CONQUERING THE CHAOS: WIN IN INDIA, WIN EVERYWHERE

Ravi Venkatesan, Member of the Board, Infosys Limited

India is on the minds of business leaders everywhere. Within a few decades, India will be the world’s most populous nation and one of its largest economies. But it is also a complex and challenging market, with a reputation for corruption, uncertainty, and stultifying bureaucracy. Ravi Venkatesan, the former Chairman of Cummins India, argues that chaotic India is in fact an archetype for most emerging markets, many of which present similar challenges but not the same potential. Succeeding in India therefore becomes a litmus test for your ability to succeed in other emerging markets. If you can win in India, you can win everywhere.

Ravi Venkatesan is the former chairman of Microsoft India & Cummins India. Under Ravi’s leadership between 2004 and 2011, India became Microsoft’s second-largest presence in the world as well as one of its fastest growing markets. Microsoft India was consistently rated one of the country’s most respected companies, amongst the most admired brands, and one of India’s best employers. Ravi was instrumental in creating Microsoft India’s Project Shiksha, a computer literacy program which has so far trained over 35 million school children in India. In 2011, Ravi was voted India’s Most Influential Multinational Company CEO in the annual survey conducted by The Economic Times, India’s leading business newspaper.

Prior to joining Microsoft, as the Chairman of the publicly listed Cummins India, Ravi led its transformation into the country's leading provider of power solutions and automotive engines. He helped establish the Cummins College of Engineering, India's first engineering college for women, in Pune.

Ravi is the author of a book "Conquering the Chaos: Win in India, Win Everywhere", which will be published by Harvard Business Review Press this June. He is a director on the boards of AB Volvo and Infosys Ltd. and a fellow of the Center for Higher Ambition Leadership. An advisor to several family businesses and startups, he is a member of the advisory boards of Bunge and Marico Innovation Foundation, and serves on Harvard Business School’s Global Alumni Board. He is also the founder-chairperson of Social Venture Partners India, a network of philanthropists addressing social problems through venture philanthropy. Ravi has a BS in engineering from IIT Bombay, an MS from Purdue University, and a MBA from Harvard Business School where he was a Baker Scholar. He is a recipient of the Indian Institute of Technology Bombay’s Distinguished Alumnus Award and Purdue University's Distinguished Engineering Alumnus Award. Ravi is married to Sonali Kulkarni; they live in Bangalore.

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McDonald’s India: Cows may safely graze
Three fundamental questions

1. Does India really matter? Why bother with the Chaos?

2. What does it take to succeed in (markets like) India?

3. Why is success so uncommon? Why does leadership really matter?

First of all, does India still matter?

Mounting concerns amongst CEOs

- Slowing economy and weakening currency
- Tax muggings
- Inadequate IP protection
- Bureaucratic logjam
- Corruption

"Foreign companies are starting to become scared here. They are starting to say, 'What am I doing here?' ...... I’ll hire people here, but I’ll be a lot more reluctant about investing, including making acquisitions. It’s not a smart thing for me to be doing."

~ Dave Cote, Chairman & CEO, Honeywell. Wall Street Journal, May 3, 2012
“India grows at night”

The Growing Middle Class

Source: OECD data, 2010
Growth happens in spurts
Followed by periods of slowdown

Percentage change in GDP at constant price

Number of growth years in a decade (for India)

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<th>Decade</th>
<th>Years</th>
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<td>1980-1990</td>
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<td>1990-2000</td>
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<td>2000-2010</td>
<td>7 Years</td>
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SOURCE: International Monetary Fund, World Economic Outlook Database, April 2012

India: A proxy for many emerging markets
India: “A functioning anarchy”

Win in India, Win Everywhere!

Nokia Asha Mobile Phones

India's Got Talent

IBM

Dell
Conclusion

- Despite all its challenges, India will remain a growing market and cannot be ignored.

- ‘Chaos’ is a defining feature of most emerging markets including India. Companies interested in emerging markets must learn to embrace chaos.

- **India is important, not just as a market, but as a lab for emerging markets; Win in India, win everywhere**

  "India should be viewed less as a difficult market where strange things are happening, and more as a market that is simply ahead of many other markets in its evolution. If we don’t figure out how to win in India, we could end up losing in a lot of other geographies around the world. Conversely, if we can win in India, we can win everywhere."  
  ~ Stephen Elop, CEO, Nokia

How have a few companies broken through in the same chaotic place?

How do you win in India?
“What does success look like?”

How can you tell if a company is succeeding in India?

- It is a #1, #2 or #3 in the industry and growing faster than average
- India provides 10-20% of new global growth
- Products, capabilities and talent from India are being used to succeed in other markets

Who is doing well in India?
Rx success: Three differentiators

1. Mindset: ‘All- in’
   - Strategic view, not just a financial view
   - Definition of Success: we must be a market leader in China & India
   - Long game: willing to wait for 5 years or longer for investments to payback
   - Humility: maybe we can learn something from India also

2. Adapt to the market; Don’t expect the market to adapt to you
   - Start at the top but quickly focus on the middle of the pyramid
   - Product to be tailored for India offering ‘70% of the value at 30% of the price.’
   - Localized Business model that delivers profitability even at crazy price points
   - Granular, bottom up approach. 8 states, 20 cities

3. Get talent right
   - Get the right country manager and leadership team; localize and empower management
   - Become a top employer brand
   - Grow talent from within… “Big Jobs & Big Challenges”
   - Move top talent around globally; emerging markets experience is key in top jobs

The peril of low commitment

‘The Midway Trap’ and the ‘1% Club’

Source: McKinsey Analysis
How GE escaped the Midway Trap

1. Country Lead
2. Operating Model
3. Strategy
4. Organization
5. Resilience

When the recipe to success is so evident, why do most companies not do the obvious?
Winning in India takes an unnatural act!

1. Pick a few big markets like China, India, Indonesia, Brazil to go deep rather than smear investments across many
2. Look past the chaos and short term challenges of these markets. Play the long game and stay the course
3. Sacrifice short term profitability for market leadership
4. Adapt to the market, don’t wait for it to adapt to your model
5. Send one of your best leaders and leave him/her there for 5 years or more
6. Empower the local team to make most operating decisions – don’t micromanage from HQ or Singapore
7. Innovate in India for India; develop disruptive propositions that can cannibalize your existing business
8. Etc.

And therefore requires personal leadership from the CEO

India becomes a ‘Defining Choice’

CEO Dilemma

- How can I look past the chaos and make a bet on India? Especially when there are other opportunities in Indonesia, Africa, Myanmar, Turkey
- With the average CEO tenure down to 6 years, how can I wait 5-10 years for certain investments to pay off?
- With core markets soft, tougher competition, more government involvement, how many more investments can I lead personally?

98% of Global CEOs lack emerging market knowledge… So do most Board and Executive Leadership teams.
Emerging markets are quietly disruptive

... and many companies are ceding industry leadership without even realizing it.

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