in Tata Sons thus becoming the largest non-Tata shareholder in Tata Sons. Before this, Cyrus Mistry held the position of a Managing Director at Shapoorji Pallonji & Co.

HOTMAIL CO-FOUNDER READY WITH A NEW REVOLUTION

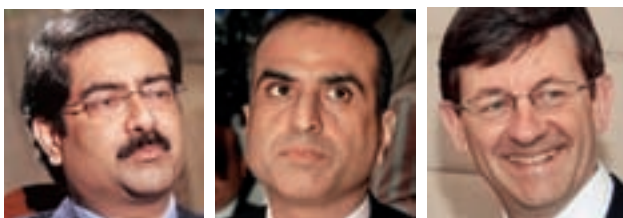
Sabeer Bhatia, the famous co-founder of the world's most popular email service Hotmail, is back at doing what he is best at – initiating revolutions. After the free mail service, he is all set to change the world of SMS with his new service called Jaxtr. He claims that it is the world's first mobile-based application for sending SMS that is completely open since the recipients do not need to have the app installed thus enabling it to be run seamlessly on almost all mobile operating systems. The resultant effect of which could probably be a complete over shadowing of the regular paid SMS feature used by millions and available in all mobile phones. It is this facet of the application that distinguishes the app from other free messaging services and places it next to Hotmail. With the release of this application, the Indian born Sabeer Bhatia has retaken the title of an entrepreneur. His last entrepreneurial endeavour came in the form of Arzoo Inc, an e-commerce firm. His latest venture if successful shall pose a serious threat to the revenues of telecom companies across the globe who rely heavily on text messaging for revenues from their VAS.



TELECOM CEOs DEMAND REFUND OF 3G CONTRACTS

A consortium of CEOs of the top telecom companies of India recently filed a formal request through a letter to the Prime Minister Manmohan Singh to refund their 3G auction payments with due interest and compensation charges. This follows in the aftermath of a dispute between the government and the telecom operators over the use of 3G

bandwidth for sharing with competing operators which the government finds to be in contradiction to the agreement terms. The confrontational body includes Kumar Mangalam Birla, Chairman, Aditya Birla Group (which owns Idea Cellular), Sunil Mittal, Chairman and Group CEO, Airtel, and Vittorio Colao, Group CEO, Vodafone (L-R in picture). These three telecos amongst them hold nearly 50% of India's mobile subscribers. The telecom firms hold that the government has traversed from its original position of before the auction when they had been given a confirmation on the same. The letter by the CEOs asked the PM to intervene in the matter and take corrective actions in order to save the agreement or else return their investments. The auction of these bandwidths had helped the government garner Rs.67,750 crores. ■



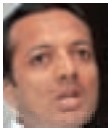


Corporate Twitterati

What's happening?

Characters available -140

Tweet



[MPNaveenJindal](#) - If you claim 2 b apolitical then remain apolitical, or honestly inform the public about ur political affiliations. #TeamAnna



[Kiranshaw](#) - Appeal to Dr. Manmohan Singh from farmers & Intellectuals to implement decision taken allowing FDI in retail



[RNTatazoo](#) - I look forward to my retirement while I am still active and pursue many interests that I enjoy but have not had time to undertake.



[Anandmahindra](#) - New #SuperEarth planet Kepler-22b discovered. And it's probably covering in fear at the prospect of an onslaught of earthlings..



[BillGates](#) - Wanted: energy miracles to counter threat of catastrophic climate change. Innovation can make this possible. #renewable



[Richardbranson](#) - Was presented with a goat as a thank you to @virginatlantic - having problems getting it through customs! Now on to SA.



[Biz Stone \(co-founder, Twitter\)](#) - Today I crossed the path of a black cat. Does that mean he'll have bad luck?



[Queen Rania](#) - Spent morning immersed in how aid for education needs global partnership. During times of crises there's no better investment than in ppl.



HARVARD BUSINESS SCHOOL

Co-Creation: Harvesting The Unconscious

Blending our thoughts to create something new holds great promise for value creation.

GERALD ZALTMAN,
JOSEPH C. WILSON
PROFESSOR OF
BUSINESS
ADMINISTRATION,
EMERITUS,
HARVARD BUSINESS
SCHOOL

Progress in the behavioural sciences is occurring more rapidly than ever, making this an exciting time for those of us interested in the inner workings of the human brain. Two particular challenges lie ahead, both of which are substantive and methodological. The first is to better understand how mind, brain, body and society operate as a single unit. For instance, how does what occurs in the brain affect social relationships and society in general?

A second and related challenge is to better understand how specific aspects of mind and behaviour are bound together. For example, how are memory and the development of insights related? An attempt to connect the dots between thought processes that are normally treated independently, shows that the connecting thread among the dots involves the 'making of meaning', and that the needle for weaving the connecting thread is the concept of co-creation.

THE EMERGENCE OF NEW THOUGHTS

Most mind/brain activities unfold below our level of awareness and have thus been referred to as 'automatic'. Many decisions, are made at speeds that permit conscious awareness only after the fact. This contributes to the illusion that consciousness directs most of our thoughts and actions rather than resulting from them.

Consider an example: you are sound asleep and are suddenly awakened by a loud noise – perhaps an alarm or a child's voice. But just before you wake up, you experience a dream wherein this same noise somehow serves as the concluding element of the dream; it is the more or less logical endpoint of the dream story. Of course, it is technically impossible for the dream's cause to be its endpoint. It turns out that the different elements involved in the experience of a dream and in the registering of an external noise travel at varied speeds and arrive in reverse order in the part of the brain that allows us to recall a dream. Hence, we have the illusion that the noise is the endpoint of the story. This is but one example of how the unconscious mind is a spawning ground for ideas and the stories we assemble with them.

Have you ever wondered what happens when you have a thought? One answer is that you have 'an activated set of connected neurons'. A given thought takes on meaning by virtue of the other thoughts with which it is connected. An isolated thought has little meaning, a meaningful joining of sets of neurons is required. Sometimes, when neural clusters are co-activated and associated, there will be a blending among some of them that yields yet another meaningful cluster, creating a new thought. This is co-creation.

Co-creation refers to the emergence of new thoughts as previously independent thoughts encounter one another and produce a new meaning or new thought. A new blending of neurons, i.e. a new neural circuit, arises from the meeting. That is, a new space or domain is created which consists of selected

THE ACT OF REMEMBERING INVOLVES RECONSTRUCTION OF INFORMATION WHICH LEADS TO DISTORTION. HOW WE BLEND THOUGHTS CAN HELP IN CREATING VALUE.



elements from each of the two (or more) previously independent domains plus – and this is very important – the new idea(s) that emerges from the blending of the two spaces.

For example, a person searching for a rugged vehicle might encounter an ad featuring a truck's suspension system. The concept of 'rugged' (a product benefit) interacts with information involving the suspension system (a product attribute) to create a new idea: that of off-road driving freedom while the notion of rugged and suspension system are retained as part of the altered schema. The newly-created idea of 'driving freedom' is the product of unconscious blending of two previously non-intersecting domains: the existing idea of rugged and the information acquired about the vehicle's suspension system. In

“ Differences in recall from one time to another may be trivial. ”

fact, the thought is likely to be more powerful if it is the consumer who, through co-creation, generates the idea rather than having it explicitly stated in an ad.

THE ROLE OF RECONSTRUCTIVE MEMORY

The encoding, storage and retrieval of information in memory are central to how we form conscious representations of everyday life. Memory is not a fixed event like a traditional photograph, even though, like a standard photograph, it may fade, be lost or even insufficiently developed. Instead, we engage memory as if our mind had its own version of Photoshop. Every act of remembering involves a reconstruction of information, leading to distortion. Technically, a different set of neurons is involved each time we recall a particular event, and thus each 'memory event' is context-sensitive, yielding a repetition of a mental or physical event that is similar but not identical to previous acts. Differences in recall from one time to another may be trivial: practically speaking, each recollection is the same as the one before it. However, sometimes the differences may be of great consequence, even if the person remembering is unaware of the changes or their magnitude.

Harvard's Daniel Schacter and Donna Addis have distinguished between the constructive and elaborative phases of remembering the past and imagining the future. Their evidence suggests considerable overlap in active brain areas for both remembering and imagining when engaged in elaboration tasks, i.e. tasks requiring the generation of details. However, noticeable differentiation exists in the initial construction task when it is necessary to simply generate either a past or a future event. For instance, when constructing a future event, there is much more activity in the right frontopolar cortex (associated with prospective memory), the left inferior frontal gyrus (which mediates generative processing) and the right hippocampus (related to relational processing of disparate details). An important question is, what happens during memory's reconstructive process? What triggers the process and shapes its content? A simple answer is 'co-creation', or the blending of immediate stimuli with prior knowledge to create an altered re-experience of an earlier event. An important assumption here is that the so-called immediate stimuli – like the information about a truck's suspension system – is meaningful to the individual, that it fits within their knowledge structure.

This mixing of stored, prior stimuli and new stimuli is central to co-creation. Consider the following example involving verbal cues: people viewed a film depicting two moving cars coming into forceful contact with one another. Some were asked, "Please record everything you saw in the accident," while others were asked, "Please record everything you saw in the crash." Many fewer people in the 'accident group' compared to the 'crash group' reported seeing broken glass: moreover, the

differences in the incidence of reporting broken glass occurred regardless of whether or not the version of the film shown actually included broken glass.

People 'remembered differently' when the schema for 'accident' and that for 'crash' were activated because the terms accident and crash invoke different images – and hence patterns of neural activity – involving force. The different images of force interacted differently with the information encoded upon seeing the film. The greater incidence of recalled broken glass for 'crash', for instance, is a new meaning that arises when the viewer unconsciously blends the original information with the more forceful imagery encased in the term 'crash'.

An example of an external cue altering recall through co-creation is provided by research I conducted with Kathryn Braun-LaTour, assessing the impact of advertising on beliefs. When people were recruited for the experiment, they were asked on the phone to respond to a simple questionnaire about

their attitudes and beliefs concerning a specific health issue. Participants subsequently came to a lab and were divided into a control group, a group that would see an ad for brand A, and a group that would see an advertisement for brand B. Following an initial distraction task, they were told they were engaging in a memory test. Using a printed version of the same questionnaire, people were asked to provide to the best of their abilities the same answers they had given by phone a few days earlier. Then, two to three days after the lab visit, they were contacted by phone again and asked the

“Sometimes, the differences may be of great consequence even if the person is unaware of the changes.”

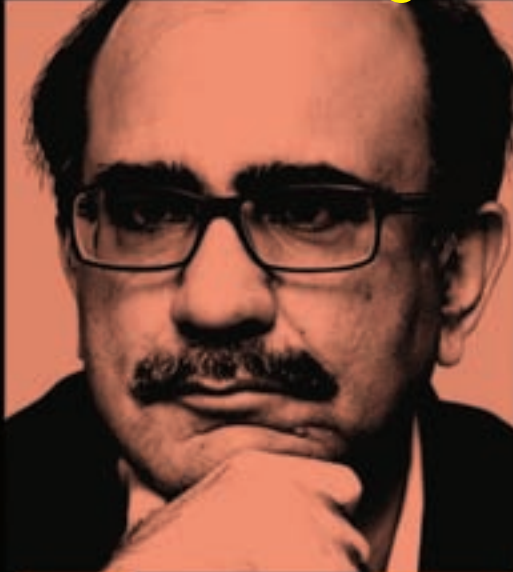
same questions a third time.

The 'story' in ad A was intended to produce a thought currently missing among consumers and to reinforce/strengthen their existing thoughts. This was achieved by their altered memory of their initial answers. The control group showed no statistically-significant changes from their initial answers they provided in the lab setting or two or three days later by phone.

However, those viewing the two ads showed significant differences in recall in the lab setting when asked to report how they had answered initially. The differences were consistent with the intended impact of ad A and presumably the competing ad for brand B, and these differences persisted two to three days later. The basic point is that co-creation processes – the emergence of new thoughts as existing thoughts meet and blend with newly-encountered stimuli – help to produce altered memories, and the newly-created thoughts or 'blends' become part of what is recalled as a previous experience. As a result, people will sometimes 'remember' having a thought they have not previously had and might even give it significant weight. They will also mis-remember the weight they assigned to previously-expressed thoughts. ■

Coordinated by Amir Moin

MANAGING



Economic upheavals combined with technological disruptions and modern day stakeholder activism have created an uncertain business ecosystem. Conventional strategies no longer work. What should CEOs watch out for?
By Amir Moin



UNCERTAINTY



Did Strategists Get It All Wrong?



You feel ready, but ready for what?

Andreas Coumnas, Managing Director, Europe, Baltimore Aircoil

Insight and foresight are linked with leadership. It's insight that helps to capture opportunity.

Zhou Ming, Executive VP and Secretary General, China Council for International Investment Promotion



When CEOs around the world finally figure out how to deal with risks and complexity, the end of World War II would go down in history as the single most significant event that shaped modern business dynamics. More than anything else, the decades post 1945 have been influenced by the rise of capitalism. It did create globalisation and facilitate growth which was unheard of, but on the other hand, the evolution also resulted in markets that appear largely unfettered though intimately linked to one another. This linkage has been helpful in leveraging synergies but have also engineered interdependencies which are largely unknown. Martin Reeves and Mike Deimler are partners at the Boston Consulting Group. Attempting to delve into the implications of complexity and uncertainty in a Harvard Business Review article titled *Adaptability: The New Competitive Advantage*, they state that, "uncertainty poses a tremendous challenge for strategy making; that's because traditional approaches to strategy, though often seen as the answer to change and uncertainty,

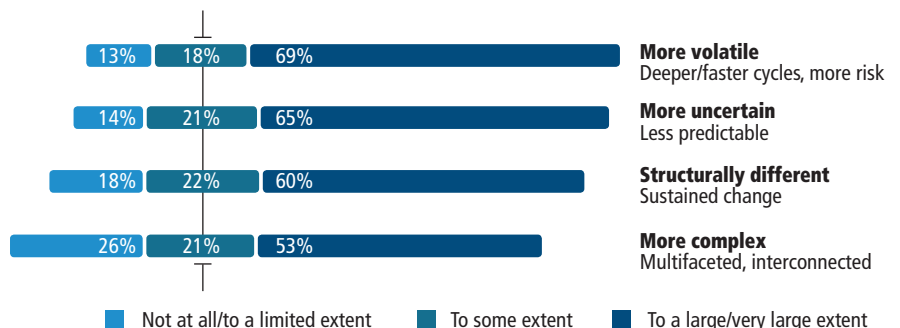
actually assume a relatively stable and predictable world."

In order to gauge the magnitude of change, it would be prudent to look at a few numbers. Since the 1950s, operating margins were largely static. However, post 1980, volatility in margins has more than doubled and so has the gap between companies with high operating margins and the ones with lower margins. Compared to 2% companies falling out of the top three rankings (market share) in 1960,

more than 14% experience the same phenomenon as of 2008. In fact, being a market leader no longer guarantees profitability. As per calculations undertaken by the Boston Consulting Group, the correlation between market leadership and profitability leadership has declined from 34% in 1950 to 7% in 2007. Every year, IBM undertakes a Global Chief Executive Officer Study to understand changes in our business ecosystem. In 2010, the IT services giant interviewed more than 1,500

ORGANISATIONS ARE EXPERIENCING SIGNIFICANT UPHEAVAL

Changes in the new economic environment are substantial and drastically different from each other



Source : IBM Global Chief Executive Officer Study

CEOs who represent organisations across 60 countries and 33 industries. A substantial 69% CEOs believe that business environment has become more volatile while 65% agree that it has become more uncertain and less predictable. According to the report titled *Capitalising on Complexity*, “Today, as organisations emerge – or prepare to emerge – from a confidence draining global recession, many leaders admit they really don’t know what to expect next.”

The most surprising part comes when you consider the concept of competitive advantage. It was supposed to be sustainable in the first place, but given the unpredictability, how are you supposed to implement traditional forecasting and analytics – tools considered to be the foundation of strategic planning?

Based on our interactions with CEOs across sectors, we have identified four key issues that form the totem poles of uncertainty in these contemporary times.

ECONOMIC UPEHAVALS

Financial meltdowns have been around for quite sometime now, but nothing shook the world like the US economic crisis of 2008 did. Not only did CEOs realise how interconnected the world is but also started contemplating the fact that there are limits to growth. Any CEO claiming to be well equipped for a crisis couldn’t have been more wrong. In March 2009, Booz & Company surveyed 155 senior management officials at Fortune 500 companies to find out how they are coping with recession. Findings of the survey revealed that, “chief executives and other



STEVE JOBS, THE LATE CEO OF APPLE WAS PERHAPS ONE PERSON WHO HAD MASTERED UNCERTAINTY

senior managers are struggling with the downturn’s scope, timeline, and solutions and often trying to apply traditional solutions to a very non-traditional recession. This indicates that such unusual economic circumstances may leave senior executives stymied about implementing new solutions with any degree of certainty that they will work.” But to be honest, India was largely unaffected by the recession. In fact, for a majority of companies, none of their businesses is concentrated in the top two percentile of the population affected by such financial crises. As Ajay

Chacko, President, AETN18 Media puts it, “We have to stop looking obsessively at what’s happening abroad. The situation is very different in India and will only become better from hereon. I would be more concerned about how well we are addressing the supply side constraints in the economy because that is what is ultimately creating inflation.” However, with reforms in the pipeline, India will eventually stand exposed to such events. And that would be the time when Indian CEOs might find themselves in a fix. On the brighter side, this is an opportunity for India Inc. to learn from their suffering counterparts and incorporate firewalls into their business models.

TECHNOLOGICAL DISRUPTIONS

If something has the wherewithal to up-end entire industries, then it has to be technological disruptions. Take Microsoft for instance. In 2000, its m-cap stood at a staggering \$586.2 billion. Cut to today, it has fallen down to \$215.93 billion – almost half of what it was a decade back. Apart from the failure of Steve Ballmer as a CEO, an overdose of products and services is what has contributed to this mishap. There are better companies in the industry delivering more precise and user friendly products. In 2011, the software company made yet another blunder by acquiring Skype – a company which never made a profit. In the face of technological disruptions, companies must realise that they can’t be everything for everyone. They have to be focalised – even if it means selling off the business you are best know for. Volvo realised in 1999 that it no longer had a competitive advantage

“SOMETIMES VISIONARY CEOs THEMSELVES CREATE UNCERTAINTY”

KAUSTAV MUKHERJEE
PARTNER & MD, BCG INDIA



Each and every business is uncertain. The key element is your adaptability. The ability of an organisation to either foresee or guide the evolution of its own business and adapt to the future is what determines success or failure. More importantly, if there is certainty, you don’t need CEOs. Corporate leaders see uncertainty as an opportunity. Sometimes visionary CEOs themselves create uncertainty. It is their ability to harness that uncertainty for their organisation’s benefit. Good companies create uncertainty. Some people call it disruptive innovation, others call it discontinuity, but the way forward for companies to grow is to create new products and services. In other words, you take the certainty away from competition and in turn create new services. Labelling uncertainty as good or bad would not be wise. It’s like a game of chess. One player can think three moves ahead, the other can visualise 14 moves. It’s a cause and effect relationship.

“THERE IS A NEW, MORE NEGATIVE, KIND OF UNCERTAINTY OUT THERE”

INDRA NOOYI
CHAIRMAN & CEO, PEPSICO



I want to sit back and ask, as a CEO: How do we navigate an enterprise through a time when uncertainty is the only certainty? Especially when we have not experienced the kind of volatility we have today in decades. Eighty years ago next fall, a German physicist called Werner Heisenberg won the Nobel Prize for Physics with a simple observation. The more we know about where a particle is now, the less we know about how fast it is going and what direction it's travelling. I think we have to face reality. There is a new, more negative kind of uncertainty out there today. The financial meltdown brought the easy assumptions of the old world crashing down. Businesses, regulators and governments are now unsure of what success looks like. This complex world feels out of control. But we should be careful not to fall into pessimism. This is also a world abundant with opportunity, if we know how to navigate it.

in the car business and sold it off to Ford. Apart from reacting to disruptions, it is even more important to adapt to it. Therefore, while Amazon.com threatened conventional retail using the Internet, Tesco has responded by taking advantage of the data boom (a form of technological disruption). The UK based retailer performs detailed analytics on the buying behaviour of its 13 million plus loyalty card holders. Using this information, it customises all their stores together based on the demography of its customers. This framework also helps Tesco in keeping a tab on any shift in purchase patterns. As a result, what may come across as an uncertainty for one retailer is converted to an opportunity by Tesco.

STAKEHOLDER ACTIVISM

In July 2010, India based mining company Vedanta got a taste of activism. The

company's AGM in London became a mocking ground when campaigners assembled to protest against its mining initiatives in India. They felt that Vedanta was abusing the local rights of the people in the eastern state of Orissa. So much so that, the Church of England and the charitable Joseph Rowntree Trust sold of their stake in Vedanta as they did not find it fit to be associated with a company that had violated human rights. Perhaps more than CEOs in any other country, business leaders in India should be extremely careful in handling activism. 2011 was characterised by the Anna movement. However, what was more surprising is that not even a single corporate entity or forum came forward to express its views on the Jan Lokpal Bill. It was because the Anna movement brought the issue of governance right into the bedrooms of every Indian household. Since such movements

gather more steam, CEOs need to be very careful about how they handle governance and transparency. The minutest of mistakes can spark an expensive controversy thereby resulting in immediate repercussions on operations and profitability.

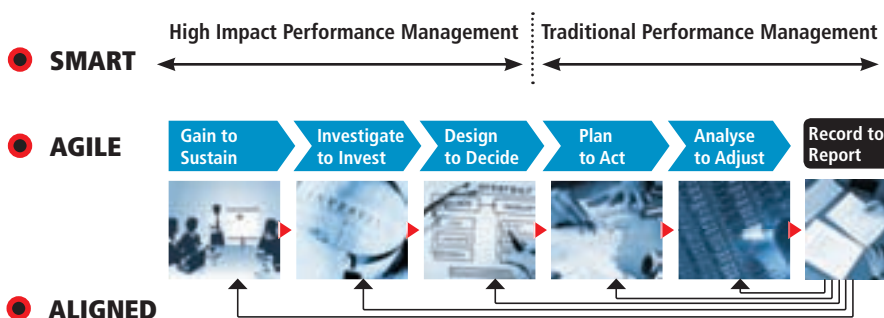
BUSINESS MODEL EVOLUTION

In a bid to build a more comprehensive experience for customers, companies are increasingly expanding their scope of operation. Therefore, we today have a situation where business models overlap. The borders separating one industry from another diminish and it becomes difficult to even measure one's position. Organisations which successfully re-engineer their business models are the ones which ultimately succeed. Amazon started off by selling books online. It later moved on to selling almost everything. More recently, it has also ventured into cloud computing and tablets. Sweden based furniture retailer IKEA motivates its customers to assemble their own furniture. As such, it has succeeded in streamlining its business model which helps it keep costs surprisingly low.

Companies expecting to succeed through static competitive advantages (market leadership, scale, supply chain *et al*) will end up in disappointment. Improving upon existing secondary capabilities is what will differentiate winners from losers. Ever since the return of Steve Jobs, Apple did it by improving upon products and innovations that already existed (iPhone, iPod). Not to be biased, if they can do it, so can you! ■

ORACLE'S MANAGEMENT EXCELLENCE FRAMEWORK, STRATEGY-TO-SUCCESS

Companies should turn to new frameworks in order to manage uncertainty



Source : Oracle Thought Leadership White Paper – Uncertainty Management

Serving The Most Confused Lot!

Thriving in an industry where profit-making is increasingly becoming a tougher challenge and where changing rules and player count define uncertainties, is a daunting task. The CEO of Tata Docomo leads in such an environment, and for him, even change has changed over time!

From being just a standalone name, Tata Docomo has today become an umbrella brand which offers all telecom services provided by Tata Teleservices. With a 11.5% overall market share in the wireless domestic market (source: TRAI report, April-June 2010), the company is on its way to rise further up the charts, with its youthful, simple communication and timely usage of technological voice and data platforms. Deepak Gulati, CEO of Tata Docomo, who has previously worked for eight years as the Business Head of Bharti Airtel in the South, North and East India regions, speaks to **DIPSHIKHA DAS** of **HONCHOS** about how Tata Docomo translates all uncertain situations in the telecom industry into its strengths. His ultimate aim – to position Docomo as a non-voice lifestyle brand which serves the confused lot of consumers.

In the month of October this year, all Tata Indicom customers were migrated to Tata Docomo. This created much uncertainty about the branding strategy of the company? Are we to take this move as simply a play to increase the customer base of Docomo?

The uncertainty of onlookers is understandable. But as far as the management was concerned, the move was a well thought of one. As far as the brands are concern, Tata Docomo is already a known brand. Over time, it has connected well with consumers. Therefore, we thought that it did make sense to collate and unify all our brands under one, which obviously made Tata Docomo the natural choice. So we uplifted and upgraded the Tata Indicom customers to Tata Docomo, where the quality and range of services offered are very maverick, yet very simplistic. Also, our vision with the Docomo brand is much bigger than what we ever had with the Indicom brand. This was therefore naturally done to delight the Indicom clients, while achieving the dual goal of making Docomo a larger brand, as today, Docomo not only offers 3G and GSM, but CDMA services as well. The world should understand that there is logic behind how we have decided to play this uncertainty to our advantage.

“Winners take all”. This is true in the Indian telecom space as well where brands like Airtel and Vodafone are market leaders. Docomo on the other hand is known as a brand with limited market span. Do you plan to expand in more circles soon?

Look – some of the names you took, the incumbents entered the category 15 years back. We are only two-and-a-half years back. You can't get larger in India then brand Tata. It stands for honesty and transparency. And Docomo has been one of the leading names in the world of 3G and 4G. So the technology that we bring in the telecom space is unmatched. As far as growth is concerned, it does take time to garner volumes. But then, our growth has been the fastest over the last 10 – 12 months. Our growth, whether it be in terms of volumes or revenues, has by far been the fastest amongst all telecom operators in India. And we will expand going forward too.

Telecom industry is all about the latest in technologies. And this straightaway implies that the very investments you make is made in an atmosphere of uncertainty. For instance, you invest hundreds of crores in 2G, and you realise that a year later, 3G is knocking at your doors. How do you tackle uncertainties in this genre?

Two ways. One is being true to what customers want. Customers are actually the “most confused lot” in this sector. There are so many offers and tariffs plans thrown at the customers – be it pre-paid or post-paid. Most times, they aren't really sure whether they are using

A close-up portrait of Deepak Gulati, CEO of Tata Docomo. He is a middle-aged man with dark hair, a mustache, and glasses. He is wearing a dark suit jacket over a light-colored shirt. His hand is resting under his chin, and he has a thoughtful expression. The background is a plain, light color.

“Currently, the uncertainties are all about the rapid pace of change occurring in the telecom ecosystem.”

DEEPAK GULATI, CEO, TATA DOCOMO

the right plan, what other plans are available, what is the real value of VAS et al. So to sum it up, there is always a big cloud of confusion looming over their heads. I think our investments in the right technology has always been timed right. This has been the secret. Also, we have always believed in simplicity. Our customers know what they are using – for example, they know that using the per-second billing plan, if you speak for 15 seconds, then you pay for that long only. Therefore besides we beat uncertainties by investing logically in the right platform at the right time and keeping our products and services simple enough for our customers.

The new draft telecom bill has suggested the removal of roaming charges. Don't you think this will hurt the bottomlines of the players?

We cannot take one aspect of the bill and build a story around it. It has to be seen comprehensively. In this sense therefore, I really think removal of roaming charges is only a business requirement. Today, our costs are high, our tariffs are the lowest in the world, and the consumers have a huge choice. So that's the positive part. The negative side is that companies are hurt on profitability. Put together, I feel that going forward with the policy will put us on the path of growth and profitability.

You are not new to the telecom industry. Then and now, what differences in uncertainties in the industry have you experienced?

When I started, the category was new. Everyone was only experimenting with processes to take the next leap in the business. The uncertainty was – there was no sure shot process of success known to Indian players. Currently, the uncertainties are all about the rapid pace of change occurring in the telecom ecosystem – from technologies to the ever growing competition to even the regulatory environment. In my experience, nowadays, larger and therefore riskier decisions are needed to be in an environment where uncertainties have grown in magnitude and count.

Earlier it was just a assessment of what the return on investments would be. Today, we have to also ask ourselves many questions: “How will our many competitors react, what will be the many regulatory issues involved, etcetera.” ■

VIDEOCON

The Biggest Secret: Invest In People

It's common to bump into a CEO of an MNC who advocates investments in human assets during uncertain times. No surprise that they succeed too!

Anirudh Dhoot is the scion of the Videocon Group. He is currently serving as the Director of Videocon Industries, and looks after many divisions, including the Consumer Durables vertical, DTH, Videocon Mobile services and Videocon Mobile (hardware). Before moving into his new role, he was heading the Electrolux business for the Group in India. Dhoot is an alumnus of the Cardiff University, UK, from where he completed his MBA. Having joined the family business straight after post graduation, at the age of 21, he became one of the youngest CEOs of India Inc. It was under him that the company's State-of-the-Art greenfield plant in Kashipur (Uttarakhand) was set up. The credit of setting up Videocon's ambitious Power projects in Chattisgarh, Madhya Pradesh and Jharkhand goes to him. In an exclusive interaction with **ONKAR PANDEY** of **HONCHOS**, Dhoot talks about how a flawless business idea and passion and commitment to work, are the keys to seeing your company through tough times. According to him, encouraging employee training and putting in place a strong work culture makes uncertain times certain!

Global economic indicators have deteriorated drastically as compared to the 1990s. Even the walls of the Indian economy, which we thought was insulated from the ill outside weather has started developing cracks, with growth in the manufacturing and mining sectors declining in recent months. These are therefore definitely uncertain times. How does Videocon move ahead in such a situation?

We are a large diversified conglomeration. So the best part is – even if we take a hit in one business, there are multiple number of other businesses where we gain. But definitely, every organisation has its unique problems, facing uncertain economic times are a challenge for each – whether core businesses or diversified multinationals like ours. In my opinion, the way out such a deteriorating state is induction of more manpower and getting more talent on board. We at Videocon

have especially during weak times, focussed on training our staff better and equipping them with better operational skills. For the sake of this, we are ready to cut down on other unwanted expenses. Another area beside manpower is innovation. Despite the past few years having been rough. But despite that, we have not cut short on our budgets for R&D and new technology development, as prosperity in future is all about investing in the present, and especially on technology.

You said investing in the present on people and innovation is the keys to dealing with uncertain times. So how far is your planning time frame?

Five to ten years at the least. What happens is that traditional organisations, including many Indian organisations, think very limited. So one has to develop a big vision, which is your overall planning for the next five to ten years. Understand this – uncertain times also don't last forever. What is happening this year is a temporary cycle. And you don't know that a couple of months down the line, growth across the table might come in. But if you are scared enough not to invest in people and technology, you certainly will fail to take advantage of the good times.

You said CEOs must have a long term vision. So is it true that during trying times, corporates bank more on a quarter to quarter survival strategy?

I think such worries are more with small companies, as they have to fight for survival. In our case, we are a robust and large organisation, with a big asset base. Companies like ours look at even tough times as an opportunity to grow our business. Like Samsung or Nokia, despite rising competition from smaller, local players, they have ensured that their company's growth and the growth of the overall handset market are both ensured. So we should not worry about uncertain times. Uncertainty does come, it's unavoidable!

Your honest opinion – we speak about slowdown a lot these days. Do you feel that Indian companies too have been affected by problems in the global economy?

I think so. This slowdown is global in nature. But having said that, I would say that any Indian company which worked on the right fundamentals, was not scared of the trough of the economic cycle and continued to invest in building the right assets, isn't facing problems yet. The trick is: even during uncertain times, focus on growth. Period. ■

“ For the sake of inducting more manpower and increasing the size of our talent pool, we are ready to cut down on other unwanted expenses. ”

ANIRUDH DHOOT DIRECTOR, VIDEOCON INDUSTRIES



LG

Timing The Product Right

Be it sustainable development or managing uncertainty, for Soon H. Kwon the trick to success is developing right products. And that's what he is doing right now – flooding the market with eco-friendly products.

Soon H. Kwon was appointed as the Managing Director of LG India, replacing the successful Moon B. Shin, at a time when LG was finding it hard to maintain its preeminence in the Indian consumer durables and electronics space with arch-rival Samsung nipping at its heels, and a re-invigorated Sony. Just over one year and Kwon appears comfortable in his new role. Prior to India, he has served as the Managing Director at LG Australia in 2009, and have had some impressive stints in senior positions in Korea, US and Canada. His one directional focus is to maintain LG's leadership in the categories of home appliances and 3D television. In an exclusive conversation with **ONKAR PANDEY** of **HONCHOS**, Kwon tells us how LG is managing uncertainty to stay ahead of the grueling competition.

Understanding and keeping a track of ground realities is the key to enhance customer experience and increase customer satisfaction. How do you manage to stay in touch with the ground situation in the durables space? I often visit our franchise stores. Today close to 20% of our business is coming from our franchise partners. I think LG has been more aggressive than other players in setting up franchise relationships in the marketplace, particularly because the modern trade development in India is lower than what we had anticipated. It's slower than other countries too. So, setting up LG brand franchise network in India is becoming an important initiative for the company.

As head of LG in India how do you manage your attention when it comes to addressing the two ends of the consumer spectrum in the country – the premium consumers and the huge mass market and rural India, especially in the context of LG becoming aggressive in recent times about acquiring a premium brand imagery?

I don't think LG alone can change the whole competitive land-

scape or consumer dynamics. But, we know that there is a very clear trend and customers are increasingly looking for advanced products and new technology products. There are more early adopters now. So that's a big win and we don't want to lose this opportunity. We want to be the leader and one who guides consumers in the right direction. Similarly, in the product development areas, we are more focussed on bringing more of the global trendy products while developing a lot of Indianised products. So at both ends, we are putting resources to lead the market.

The year has been marked with inflationary pressure and uncertain global economic conditions. Do you think these conditions have affected LG India's sales and projections for the year?

What I believe is that the domestic slowdown in India is not the bigger threat; it's the rupee-dollar exchange rates. This year alone there has been a 20% depreciation in rupee's value. That's becoming the biggest threat for most manufacturers here because the infrastructure for producing consumer durables products is not well established in India yet. We have to import glass panel to manufacture TV, compressors to make refrigerators and air conditioners. So import contribution of raw material is very high. In fact, for us it's close to 50%. And with rupee going down that certainly hurts our budget. Although people are worried about a slowdown in India, I don't think it will happen anytime soon as the Indian economy is still managing over 7% growth. Overall, there's a robust strength within India.

Today "managing uncertainty" has become a corporate buzzword. How do you look at it as a business leader? Is it for real or still more of talk?

When something changes radically than your anticipation it becomes a big risk to your business. But, in our category, the product tells 80% of the success.



How to bring the product on time? How to educate the audience about our products? The answers to these questions are the keys to future success. So we would like to be more diligent in delivering the product and developing new products. There's no magic in managing your business, but in consumer durables, I believe, you have to be diligent in developing the right product for the consumer. LG's overall market share in consumer durables is around 30-35% across product lines. And if you are selling to 30-35% of the Indian consumers it means that you have been able to deal with all consumer segments, from one-door refrigerators to those high-end ones which come with a price tag of Rs.1.65 lakh.

What is your view on the concept of sustainable development? Is it still a text book concept, or corporates are actually looking at this model of growth?

Again it's about the product. To grow sustainably, our products need to be more energy efficient. If you look at our washing machines introduced this year, the water and energy efficiency level is already high. These initiatives to develop more eco-friendly products are the ultimate way of LG's contribution towards the industry and the society as well. As such government of India is planning to increase energy regulation for refrigeration and compressor built products like air conditioners. Hence, when time comes and more stringent measures are taken, LG will emerge as the leader in terms of complying with government norms. ■

“When something changes radically than your anticipation it becomes a big risk to your business.”

SOON H. KWON, MD, LG INDIA

IVCA

The Uncertainties Of Funding Ventures

A graduate of the 1976 batch of FMS, Delhi University, Mahendra Swarup has a work experience of over 29 years. Having started his career with Nestle, he has worked with Pepsico, Times Group among several others. He most recently partakes in the Indian Private Equity & Venture Capital Association (IVCA) as its President. In an exclusive conversation with ANCHIT GUPTA of HONCHOS, he talks about the difficulties facing Indian business corporations and delves into the critical subject of funding in the current days of uncertainty.

What could be more uncertain than parking funds with a venture which hasn't even set shop? Venture capitalists perhaps are best placed to answer this.

With recession looming for some time now, what approach should companies adopt towards funding? Has the flow of money been restricted when it comes to new ventures?

If you look at the current scenario, there is definitely a crunch of capital, because the stock market is unpredictable and IPOs have completely dried out. In 2011, very few IPOs have debuted, so the only source of raising capital left is through venture capital (VC) and private equity (PE) funding. Investment coming from VCs has definitely increased. One of the advantages of a downturn is that the valuations become realistic. Thus, there is an advantage as far as VC and PE funding is concerned. It is now probably the only source of capital. Investments by VC-PE are increasing but the VCs are also becoming cautious at the moment. IPOs are the biggest source of exits for VCs, till other options of exit appear, like secondary sale or trade sale. Many of the funds that had invested five years ago, are now ready to exit but that opportunity has died down leading to a certain amount of caution within VC-PE community.

In times as they are at the moment, what in your opinion would be the yardstick to judge if a vulture fund should invest in a dying organisation?

There is no such term like vulture funds. There are funds which are into the specific business of buying stressed out assets. They





are also known as special opportunity funds and have not been very active in India. The reason being that Indian entrepreneurs do not want to let go of administrative control. They will resist a take over or a sell out till the very end. They don't really mind their company going down under because then it becomes the headache of the bank. There could be lots of companies which may not do well because of difficult days and uncertain times, therefore there will be increased activity from the side of PE-VCs.

In a scenario where a high return yielding organisation starts generating losses, what is the optimal way to proceed? When should the VC-PE look for an exit?

Based on their individual portfolios, every VC looks at these situations differently. Those who are reaching the stage of returning the money to their Limited Partners (LPS) may even exit at a loss if overall they are making adequate returns. But if the same happens early on in the venture, then they might stay on. In summary, this depends on how significant the investment is in the overall portfolio of the PE-VC.

The advent of mass media has made 'panic' an absolute part of our lives. If Greece goes down, you lose money on the stocks you hold in India. In such a scenario do you think senior management can actually foresee how the industry will be ten years from now?

I can't say if present day management or CEOs have that insight but they are definitely better equipped today than they were several years ago because of the flow of information and exchange of intellectual dialogue. There is a general feeling in India that we are different and are insulated but might not be the case. What is really required is that top managements now consider the implications of what is happening around globally. Certain events may not have an immediate impact on India but do carry medium to long term

“CEOs are definitely better equipped today than they were several years ago to handle uncertainty.”

MAHENDRA SWARUP,
PRESIDENT, IVCA

implications. Enlightenment is still to come to the Indian management which has always been very inward looking – not because of lack of capability or understanding of global implications, but due to the insulation provided through government regulation. However, with so many reforms in the pipeline, this insularity will eventually disappear. Thus, the need for the Indian management to be aware of the global situation grows considerably. They may not have the correct tools to interpret what those events could mean for ventures in India and this is where the experience of PE/VC managers would come in handy where in they could play an extremely important role in helping organisations. ■



SAMSUNG

**Get The
Product**

Teams Cracking

While admitting that the times continue to be uncertain for business globally, J. S. Shin asserts that a focus on R&D and a keen eye for the right opportunity can take a company through.

J.S. Shin, President & CEO, Samsung South West Asia, took charge of Samsung's South West Asia operations in 2009 and the division's revenues have more than doubled under his leadership. Prior to his taking charge of the Indian market, he was Head of Strategy, Global marketing team and Home Appliances, Samsung Electronics, and made a strong contribution to growing the overseas business of Samsung in the consumer electronics sector. He has also played a key role in driving strategy in markets like Germany and BENELUX (Belgium, the Netherlands & Luxembourg) in over 25 years at Samsung Electronics. He has in fact handled the company's global operations for 19 years. In India, too, he has played a key role in the emergence of Samsung as a leading technology player and a leader in smartphone category, which has been a welcome saviour for the company in a difficult period. Shin was recently awarded the prestigious "Man of Electronics Award 2011" by Consumer Electronics and Appliance Manufacturers Association (CEAMA). He speaks to **ONKAR PANDEY** of **HONCHOS** on how Samsung manages uncertainty in the environment with an undying focus on product and technology superiority.

The global uncertainty is known to affect demand and forecasts across the world, and differently for different regions. How does Samsung ensure that it can sustain profitability in such an environment?

As you would be aware, our backbone is R&D globally. In India as well, we spend 7-8% of our earnings on R&D. That's why you will see that we have two R&D centres in India – one in Noida, and the other one in Bangalore, which are among the largest outside South Korea. So we invest a lot of resources to prepare ourselves for emerging domestic as well as global requirements in the technology sphere.

That's why we can create market demand with our product innovations, which add more value to our customers. As per the Indian perspective, it's still a rapidly growing economy, and the technologies in use are also changing fast, for instance, from CRTs to flat panel TVs. So here, there are a lot of areas where we can focus to grow. So, we are preparing ourselves to meet local requirements. Even though, we see such a tough market environment in the east and the west, we have been able to maintain our growth. We grew by over 30% in India despite factors like rupee depreciation and slowdown fears.

Nowadays, companies appear to have more of a short term vision and are constantly involved in fire fighting rather than looking at the long term. Has Samsung been able to differentiate itself?

At Samsung, we are strongly oriented towards a mid-term strategy, which is based on our market intelligence. And we spend a lot on acquiring such intelligence, which helps us stay on track. Definitely, even we can't think for 10 years, but we do have mid-term strategies that we can pursue. When I first came here 3-4 years ago, I set up a 3-year mid-term plan. This one is working perfectly fine. Again, if we look at our business plan for the next three years, it looks on track.

It is widely accepted that these are uncertain times for the world and for businesses. How much of it is rhetorical and how much is it really affecting business on ground?

Yes, of course, the times are very uncertain. In these circumstances, it is hard to predict for the future. Still, we at Samsung are trying to grow by using our R&D facilities and deploying the latest technology. This helps us recover quickly from any setback. For instance, this year, the AC industry was doing badly due to the weather conditions. But in the meantime in the smartphone arena, we launched many new product

“ At Samsung, we are strongly oriented towards pursuing a mid-term strategy, which is based on our market intelligence. ”

J. S. SHIN
PRESIDENT & CEO SAMSUNG,
SOUTH WEST ASIA

categories, and manage to stave off any losses for the overall business. Due our large product portfolio, we were able to manage the uncertainty better.

What about the geo-political situation, since unlikely scenarios are coming up, which are not linked to your immediate business environment, like the revolution in countries like Egypt and Libya?

See we can not avoid a political turmoil like the Jasmine Revolution, but if we look at the positive side of it for a business, governments actually up their spending in such situations. A corporate can therefore grab such opportunities. On the other hand, a revolution like that is good for our business and consumers in the long run. Also, so far, a majority of the countries we are dealing with are stable countries. But when it comes to emerging countries like those in Africa, they are admittedly volatile. But since they have a future, we go about doing the ground work and setting up the infrastructure, rather than running away from such countries, and not really waiting for the future.

Also, instances like the current hullabaloo around notices to social media sites by the Indian government are also part of an uncertain future. I think even the government is only trying to manage uncertainty. Here, we go for a balanced approach. We also have a huge R&D team of software engineers in India, of roughly around 600 people. But yes, if they set up some guidelines, technology firms like Samsung will be in a better position to prepare for any eventuality, and act according to the book. ■

AETN18 MEDIA

Two years ago the factual entertainment genre in India was miniscule. Thanks to one joint venture, it is well on its way to compete head on with the rest.

In August 2010, Network18 announced a joint venture with A&E Television – the network which has an array of channels like HISTORY, BIO and CRIME & INVESTIGATION NETWORK in its portfolio. Two months later, Ajay Chacko was appointed as the President of the JV. Since then Chacko has led AETN-18 Media, from ground zero to a point where HISTORY leads the factual entertainment genre with a market share of 33% followed by DISCOVERY at 31%. Given his experience in the Indian media and entertainment industry, Chacko has developed a unique understanding of the industry which puts him in a position to establish genres all together. Talking to AMIR MOIN of HONCHOS, Chacko explains the rationale of venturing into a lesser viewed genre, talks about key issues facing the Indian media industry and explains why India is better off despite turmoil in financial markets globally.

Prior to joining the Network18 Group you have worked with a lot of other companies including the The Indian Express Group, the company you started your career with. How have you seen the media and entertainment industry evolve over the past several years?

The industry has definitely evolved. Revenues have grown and the fact that there are many more channels now is the basic characteristic of this evolution. However, the key issues that were there 10 years ago still remain. The primary issue, I think, is monetising content. Be it newspapers, television channels, or digital media, no one has been able to really – factually if I would put the term – monetise content from the viewer. Advertising growth has been really the big story which has sustained India's media industry, but if you ask me, the key issues that prevailed 10 years ago – whether the consumer pays for consuming content – still remain. Things like

digitisation are still as forward looking today as they were 15 years ago. Everyone talks about it, but it's not really happening.

You are basically responsible for the day-to-day operations of AETN18 Media – the JV between AETN and Network18. What were the factors taken into consideration when the group started pursuing this association? How has the JV helped in furthering the larger objectives of the Network18 Group?

Globally, if you observe, there has been a change in consumption patterns as far as entertainment options are concerned. In India, however, content is still consumed in the form of general entertainment. In developed markets like US, or relatively developing markets like Latin America and South East Asia as well, what has happened over the years is that people have reduced the consumption of sitcoms and soaps, and now prefer more fact based entertaining content. The genre which was generally referred to as infotainment has now become factual entertainment. This implies that the offering is still entertaining, but the premise is now fact based. Across the world, this is a substantial genre with a 12-14% market share. In India, at 1%, it is still a fraction of the potential. By venturing into this genre at a time when there was already a fatigue in GECs, we grabbed an opportunity to establish ourselves in a category which is really going to work. That was theory and there have been results to substantiate it as well – the most significant being the fact that HISTORY Channel's launch helped grow the genre by an unprecedented 57%. And with 33% market share, HISTORY leads the pack now.

Sustainability is something which a lot of companies promote nowadays. While some are actually pursuing strategies that make sustainability a reality not just in terms of application but also profitability, others use it as a mask to look good. What is Network18's view of sustainability

The Rest Is History!

“I think if you are not prepared for uncertain times then you are not a great manager.”

AJAY CHACKO, PRESIDENT, AETN18 MEDIA



and how is it helping the company's bottomline?

The media industry is very much different. Therefore, through the kind of content churned out, we can contribute to not just corporate social responsibility (CSR) but in general social responsibility. I would say that in the context of media, sustainability is viewed very differently. We look at sustainability in terms of how much impact we have had on the average individual. In my view, more than doing charities (which we generally do through different initiatives), sustainability is about engaging viewers with knowledge, news or information. That, I think matters more than anything else.

We definitely live in one of the most uncertain times. The advent of mass media has made 'panic' an absolute part of our lives. If Greece goes down, you lose money on the stocks you hold in India. Such is the situation. Do you think senior management nowadays actually has any clarity and understanding of how the industry will be ten years from now?

That I would say is a very broad generalisation. The problem with the Indian media industry is that we look at the world and suddenly start applying those matrixes back home. Look at the granularity of data or for that matter the granularity of everything around you – it's different. Ask yourself. Is your life better today than it was five years back? In most cases it's a yes. We have to stop looking obsessively at what's happening abroad. The situation is very different in India and will only become better from hereon. The bulk of Indian businesses are driven by domestic consumption. Be it a Hero Honda or a Hindustan Unilever – none of their business is concentrated in the top two percentile of the country – the section most affected by financial disturbance in the eurozone or US. I would be more concerned about how well we are addressing the supply side constraints in the economy because that is what is ultimately creating inflation. I would say that management in India does have a clear idea of how the situation will change. However, as I said, we need to stop looking around and concentrate on sorting out internal bottlenecks.

So what is your basic idea of approaching uncertainty?

I think the way to look at uncertainty is first evaluate whether you are prepared for it. If you are not, then it is going to be a blow out of the blue. And if that is the case, then you are not a great manager. In the media industry for example, digitisation should have ideally been implemented in 2008. Anyone who had made plans based on that forecast would have definitely suffered. The idea of managing uncertainty is to anticipate the possibilities and accordingly prepare yourself for the same. If you can't do that much, then irrespective of uncertainty or certainty, you are out of the game. ■

A man with dark hair and glasses, wearing a dark grey suit, white shirt, and a purple patterned tie, stands outdoors with his arms crossed. He is positioned in front of a background of green foliage and white flowers. The lighting is natural, suggesting an outdoor setting.

NEI

The demand of customers in the bearings manufacturing industry is for high technology and quality products at economical rates. Managing this dichotomy is a big challenge.

Ours is a
cyclical
Business

COVER STORY

Rohit Saboo took over as the President and CEO of the C. K. Birla Group-owned National Engineering Industries (NEI) — the second-largest bearings manufacturing company in India — in July 2008, when the global financial recession had just begun. At NEI, the downturn in sales turnover and profits were becoming visible. But within a year of taking over, Saboo managed to put the company on the path of growth again. NEI's turnover grew 20% y-o-y in FY2009-10 and is expected to clock 14% this fiscal despite the economy turning sluggish. In an exclusive chat with **DIPSHIKHA DAS** of **HONCHOS**, Saboo shares his views about the prospects and challenges facing the bearings manufacturing industry in India and how investing in technology and becoming sustainable can keep the industry out of the woods.

You joined National Engineering Industries in 1994, almost two years after India opened up to the global economy. How has the company changed in these years?

During the 1990s the entry of global companies in India had just begun. And we were basically a domestic consumption-driven economy with an inward-looking outlook. But now, everybody is targeting India in their own plans, and we are also looking at the global scenario. That is the major shift. Once you start looking at the global scenario, then you have to hire people of global standards, and you have to have products and R&D of global standards. In the late '90s we realised that we needed a makeover. Now our plant is world class, which it wasn't in the '90s and for which we have invested a lot.

As a manufacturer of bearings, steel balls, rolled rings and other such products, how would you describe the challenges of the market you operate in?

The biggest challenge of the market we are present in lies in its uncertainty. About 42% of our turnover comes from the automobile sector and 18% from the aftermarket and half of that 18% again comes from automobiles. So overall around 50% of our turnover comes from the automobile sector, which is a very cyclical industry. If the economy is good our business also does well. If growth slips, our revenues take a hit. So we have to balance and manage this cycle very well. We plan to invest over Rs.5 billion over the next five years. But this investment will have to match the business cycle. Because if the relationship between the investment and the business cycle is not in sync, and if we invest in the wrong cycle then we will face a loss. The next challenge that we have is that most of our clients are going for higher technology items and better and better products at the cheapest rate. So we have to gear ourselves up to meet the market requirements. That is why we are investing a lot in our R&D so that we have better products at a much lower cost.

But these days when most companies are more concerned about short-term priorities, do you think they would be interested in long-term R&D?

Short term priorities are governed by the present situation. Definitely you have to react to customers' demand and to the fluctuations in the economy. These will keep on happening and therefore one has to be very nimble-footed to tackle such situations. That is how short time priorities need to be covered. But at the same time long-term plans should not get influenced by these short term changes.

You say making products available at cheaper rates but with better technology is a big challenge. In such a scenario, how difficult is it sustaining your business and operations?

As far as sustainability is concerned, the Indian auto component

“ We are investing a lot in our R&D so that we have better products at a much lower cost. ”

ROHIT SABOO, CEO & PRESIDENT, NEI

market is extremely cost-conscious. As volumes increase, technology improves; we have to give better products at lower costs. To sustain ourselves in the future, we have to concentrate on lowering our cost and increasing volumes. We invest more money on improving our production process so that we can get more out of the same machinery. Besides, we also try to improve processes like reducing inventory and raw material cost. We have to be aware of what is happening globally and take advantage of the global situation to put it in the Indian context.

How important is sustainability as the key to success in your line of business?

If companies don't think of sustainability from now, they will perish in the future. The world is becoming increasingly competitive and so is India. Ideally, senior professionals in this industry should be able to predict and invest towards building sustainability as it will help them prepare for the future. But having said that I don't think many people have so much clarity of the future. Every day the scenario is changing. Therefore it is difficult to minutely predict or anticipate what will happen in the long run. But each company has to have a plan based on their presumption of where the market is leading to.

You pointed uncertainty as a big challenge. How do you think is the best way to deal with it?

You need to have a robust strategy to deal with it and you have to spend a lot of time to create and craft a good strategy. You have to be also flexible enough to monitor this strategy depending on the changing situation around the globe.

Apart from vicissitudes in business cycles, what other external factors impact the industry's prospects?

The external setbacks would be like if the economy of euro-zone countries such as Greece or Italy were to go down, it would have a knock-on effect everywhere, including in India. In the Indian context if the interest rate keeps on increasing that will also bring down the economy. I would ideally want the economy to grow even if the growth rate is lower, as it will help keep our business on the positive side. ■



BOOTH SCHOOL OF BUSINESS

PROF. STEVEN J. KAHL,
FACULTY OF ORGANISATIONS AND
STRATEGY, UNIVERSITY OF CHICAGO
BOOTH SCHOOL OF BUSINESS

Innovation is happening all around. But companies that are careful in understanding how consumers use a particular product are the ones which succeed in the long run.

Dominant Use: Influencing Innovation

How customers use a technology generates important information about its performance, design, and operational characteristics. As customers began to use the automobile in hilly and wet terrains, for example, they learned about issues with waterproofing and engine power. What customers learn plays an important role in the technological development of the product.

However, customers may use the technology in different ways. Previous research observed that urban customers used the car primarily for transportation, but some farmers used it as a stationary source of power on the farm. Often, these various applications converge to a dominant use of the technology – transportation still is the primary use of automobiles. Nevertheless, variation and dominance in use influence what is learned and expected of the technology, influencing subsequent technological changes.

Prevailing theories on innovation and

industry change explain technological development as an evolutionary process in which certain technological designs get selected and retained. Early on in the automobile industry there were several different engine designs, but the combustible engine emerged as the dominant design within the industry. The selection and retention of certain technological designs significantly impacts competition within the industry and influences which companies thrive or fail. However, these theories focus on the technological development within an industry without paying much attention to the learning processes associated with customers applying the technology.

In my research titled “Dominant Use, Technology, and Industry Evolution,” I consider the role customer learning plays in this evolutionary process, in particular, the effects of variation or dominance in use. Establishing a dominant use during the early introduction of a technology helps establish its agenda and stimulates industry growth. If the dominant use per-

sists, it further reinforces the technological standard. However, extended use of a technology can facilitate customers learning new uses that change how they evaluate it, leading to new market opportunities. Finally, the competitive impact of a radical new technology depends in part on how customers actually use it. If customers use the new technology as they did the old, then established firms have an advantage even if they have difficulties developing the new technology.

To illustrate his point, I extensively analyse the history of how the manufacturing industry used manufacturing planning software – applications that help these firms plan and manage the production of their products. Records of meetings of industry professionals and contemporary surveys, as well as data from industry analysts, software firms, and consultants, makes a case for why competition within industries like software is best explained by looking more broadly at how customers actually use the products.

DOMINANT USE AND SOFTWARE INDUSTRY GROWTH

The manufacturing industry's use of planning software can be divided into three evolutionary periods: 1954 to the 1970s, when software was first introduced and culminated with Material Requirements Planning (MRP) becoming the dominant use; the 1980s, when manufacturers expanded their use; and the early 1990s, when a radical technological change occurred and Enterprise Resource Planning (ERP) emerged as a dominant new use.

When the computer was commercially introduced, large manufacturers were some of its earliest adopters. To make these machines useful, they developed many different software applications, including manufacturing-oriented applications. These early adopters were concerned about managers thinking that these programmes would replace them, so they purposely focused on automating existing routine tasks. General Electric's well-publicised implementation at its Major Appliance plant in Louisville, Kentucky, in 1954 exemplified this perspective – it focused on “eliminating the drudgery of office work” and avoided automating managerial decision processes in fear that the manager would “throw his hands up in despair.”

Surveys during this time indicate that manufacturers implemented a wide variety of software applications, ranging from inventory control to machine planning to production planning systems. By the early 1970s, however, this variation started converging toward the dominant use of MRP, largely because of the efforts of the “MRP Crusade” by the American Production and Inventory Control Society. MRP represented a new methodology to manage inventory requirements, and the software systems integrated managerial decision-making with the routine tasks. By 1975, it was estimated that 700 manufacturing firms had implemented an MRP solution.

As a result, contrary to conventional wisdom, IBM's decision to unbundle software from hardware in 1969 was not the only reason why the software industry began to grow in the 1970s. Establishing a dominant use around MRP proved pivotal for industry growth because it helped establish a more standard practice of use and customer expectations, which software entrepreneurs could leverage in their product offerings.

LEARNING NEW USES AND MARKET EXPANSION

As manufacturers continued to use the MRP system, they learned about its deficiencies. One survey in 1980 showed that only 10% of MRP customers achieved full benefit. Experts identified the core problems as how MRP scheduled material requirements and the lack of integration with other planning systems. Papers presented at industry meetings indicated a growing recognition of the limitations of MRP. Eventually in the early 1980s a new application called Manufacturing Resource Planning (MRP II) was developed that addressed some of these issues.

During this time period, new mini- and microcomputers were introduced. These machines lowered the cost of ownership and enabled smaller manufacturers to purchase MRP II applications. Smaller manufacturers have similar functional requirements as larger manufacturers but have fewer resources, which means they tended to implement the software in a highly centralised manner. In contrast, larger manufacturers distributed different implementations across departments throughout the organisation. As a result, two uses of MRP II emerged that differed in how the applications were deployed within the organisation.

These new uses continued to stimulate industry growth. At this point, the software industry split into vendors that focused on larger manufacturers and others that concentrated on the smaller midsize manufacturers.

“I extensively analyse the history of how the manufacturing industry used manufacturing planning software.”

RADICAL TECHNOLOGICAL CHANGE

In the late 1980s, a radical new technology called “client/ server” emerged that changed how software applications processed information and data. This new technology required software vendors to learn new technical skills and change the design of the applications. One software vendor, SAP, estimated that this transi-



XBOX KINECT:
PAYING ATTENTION TO HOW CUSTOMERS USE A NEW PRODUCT CAN HELP COMPANIES BECOME MORE SUCCESSFUL IN THE MARKETPLACE.





DESIGN THINKING
BLACKBERRY'S
DESIGN
PROMOTES USING
THE PHONE FOR
E-MAIL WHILE THE
IPHONE'S DESIGN
DOES NOT.

Companies can try to influence how customers use the technology through design choices.

tion cost approximately \$1 billion. Generally accepted theory predicts that such radical technological changes enable new firms to replace established firms. However, in this case, many established firms successfully navigated through this technological change. In fact, vendors that targeted midsize manufacturers were much less likely to fail than those that targeted the large manufacturers.

A closer inspection of how midsize and large manufacturers used the new technology helps explain why some MRP II vendors were more successful than others. During this time period, ERP emerged as the new software platform that leveraged the client/server architecture. The main innovation behind ERP was not new functionality, but integrating the core MRP II functionality with other financial, human resource, and sales processes. Also occurring at this time period was a growing interest in redesigning business processes to improve integration, or what became known as Business Process Re-engineering (BPR). Consultants envi-

sioned ERP as the software application that would support this new process integration that BPR promoted.

Many large manufacturers applied ERP software to configure new business processes according to the emerging BPR principles. This represented a substantial change in use from MRP II, in particular, moving toward centralisation and evaluating the software based on broader business goals. However, midsize manufacturers were less interested in BPR and continued to use ERP in the same highly centralised fashion as they did MRP II.

Software firms that targeted the large manufacturers had difficulties recognising this new use. Interestingly, the industry analyst company, Gartner Group – not the software vendors – coined the term “ERP.” However, vendors that targeted midsize firms did not face this additional challenge. As a result, the successful migration through the client/server transition depended less on innovative technical capabilities and more on the ability to anticipate and respond

to the changes in customer use.

INCORPORATING “LEARNING BY USING”

Customers go through a learning process that co-evolves with the technological development of the products. Variation and dominance in customer use at different periods of a product's evolution affect what companies can learn about their products. Often, there is high uncertainty about how new products will perform. Variance in use can actually impede resolving this uncertainty because it is difficult for companies to understand if any issues raised were user or technology related. The setting of the dominant use, in contrast, entails replication in use, which helps overcome this issue.

Recognising how customers use products helps companies market their innovations appropriately and make better technological decisions, which ultimately increases the probability of success. Having an understanding of the application of the technology and leveraging this knowledge into future innovations is important.

However, because this type of learning occurs under the local conditions of the user, getting access to this information can be difficult. Sometimes customers do not want to share this information. For instance, Microsoft users may hesitate to send information about a program crashing even though the system prompts them to do so. Even if customers wanted to share this information, its tacit nature makes it difficult to transmit and express.

Consequently, it is important for companies to develop strategies that enable them to capture what is learned by customers using a technology. Here, support services play an important role as they allow the company to see the technology in use and feed that information back into product development. However, in many companies, services and development are only loosely linked. Moreover, companies can try to influence how customers use the technology through design choices. Consider the difference in design between Research in Motion's Blackberry and Apple's iPhone – Blackberry's design promotes using the phone for e-mail while the iPhone's design does not. ■

Coordinated by Amir Moin

China, as an economic model, has been one of the most successful turnarounds in modern economic history. Shaun Rein, MD, China Market Research Group, shares his views about China and the world.

CMR GROUP

Understanding China

**Through
Research**

A masters from Harvard University (with a focus on China), Shaun Rein, Managing Director, China Market Research Group, set up his consulting firm with the idea of combining global perspectives with local knowledge. Today, he is one of the most recognised authorities on strategy consulting globally. A columnist with *The Wall Street Journal*, *Harvard Business Review*, *The Economist*, *The Financial Times*, *Newsweek International*, *Bloomberg*, *Time* and *The New York Times*, Shaun has recently written a book titled “The end of Cheap China”. In a detailed interaction with **HONCHOS’ AMIR MOIN**, Shaun reveals the state of China’s economy, why the Mainland’s education system needs urgent reforms and how he built a world class consulting business from scratch.

What are your views on the significance of entrepreneurship? Is its importance still underrated?

The backbone of any economy should be small and medium enterprises. Before the financial crisis, 70% of all job creation in the United States over the previous three decades was in companies with 50 or fewer employees. Studies show people who work in start-ups generally are happy than those in large companies – they feel more empowered and creative. Unfortunately, as a group, entrepreneurs tend not to be as politically powerful as larger firms. So, the role of entrepreneurship is often underrated and governments around the world don’t generally do a good enough job of promoting the regulation needed to aid entrepreneurship. The most vibrant and satisfied populations brim with entrepreneurs.

What are the key factors that differentiate Chinese market from other high growth economies like India?

I am actually quite bullish on both China’s as well as India’s economy and dynamism. I am not an expert on India’s business situation – it clearly is different from China and is not as top led as it is here – but I think both will ultimately succeed. The most exciting markets to be in right now are India and China, and there is going to be a clear shift of influence to Asia in the coming century. There is room for both India and China so I hope the two countries can minimise tension. My firm actually just hired our

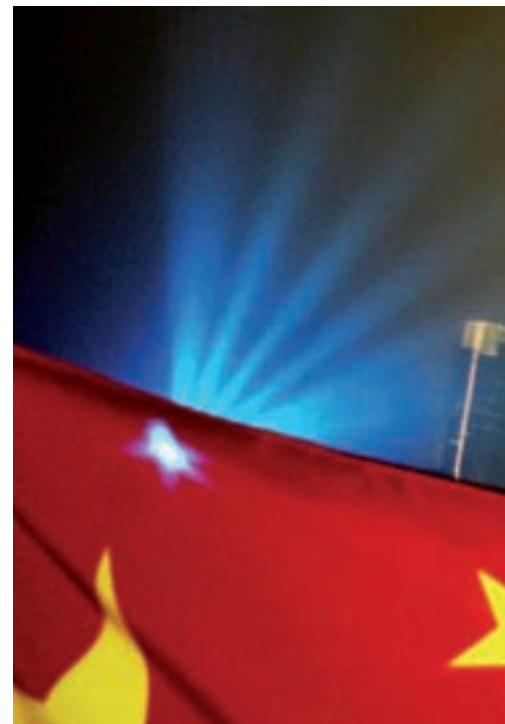
first Indian national two months ago, and I expect more China-India trade.

What are the most common challenges that companies encounter while setting up their businesses in China?

There is still far too much red tape to set up a company in China. The government needs to streamline the process – I have encountered litter corruption in setting up businesses here like I have seen in the Philippines – but there is just far too much paperwork and upfront costs that can drag processes out for months and stop many ‘would be’ entrepreneurs from even trying to get started. For instance, one needs to have a formal office in order to apply for a business licence so you don’t have startups like eBay working out of their garages, keeping costs down, and seeing if their business model works before going all out. Here you have to go all out before you can become legal and that prohibits a lot of entrepreneurship.

How is Chinese government promoting entrepreneurship?

The Chinese government offers tax breaks and low cost rents in incubation, technology parks to some entrepreneurs and actively encourages early stage venture capital investment. The reality though is that far more needs to be done. More importantly, the government needs to ease the registration process and promote more domestic venture capital firms. Right now it is foreign firms that



are leading the way in investment but they tend to focus only on investing in Beijing and Shanghai. I would like to see more vibrancy in China’s 2nd and 3rd tier cities like Chengdu and Changsha.

What is the state of management education in the mainland? By when do you think Chinese B-schools would be in a position to compete with the likes of Harvard and Stanford?

One of the biggest areas that needs reform is China’s education system. It is an absolute mess and is stopping innovation from taking place here. Too many classes focus on rote memory and there is not enough debate and exposure to different disciplines for students. That is why China’s top students are all going abroad now. In the last 30 years, one million Chinese have gone abroad. In recent years 30% have come back but there is still a brain drain. I used to be a teaching fellow at Harvard and I have lectured at

“I am not an expert on India’s business situation - it clearly is different from China and is not as top led as it is here - but I think both will ultimately succeed.”



ALTHOUGH THE CHINESE GOVERNMENT OFFERS TAX BREAKS AND LOW COST RENTS IN INCUBATION, TECHNOLOGY PARKS TO SOME ENTREPRENEURS AND ACTIVELY ENCOURAGES EARLY STAGE VENTURE CAPITAL INVESTMENT, THE REALITY THOUGH IS THAT FAR MORE NEEDS TO BE DONE.

China's top universities – no academic institution in China compares remotely with the quality of education at Harvard. In order for China to cement its status as a super power and have a more innovative economy, it needs to fix its education system. In the interim, private entrepreneurs have risen to fill that hole, which is why you see a proliferation of for profit-training companies like NIIT that are doing fabulously well here.

You are a noted authority globally on the Chinese market. Given your expertise securing a well-paying job wouldn't have been a challenge. What was it that prompted you to take up entrepreneurship as a way of life and start CMR Group?

For me, I have a passion for creating something new and trying to do the impossible. I loved setting up a strategy consulting firm from scratch and beating Bain or one of the big firms for a deal – proving that you can do something everyone else said was impossible. Seeing my vision grow... that gets me far more excited than money. Being an entrepreneur is tough – I have failed more than I have succeeded and it is stressful when you have a family and you are facing the col-

“China’s education system is an absolute mess and is stopping innovation from taking place here.”

lapse of a company that you have sweated on for years. Sometime you wonder, when you are sitting in an office with the lights turned off and no air conditioning to save money, “Should I have worked at Goldman and had a guaranteed high salary?” But at the end of the day, I thrive for that challenge and making something out of nothing. I could never imagine myself working in a big company (unless I started it) but I far prefer the start-up, stressful, fast paced environment of starting something new.

What differentiates CMR Group from globally renowned MR firms?

When starting a company, it is critical

that you provide not just something cool, but a service or product that the market demands and which is differentiated from the competition. I did that with CMR by focusing on two areas: One, CMR never outsources its own research. We do everything in-house and then develop strategies from our own research. In China, data quality is a big issue so I did not want to outsource data collection and analysis like McKinsey and Bain often do. Two, I found that big companies were tired of working with impersonal, big management consulting firms. They were willing to pay a smaller firm even more than they pay the big firms, but they wanted more personal attention. Right now CMR only handles 7-8 projects at once and our MDs are the direct project managers. We might have to charge more than bigger firms so that our MDs can focus on projects, but if you are investing a billion dollars into China, that extra cost is worth the personal attention.

What, according to you, makes a successful entrepreneurial venture?

Being an entrepreneur is difficult. So, to be successful, you need to remain optimistic and not to let failure get you down. It is important to find a support group from other entrepreneurs who have been there – who have sat at 2 AM desperately trying to figure out how to pay salaries and literally put food on the table for the family. Talking to friends who have always had a steady paycheck at a big company does not work. They might listen to you, but they don't really understand the pain, the fear, and the exhilaration.

You have recently written a book titled “The End of Cheap China”. What is it that you have tried to bring forth through this book?

I have been very excited about the warm reception my book has received so far. It hit #3 on Amazon's best-seller list for new and upcoming releases in international economics. I think it has been welcome because I try to answer what everyone is wondering – what is China evolving into and what does that mean for the rest of the world – in a fun yet informative way. In the book, I interview billionaires, senior government officials, poor migrant workers, and even prostitutes to track China's changes and how companies can benefit from the same. ■

I had the privilege of being invited to be a guest recently at the announcement of Shell's sponsorship of the X PRIZE Foundation's exploration prize group in New York City at the historic Explorers' Club to cover the event for Innovation Excellence. Speaking of explorers, here is a simple two-step challenge for everyone:

1. Name a famous explorer.
2. Now name a famous explorer who isn't dead.

The average person's response to this challenge might make you think that the human race is done exploring, that we've explored every inch of the earth, but that's just not true, and today Shell brought together a fascinating modern day roster of explorers who are still very much alive – in part to prove that humans are still exploring and that there is still a lot more waiting to be explored.

The roster of explorers who shared some of their experiences today in an inspiring live streaming event, that I attended in person (along with in-person intimate round table sessions with the explorers), included:

- Richard Garriott, Vice Chair, Space Adventures, Ltd., legendary video game developer and entrepreneur; among first private citizen astronauts to board International Space Station, America's first second-generation astronaut; and X PRIZE Foundation trustee.
- David Gallo, Woods Hole Oceanographic Institute, renowned undersea explorer, among first oceanographers combining manned submersibles and robots to map ocean world; co-leader of recent Titanic exploration; project leader, successful search for missing Air France Flight 447.
- Mark Synnott, global mountain climber who has climbed some of the biggest rock faces and ice walls on the planet, ventured into among the least-visited locales on earth, photographed the globe's most spectacular sites; and is a senior contributing editor of Climbing magazine.

The partnership between the Foundation and Shell has been more than a year in the making and is part of Shell's ongoing commitment to innovation. Shell is widely known within the innova-

INNOVATION EXCELLENCE

It's Time To Promote Next-Gen Explorers

While we have developed a notion in our mind that the human race has already explored every inch of the earth, the truth is that we are still very far from being complete. And that calls for an era of exciting discoveries backed by incentivised competition.



BRANDEN KELLEY IS THE AUTHOR OF 'STOKING YOUR INNOVATION BONFIRE', CO-FOUNDER OF INNOVATION EXCELLENCE AND FOUNDER OF BUSINESS STRATEGY INNOVATION,

tion community for its Gamechanger internal and open innovation initiative that many other organizations have endeavoured to learn from. Now Shell has chosen to continue its innovation efforts outside its four walls by beginning an innovation journey with the X PRIZE Foundation.

The goal of X PRIZE's exploration prize group is to inspire the exploration of space, our Earth and its oceans in ways that could lead to breakthrough innovations. It is interesting to note that this week is the seven-year anniversary of the winning of the Ansari X PRIZE – an overnight success after only 10 years of hard work. Here are a couple of key paragraphs from the press release:

“Shell has long been on the cutting edge of innovation, and we are proud to bring them into the X PRIZE family, supporting a prize group that advances innovation, exploration and tomorrow's discoveries,” said Peter Diamandis, Chairman and CEO of the X PRIZE Foundation. “We are closely aligned in our goals to motivate and inspire brilliant innovators from all disciplines to leverage their intellectual capital to explore new frontiers that could result in significant global achievements.”

“Continuous innovation and pioneering spirit is part of Shell's DNA. As a technology leader in energy, we constantly drive new solutions responding to the global energy challenge,” said Gerald Schotman, Chief Technology Officer and Executive Vice President – Innovation, Research & Development, Royal Dutch Shell. “We are delighted to support the X PRIZE Foundation's Exploration Prize Group and look forward to the exciting discoveries that come from the next generation of incentivized competitions.”

One of the questions that I posed during the day sounds simple on the surface, but I think it is a complex one for us all to think about and respond to:

In your mind, what is the relationship between exploration and innovation?

For me, in some sense they are the same thing. Companies must continuously struggle to balance exploration against exploitation, or innovation against operation. But in another sense, exploration can be pursuing knowledge



RICHARD GARRATT,
VICE CHAIR, SPACE
ADVENTURES LTD



DAVID GALLO,
UNDER SEA EXPLORER, WOODS
HOLE OCEANOGRAPHIC INST.



MARK SYNNOTT,
GLOBALLY RENOWNED
MOUNTAIN CLIMBER

“Companies must continuously struggle to balance exploration against exploitation, or innovation against operation.”

without having an absolute goal in mind (think basic research), where innovation tends to be pursued with an intended outcome (think applied research). Does this distinction make sense, is it splitting hairs, or is there another way we should think about distinguishing between exploration and innovation?

So if you're Shell (or any other typical company) and most of your innovation outcomes tend to be incremental in nature, then increasing your investments in exploration (or connecting to the exploration efforts of others) can help to stretch and diversify and better balance your innovation portfolio amongst incremental and disruptive innovation projects. The key is that every organization needs to innovate not just for today via incremental innovations, but for tomorrow as well by investing in more disruptive innovation efforts that have the potential to change the paradigms of the industry or to change what's possible.

In speaking further with Gerald Schotman during the day, it came out that one of the key aspects to the Gamechanger program at Shell is that he and the other business types have no say in the first 2-3 stages of their process – intentionally – because many submissions are a slightly different way

of looking at old problems and so it is more appropriate for the science and technology folks in the organization to look at the submissions and bring in the business leaders later in the process. In addition they have a lot of handovers from one set of experts to another as the expertise needed to move each project from one stage to the next often changes as you go along.

Gerald also talked about how a lot of the idea submissions come not just from outside of the traditional technical and R&D areas, but even from outside of Shell. He also spoke of his view of his own role – and that he sees it as being the person who manages the turbulent flow of the idea pipeline and the determination of the width and the orientation of that pipeline (what they're focused on).

So, now that the X PRIZE Foundation and Shell have formed this partnership on this \$9 million sponsorship of the exploration prize group, it will be very interesting to follow both and see what new challenges come out of it to drive innovation exploration by space, sea, and land and what are the implications for Shell's own innovation pipeline.

What do you think? ▣

Coordinated by Anirudh Raheja

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THE NEW YORK TIMES

Don't Know How? Well, Find Someone Who Does

Technical knowledge is not necessary to become an inventor. Your passion is your key to success.



NICOLE
LAPORTE
COLUMNIST,
THE NEW YORK
TIMES

Is advanced technical knowledge necessary to become an inventor? Look at the story of Katherine Bomkamp, and you will see that it isn't.

Bomkamp, 20, came up with the idea behind the Pain Free Socket, a prosthetic device that is intended to ease phantom limb pain in amputees. The device, now awaiting a patent, works by applying heat to the amputee's joint socket through thermal biofeedback. The theory is that as the nerve endings are warmed, the brain is forced to focus on the heat rather than send signals to the absent limb.

Now a sophomore at West Virginia University, Bomkamp was in high school when she began working on her

invention. At the time, she had zero background in chemical or electrical engineering, which were essential to the creation of the device.

"It was all completely foreign to me. I had no interest in engineering before this," said Bomkamp, who was a criminal-justice major at her magnet high school in Maryland.

In college, she's studying political science, with plans to attend law school.

Her experience shows how ambition,

persistence and an ample supply of curiosity can lay the groundwork for achieving breakthroughs, even technological ones. (A bit of youthful pluck helps, too.) It also shows that drawing on other people's experience and resources is often as good as, if not better than, doing everything yourself.

Politicians know this. Business leaders like Steve Jobs knew this. And yet, when we think of inventors, we think of a solitary soul hunkered down in a base-

"Her experience shows how ambition and persistence can lay the groundwork for achieving breakthroughs."

ment lab for weeks or months before emerging to claim an unshared victory.

To this, Bomkamp would say: Think again.

The seeds for the Pain Free Socket were sown when Bomkamp, whose father is a disabled Air Force veteran, found herself in waiting rooms at the Walter Reed Army Medical Center – the hospital in Virginia that has since closed – seated among wounded soldiers just back from Iraq and Afghanistan. Many of them were amputees.

“They would tell me their stories, and phantom pain kept coming up,” she said. She started researching the condition and learned that “most amputees are prescribed antipsychotics and barbiturates, which are expensive and have high addiction rates.”

“So I wanted to see if I could eliminate the need for those drugs holistically,” she said. An opportunity to pursue her idea came when her chemistry teacher announced a school science fair. Wanting to “do something meaningful that impacted the community,” she said, she decided to work on a device to treat phantom pain.

“My thought process was: When I pull a muscle, I apply heat to it. If I applied the same concept to treating phantom pain, I thought that could work.”

The only problem was execution. Bomkamp was the furthest thing from a math or science geek; there was no way she could do this alone. So she began emailing engineering professors at universities in the area and asking them for assistance.

“They were all very receptive,” she said. “They all invited me to come work in their labs. I chose the University of Maryland because it was closest to my house.”

And so, every Friday, she would take the day off school – with permission – and her mother would drive her to College Park. There, she worked with professor Gilmer L. Blankenship in the department of electrical and computer engineering, and his lab manager, Jay Renner.

“They taught me electrical engineering from the bottom up – electrical programming, heat wiring,” she said. “Basically, everything, they had to teach me.”

They helped her build a prosthetic

“Bomkamp has set up her own company and is now working hard on third and fourth generation prototypes.”

socket as the first prototype; heated socks used by hunters served as the gadget’s heat source.

But engineering was only half the battle. Bomkamp wanted to expand her invention and build a prosthetic limb. Who would build it – and not charge her \$15,000, the typical cost of an artificial leg? Again, she resorted to grass-roots outreach, printing the names of prosthetics companies she found on the website of the Amputee Coalition of America, and making calls.

“A lot of people hung up on me, saying, ‘This won’t work, you’re just a kid, don’t waste my time,’” Bomkamp said.

KATHERINE BOMKAMP WITH THE PAIN FREE SOCKET, A PROSTHETIC DEVICE SHE INVENTED THAT IS INTENDED TO EASE PHANTOM LIMB PAIN FOR AMPUTEES, AT WEST VIRGINIA UNIVERSITY IN MORGANTOWN, WVA., ON NOV. 18, 2011.



Finally, she reached Jake Godak, who at the time was working at Cascade, an orthotic and prosthetic supply company in Chico, California, and remains a consultant in prosthetics.

“He said this could really work, and so he built sockets and a leg for me,” she said. “I still work with him.”

In the second-generation prototype, the heated socks were replaced by ribbing cable, and the electronics were such that the amputee could control the temperature of the socket.

The device “appears to be a very promising prototype for one of the possible ways for amputees to deal with phantom pain,” said Joe McTernan, director of coding and reimbursement, education and programming at the American Orthotic Prosthetic Association. “This certainly is interesting and intriguing research,” he said, adding: “But it is, as far as I can see, currently very much a prototype.”

At West Virginia University, Bomkamp has acquired a new set of mentors in the school’s entrepreneurship programme. She has set up her own company and is working on third- and fourth-generation prototypes. These will have smaller, more compact electronic boards and will be able to be operated by a mobile phone.

In the meantime, she has applied for a patent, and the device will be tested. She is also in talks with a domestic prosthetic company about licensing the rights to sell the device, which is subject to the approval of the Food and Drug Administration. She hopes to receive a small percentage in royalties from future sales. Otherwise, she’s just an ordinary college kid – sort of.

“I definitely don’t have the typical college student life,” she says. “But at the same time, I do. I still worry about tests and getting scholarship money. But yet I’m a CEO, and I’ve got this project and I go on business trips. I walk the line between the two.”

And, yes, she won the high school science fair. ■

PROSPECT, UK

Design As Strategy

CEOs should engage themselves in understanding what design does. The reason is simple. Design, if practiced the right way, can help organisations create a lot of value.

Richard Eisermann, Founder & Strategic Director, Prospect, UK, has worked as a strategist in the area of design for almost three decades now. His background in industrial designing and stint at the design council puts him in a unique position to understand and decipher the implications of design for businesses across sectors. In an exclusive conversation with **AMIR MOIN** of **HONCHOS**, Eisermann speaks at length about how CEOs should look at design, how Steve Jobs built an empire on the foundations of design, and how the discipline has evolved over the years.

Generally, consumers do understand design. But none of them consciously look at design as something that influences their perception and buying behaviour. So, how would you define the implication of design for businesses?

Well, in my experience, the critical factor is not to talk about design but actually practice design. CEOs should engage themselves in understanding what design does. It is no longer a question of convincing them, it is a question of getting them to do it. And that sometimes is not so easy. But there is now enough evidence that businesses understand the bottom-line impact and therefore are listening to the arguments. It is now easier to persuade them to look at design as a strategic tool. Once they are convinced, design becomes an investment and not a cost.

Organisations generally aren't configured to adopt design as a methodology. Design, in its very nature is cross disciplinary. The very idea of design is to bring together different contribution and package them in a way that creates value. Often you have a very siloed company. Design is the only element that can cut across the silos to create a unique customer experience.

Since you have been in this profession for decades now, what are the most common issues that companies face from a design perspective?

Time. It is the single most difficult question for small and medium enterprises. It's just about not having the bandwidth to handle the requirements of thinking in a different way. There is a certain amount of skepticism, but once they start doing it, the process becomes relatively simple. It all starts with understanding what the problem really is.

You speak of sustainability alongside design. What do the two of them got to do with each other?

Sustainability these days is very high on the agenda. Designers have a responsibility to look at sustainability issues. Designers work on things that two years down the road are going to be products. Therefore, they see the future. They basically know what's coming. It's because of this they are also aware that the design they are producing is going to have implications for people and the environment. Therefore you have to look at the

future and alert the client that there could be potential problems. Moreover, sustainability, if you practice it in the right way, saves you a lot of money.

How has the idea of design evolved. Has it undergone just cosmetic changes or is there much more to it?

No, it's much different. In fact very different. I was trained as an industrial designer. And in the first few years, it was all about the object. How can you design it to make it look good? And that was it. It was basically the application of superficial tricks to make things nicely proportioned or more appealing, or different, from the competition. But slowly it started developing into a more systemic approach of developing product language and delivering group products that supported the brand. Then with the advent of digital technology, all of a sudden there was a need to look at services. And it's no longer about the services, but about all the elements that pass through a product. In my opinion, design today is a very integrated view of creating a great experience.

The IT hardware industry is one of the few segments where design is integral to the success or failure of the product. Why is it that a lot of companies couldn't implement design the way Apple Inc. could?

Well, that's simply because there aren't many Steve Jobs' out there. He was an exemplary individual who drove Apple in a very vision-

“There aren’t many Steve Jobs’ out there. He was an exemplary individual who drove Apple in a focussed way.”

RICHARD EISERMANN, FOUNDER & STRATEGIC DIRECTOR, PROSPECT, UK



ary but focussed (also) kind of way. And I think that’s where companies have problems. They lose their focus. Apple has a handful of products that they have to manage. That’s relatively easy to do. And if you focus all you energy on home runs, it is quite possible to consistently hit them. Apple in the 90s was neck-deep in trouble. The focalisation of efforts later actually made the difference there. Look at what HP just recently went through with their tablet – disaster. Within six months, they spent a billion dollars and were out of the market. And it is because it was a me-too product, they didn’t look at the uniqueness quotient.

What is it that companies usually want to achieve through design and how do you add value to their perspective?

A lot of times companies don’t know what they want to achieve. Therefore it is completely on the designer to tell them. The ultimate end for a company is profit. That’s changing a little bit I think. It’s “we want to make money, but we also want to do good” kind of attitude now. Companies now want to add value. Design is the process making people-centric design the watchword. All companies have to do then is to use designers to the best of their abilities. Bringing in anthropologists, sociologists and understanding contextual questions and then interpreting that information – it is not about asking people what they want, because they don’t know that yet. It’s about understanding how people behave. ■



SUBRATA DUTTA

Business Of Baggage

Subrata Dutta talks to ANGSHUMAN PAUL ON leadership and matters close to his heart

Best memory from school

In my school, whenever our football coach didn't want anybody in the team, he used to coin that person as a baggage. And I still remember that when I am working with a baggage company!

Stress-relief to you is

Music, music and more music... At times, I also enjoy travelling.

Most memorable moment

Our daughter was born on 15th August. It entirely changed the way we looked at life. We lost our freedom from our "DINK" status and entered the wonderful world of parenthood.

Childhood ambition

Inventing a way to transmit electricity without using wires. The ambition got lost during the days that I spent when I was doing my graduation in Electrical Engineering!

A nightmare to you is

Losing my Blackberry!

Leader to you is...

Mahatma Gandhi, who led from the front & maintained a very transparent leadership model.

Ideal leadership model....

The job of the leader is to guide a person in documenting his/her learnings from experiments and experiences, provide timely involvement when an experiment appears to go off track and counsel a person when he needs it. ■■

“ I still remember my coach's words now that I am working at a baggage company! ”

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