

Leadership for India Inc: Practical Concepts and Constructs
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Week - 06
Leadership Structures
Lecture - 30
Building Perpetual Corporations

Hi Friends, welcome to the NPTEL course Leadership for India Inc: Practical Concepts and Constructs. We are in week 6 discussing Leadership Structures. In this lecture, we are focus on Building Perpetual Corporations.

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Corporate Perpetuity

Institutions can be designed and managed to outlast individuals, even last till perpetuity in a manner of speaking. However, corporate perpetuity is by no means easily assured—it requires a distinctive mix of leadership.



- The greatest role a leader can play is to ensure perpetuity for the organization he or she heads
- Theoretically, institutions can outlast successive generations of leaders and employees
- However, leaders differ in their passion for ensuring institutional perpetuity
- Leaders also differ in their ability (or inability) to navigate complex, changing and often unpredictable business and economic conditions
- This dictates whether leaders are able (or unable) to fulfil their most important and cross-generational mission of corporate perpetuity

Leaders do have several methodologies and tools, including technology, to develop strategies that lead to sustainable and growing businesses, and hence perpetual corporations. However, many leaders fail in the perpetuity mission.



Institutions can be designed and managed to outlast individuals, even last till perpetuity in a manner of speaking. However, corporate perpetuity is by no means easily assured, it requires a distinctive mix of leadership. The greatest gift a leader can give to the organization is to lay the foundations and also a pathway for corporate perpetuity.

However, not all leaders are able to do that because they differ in terms of their passion for perpetuity, in terms of their interest in perpetuity. As a result, some leaders are able to make their companies very resilient and very strong and very adaptive to coast through the future whereas, some leaders are not able to provide those benefits to their companies.

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Elusive Perpetuity

There are several reasons why leaders fail to lay successive foundations for their entities grow to perpetuity. Leaving aside patently failed companies, even those firms which have had good operating strategies and business models lack leadership to last across generations. A few key reasons are discussed below.



Not having passion for perpetuity; too focused on the leader's own term!

Belief in a cash-out strategy, even if it means the entity going into history.

Divestment of businesses and companies as a strategy of lean growth

Failing to anticipate disruptive technologies and business models

Forced into exits by regulatory changes

Overwhelmed by environmental volatility

Some leaders, especially founders of start-ups and entrepreneurs, find it opportunistic and, at times, inevitable to sell their companies to other big firms, and lose the original identity. Some leaders find growth and de-growth through strategic decisions in a volatile economic environment a competitive compulsion as well as an enablement.



Some of the reasons why perpetuity is elusive is as I said, one, lack of passion, second cashing out too early without waiting for things to get better, divestment of business in parts to stay afloat, failing to anticipate disruptive technologies which keep coming from time to time and also disruptive business models that keep emerging, getting forced into exits by regulatory challenges and changes and finally, getting overwhelmed by environmental volatility.

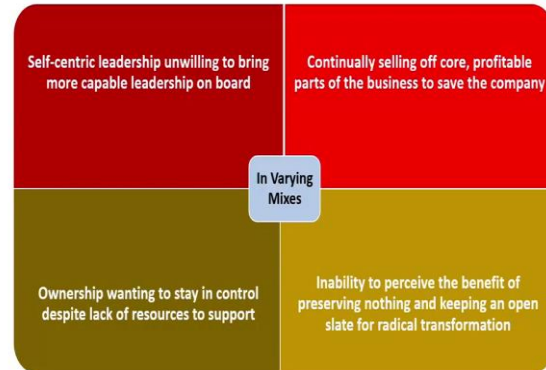
Some startup founders and entrepreneurs believe that facing out of a company is in fact, a good thing and is in keeping with the spirit of start up or entrepreneur mission. They believe that once the business has peaked in terms of its potential, it would be more advisable to cash out and use the proceeds for another startup venture than try to keep it going.

Some others believe that after having reached a peak, it would be more appropriate if the companies handed over to a more capable organization so that the business can be taken further forward. So, there are different reasons why certain companies get phased out.

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Preservation Risks for Perpetuity

Temptations to preserve leadership and ownership will be adversely influencing corporate perpetuity in all the four options. Most times, perpetuation of ownership and leadership when the owners and leaders themselves have been the cause of business decline will only accelerate the collapse of the company.



A leader who is genuinely committed to corporate perpetuity would need to know the why, what, how and when of both preservation and abdication of leadership, ownership and/or business.



There are certain risks from a mindset factor in terms of perpetuity, these are the four. One, self-centric leadership which is unwilling to bring more capable leadership on board. Whenever business encounters problems, it is important that leaders bring new competencies, new leadership skills so that the company can weather the storm and move forward.

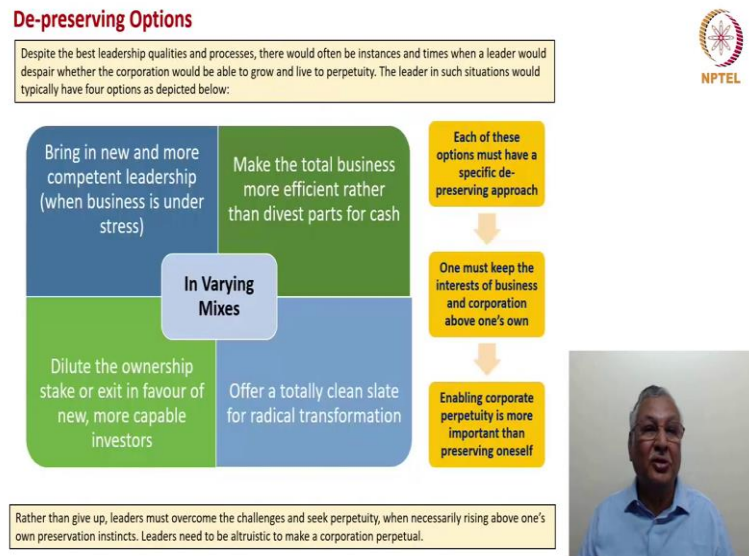
Secondly, taking the short-term route of trying to sell off parts of the business so that the rest of the business can stay afloat, that tends to be a really short-term approach which could be meaning short-term success, but in the long-term, it could reduce the strength of the company. The third reason is ownership wanting to stay in control regardless of the lack of resources, the owners have in terms of growing the business further.

At times, the businesses also fail because the leaders do not see that keeping an open slate for radical transformation is more appropriate than trying to preserve either the businesses in parts or the organization in parts. You can keep the company, you can keep the brand, but you can offer an open slate for a new owner or a new entity to be able to transform the whole business.

One of the reasons why the Indian car companies which were existing in 1970's could not make the grade later on is because they did not believe in offering an open slate to their collaborators. They wanted to stay in control in some manner or the other and wanted only certain parts of the business to be modernized and not the rest of it.

A leader who is genuinely committed to corporate perpetuity would need to know the why, what, how and when of both preservation and abdication of leadership, ownership and or business a self awareness on this dimension is extremely important.

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What are the de-preserving options? Obviously, they are corollaries to what we have discussed earlier. Bring in new and more competent leadership whenever the business is under stress. Make the total business more efficient rather than diverse parts for immediate cash. Dilute the ownership stake or exit in favour of more capable and more resourceful investors.

Particularly, when you are in industries with suck lot of investment capital. Offer a totally clean slate for radical transformation of companies to collaborators, to new investors and also new partners. Rather than give up, leaders must overcome the challenges and seek perpetuity, at the same time rising above the narrow, personal and preservation instincts. Leaders need to be altruistic to make a cooperation perpetual that is very important.

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Business Culture

Ever since the emergence of stock markets as drivers of market capitalization and barometers of investor value creation, companies have ceased to be seen as an end in themselves and viewed more as instruments of wealth creation. Companies failing to create wealth lose their right to access funds and remediate themselves.



Standalone and organic growth is ideal. Merged and inorganic growth (with value generation) is also a good route to take. However, de-growth (with value destruction) upon M&A reflects poorly on leadership. In these matters, leadership has a great responsibility. Leader and founder commitments towards corporate perpetuity are critical.



As I said, there are certain cultural factors as well which make the companies stay on. Ever since the emergence of stock markets as drivers of market capitalization and barometers of investor value creation, companies have ceased to be seen as an end in themselves and viewed more as instrument of wealth creation.

Somehow, companies which fail to create wealth for couple of quarters seem to lose their right to access funds and remediate themselves. It is unfortunate situation, but also is a true situation which means that this stakes for having good management, good governance and good strategy and good execution are very high.

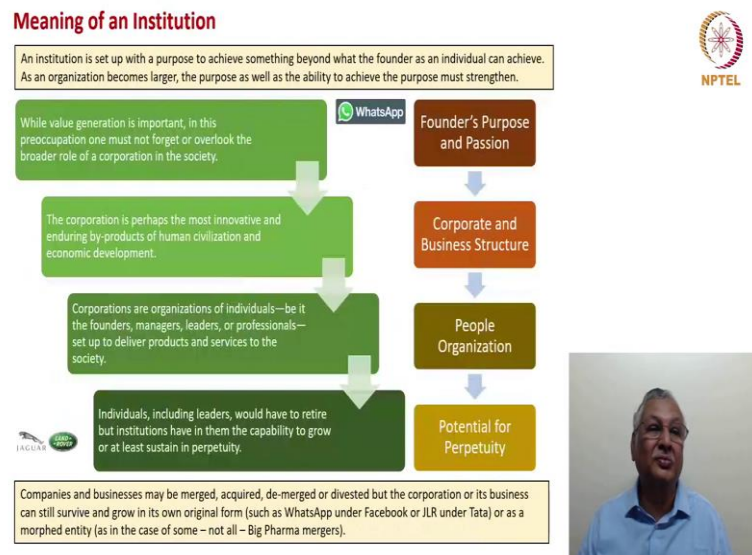
So, you can think of a negative cycle in which a company gets into, the company has a bad strategy that is being in the wrong product line or having outdated facilities. Then, supplemented by bad management as a result, you have poor outcomes in whatever the company does. The company becomes a non-performing asset and finally, goes into insolvency and bankruptcy, that is how the companies exit from their normal operations. This is a negative cycle which leads to exit of corporations from the industrial system.

On the other hand, you can think of a positive cycle which is having a good strategy, good management, great results, value creation and then of course, continued growth and existence, but such kind of great performance also could position the companies for merger and acquisition.

Stand alone and organic growth is ideal. However, at times, merged and inorganic growth as long as it generates value could also be a good route to take. However, de-growth and value destruction that a company, certain merger and acquisition transactions is inimical to the total industrial value system as well as the industrial and economic structure.

In these matters, leadership has a great responsibility. Leader and founder commitment towards corporate perpetuity are critical, by the same name or by a morph name that does not matter.

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What is the meaning of an institution? An institution is set up with the founder's purpose and passion and the founder creates a corporate structure and a business structure and he also creates an organization of people to implement his plans and we have also seen the very many methods of management by which people can be made inclusive, empowered and partners in this mission of building the institution, building the business and ensuring profitable growth.

When the founders and his team members achieve these aspects, there is potential for perpetuity. There are cases when highly successful entities even if they are acquired, retain their original brand, their original look feel and their original strategy, WhatsApp is a great example of the company continuing to grow under the Facebook banner.

Similarly, Jaguar Land Rover which Tata Motors acquired in the 2000's continue to grow as Jaguar Land Rover only. So, if the institutional strengths are very strong and if the brand loyalty and the corporate connectivity are so strong, it would be very appropriate to keep those brands, those corporate entities moving forward even under new ownership.

So, companies and businesses may be merged, acquired, de-merged or divested, but the corporation or its business can still survive and grow in its original form whenever the basic corporate strength is there for perpetuity, that is the meaning of the institution.

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Four Leaders Who Saw Purpose

Leaders who establish companies that can run for perpetuity display certain special characteristics. One of these is Purpose. There is always a story of purpose behind leaders who established ground-breaking companies which are still flourishing to date. The purpose extends far beyond moneymaking.



Saw purpose in transforming mobility through automobiles manufactured by Ford Motor



Henry Ford



Thomas J. Watson Sr.

Saw purpose in discovering things beyond the current concept of corporation

Saw heroism in outlasting competition through S. G. Warburg Investment Bank



Siegmund Warburg



Sam Walton

Saw purpose in serving every family for their needs through his chain of stores



Every time a company is challenged to modify the purpose to stay ahead of disruptions, transformations are usually involved. Ability to navigate the transformations helps leaders achieve corporate perpetuity.

The purposive leadership; the purposeful leadership ensures that the companies can grow to perpetuity. We today have Henry Ford's Ford Company, still growing. Henry Ford saw purpose in transforming mobility through automobiles manufactured by Ford Motor. Thomas J. Watson senior saw purpose in discovering things beyond the current concept of corporation and was therefore, responsible for founding of IBM and growth of IBM.


Siegmund Warburg saw the heroism in outlasting competition through S. G. Warburg investment bank and even today, Warburg is a great institution in the investment circles. Sam Walton saw purpose in serving every family for their needs through his chain of stores.

Every time a company is challenged to modify the purpose to stay ahead of disruptions, transformations are usually involved. Ability to navigate the transformations helps the leaders achieve corporate perpetuity that is an important aspect.

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Some Perpetual Corporations - 1

There are striking examples of many world-class organizations in the pharmaceutical industry that are more than centuries old, keeping pace with modernization and advancing the quality of human life.




Pfizer, founded in 1849

- Continues to be one of the world's largest pharmaceutical companies
- Powered by innovation, mergers and acquisitions




Merck KGaA, founded in 1668 as a pharmacy

- Evolved as an integrated pharmaceutical corporation
- despite certain divestments and mergers, remains a noted global pharmaceutical company




Fujisawa, founded in 1894

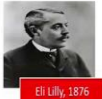
- Morphed into Astellas
- Became a global pharmaceutical corporation




GSK's Origins, 1715




Eli Lilly, 1876



Bayer, 1863



Pfizer, as it exists today, is a phenomenal result of growth over the decades through multiple acquisitions supplementing organic growth, which enabled perpetuity for itself and the acquired businesses or products. So have been GSK, AstraZeneca, BMS, and several other global pharmaceutical corporations.



Let us look at the examples of some perpetual corporations. We take the example of the pharmaceutical industry. There are many global giants in the pharmaceutical industry. Pfizer, the leading pharmaceutical corporation was founded in 1849. Even today, it continues to be the world's largest pharmaceutical company. It is powered by innovation, mergers and acquisitions.







Merck KGaA, founded in 1668 as a pharmacy. Evolved into an integrated pharmaceutical corporation over these centuries and decades. Despite certain divestments and mergers. Merck remains a noted global pharmaceutical company. Fujisawa was founded in Japan in 1894. It morphed into Astellas and became a global pharmaceutical corporation.

The case has been similar in respect of GSK which had its first origins in 1750. Eli Lilly, its first origins were in 1876. Bayer, the German corporation which started with aspirin 1863 was its foundational year. So, the phenomenal growth of these pharmaceutical companies and their sustenance and growth as big pharmaceutical corporations offering a wide range of therapeutic and preventive options is because they have adopted corporate perpetuity as one of their guiding passions in the leadership.

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Some Perpetual Corporations - 2

In the automobile segment as well, there are striking examples of many world-class organizations that had leadership processes that ensured corporate perpetuity.

 General Motors, founded in 1908 <ul style="list-style-type: none">• Remains strong as one of the world's largest automobile companies• Not only withered the storm of global economic meltdown but also now poised for electric vehicle development	 TOYOTA Toyota, 1934
 Ford, founded in 1903 <ul style="list-style-type: none">• Defined automobile revolution and mass manufacture• Remains a formidable player to date, despite entry of dozens of automobile makers globally	 NISSAN Datsun, 1914
 Mercedes Benz, operational in 1901 <ul style="list-style-type: none">• Pioneer in diesel engines and a full range of cars, SUVs, trucks and buses,• Now, a pioneer in electric buses and other automobiles	 Daihatsu, 1907

All of the above companies dominate the global automobile industry even today. Daihatsu of Japan, a smaller company with less of a scale advantage, remains an undisputed specialist-leader in small cars.



In the automobile industry which is a completely different industry from the pharmaceutical industry, you can see striking examples of many world class organizations that had leadership processes that ensured corporate perpetuity. General Motors was founded in 1908. Even today, GM remains strong as one of the world's largest industrial companies.

It is powered by a series of actions in spite of the difficulties it has had in the global economic meltdown. Ford, founded in 1903, defined automobile revolution and mass manufacture. It remains a formidable player to date, despite entry of dozens of automobile makers globally.

Mercedes Benz, operational in 1901. It was a pioneer in diesel engine and even today is a pioneer in diesel engine. It now has a full range of cars, SUVs, truck and buses and is poised to become a major player in the electrification of the automobile industry. The case is similar in respect of Toyota, 1934 founded.

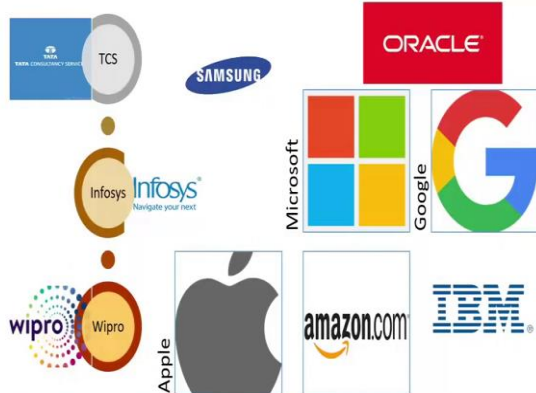
Nissan founded as Datsun in 1914 and Daihatsu founded in 1907. It is also appropriate to understand that this scale is not the only consideration which makes companies remain perpetual. Daihatsu for example, is a small niche player in small cars in the Japanese automobile industry.

From 1907, it has been a leader in this industry of small cars and continues to grow. So, perpetuity and this scale and size have no interconnection, although it may be beneficial to have scale and scope as the enabler for perpetuity.



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Digitally Perpetual?

Going by current trends, there would be many outstanding companies that would remain as perpetual corporations.



As the importance of digital becomes even more pervasive, more particularly in the course of disruptive trends post-Covid, technology companies of USA and India which have demonstrated their strengths and have huge cash reserves are set to emerge as the new-age perpetual corporations.



There are also companies which are digitally perpetual going by current trends, there would be many outstanding companies that would remain as perpetual corporations because digital is the way to go. In India, Tata Consultancy Services, Infosys, Wipro would surely be the long-lasting corporate perpetuals' in the digital industry.

Globally, we see companies such as Samsung, Microsoft, Google, Oracle, Apple, Amazon dot com, IBM staying on as perpetual corporations regardless of the future of industrial transformation that would happen.

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Model of Corporate Perpetuity

Leadership needs to enable and assure corporate perpetuity in terms of nine factors that cover institutional competencies, talent flow, perpetual competencies, strategic virtuosity, operational productivity, adaptive resilience, intellectual and financial capital, and future perfection, apart from de-preservation discussed earlier.



Leaders must not only grow their companies but also imbue their companies with strength and resilience to successfully exploit the opportunities and withstand the ravages that come with times. This is the only true legacy that leaders can leave behind.



Let us look at a model of corporate perpetuity. There are nine factors, one of course, we have considered already that is the behavioral mindset of leader should be such that there is no preservation of vested interest.


Similarly, owners also must be of mindset that there should not be any perpetuation of financial constraints on the company, assuming that; that is ensured, the other capability parameters are institutional competencies, talent flow, perpetual competencies, strategic virtuosity, operational productivity, adaptive resilience, intellectual and financial capital and future perfection.







Leaders must try to grow their companies certainly, but in that process, they should provide to their companies enough strength and resilience and enough technological capability to be able to exploit the opportunities and withstand the ravages that come with times. This is the only true legacy that leaders can leave behind.

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Institutional Competencies – Technology and Management

Any of the perpetual corporations mentioned herein (as well as several others not mentioned here) underscore that technology and management are the basic foundations of perpetual corporations.



 <p>Best-in-class automotive safety engineering is institutionalized in Mercedes Benz</p>	 <p>Global delivery competence is institutionalized in India's top-rung information technology companies</p>
 <p>Just-in-time production management system is institutionalized in Toyota</p>	 <p>Ability to quickly develop and mass-produce vaccines for global markets is institutionalized in Serum Institute</p>
 <p>Leadership development, both in businesses and individuals, is institutionalized in GE</p>	 <p>The Indian Railways, founded in 1849, is one of the oldest and largest railways of the world, and continues to serve 1.4 billion people</p>

Interestingly, perpetual corporations go through some of the toughest technological, business and economic vicissitudes that only seem to enhance their resilience to remain perpetual. Ability to continuously innovate and come up with new inventions is a critical part of staying on.



Let us see how these technology and management-institutional competencies are ingrained in a corporation. If you see Mercedes Benz, best in class automotive safety engineering is institutionalized in Mercedes Benz. If you think of Mercedes Benz, you think of top-class design of the car, top-class manufacture of the car and top-class safety features.

When you look at Toyota, you think of a just in time production management system which can ensure best customer value for the customer. When you think of Toyota, you think of just in time production management system amongst various other features which ensures that the customers have true value of technology and affordability. General Electric's stands for leadership development in businesses and individuals and that is institutionalization GE.

Global delivery competence is institutionalized in India's top-run information technology corporations. Ability to quickly develop and mass produce vaccines for global markets is institutionalized in serum institute. In fact, serum institute is one the most important supportive factors for vaccine development and availability in the world in the phase of COVID-19 pandemic. The Indian Railways founded in 1849 is one of the oldest and largest railways of the world and continues to serve 1.4 billion people.

Interestingly, perpetual corporations do go through some of the toughest technological, businesses and economics vicissitudes. However, these vicissitudes only enhance their

resilience to remain perpetual. Ability to continuously innovate and come up with new inventions and new business models is a crucial part of staying on for perpetuity.

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Institutional Competencies – Product and Business Innovation

Leading and pioneering companies achieved industry dominance, faced regulatory and competitive headwinds but their technological and managerial resilience helped them stay strong over the decades.



 <p>AT&T, founded by Alexander Graham Bell, the inventor of the telephone, in 1876, is the leading telecommunications carrier in the US despite the government-engineered split into eight companies in 1984.</p>	 <p>Sony, the leading global consumer electronics giant of Japan, founded in 1946, faced many technology and business headwinds, yet remains technology pioneer.</p>
 <p>Ericsson, also founded in 1876, continues to be a leading European telecommunications player with global standing.</p>	 <p>Panasonic, the second largest consumer electronics giant from Japan, founded in 1918, followed a differentiated technology and business strategy.</p>
 <p>Nokia, founded in 1865, may have lost out in the mobile phone business big time but there is no denying that it continues to be a world leader in network systems and telecommunication gear.</p>	 <p>Hitachi, founded in 1910, had a hoary presence in both consumer and industrial electronics but chose to move towards industrials and retain global standing.</p>

Some companies may partially divest while some may morph (Nokia being one such classic case) but their core character continues to enrich the residual or morphed entity and the new acquiring corporations as restructured.



There is also the competency related to product and business innovation. It is not necessary that you should have industry dominance to remain in perpetuity stream. AT&T was founded by Alexander Graham Bell, the inventor of telephone in 1876. Even today, AT&T is the leading telecommunications carrier in the US, despite the government-engineered split into eight companies in 1984.

Ericsson, which was founded in 1876 continues to be the leading European telecommunications player with global standard. Nokia was founded in 1865. Certainly, it has had its growth and fall in the mobile telephones field. However, there is no doubt that Nokia continues to be a name to reckon with in telecommunication gear and network systems.

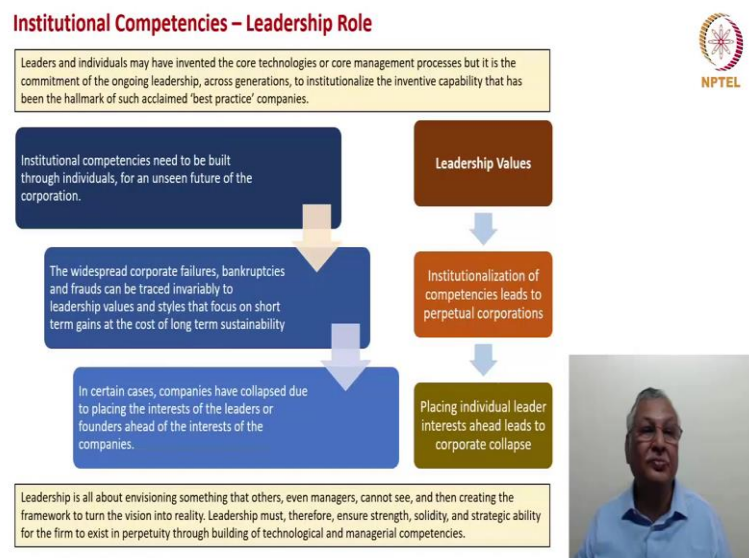
Sony, the leading global consumer electronics giant of Japan was founded in 1946, faced many technological and business headwinds, but continues to be a technological pioneer and a huge business by itself.

Panasonic, the second largest consumer electronics giant from Japan. It was founded in 1918. It followed a differentiated technology and business strategy from that of Sony and

continuous to grow. Hitachi was founded in 1910, had a great presence in both consumer and industry electronics, but chose to move towards industrial and retain global standing.

Some companies may partially divest while some may morph, Nokia being one such classic case, but their core capability, core character, core DNA to enrich the residual or morphed entity remains unchanged and that is why these companies become perpetual companies and that is why the companies which acquire such companies also become more strong and more perpetual as they move on.

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Let us look at the leadership role. Leaders and individuals have a great role in ensuring that the core technologies and core management processes that they have developed will continue and can be handed over to the ongoing leadership across generations which means that this inventive capability that has been pioneered in the company must be preserved.

And it must be institutionalized and the company should be known as best practice companies which means that leadership values should include building of institutional competencies. Institutional competencies are those which are not individualized, they can be done a broad group of individuals in the company, that is the real meaning of institutionalization of competencies, which means that the leaders and the individuals should not act to preserve the power or knowledge within themselves, they should make the entire company an open source platform for knowledge and intellectual development






which means again that every individual must keep the corporate interests ahead of the individual interests.

So, when leadership is always about something innovative and envisaging something which others, other companies, other individuals, other leaders have not thought about, that is a rare spark of innovation and inventiveness and that must be institutionalized. This is the biggest challenge for leaders to accomplish in the perpetuity framework.

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Talent Flow – University Model

Fresh water flows through a mighty river fed by its base source and multiple rivulets before reaching the expansive ocean. Similarly, fresh talent flows through a lively organization before enriching a global talent pool.



- Leaders must drive the processes of talent induction and talent management to build a vast reservoir of talent that irrigates corporate growth greenery.
- Corporate organizations can learn from the evolved university systems. The American university system, for example, calibrates professorial competencies on a continuous basis.
- The fundamental barrier to cross over from entry level to the tenure professorial cadre is through publications, patents (where applicable) and teaching record from early on.
- Thereafter, the opportunities and challenges of recognition through thought leadership and fundamental research continue to ignite the active minds in the university system.

The University Model is unique for the process-driven accountability that is instilled through establishment of knowledge creation and diffusion record.

If you look at the talent flow, universities offer a great inspiration. Any university which is known for its standards of research, standards of knowledge development is talent driven and talent is exemplified not merely by these student strength or research scholar strength or by the professorial count, it is exemplified by the patents and the publications, the university has.

I have shown here three universities from the United States which are considered the leading institutions in terms of patenting. The University of California, Massachusetts Institute of Technology and the Stanford University, all these institutions were set up several decades ago and they continue to grow and continue to be known as the torch barriers of modern education and modern research because they encourage talent flow all through their development.

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Talent Flow – Corporate Re-modelling



Similarly, in corporations, we need to ensure talent flow, for that we need to benchmark our talent continuously, internally within the company and also externally with other companies which means that we need to perpetuate talent DNA critical to corporate perpetuity.

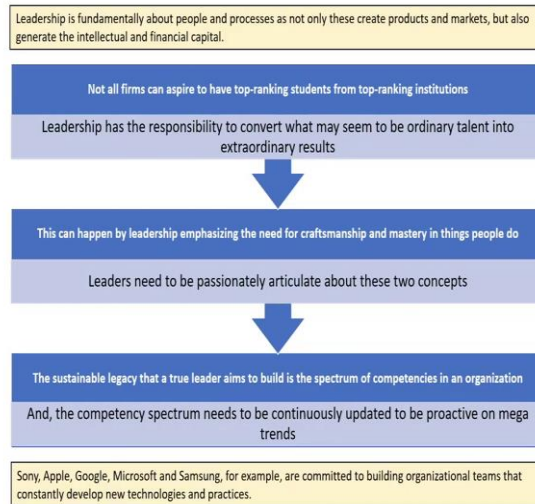
We should have a meritocracy operating in the organization at all points of time and how does that happen? It happens only when we continuously as leader's counsel, coach, mentor and nurture, the individuals towards technological and scientific development because that is the hardest part of developing an individual.

And to be able to do that, we need to bring in young talent with great new capabilities into the system and occasionally, we should also bring great new talent at higher levels from across the industry into the company. At that point of time, there will be an understanding that this company places I will repeat this.

When this kind of emphasis on talent comes up, everyone in the company understands that talent is respected, recognized and rewarded in this company and when the company has a talent as its DNA, the probability of being a perpetual cooperation increases manifold.

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Perpetuity Passion – Competency Building



To be able to have this perpetuity passion in terms of competency building, companies have got to do a few things. Not all firms can aspire to have top-ranking students from top-ranking institutions.

And there is nothing fundamentally inadequate in having students who are not necessarily top-ranking or in getting students from not so top-ranking institutions. Because the inherent capability to develop remains in the individuals regardless of their institutional parentage, regardless of the ranks they get in the colleges and the universities.

Every time an individual enters an organization that is a new opportunity to learn and that is a new opportunity for the individual to develop himself or herself. It is also a new opportunity for the leaders to convert what seems to be an ordinary talent into extraordinary results that is point number 1.

Point number 2, a continuous focus by the leadership on craftsmanship and mastery in things people do that by itself enhances the competency level in an organization. We may have lot of knowledge which has been imbibed through educational courses, but the craftsmanship and the mastery happens while working on the job. Leaders need to be passionately articulate about these two concepts.

The sustainable legacy that a true leader aims to build is the spectrum of competences in an organization and that competency spectrum has to be continuously updated. What was an acceptable competency either in terms of the computer language or in project management system or deal finalization 10 years ago is no longer the same competency set that is required today.

So, we need to keep on innovating on the competence sets that are required. Sony, Apple, Google, Microsoft and Samsung are committed to building organizational teams that constantly develop new technologies and practices.

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Perpetuity Passion – Integrating into DNA

Leaders who appreciate the responsibility of ensuring corporate perpetuity understand the importance of developing people for their competencies.



The scope is broader than development of a few leaders for succession
It is one of ensuring that each employee can deliver a standout performance individually as well as in groups

Leaders, therefore, must strive to transform their organizations into perpetual learning organizations
The learning organizations are driven by humility to learn and by passion to develop

Each department of a company would have its own perpetual learning and development anchor. Examples:

R&D department for perpetual innovation	Finance in terms of perpetual prudence	Operations in terms of perpetual productivity	Quality in terms of perpetual compliance	Human resources in terms of perpetual engagement
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Sony, Apple, Google, Microsoft and Samsung, for example, are committed to building organizational teams that constantly develop new technologies and practices.

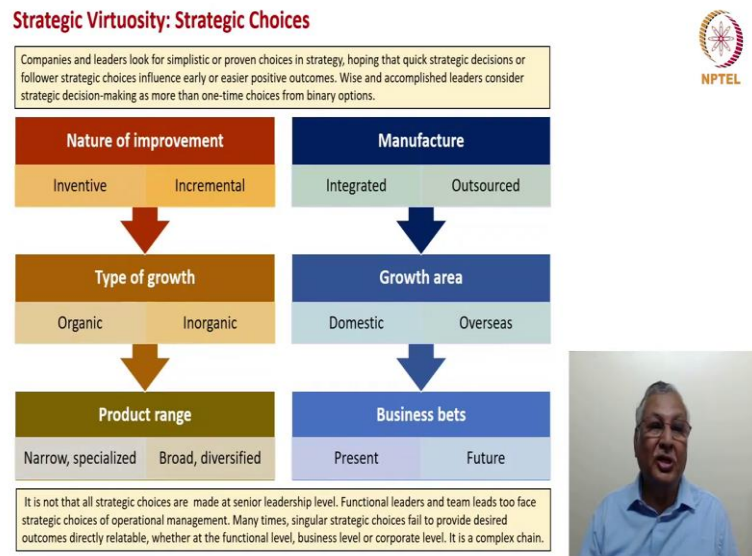



How do we integrate perpetuity passion into the company’s DNA? And that scope is broader than just having a succession line of leaders. It is one that ensures that not only the leaders, but each employee can deliver a stand out performance individually as well as in groups. Leaders therefore, must strive to transform their organizations into perpetual learning organizations and those learning organizations are driven by humility to learn and by passion to develop.

Each department of a company in such a corporate organization would have its own perpetual learning and development anchor. Examples, R&D department could be seen as the department for perpetual innovation. Finance for perpetual prudence. Operations in terms of perpetual productivity. Quality in terms of perpetual compliance. Human

resources in terms of a perpetual engagement. That is the core of ensuring perpetuity in companies.

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There are always strategic choices that leaders have and many times we see them as binary options that is do this or do not do this. However, there is a spectrum of opportunities that exist between two polarities. When we think of nature of improvement in any product or process as being either inventive or incremental, there would certainly be options between these two polarities.

Similarly, when we think of growth either by coming through organic way or by inorganic way, there could be mid points as well. Product range could be narrow, specialized or broad and diversified. Manufacturing could be integrated or outsourced. Growth area could be domestic or overseas and business bets could be on the present horizon or on the future horizons.

These are the strategic choices that are made continuously at senior leadership level and functional leaders as well as team leads also face their strategic choices in operational management. Many times, trying to think that one strategic approach taken at one point of time will provide lasting results is unlikely to help a cooperation.

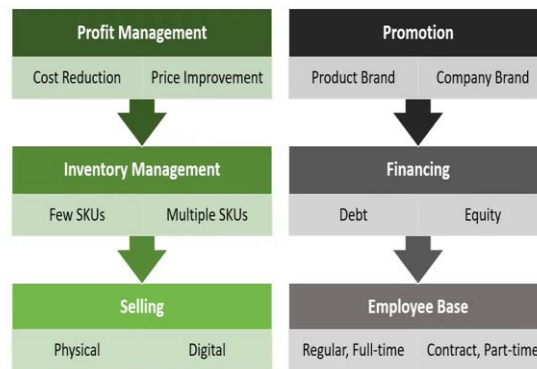
Therefore, at all levels, functional, divisional, senior leadership team level or at the CEO level, people should be open to making strategic choices that ensures corporate

perpetuity than just the perpetuity of the strategic plan which people have drawn up. So, it is a complex phenomenon that leaders need to pursue.

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Strategic Virtuosity: Operational Choices

Operationally, certain choices seem to be simple, and necessary for operational efficiency. Such decisions, however, have strategic implications as well. Operational and strategic choices are more interrelated than imagined.



An operational decision such as going in for few SKUs versus multiple SKUs will have strategic implications for supply chain. A strategic decision such as geographical diversification impacts operational inventory management.



How do you ensure operational choices having strategic virtuosity? In profit management, again two polarities you can look at for cost reduction or look at price improvement and the advantage that accrues out of both being applicable simultaneously is enormous. Inventory management could be in terms of few SKUs or multiple SKUs.

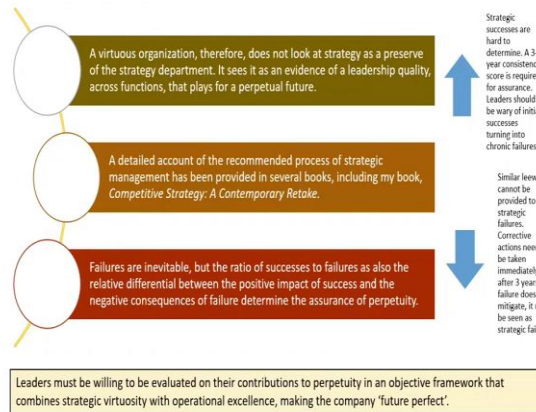
Selling could be physical or digital or omni channel. Promotion could be either in terms of product brand or company brand. Financing could be in terms of debt or equity and employee base itself could be regular full time, employee base or contract, part type bases. So, many options are available even operationally and an operational decision has a strategic impact that is if you decide that operationally, I will manage with only few standardized products and few SKUs, your ability to reach to wider customer segments is limited.

Similarly, if you decide that you will have an aggressive plan of geographical diversification in your markets, it will have an operational impact of having larger number of products and also larger number of SKUs. So, operational choices and strategic choices are interlinked and how to make it so perfect that there would be both technical feasibility and commercial viability that would be the challenge for the leaders.

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Strategic Virtuosity: Theming

Realistically, however, strategy is a continuous, and mostly iterative and corrective, set of actions (not merely decisions)—a complex process that integrates shades of multiple products and markets with underlying technologies under a dominant strategic theme.



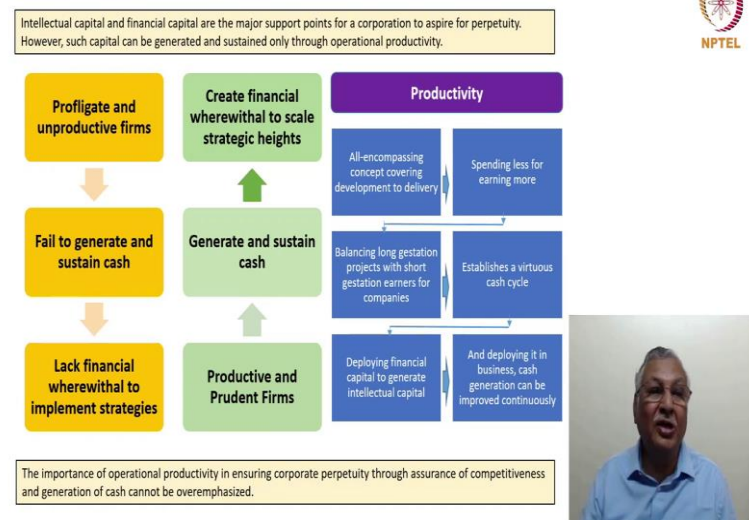
And to be able to have good strategic virtuosity, you should have a good theming. Strategic successes are really hard to determine. You really require a continuous core over a period of 3 years to be able to decide that the strategy chosen by the company is sustainable, successful and is capable of ensuring future growth.

On the other hand, if strategic failures occur occasionally, you can think of that as an outlier or as an aberration. However, if strategic failures keep occurring, then obviously, the strategy requires a continuous overhaul or a radical overhaul and then, a new strategy needs to be developed. Some of these aspects I have discussed in my book, *Competitive Strategy and A Contemporary Retake*.

So, we should look at strategic virtuosity as a platform of theming as well. We should be willing to evaluate ourselves on our contributions to perpetuity and the objective framework should be combining strategic virtuosity with operational excellence making the company future perfect that is one of the goals.

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Operational Productivity: Theming



What is the theming in respect of operational productivity? If you have profligate and unproductive firms that is we spend more than what we can afford to, we fail to generate and sustain cash and that leads to lack of financial wherewithal the implement strategies. If you have a very long accounts receivables and very short accounts payable because of your generosity towards the vendors and the dealers which is actually a misplaced generosity, then the form will continue to lose money and become unproductive.

On the other hand, if you are productive and prudent, you generate sustained cash and you make reasonable, receivable and payment cycles, then you will have the financial wherewithal to scale strategic heights. How do we merge productivity with strategy? Productivity is actually an all-encompassing concept covering development to delivery from strategy to operation.

It essentially means that we spend less for earning more and to be able to be productive in both strategy and operation simultaneously, we should be able to balance long gestation projects with short gestation revenue earners, that is the key to ensuring strategic productivity.

For that, you need to think of both strategy and operational matters simultaneously as we discussed, what does the geographic diversification mean for operational excellence and what does operation standardization mean for market outrage. These are the kinds of thinking processes that operational strategic leaders must have.

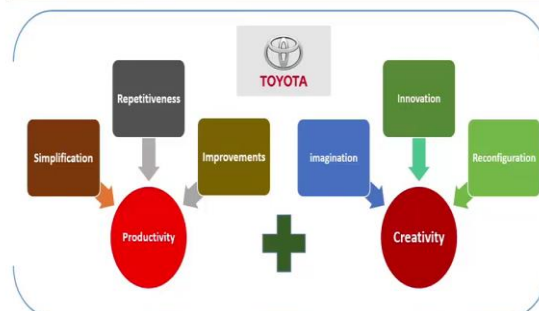
So, when you have balanced mix of projects, you establish a virtuous cash cycle and once you have a virtuous cash cycle, you will be able to develop financial capital which in turn can generate intellectual capital. We have this very interesting concept on financial capital and intellectual capital being the twin drivers of corporate perpetuity which we will cover later and deploying these capital forms in business, cash generation can be improved continuously.

So, the importance of operational productivity in ensuring corporate perpetuity through strategic competitiveness and cash generation. These are two different things strategic competitiveness looks at the long term whereas cash generation looks at the short term. However, both must happen simultaneously for the company to be themed in terms of corporate perpetuity.

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Operational Productivity and Creativity

Industry-leading productivity combines efficiency with creativity, which is a challenging task for leaders who tend to be predominantly either task-oriented or vision driven. Productivity is easy to measure but it is equally easy to lose sight of the bigger strategic picture in the unit-level productivity measurements. Creativity is difficult to measure but the steps that are encompassed by creativity can be measured.



Many times, productivity would accrue from completely new horizons, such as robotics bringing productivity to automobile manufacture and automation speeding up routine software development. Leaders would need to continuously watch out for, or even create, breakthrough mega trends while pursuing continuous value engineering to discover the synergy of productivity and creativity.



So, there are two aspects of productivity and creativity and they are not counter to each other. Productivity means simplification, productivity means repetitiveness. Productivity involves improvements and particularly, continuous improvements. Creativity means imagination, it requires innovation and it requires reconfiguration.

If we believe that these are mutually exclusive, nothing could be farther from truth than that. Both productivity and creativity can coexist in the same company with astounding results. When you look at Toyota, the leading developers of cars you realize that.

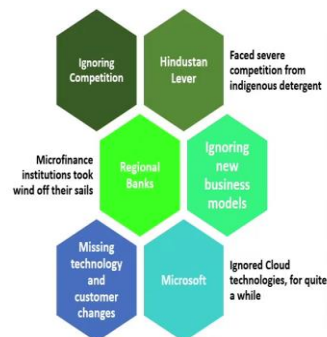
Through the Toyota production system, the company has developed unmatched productivity and through the R&D aspects.

And through the new product development initiatives including hybrid cars, electric cars, hydrogen cell, fuel cell, powered vehicles, the company has broken new barriers. So, Toyota could be both productive and creative at the same time.

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Adaptive resilience – Coming Back into the Game

Competencies need to be calibrated and benchmarked on a continuing basis to avoid corporate nonchalance that would hurt sustainability. Even great companies had been hurt from time to time by nonchalance— there have been many examples of companies in India and globally that have paid a price for indifference.



Hindustan Unilever in India was once smug about competition from a domestic player in the detergents domain. Regional banks in India never understood how they were losing the micro-financing opportunity to new players.

Microsoft was nonchalant about its dominance with PC-based operating systems, and ignored Cloud for quite a while. Sony lost out due to non-recognition of new flat panel technologies in the television domain.

These and other firms regained competitive strengths by adapting new platforms with accelerated passion. IBM, for example, moved away from mainframes to desktops and servers as well as consulting (and to Cloud), thus redefining its core competencies. Companies like Alphabet (parent of Google) are establishing their own benchmarks by seeking to discover completely new domains.



Let us come to the concept of adaptive resilience. What is adaptive resilience? As I said individual leaders could make mistakes, companies could make mistakes, but the key thing is how to get back into the game, how to ensure that the challenge to growth is overcome. The challenge perpetuated by the leadership in terms of strategic error or on operational failure is remediated and the company gets back into the game that is important.

If you take the case of Hindustan Unilever, at one point of time it was so diffident to change its products in terms of lower price points, it was also smug about the competition that could happen and when it was stung very severely and very seriously by domestic player in the detergents domain, it came back by becoming more innovative and trying to adapt itself to the changed market reality.

On the other hand, we had regional banks in India which never understood the importance of micro-finance. So, the banks became somewhat irrelevant with a whole

generation of micro-finance institutions taking up the highly lucrative micro-finance business from the hands of the regional development banks or regional banks. Therefore, ignoring competition is one of the fundamental mistakes that could lead to corporate non-perpetuity that must be avoided.

Secondly, you can read certain messages from the environment and the competitors wrong and Microsoft did read such messages wrong, it was nonchalant about its dominance with PC-based operating systems and ignored cloud for quite a while. Similarly, Sony lost out due to recognition of new flat panel technologies in the television domain.

However, those companies by remodeling their technological options and reinventing their business models, they came back into the game. So, gaining of the competitive strength even after temporary setbacks and even after what we may call deliberate leadership mistakes is the hallmark of companies which are capable of having adaptive resilience and that is a feature which companies must possess.

So, certain companies such as Alphabet are establishing their own benchmarks by seeking to discover completely new domains. They are trying to have the existing businesses work with strength and resilience, but also, they are trying to adapt themselves to newer trends and in some cases, they are trying to create their own mega trends that is how adaptive resilience as a concept works out.

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Adaptive Resilience – Learning to Change

The ability of a company to continuously modify and reinforce its core competencies or acquire new ones to cater to changing competitive dynamics strengthens its resilience.

Very often, professional egos that maintain a 'we are the best' syndrome end up blurring leadership clarity on the emerging changes in competitive landscape.

As an example, Indian software majors should have recognized and responded to the threats of automation and artificial intelligence as well as protectionism in their key markets, years earlier.

Leaders must, therefore, develop within themselves an introspective and reflective leadership culture that retains the openness to learn.

As considered in an earlier lecture, learning while leading would have a positive multiplier and cascading effect on the learning propensity across the entire organization, with huge developmental benefits.

Leaders must also enable and nurture an organizational culture that emphasizes a few elements apart from perpetual competency building—for example, professional competitiveness and open competitive architecture would serve to benchmark and calibrate the effectiveness of learning and development culture.



Adaptive resilience is based on learning to change. If you have personal egos saying that we are the best, then it is very difficult to have adaptive resilience within the leadership team or within the company.

Many Indian software majors felt that there is no change that is going to occur on the software platforms or in the global delivery model, but the innovations that have happened in artificial intelligence, machine learning, deep learning have taken the entire Indian software industry by surprise.

And they are now trying to get into those areas and here again, the Indian software industry sees the western software industry taking faster leaps towards products based on these new digital technologies. So, this is one of the reasons for talking about adaptive resilience as a very important factor that ensures the corporate resilience.

So, an introspective and reflective leadership culture, that is open to various other thoughts is essential to have adaptive resilience. So, learning while leading is important. Leaders must learn all the time even as they lead because there is no perfect leadership end point. It is an actualization mechanism to be able to lead others and lead the company.

So, let us look at how adaptive resilience works. Let us say you have on the x-axis companies which are on a spectrum of adaptiveness, less adaptive to high adaptive and on the vertical axis, we have companies which are resilient, low resilience vis-a-vis high resilience. Those companies which have less adaptive-less resilient profile are the companies which would have to exit from the industry sooner than later.

On the other hand, there could be companies which are having high adaptive-less resilient capability that is they can adapt to any business situation, any technological situation, but they do not have the strength to last through the current issues. They still will be successful because they have adapted themselves very fast to the newer trends.

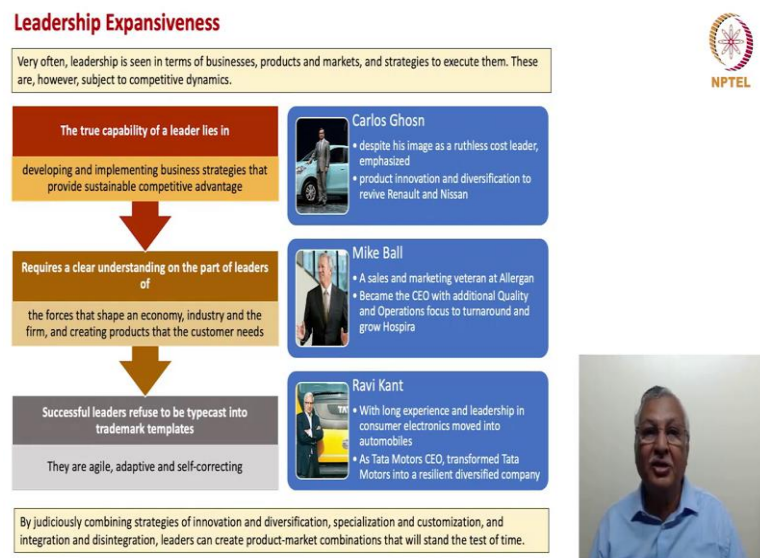
There could also be companies which are less adaptive, but highly resilient, they have got core strength, their asset base could be strong, their employee base could be very rich and their financial resources could be reasonably well-endowed in which case those companies would be seen as very good targets for acquisition.

You can think of Motorola company, it was having lot of resilience in terms of its product innovation and therefore, although it was not able to adapt to the changing marketplace, it was the company that was acquired.

Similarly, Blackberry was highly resilient in terms of the hardware encryption, software encryption technologies. Although, it was not at all adaptive to the changing in cellular telephone, it was able to remain as an independent company and rediscover itself in the domains of cyber security and corporate digital protection.

There could be companies which are highly adaptive and highly resilient. These high adaptive-high resilient corporations are the ones which are going to be the most successful corporations and they would be the perpetual corporation. So, leadership should ensure that the highest degree of adaptive resilience is imbued into the companies they lead that is the key success factors for corporate perpetuity.

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Then, let us talk about intellectual and financial capability. I said that the capital deployment is an essential parameter for growing industries. The true capability of a leader lies in developing and implementing business strategies that provide sustainable competitive advantage. Let us look at Carlos Ghosn. Despite his image as a ruthless cost leader, he emphasized product innovation and diversification and those were the mantras for him to revive Renault and Nissan.

This also requires leaders to have a very clear understanding of the forces that shape an economy, industry and the firm. They should be able to create products that the customer needs.

We have Mike Ball here; he came to Hospira from Allergan. He was a sales and marketing veteran Allergan. He became the CEO and although coming from a marketing perspective, he assumed additional quality and operational focus to turn around and grow Hospira into a world leader and finally, because of the value the company generated, it was acquired by Pfizer.

Thirdly, successful leaders refuse to be typecast into trademark templates. They are agile, adaptive and self-correcting. We had Ravi Kant, who had long experience on leadership in the consumer electronics business, he moved into automobiles. While at the helm of Tata Motors, he was instrumental in diversifying Tata Motors into different product groups and making it a resilient diversified company.

So, successful leaders refuse to be typecast into trademark templates that he or she is more for this particular type of industry or this particular type of leadership style. They are agile, adaptive and self-correcting. These three aspects will rub off on the companies they lead as well.

So, by judiciously combining the strategies of innovation and diversification, specialization and customization and integration and disintegration when we said disintegration, trying to do less within the company's premises, leaders can create product-market combinations that will stand the test of time.

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Correlation Between Intellectual and Financial Capital

The following ranks the Top-18 global companies based on the patents granted to them. The preponderance of electronics and digital companies in this list is evident. Also, given are the indicators of their financial performance.

SN	Company	Patents, 2019	Revenue (USD Billion)	Net Profit (USD Billion)	Net Profit %
1	IBM	9262	77.1	9.4	12.2
2	Samsung	6469	206.0	53.6	26.0
3	Canon	3548	32.7	1.1	3.4
4	Microsoft	3081	93.6	12.2	13.0
5	Intel	3020	72.0	21.0	29.1
6	LG	2805	18.3	2.1	11.5
7	Apple	2490	260.2	55.3	21.3
8	Ford	2468	155.9	0.047	0.03
9	Amazon	2427	280.5	11.6	4.1
10	Huawei	2418	121.5	8.9	7.3
11	Qualcomm	2348	24.3	4.4	18.1
12	TSMC	2331	35.7	11.7	32.8
13	BOE	2177	16.2	0.27778	1.71
14	Sony	2142	78.9	6.0	7.6
15	Google	2102	46.1	10.7	23.2
16	Toyota	2034	272.3	17.0	6.2
17	Samsung Display	1946	0.18	0.023	12.8
18	GE	1818	95.2	(5.0)	(5.3)

As many as 10 out of 18 companies have net profitability ranging in double digits, from 12.2 to 32.8. 15 companies have profitability upwards of 6 percent.



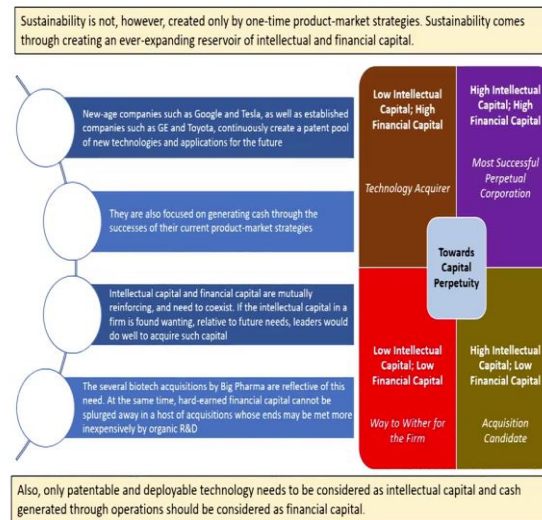
Let us talk about the correlation between intellectual and financial capital. The following table which is a very interesting table ranks the top 18 global companies based on the patents granted to them. The preponderance of electronics and digital companies in this list is self-evident. Also given all the indicators of their financial performance in terms of revenue, net profit, net profit percentage.

You can observe that as many as 10 out of these 18 companies have net profitability ranging in double digits from 12.2 to 32.8 percent. 15 companies have profitability upwards of 6 percent and the characteristic feature is that all these companies have high level of patents applied for and granted and some of the top performers have actually higher levels of patents that are granted to them.

Samsung with 26 percent net profit is leading patent holder 6469 patents granted in the year 2019. So, is the case with the Intel, 29.1 percent net profit and 3020 patents and companies which are in electronics and other digital aspects of the industry are actually required to develop patents on a continuous basis because the differentiation that could occur through patents in seemingly similar products is enormous.

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Intellectual and Financial Capital



Intellectual and financial capital is a core foundation for sustainability. Sustainability does not come by just one-time product market strategies. Sustainability comes through creating a never expanding reservoir of intellectual and financial capital.

When you look at companies which are in the new fields such as Google and Tesla and also established companies such as GE and Toyota, you can see that they are consistently and continuously creating pools of patents of new technologies and applications which will support the future.

At the same time, they are focused on generating cash through the successes of their current product marketing strategies. Intellectual capital and financial capital are not mutually exclusive in fact, they are mutually reinforcing, and they need to coexist. If the intellectual capital in the firm is found wanting, relative to future needs, leaders would do well to acquire such capital.

The several biotech acquisitions by Big Pharma are reflective of this need. At the same time, hard-earned financial capital cannot be splurged away in a host of acquisitions whose ends may be met more inexpensively by organic R&D. So, leaders must know how to generate financial capital, how to deploy prudently the financial capital. They must also understand how intellectual capital by itself can also generate more financial capital.

Patentable and deployable technology is intellectual capital which can also generate financial capital in course of time. Motorola was acquired by Google for the enormous patent estate the company possessed and in fact, many acquisitions happen because the acquired companies have a huge patent estate which means not only the present product needs, but also future product needs.

So, creating patents, generating intellectual capital is one of the very important ways to generate financial capital apart from having successful product market operations. So, let us also see how capital perpetuity can take place as an instrument for corporate perpetuity. Let us think of companies which are having low financial capital, let us plot those companies on the x-axis. Let us also think of companies which have got high intellectual capital, let us plot them on the y-axis.

Those companies which have low intellectual capital and low financial capital are those companies which are on the way to wither, they cannot sustain themselves in the industry because they are not technologically innovative, they are not financially capable.

On the other hand, let us have companies which are high on intellectual capital and low on financial capital. They become candidates for acquisition because their intellectual capital will be very much useful for another company which has got financial capital. So, the reason for requiring Hospira by Pfizer could in part be attributed to their capability in biosimilars because they had that intellectual capital as to how to enter the fledgling bio similar industry, Pfizer thought it was a good thing to happen.

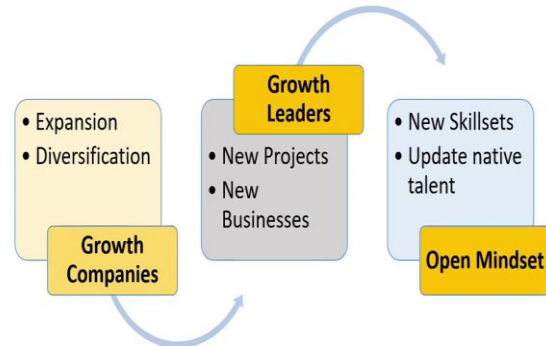
And many companies which are in the startup era, they may not have the highest levels of financial capital, but they certainly have high intellectual capital and therefore, become very important and worthy candidates for acquisition. You can think of a company which is low on intellectual capital, but very high on financial capital such companies need not just keep conserving and growing their cash.

They must really go all out to acquire technologies and bolster their intellectual capital and those companies which are high on intellectual capital as also on financial capital turned out to be the most successful corporations who would also be the perpetual corporations that we are discussing as part of this lecture.

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Future Perfection – Leader Role

True leadership competencies are not confined to delivering results in the current performance horizon—rather, they are determined by a passion and ability to plan and execute for uncharted territories, and timeless future.



They work on the strategy, structure and execution trilogy discussed in this course—developing strategies for a vision others do not envisage, creating novel organizational and financial structures, and executing in a calibrated manner.



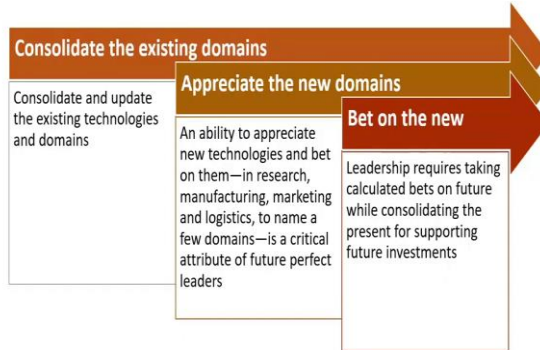
So, what is the leader's role in future perfection? First, he should make the company a growth company through prudent expansion and diversification. Then, he should lead the company on the path of growth on a sustainable basis by having new projects and new businesses and there should be an open learning mindset, open development minds, open intellectual mindset to acquire new skills and also update the native talent.

The work on strategy, structure and execution which we discussed in this course earlier and also developing strategies for vision that others do not envisage, creating novel, organizational and financial structures and executing all of these concepts are extremely useful in creating a company which is perfect for the future. So, future perfection as much as present optimization is very much the goal of a leader who is aiming for corporate perpetuity.

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Future Perfection – Pioneering Spirit

Leaders need to have a pioneering spirit because they need to not only lead their companies into newer technologies but also manage change in a continuous manner.



The way leaders can leverage technologies under development to develop new businesses has been illustratively discussed in my book, *Technology and Competitive Strategy: Strategies for Innovators, Differentiators and Followers*.



And that is driven by pioneering spirit. Leaders need to have a pioneering spirit because they need to not only lead their companies into newer technologies, but also need to manage change in a very seamless and continuous manner, the way to do that is to consolidate the existing domains so that they are operationally efficient, they have operational excellence and they keep generating high levels of cash to support whatever requires to be done in the new domains.

They also should have an appreciation of the new domains in terms of the mega trends we talked about earlier and also in terms of driving those mega trends by themselves. So, an ability to appreciate new technologies and bet on them, both through convergence and divergence in research, manufacturing, marketing and logistics that is a critical attribute of future perfect leaders.

And the ability to take risk and bet on the new the head-heard-gut model wherein the leadership takes calculated bets on future while consolidating the present that happens to be the best way of having pioneering spirit institutionalized in the company. The way leaders can leverage technologies under development to develop new businesses has been illustrated by me in my book, *Technology and Competitive Strategy*.

It talks about innovators, differentiators and followers coming up with a whole lot of conceptual clarity on expanding and innovating the product train. We have talked about

several of those concepts in our technology leadership lecture and also various other parts of lectures that dealt with technology as one of the core aspects of management.

Thank you, look forward to seeing you again.