Leadership for India Inc: Practical Concepts and Constructs
Prof. C Bhaktavatsala Rao
Prof. Ajit Singhvi
Department of Management Studies
Indian Institute of Technology, Madras

Week - 09
Transformational Leadership Models - 1
Lecture - 43
Corporate Longevity Model

Hi friends. Welcome to the NPTEL course Leadership for India Inc: Practical Concepts and Constructs. We are in week 9 discussing Transformational Leadership Models Part I. In this lecture, we will focus on Corporate Longevity Model.

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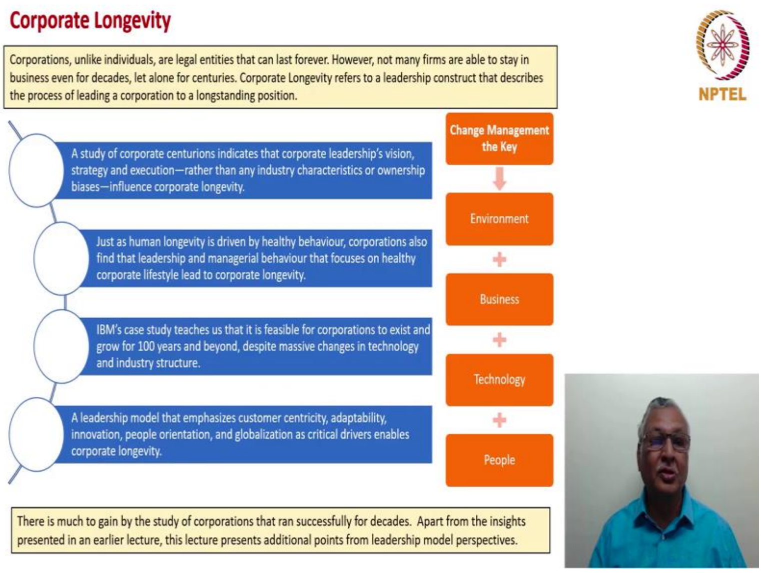

First of all, I will give a summary of this lecture. Corporations unlike individuals or legal entities that can last forever. However, not many firms are able to stay in business even for decades, let alone for centuries. Corporate longevity refers to a leadership construct that describes the process of leading a corporation to a longstanding position.

A study of corporate centurions indicates that corporate leadership's vision, strategy and execution rather than any industry characteristics or ownership biases influence corporate longevity.

Just as human longevity is driven by healthy human behaviour, corporations also find that leadership and managerial behaviour that focuses on healthy corporate lifestyle lead to corporate longevity. IBM's case study which is incorporated in this lecture teaches us it that it is feasible for corporations to exist and grow for 100 years and beyond, despite massive changes in technology and industry structure.

A leadership model that emphasizes customer centricity, adaptability, innovation, people orientation and globalization are the critical drivers and these drivers enable corporate longevity together. There is much to gain by the study of corporations that ran successfully for decades and promised to run successfully for several more decades.

Apart from the insights presented in an earlier lecture, on corporate perpetuity or perpetual corporations, this lecture presents additional points from leadership model perspective. Change management is the key for corporate longevity. Environment, business, technology, people keep changing; but what is constant is the change and managing change is the secret of corporate longevity.

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I present here over the next few slides, a number of centurions in the corporate world. On June 15 2011 IBM, one of the most respected names in industrial history joined the ranks of US publicly listed corporations that crossed 100 years of existence. With that IBM joined the list of nearly 500 corporate centurions in USA.

Some of the logos which are seen here ring a bell to you very easily and very clearly. IBM, information technology 1911; Exxon, the energy measure 1870 incorporated and still going strong; GE 1892 diversified; Chevron, another energy major 1879, fuel.

Babcock and Wilcox in the boiler and power segment incorporated 1867 going strong; Berkshire Hathaway 1839, diverse operations; Procter and Gamble 1837, FMCG; Johnson and Johnson or J and J as it is referred to 1886, pharmaceuticals. J P Morgan Chase, investment banking, 1799; Westinghouse, the power jet, 1886; Pfizer, big pharma giant, 1849.

Coca Cola, the beverages giant, 1892; Wells Fargo, a banking giant, 1852; Citi, another banking giant, 1812; Dana corporation, automotive, 1904; Bristol-Myers Squibb, pharmaceutical giant, 1887; Dupont, chemicals giant and safety sentinel, 1802; MetLife, insurance, 1868; Lilly, 1876, pharma; Unisys, information technology, 1986.

The list comprises corporations that are not only simply existent as entities, but also are top ranking in terms of market capitalization and brand equity. This means that with age, companies can also be agile and competitive or company's agility and competitiveness determines corporate longevity as well.

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Let us see some more names. The list of corporate centurions naturally is weighed in favour of traditional industries and diversified industrials as well as banks and financial corporations. Because such corporations have been in existence for several decades and centuries of industrialization. Technology giants will need a few decades more to become corporate centurions, but they promised to be that.

1922, banking, Bank of America; 1891, pharmaceuticals, Merck; 1898, beverages, PepsiCo; 1888, pharma, Abbott; 1851, print media, the New York times; 1869, financials, Goldman Sachs; 1907, courier, UPS; 1902, 3M diversified; 1850, American Express, banking; Universal corporation, 1912, movies; 1903, Ford, automotive; US Bancorp, 1891, banking; 1862, Union Pacific, locomotives; 1888, imaging, Kodak; Dow, 1897, chemicals; Colgate Palmolive, FMCG giant, 1806; Walgreens, 1901, pharma retail; Emerson, 1890, electrical; 1888, battery, Exide.

That said, many of the listed corporate centurions have relied on continuous technological modernization and business development to stay successful. Pharmaceutical firms relied largely on M&A as well to stay competitive. Let us look at few more examples.

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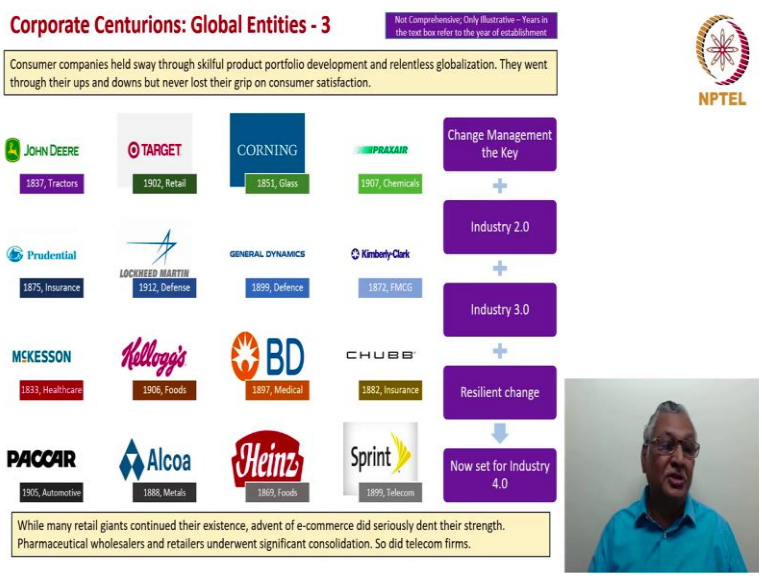

John Deere, 1837, tractors; Target, 1902, retail; Corning, 1851, glass; Praxair, 1907, industrial chemicals; 1875, insurance, Prudential; Lockheed Martin, 1912, defense especially aerospace; General Dynamics, 1899, defense; Kimberley-Clark, 1872, FMCG; McKesson, 1833, healthcare; Kellogg’s, 1906, foods; BD, 1897, medical; Chubb, 1882, insurance; Paccar, 1905, automotive; Alcoa, 1888, metals; Heinz, 1869, foods; Sprint, 1899, telecom.

Consumer companies held sway through skillful product portfolio development and relentless globalization. They went through their ups and downs, but never lost their grip on consumer satisfaction. While many retail giants continued their existence, over these decades advent of e-commerce did seriously dent their strength.

Pharmaceutical wholesalers and retailers underwent significant consolidation. So, did telecom firms. Industry 2.0, industry 3.0 saw resilient change on the part of the industrial houses. Now, the industries are set for industry 4.0 and so, do the firms which constitute the industry.

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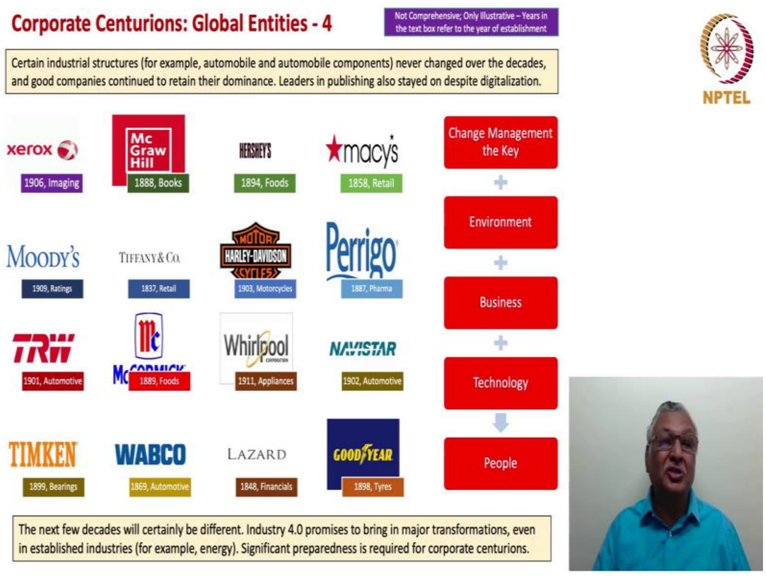

Certain industrial structures; for example, automobile and automobile components never changed over the decades, and good companies continue to retain their dominance. Leaders in publishing also stayed on despite digitalization.

1906, imaging; 1888, books, Mc Graw Hill, the book publisher still rules high; Hershey's, 1894, foods; Macy's 1858, retail; Moody's, 1909, ratings; Tiffany and Company, retail, 1837; Harley Davidson, motorcycles, 1903; Perrigo establish, 1887, pharmaceuticals; TRW establish, 2002, automotive; McCormick, 1889, foods; 1911, Whirlpool, appliances; Navistar, 1902, automotive; Timken, 1899, bearings; Wabco, 1869, automotive; 1848, financials; Good Year, 1898, tyres.

The next few decades will certainly be different. Industry 4.0 promises to bring in major transformations, even in established industries. For example, energy and capital goods. Significant preparedness is required for corporate centurions. And these illustrations are not comprehensive, these are just examples and years in the text box refer to the year of establishment as I said.

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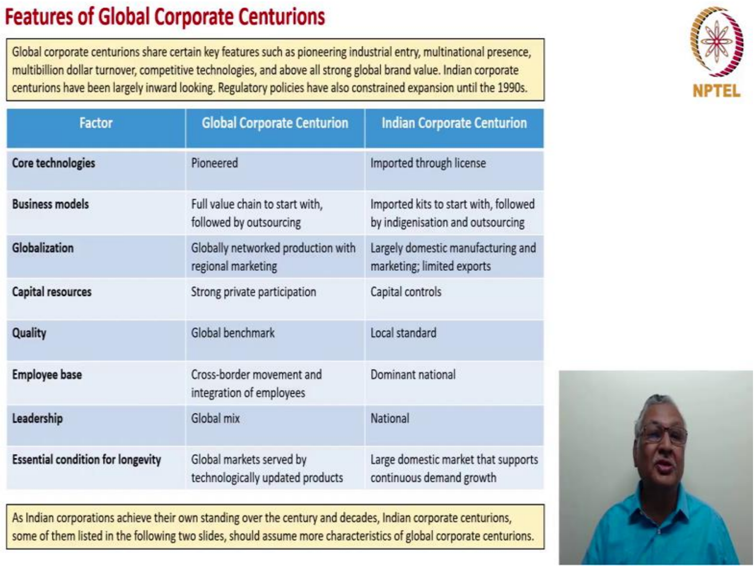

Features of Global Corporate Centurions

Global corporate centurions share certain key features such as pioneering industrial entry, multinational presence, multibillion dollar turnover, competitive technologies, and above all strong global brand value. Indian corporate centurions have been largely inward looking. Regulatory policies have also constrained expansion until the 1990s.

Factor	Global Corporate Centurion	Indian Corporate Centurion
Core technologies	Pioneered	Imported through license
Business models	Full value chain to start with, followed by outsourcing	Imported kits to start with, followed by indigenisation and outsourcing
Globalization	Globally networked production with regional marketing	Largely domestic manufacturing and marketing; limited exports
Capital resources	Strong private participation	Capital controls
Quality	Global benchmark	Local standard
Employee base	Cross-border movement and integration of employees	Dominant national
Leadership	Global mix	National
Essential condition for longevity	Global markets served by technologically updated products	Large domestic market that supports continuous demand growth

As Indian corporations achieve their own standing over the century and decades, Indian corporate centurions, some of them listed in the following two slides, should assume more characteristics of global corporate centurions.

What are the features of global corporate centurions? They share certain key features such as pioneering industrial entry that is the first to enter into an industry, may be first create an industry; multinational presence, multibillion dollar turnover, competitive technologies, and above all strong global brand value. Indian corporate centurions have been largely inward-looking.

Regulatory policies have also constrained expansion until 1990s; until the 1990s. Let me compare a typical Global corporate centurion with a typical Indian corporate centurion on number of factors.

Core technologies is the factor let us say. Global corporate centurion tends to have pioneering technologies; whereas, Indian corporate centurion established itself and grow based on imported technologies through license. Business models, global full value chain to start with followed by outsourcing; Indian, imported kits to start with followed by indigenization and outsourcing.

Globalization, globally networked production with regional marketing as far as global companies are concerned; Indian corporate centurions, largely domestic manufacturing and marketing limited exports.

Capital resources, strong private participation exemplified global corporate centurion; whereas, capital controls constrain the Indian corporate centurion. Quality, global benchmarks from day one; local standards from day one. Employee base, cross-border movement and integration of employees mark global corporate centurions; dominant national employee-based marks Indian corporate centurion.

Leadership global mix; whereas, national in respect of Indian corporate centurion and the essential condition for longevity of global corporate centurion is global markets way served by technologically updated products and in respect of Indian corporate centurion, large domestic market that supports continued demand growth.

As Indian corporations achieve their own standing over the century and decades. Indian corporate centurions, some of them listed in the following two slides, should assume more characteristics of global corporate centurions.

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Let us look at some very important Indian corporate centurions. India though relatively new to modern industrialization and despite the turbulent global economic environment, India's independence movement and socialistic restraints on private industrialization in independent India, has its own phenomenon of corporate centurions. At least thirty-five Indian companies have grown beyond 100 years.

1838, media, Times of India; 1892, foods, Britannia; Century Textiles and Industries Limited, 1897, textiles; CESC, 1897, power; 1884, Dabur, FMCG; Godrej and Boyce, 1897, diversified; IHCL, Indian Hotels Company Limited, 1899, hotels; ITC, 1910, diversified; 1888, diversified, Kirloskar; Shalimar Paints, 1902, paints; Tata Steel, 1907, steel; TVS, automotive, 1911; Jessop and Co Limited, heavy engineering giant, 1788; Bombay Dyeing, textiles leader, 1879; DCM, 1889, diversified; Andrew Yule Company, 1863, diversified.

It is axiomatic that there is great potential for the list to only grow longer in the decades to come. Established companies in India are willing to reinvent themselves while the newer ones are prepared for sustainable growth. This is a very positive feature of our industrialization.

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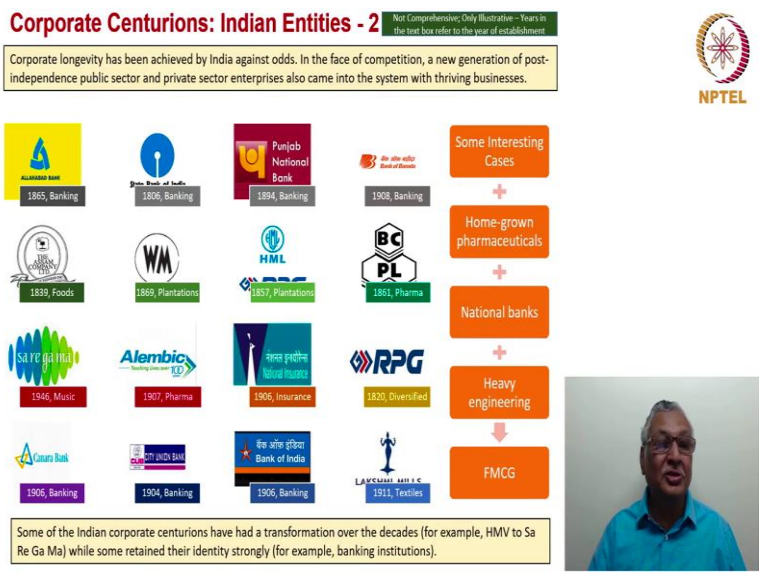

Let us look at some more examples. 1865, Banking, Allahabad bank; 1806, banking, State Bank of India, one of the oldest banks, the originally the imperial bank of India;

Punjab National Bank, 1894, banking; 1908, banking, Bank of Baroda; 1839, the Assam Company Limited, foods; Williams and Magor, 1869, plantation.

HML, RPG group, 1857, plantations; BCPL, 1861, Bengal Chemicals and Pharmaceuticals Limited; Sa re ga ma, 1946, music in the previous avatar HMV; Alembic over 100 years 1907 onwards, pharmaceuticals; National Insurance, 1906 onwards, insurance; 1820, RPG, diversified; Canara Bank, from 1906 onwards in banking; City Union Bank, 1904 onwards banking; Bank of India, 1906 onwards, in banking; 1911, textiles.

Corporate longevity in India has been achieved against all odds in the face of competition. A new generation of post-independence public sector in private sector enterprises also came into the system with thriving businesses. Some of the Indian corporate centurions have had a transformation over the decades, for example, HMV to Sa Re Ga Ma; while some retained their identity strongly, for example, banking institutions.

Of course, some of the public sector and private sector banks could undergo certain metamorphosis or mergers and acquisitions as we see the unfolding regulatory environment.

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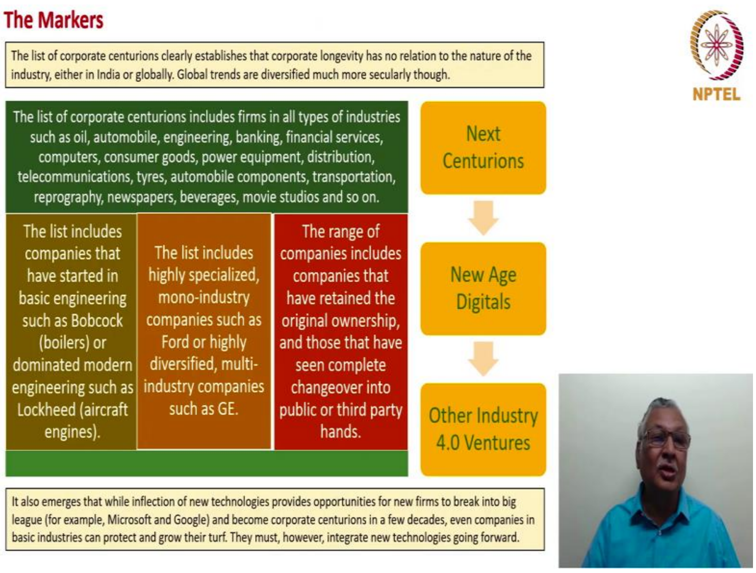

What are the markers for corporate centurions? The list which I have given clearly established that corporate longevity has no relation to the nature of the industry, either in India or globally. Global trends are diversified much more secularly though.

The list of corporate centurions includes firms in all types of industries such as oil, automobile, engineering, banking, financial services, computers, consumer goods, power equipment, distribution, telecommunications, tyres, automobile components, transportation, reprography, newspapers, beverages, movie, studios and so on. Virtually, the list is limitless.

The list includes companies that have started in basic engineering such as Bobcock boilers which is very natural given that industrialization started with the production of steam or dominated modern engineering such as Lockheed, aircraft engines. The list also includes highly specialized, mono-industry companies such as Ford specializing in only automobiles or highly diversified, multi-industry companies such as general electric or GE.

The range of companies includes companies that have retained the original ownership and those that have seen complete change over into public or third-party hands. It also emerges that while inflection of new technologies provides opportunities for new firms to break into big league; for example, Microsoft and Google and therefore, become corporate centurions in a few decades, even companies in basic industries can protect and grow their turf.

They must, however, integrate new technologies going forward. So, the next centurions list could be made up largely by the new age digitals and other industry 4.0 ventures.

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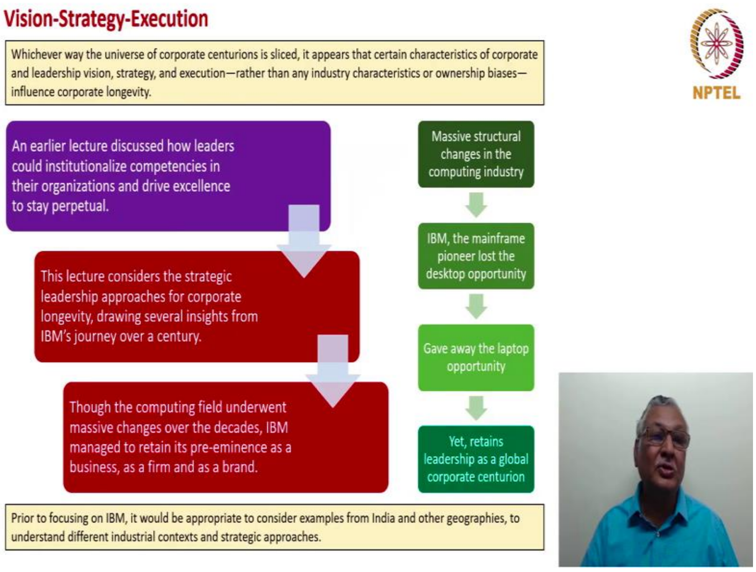

One of the key factors of corporate longevity is flawless vision-strategy-execution paradigm. Whichever way the universal corporate centurions is sliced, it appears that certain characteristic corporate and leadership vision, strategy and execution rather than any industry characteristics or ownership biases influenced corporate longevity.

We have discussed in an earlier lecture, how leaders could institutionalize competencies in their organizations and drive excellence to stay perpetual. We talked about corporate perpetuity.

This lecture considers the strategic leadership approaches for corporate longevity, which is of course, same as corporate perpetuity; but it draws several insights from IBM's journey over a century. Though the computing field underwent dramatic changes over the last several decades, IBM managed to retain its preeminence as a business, as a firm and as a brand.

There have been massive structural changes in the computing industry. IBM, the mainframe pioneer lost the desktop opportunity, gave away the laptop opportunity. Yet, retains leadership as a global corporate centurion. So, IBM is a great example of how corporate longevity could be independent of several activities and actions arising from vision, strategy and execution; but it also is dependent on leadership vision, strategy and execution.

Understanding this dichotomy is the solution to the longevity puzzle; but prior to focusing on IBM, it would be appropriate to consider examples from India and other geographies, to understand different industrial contexts and strategic approaches.

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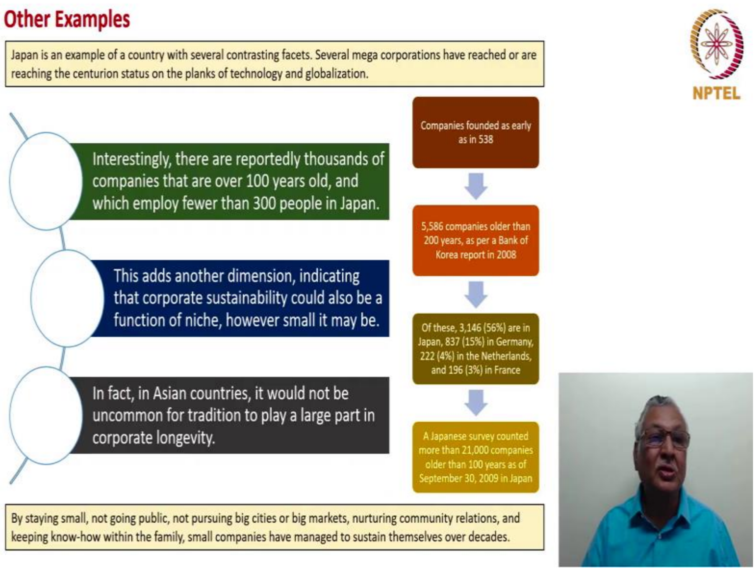

Japan is an example of a country with several contrasting facets. Several mega corporations have reached or are reaching the centurion status on the planks of technology and globalization. However, there are reportedly thousands of companies in Japan that are over 100 years old, and which employ fewer than 300 people in Japan.

This adds another dimension, indicating that corporate sustainability could also be a function of niche, however, small it may be. In fact, in Asian countries, it would not be uncommon for tradition to play a large part in corporate longevity. Even in India, a traditional firm which manufactures home grown masalas or spices, could hit century in terms of corporate existence. It is not at all going to be an issue. So, niche is also another manner in which the corporate centurions could stay and grow.

In Japan, companies were founded as early as in 538. 5586 companies older than 200 years as per a bank of Korea report in 2008. Of these, 3146 that is 56 percent are in Japan; 837, 15 percent in Germany; 222, 4 percent in Netherlands and 196, 3 percent in France. A Japanese survey counted more than 21000 companies older than 100 years of age as of September 30, 2009 in Japan.

By staying small, not going public, not perceiving big cities or big markets, nurturing community relations, and keeping know-how within the family, small companies have managed to sustain themselves over decades in Japan as well as other developed countries. This only adds some fascination to the concept of corporate longevity.

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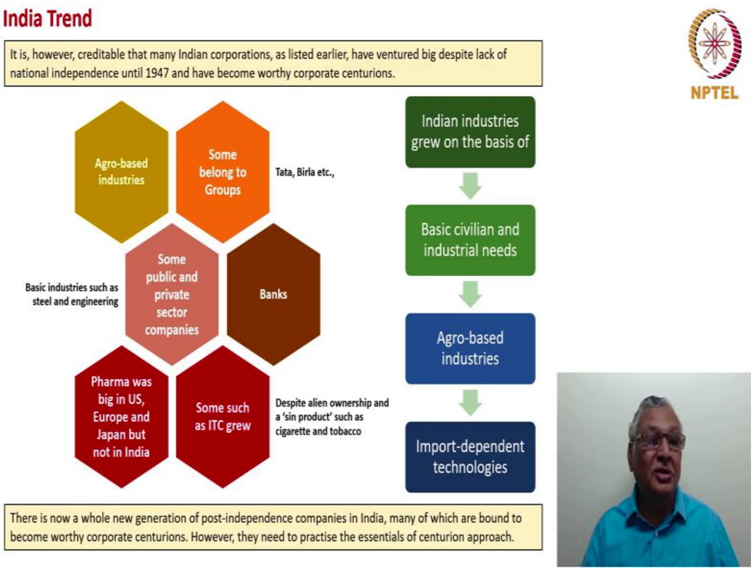

India trend let us see. It is, however, creditable that many Indian corporations, as listed earlier, have ventured big despite lack of national independence until 1947 and have become worthy corporate centurions. Agro-based industries; some belonging to noted groups such as Tata, Birla; some public and private sector companies' basic industries such as steel and engineering, Jessop for example; banks and some companies which are in the FMCG or basically the cigarettes at that point of time such as ITC.

Despite alien ownership and a 'sin products' such as cigarette and tobacco, ITC continued to stay high in India; mainly because of the adoption to Indian requirements which we will cover later.

Pharmaceuticals was big in US, Europe and Japan; unfortunately, it was not so in India. Indian industries grew on the basis of basics civilian and industrial needs, agro-based industries and import dependent technologies. However, there is now a whole new generation of post-independence companies are bound to become worthy corporate centurions.

However, they need to practice the essentials of centurion approach as you man these companies as managers and leaders; I thought that it is important for you to also understand the principles by which corporate centurions can get established and grow to perpetuity.

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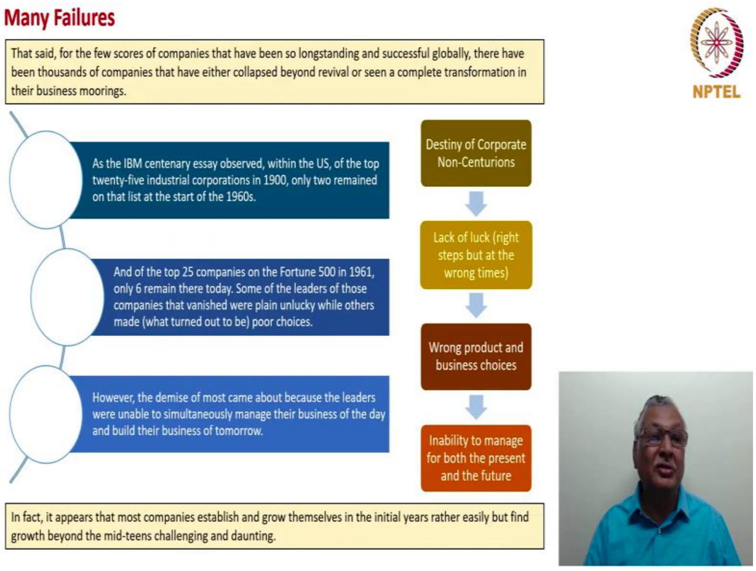

We should also be very clear that on the pathway of corporate longevity, there could be several failures as well. That said, for the few scores of companies that have been so longstanding and long lasting and successful globally, there have been thousands of companies that have either collapsed beyond revival or seen a complete transformation in their business moorings.

As the IBM centenary essay observed, within the US, of the top twenty-five industrial corporations in 1900, only two remained on that list at the start of the 1960s.

And of the 25 companies on the Fortune 500 list in 1961, only 6 remain there today. Some of the leaders of those companies that vanished were plain unlucky while others made what turned out to be in later times poor choices. However, the demise of most came about because the leaders were unable to simultaneously manage their business of the day and build their businesses of tomorrow.

So, there is an element of destiny and willful leadership behaviour in corporates becoming centurions or corporates staying non centurions. Lack of luck; right steps, but at the wrong times. Wrong product and business choices. Inability to manage for both the present and the future is the destiny of corporate non centurions.

In fact, it appears that most companies establish and grow themselves pretty easily in the initial years, but find it very difficult to grow beyond the mid-teens and they find that environment their phase of growth beyond the mid-teens challenging and daunting.

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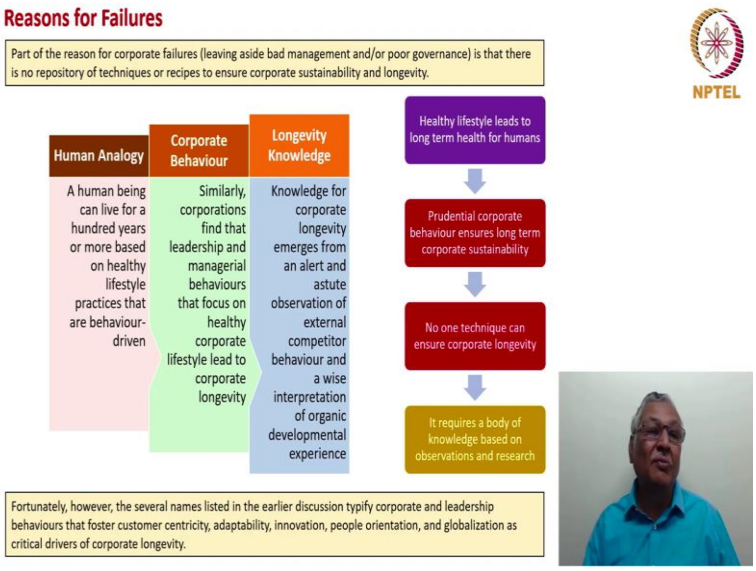

What are the reasons for failures? Part of the reason for corporate failures, leaving aside plain bad management and or poor governance is that there is no repository of techniques or recipes to ensure corporate sustainability and longevity. You cannot find in any book.

These are the principles for a company to ensure corporate longevity. We can only study different companies as we are doing now and understand, what prompted them and what enabled them to be corporate centurions and then, contextually, adopt those learnings to our own situation.

So, let us take the human analogy first. A human being can live for a hundred years or more based on healthy lifestyle practices that are behaviour driven. Similarly, for corporations to survive, sustain themselves and grow for over hundred years, you require good corporate behaviour. Corporations find that leadership and managerial behaviours that focus on healthy corporate life style lead to corporate longevity.

And longevity knowledge is also very important. It emerges from an alert and astute observation of external competitor behaviour and a wise interpretation of organic developmental experience. Healthy lifestyle leads to long term health for humans. Prudential corporate behaviour ensures long term corporate sustainability. No one technique can ensure corporate longevity.

It requires the body of knowledge based on observations and research. This lecture tries to present many of such observations and insights for you to develop your own theory of corporate centurionism if we may say as a term. Fortunately, however, the several names listed in the earlier discussion typify corporate and leadership behaviours that faster customer centricity, adaptability, innovation, people orientation, and globalization as critical drivers of corporate longevity.

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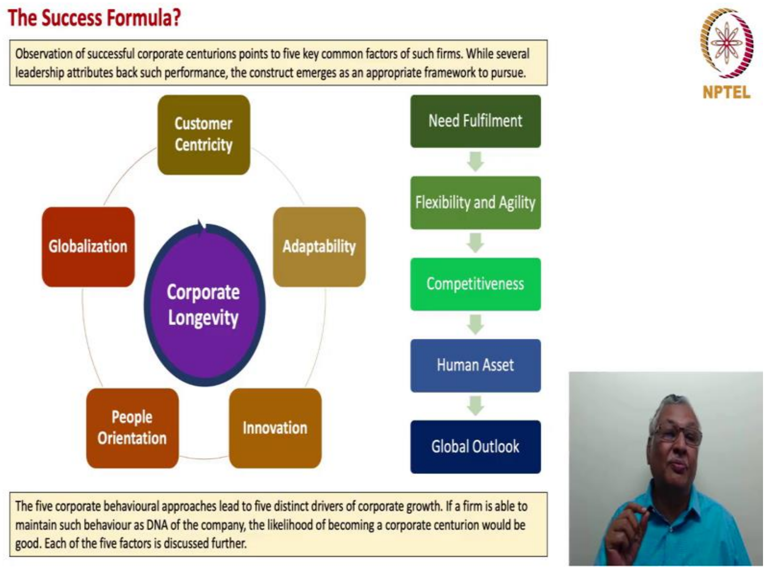

I would say that, that is a probable success formula for corporate longevity because it stems from this observation of successful corporate centurions and the five key common factors that arise from such observation are these five factors. Several leadership attribute certainly back such longevity performance, but this construct emerges as an appropriate framework to pursue.

Customer centricity, adaptability, innovation, people orientation and globalization. Firms need to do these things to be able to be corporate centurions. Need fulfillment; flexibility and agility; competitiveness; human asset base and global outlook are the interpretations of these factors.

The five corporate behavioural approaches lead to five distinct drivers of corporate growth. If a firm is able to maintain such behaviour as the DNA of the company, the likelihood of becoming a corporate centurion would grow manifold. Each of these factors is discussed further as we go along.

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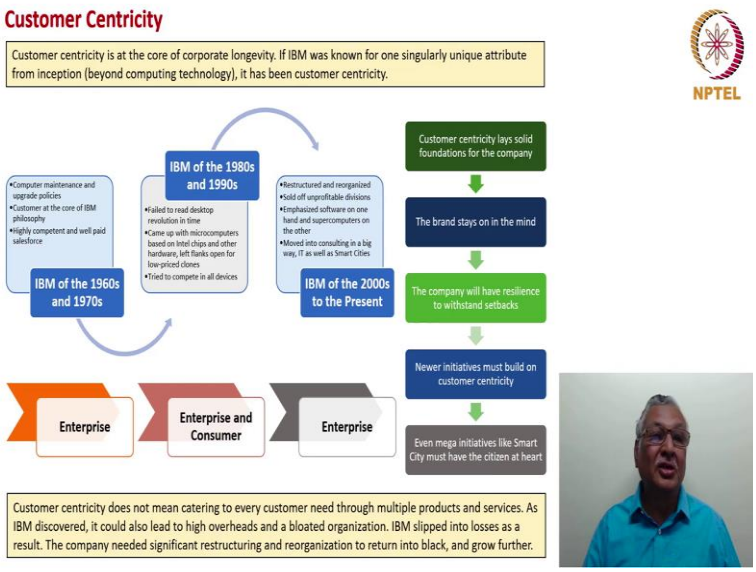

Customer centricity; customer centricity is at the core of corporate longevity. If IBM was known for one singularly unique attribute from inception beyond computing technology, of course, it has been customer centricity. IBM of the 1960s and 1970s was famous for computer maintenance and upgrade policies. Customer being at the core of IBM philosophy. A highly competent and well-paid sales force. Beyond the mainframe computers, the IBM corporation was offering to various industrial customers.

IBM of the 1980s and 1990s, unfortunately failed to read desktop revolution in time. It came up with microcomputers based on Intel chips and other hardware, but left the flanks open for low-priced clones. Tried to compete in all devices. For a momentary period, IBM started misreading what it meant to be customer centric.

Then, in the 2000s, IBM restructured itself in a bold manner. A restructured and reorganized IBM became much more efficient and productive. It sold off unprofitable divisions. Emphasized software on one hand and supercomputers on the other. Moved into consulting in a big way, IT as well as Smart Cities and that is the IBM of the 2000, we have for the presence.

So, from enterprise applications, the company moved into enterprise and consumer applications and now, is back to enterprise. Customer centricity does not mean catering to every customer need through multiple products and services. As IBM discovered, it could also lead to high overheads and a bloated organization, if you try to meet all the customer needs. IBM actually slipped into losses because of such customer diversity and product diversity.

The company needed significant restructuring and reorganization to return into black, and grow further. The advantage of customer centricity is that it lays solid perpetual foundations for the company. The brand stays on in the mind of the consumer. And of course, for those who are non-consumers as well, the brand remains etched in the memory. The company will have resilience to withstand setbacks.

Newer initiatives can build on the customer centricity and even mega initiatives like Smart City must have the citizen at heart. So, customer centricity as a philosophy, as a core value, as the DNA of the company would be the prime driver of corporate longevity.

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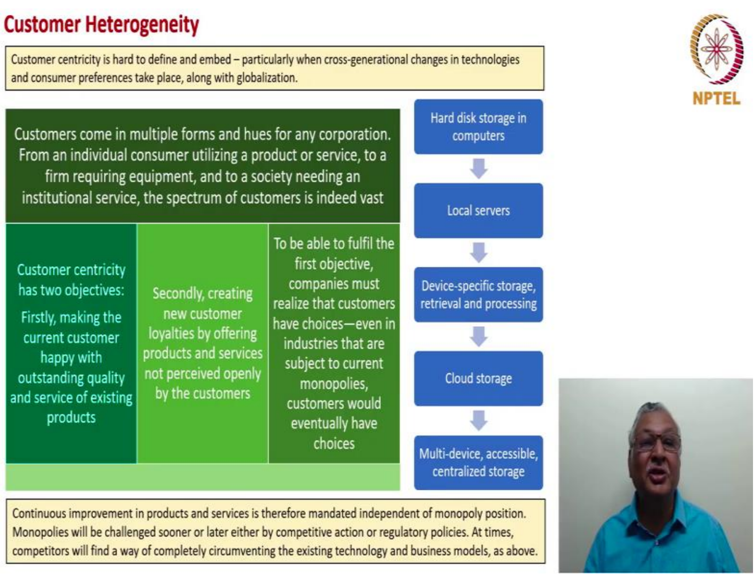

Let us look at customer heterogeneity. Customer centricity is hard to define and embed; particularly, when cross generational changes in technologies and consumer preferences take place along with globalization. We have considered enough of such technological changes and consumer preference changes in our previous lectures.

Customers basically come in multiple forms and hues for any corporation. From an individual consumer utilizing a product or service to a firm requiring equipment and a society needing an institutional service, the spectrum of consumers is indeed vast. Customer centricity has two objectives. Firstly, making the current customer happy with the outstanding quality and service of existing products.

Secondly, creating new customer loyalties by offering products and the services not perceived openly by the customers. To be able to fulfill the first objective, companies must realize that customers always would have choices even in industries that are subject to current monopolies, customers would eventually have choices.

Continuous improvement in products and services is therefore mandated independent of the monopoly position a firm may be lucky to have. Monopolies will be challenged sooner or later either by competitive action or by regulatory policies. At times, competitors will find a way of completely circumventing the existing technology and business models, as above.

So, from hard disk storage in computers, it has been a movement to local services; device specific storage, retrieval and processing has come up about later. Then, the cloud storage came; now, multi device, accessible, centralized storage in the cloud is the order of the day. And web services by itself has become a great global business.

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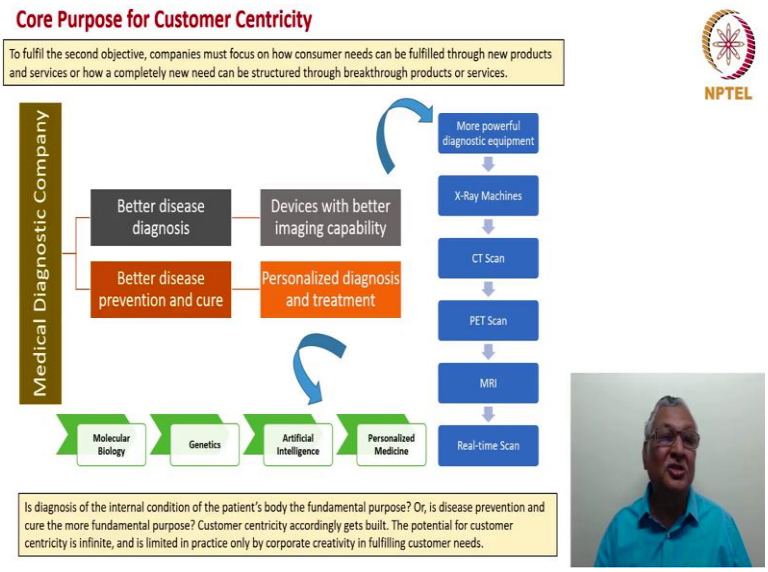

So, what is the core purpose for customer centricity? To fulfill the second objective that is creating new products and new markets and making the existing customers happier with new products which they are not perceived, companies must focus on how consumer needs can be fulfilled through such new products and services or how a completely new need can be structured through breakthrough products or services.

Let us look at medical diagnostic company. It can do two things; one better diagnosis of the diseases, which means you could have devices with better imaging capability or you could do better disease prevention and cure, which means you could have personalized diagnosis and treatment.

Either way you are leading the company onto something which is novel and which the patient or the individual has not anticipated till now. That is why the growth path will remain solid for such company. So, how do you do this personalized diagnosis and treatment?

You need to get into newer disciplines, molecular biology, genetics, artificial intelligence and then, you will get personalized medicine. And how do you get devices with better imaging capability? You would need more powerful diagnostic equipment x-ray machines, CT scan, PET scan, MRI, real time scan, they must come up.

Earlier, it was a 64 slice CT scan, now we have 340 slice CT scan. So, these are the possibilities that could abound when a company is wanting to have customer centricity as the core and center of its philosophy. Is diagnosis of the internal condition of the patient's body, the fundamental purpose or is disease prevention and cure the more fundamental purpose?

It depends on how the company views its main purpose. Customer centricity accordingly get built. The potential for customer centricity, therefore, is infinite and is limited in practice only by corporate creativity in fulfilling customer needs.

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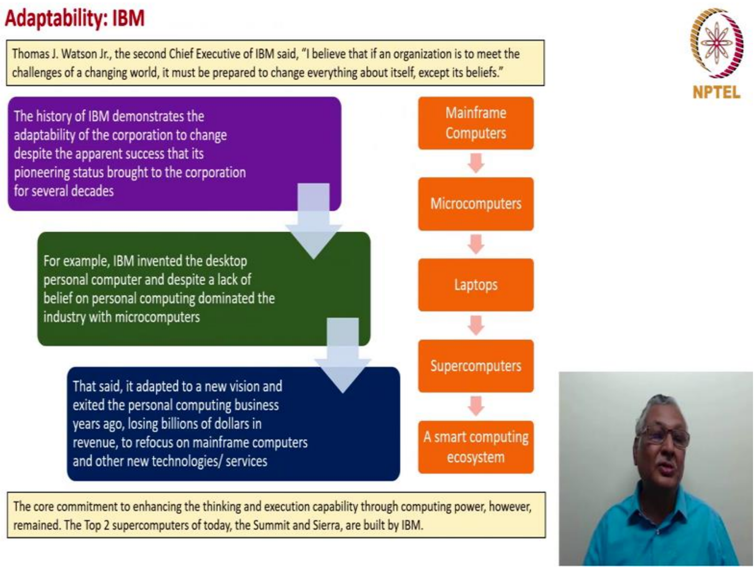

Let us look at the hypothesis of adaptability that is the second principle of corporate centurion framework. Let us take the example of IBM. Thomas J. Watson Junior, the second chief executive of IBM said, "I believe that if an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself, except its beliefs." Assuming of course, that the believes mean high values.

The history of IBM demonstrates the adaptability of the corporation to change despite the apparent success that its pioneering status brought to the corporation for several decades.

For example, IBM invented the desktop personal computer and despite a lack of belief on personal computing dominated the industry with microcomputers for several years.

That said, it adapted to a new vision and exited the personal computing business years ago, losing billions of dollars in revenue, to refocus on mainframe computers and other new technology services.

So, the company moved from main frame computers to microcomputers to laptops than to supercomputers and now the company is engaged in developing a completely smart computing ecosystem for the entire city network. The core commitment to enhancing the thinking and execution capability through computing power, however, remained. The top 2 super computers of today, the Summit and Sierra are built by IBM. That is an example of the adaptability which IBM brought to the situation.

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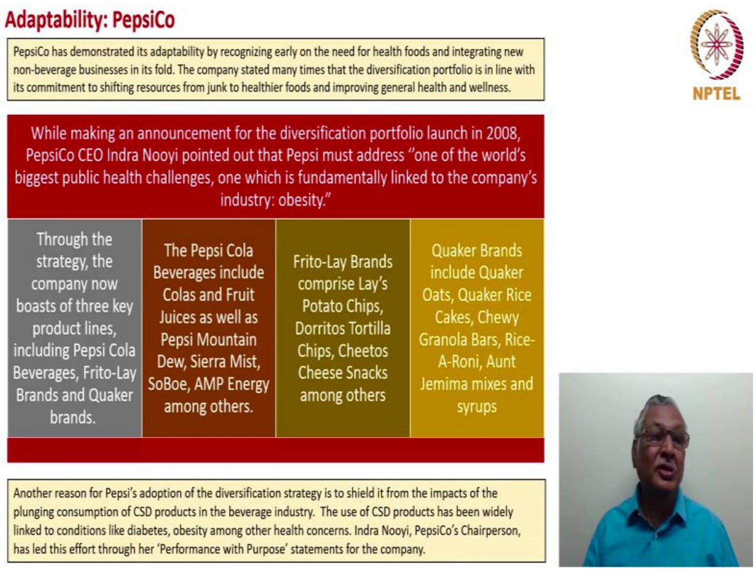

Let us look at PepsiCo. PepsiCo also demonstrated great adaptability. It recognized early on the need for health foods and integrated new non beverage businesses in its fold. The company stated many times that the diversification portfolio is in line with its commitment to shifting resources from junk foods to healthier foods and for improving general health and wellness.

While making an announcement for the diversification portfolio launch in 2008, PepsiCo CEO Indra Nooyi pointed out that Pepsi must address "one of the world's biggest public health challenges, one which is fundamentally linked to the company's industry-obesity." That requires significant amount of guts and transparency on the part of the CEO of a beverages company to admit.

Through the strategy, the company now boasts of three key product lines, including Pepsi Cola Beverages, the long established ones; Frito-Lay brands and Quaker brands. The Pepsi Cola Beverages include the Colas and Fruit Juices as well as Pepsi Mountain Dew, Sierra Mist, SoBoe, AMP Energy among others.

Frito-Lay brands compressed Lay’s potato chips, Dorritos Tortilla chips, Cheetos, cheese snacks and among others. Quaker brands include Quaker oats, Quaker rice cakes, Chewy Granola bars, Rice-A-Roni, Aunt Jemima mixes and syrups. So, you can see the distinction and differentiation between the three lines of products with varying levels of health consciousness.

While we cannot say that all these food verticals provide genuine health, we can at least appreciate the company for its deliberate movement towards a completely non-healthy recipe portfolio to a reasonably healthy portfolio in relative terms. Another reason for Pepsis adoption of the diversification strategy is to shield it from the impacts of the plunging consumption of CSD products in the beverage industry.

The use of CSD products has been widely linked to conditions such as diabetes, obesity among other health concerns. Indra Nooyi, PepsiCo’s chairperson, has led this effort through her ‘performance with purpose’ statements for the company. It is also a credit to the leadership at PepsiCo, especially of Indra Nooyi that she has brought in a complete change in the way the company talks about and thinks about its core beverages business.

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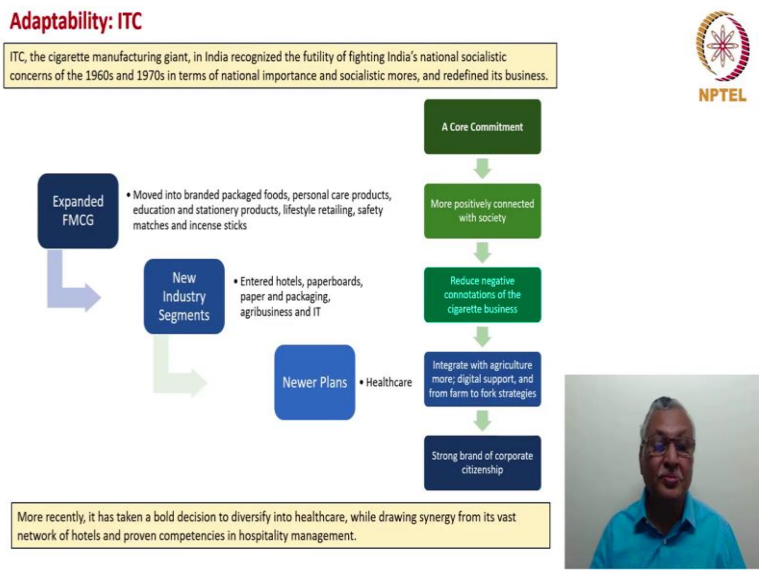

ITC, I mentioned earlier is a great example of adaptive capability. In the very first lecture itself I talked about the purpose and spoke about ITC's Y. C. Deveshwar, diversifying the company into several fields from the original sin product cigarette. ITC, the cigarette manufacturing giant recognized in India the futility of fighting India's national socialistic concerns of the 1960s and 1970s in terms of national importance and socialistic mores and began redefining its business.

First of all, it expanded the FMCG business. Moved into branded packaged foods, personal care products, education and stationary products, life style retailing, safety matches and incense sticks. The new industry segments were brought in. Hotels, paperboards, paper and packaging, agribusiness and information technology and today, there are newer plans for getting into health care.

So, what is the core commitment a company would have on the adaptability dimension? First you should be more positively connected with society because society is the one which would last and last forever. If you are connected with this society, you as a corporate centurion would also last forever and ever that is the fundamental correlation.

Second, you will reduce the negative connotations of any business which is harmful to the society's requirements and societies well-being. Third, the more you integrate with the core drivers of India's economy; be it the agriculture, be it the information technology, you would be in a position to contribute to the economic growth and also, benefit from the economic growth.

So, ITC came up with complete form to folk strategies as a food value chain being taken up for development. And there is also a strong brand of corporate citizenship. Between Hindustan Unilever and ITCs had their annual chairman statements turned into statements of purpose, statements of value creation for the society and that has been a major theme over the last several decades.

More recently, ITC has taken a bold decision to diversify into health care, while drawing synergy from its vast network of hotels and proven competencies in hospitality management. While the plans could have suffered a setback due to the sudden Covid pandemic, one would imagine that these plans would be again fast tracked once these things settle down.

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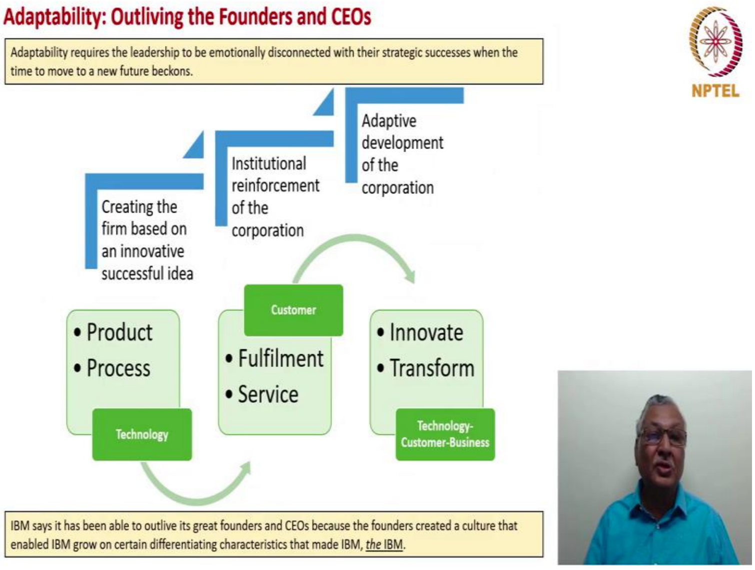

Adaptability means outliving the founders and the CEOs. Adaptability requires the leadership to be emotionally disconnected with their strategic successes, when the time to move to a new future beckons. Technology has the product and process components and you should create a firm based on an innovative successful idea all the time. Customer meets fulfillment and service. We should institutionally reinforce customer serving approaches so that the corporation can be customer centric.

Technology-customer-business help the company innovate and transform. Further, you require adaptive development of the corporation. IBM says it has been able to outlive its great founders and CEOs. Because the founders created a culture that enabled IBM grow on certain differentiating characteristics that made IBM, the IBM.

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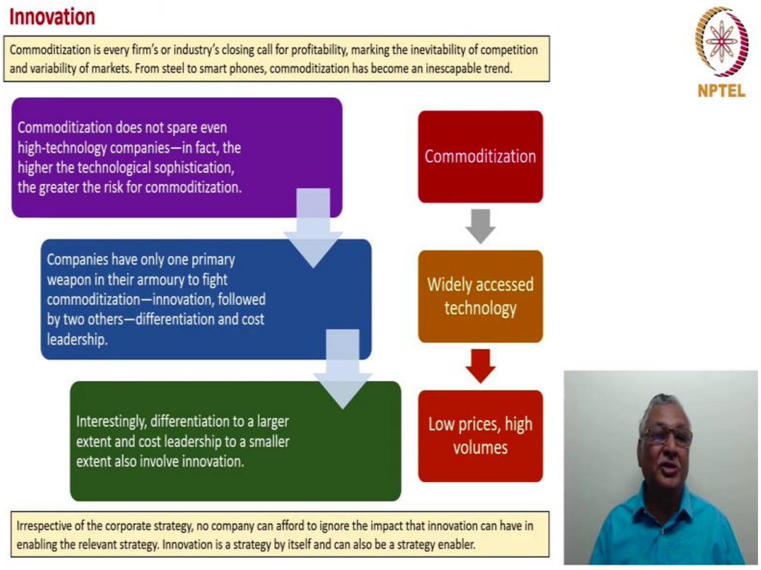

Let us look at the other principle innovation. Commoditization is a matter of fact in any industrial development. Ironically or paradoxically, even if the industry is technology intensive and investment intensive, commoditization would at some point or the other hit the industry. Steel is a great example.

Smart devices are another great example. They are all industries of high technology and high investment, yet the products are commoditized. From steel to Smartphone's, commoditization has become an inescapable trend.

Commoditization does not spare even high technology companies. In fact, you may even hypothesize that the higher the technological sophistication, the greater the risk for commoditization in today's industrial world which has access to multiple technologies of high caliber. Companies have only one primary weapon in their armory to fight commoditization, innovation, followed by two others, differentiation and cost leadership. Again, we consider these strategies in certain earlier lectures.

Interestingly, differentiation to a larger extent and cost leadership to a smaller extent also involve innovation. We talked about the fine art of imitation being as important as the creative science of innovation and we said that both innovation and imitation are required to ensure widespread diffusion of benefits in the larger and wider society.

So, commoditization is dependent on widely accessed technology and offers the benefits of low prices and high volumes to the society. Irrespective of the corporate strategy, no company can afford to ignore the impact that innovation can have in enabling the relevant strategy.

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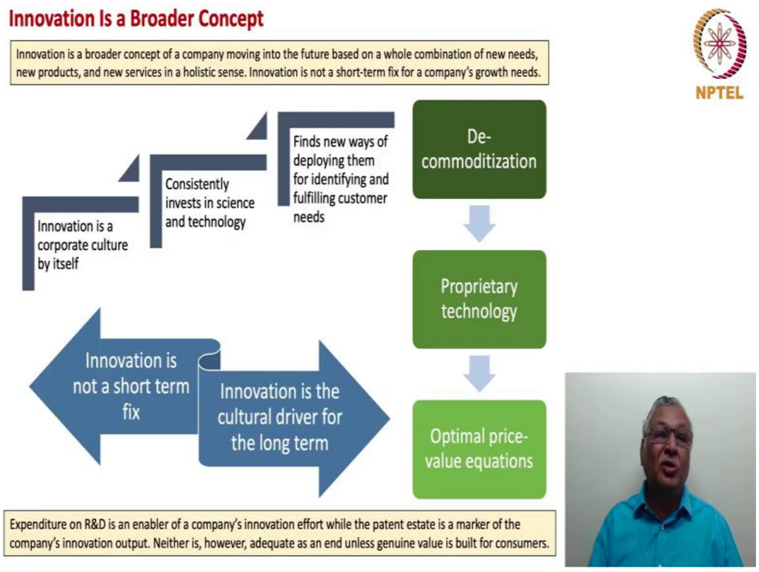

Innovation is a strategy by itself and also, can be an enabler of strategy. Innovation is actually a product concept than discovering a product or inventing a device. It is a concept of moving the company into the future based on a whole combination of new needs, new products and new services in a holistic sense.

Innovation is not a short-term fix for a company's growth needs; just because you want to grow for perpetuity, you cannot say that entire R&D department will think of one breakthrough product and that would mark the shift from decadal growth to centurion growth; no, it does not happen that way.

Innovation is a corporate culture by itself. It consistently invests in science and technology as a regular feature. Finds new ways of deploying science and technology for identifying and fulfilling customer needs. As I said, it is not a short term fix; it is the cultural driver for the long term.

So, if you want commoditization which is based on widely accessed technology which also offers low prices and high volumes to be beaten, innovation is the only answer to that because innovation results in de commoditization. It makes technology narrower in terms of its availability and price investment as well as price cost equations can be modified to the benefit of the consumer as well as the firm.

Expenditure on R&D is an enabler of a company's innovation effort, while the patent estate is a marker of the company's innovation output. However, neither is adequate as an end unless genuine value is built for consumers.

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Innovation is both organic and inorganic. We cannot say that all innovation will only come from organic activities; multi-functional collaboration, multi-domain collaboration, open source networking and multi-industry integration can help greater value. Let us look at robotic surgery.

Previously, medicine and engineering were considered two distant domains not connected and some would even think, they are incompatible with each other. However, these have merged together for precision surgery. Robotic surgery is a matter of reality and is moving a fast ahead.

Excimer laser, it was invented by IBM engineers to remove only specific tissue on a very minute scale, but it became the foundation for LASIK and PRK surgery that benefited millions in eye care. Smart wearable's, sensors were previously utilized for very different purposes. Now, they are part of healthcare smart wearable's, saving lives from falls and accidents and they would do many more things as we go forward.

Future infrastructure is going to be completely green and sustainable; completely earthquake and other disaster-proof. Future companies would be driven by artificial intelligence, machine learning and deep learning. They would be enabled by augmented reality, virtual reality and mixed reality.

And future industry itself will be focused on material and resource sustainability; transforming towards a smart and circular economy. In future possibly no new product would be sold by a company unless the earlier generation of product is taken back by the company in a responsible manner.

Societies needs and expectations are continually and even continuously increasing. Innovation will increasingly be the true hallmark of leadership vision, strategy, and execution, going forward, and this will ensure corporate longevity.

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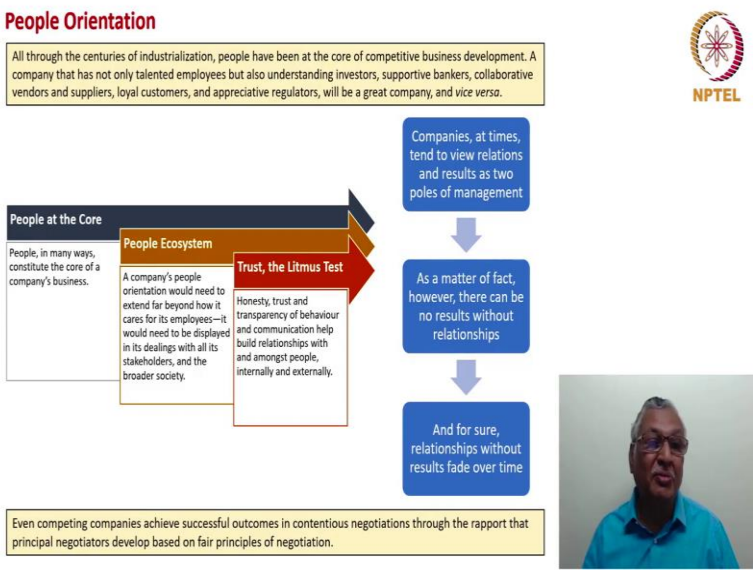

People orientation is a must. All through the centuries of industrialization, people have been at the core of competitive business development. A company that has not only talented employees, but also has been understanding investors, has the benefit of supportive bankers, investors, collaborative vendors and suppliers, loyal customers and appreciate regulators has proved to be a great company and vice versa.

That means, a company which has proved itself to be a great company would have very loyal and supportive internal as well as external stakeholders. So, the people orientation is at the core. People in many ways constitute the core of a company's business. I said in one of the earlier lectures that the best core competence a company can have is to have the ability to attract and retain and even develop the best of the talent in its campus, that is the best core competence a company could have.

Similarly, the best are the core competence a company could have on another dimension is to have customers who are emotionally engaged with the company based on the product performance and customer need fulfillment and co-creation of value with the customers.

So, a people ecosystem is extremely important. A company's people orientation would need to extend far beyond how it cares for its employees, it would need to be displayed in its dealings with all its stakeholders, and the broader society. And trust is the litmus test for the people orientation. Honesty, trust and transparency of behaviour and communication thereof will help build relations with and amongst people, internally and externally.

Companies, at times, tend to view relations and reserves as two poles of management as a matter of fact. However, there can be no results with thought relationship and for sure, there cannot be any relationships without results. Any relationships that are nurtured or thought to be nurtured without results fade over the time.

Even competing companies achieve successful outcomes in contentious negotiations through the rapport that the principal negotiators developed based on fair principles of negotiation.

If that is the situation in respect of two companies or two individuals fighting and negotiating for the respective positions, you can imagine what would happen if the firm and the consumers are aligned in terms of co-creation of value and co-fulfillment of expectations. That is what people orientation would mean in terms of firm's growth and longevity.

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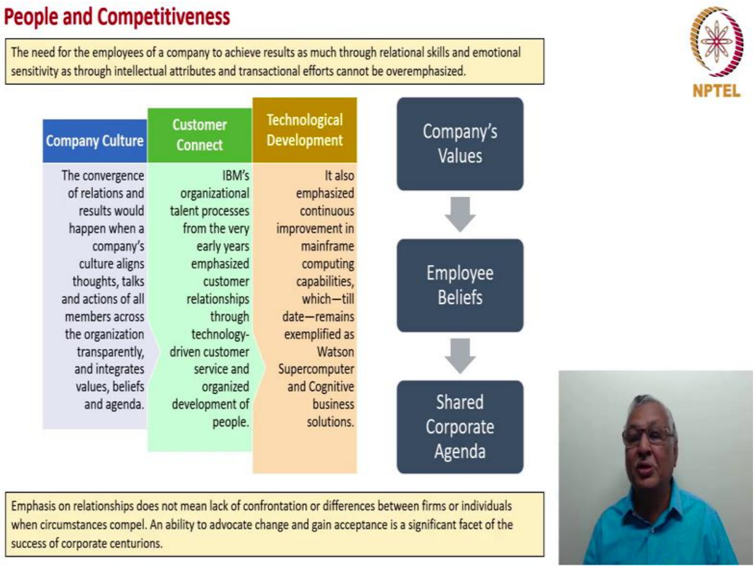

Let us look at the nexus between people and competitiveness. The need for the employees of a company to achieve results as much through relational skills and emotional sensitivity as through intellectual attributes and transactional efforts cannot be over emphasized.

There are four aspects which are important for achieving results; relational skills, emotional sensitivity, intellectual attributes and transactional efforts. Company culture means the convergence of relations and results would happen when a company's culture aligns thoughts, talks and actions of all members of the organization transparently, and integrates values, beliefs and agenda.

Company's culture will be seen as open or closed; company's culture will be seen as pro-society or neutral society or anti society; company's culture would be seen as being trusteeship for public wealth; company culture will be seen as being supportive of environmental empathy or social responsibility and corporate governance. So, there are several ways in which company's culture will be assessed and registered in the minds of the external and internal stake holders.

Second, customer connect. As an example IBMs organizational talent process from the very early years emphasized customer relationships through technology-driven customer service and organized development of people and thirdly, technological development. It also emphasized continuous improvement in mainframe computing capabilities, which till date remains exemplified as Watson Supercomputer and Cognitive business solutions.

So, company’s values as they cascade down to employee beliefs and result in a shared corporate agenda will ensure the nexus between people and competitiveness. Emphasis on relationships does not mean lack of confrontation, lack of debates or lack of differences between firms and individuals when circumstances, so compel, an ability to advocate change and gain acceptance is a significant facet of the success of corporate centurions.

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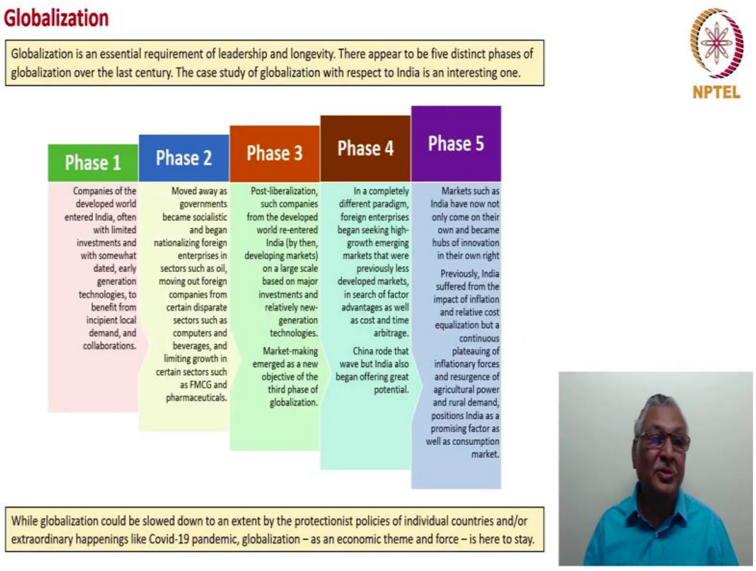

Let us talk about the other principle remaining which is globalization. Globalization is an essential requirement of leadership and longevity. There appear to be five distinct phases of globalization over the last century.

The case study of globalization with respect to India itself is an interesting one. Phase 1, companies of the developed world entered India often with limited investments and with somewhat dated, early generation technologies; they sought to benefit from the incipient local demand and collaborations.

In phase 2, the new entrance moved away as governments became socialistic and began nationalizing foreign enterprises in sectors such as oil, they began moving out foreign companies from certain disparate sectors such as computers and beverages, even IBM was affected, Coca Cola was affected and it also limited growth in certain sectors such as FMCG and pharmaceuticals, not to mention automobiles as well.

In phase 3, post liberalization that is from 1990s onwards such companies from the developed world reentered India, by then India becoming a false developing market on a large scale and that was based on major investments and relatively, new generation technologies. Market making emerged as a new objective of the third phase of globalization.

In phase 4, in a completely different paradigm foreign enterprises began seeking high growth emerging markets that were previously less developed markets in search for factor advantages as well as cost and time arbitrage. China rode that wave, but India also began offering great potential.

But phase 5, which we could say is the rediscovery of India as a global economic super power, as a global manufacturing hub and as a global IT leader established very well so far in that field, India has got great potential for globalization.

Markets such as India have now not only come on their own, but became hubs of innovation in their own right.

Previously, India suffered from the impact of inflation and relative cost equalization; but a continuous plateauing of inflationary forces and resurgence of agricultural power and rural demand, position India as a promising factor as well as the consumption market that is India could be well endowed in terms of offering factor advantage to the entering multinational companies as also domestic companies, but they would also offer great markets for these companies.

India can support global markets. India could also be a great market for companies wanting to enter India and benefit from the Indian market. While, globalization may be slowed down to an extent by the protectionist policies of individual countries and or extraordinary happenings like Covid-19 pandemic, as an economic theme and force, globalization is here to stay and only destined grow.

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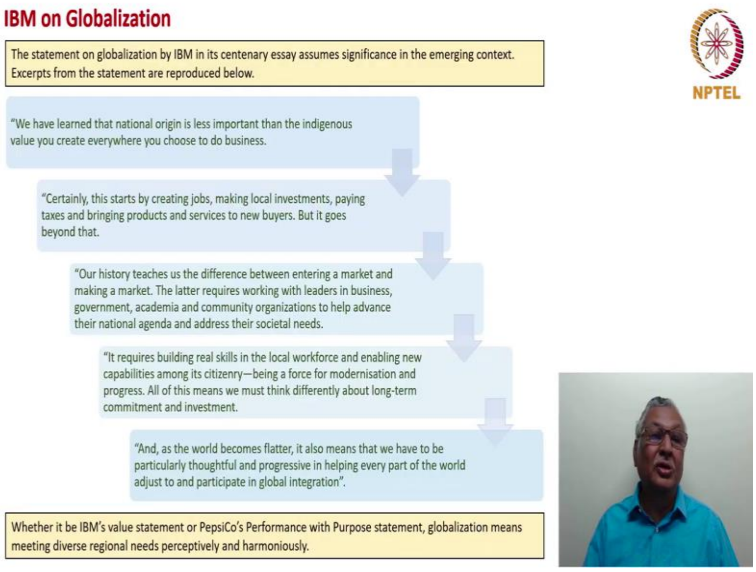

IBM said this on globalization that is very relevant although it was posted in its centenary essay; it still assures great significance in the emerging context. Excerpts from the statement or reproduced below. “We have learned that national origin is less important than the indigenous value you create everywhere you choose to do business.” “Certainly, this starts by creating jobs, making local investments, paying taxes and bringing products and services to new buyers. But it goes beyond that.”

“Our history teaches us the difference between entering a market and making a market. The latter requires working with leaders in business, government, academia and community organizations to help advance their national agenda and address their societal needs.” “It requires building real skills in the local workforce and enabling new capabilities among its citizenry, being a force for modernization and progress.

In that new nation, all of this means we must think of differently about long-term commitment and investment.”

“And, as the world becomes flatter, it also means that we have to be particularly thoughtful and progressive in helping every part of the world adjust to and participate in global integration.” Very thoughtful, very evocative and very meaningful. As India Inc. wants to globalize itself, India Inc has to think similarly; it is not just export of products or services anymore, it is being a good corporate citizen in those markets, where India Inc would like to be a corporate citizen.

Whether it be IBMs value statement or PepsiCo's performance with purpose statement, globalization means meeting diverse regional needs perceptively and harmoniously.

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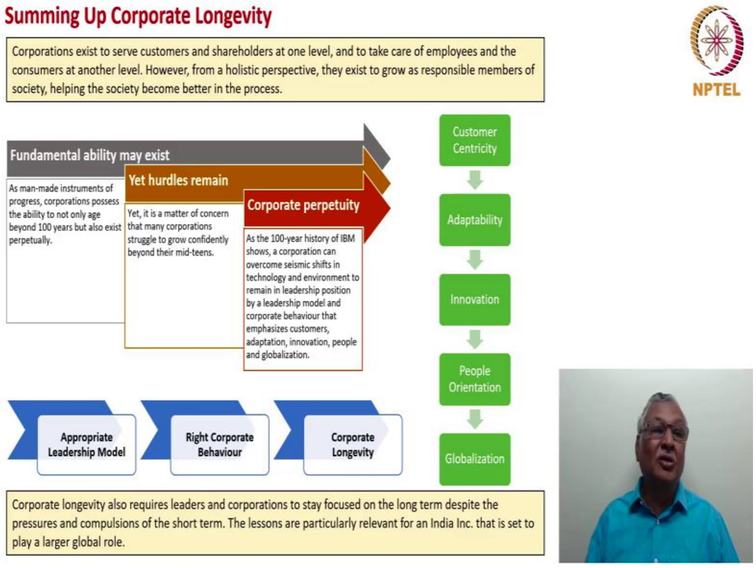

So, to sum up, corporate longevity can be thought about in this framework. Corporations exists to serve customers and shareholders at one level and to take care of employees and the consumers at another level. However, from a holistic perspective, they exist to grow as responsible members of society, helping the society become better in the process.

Fundamentally, the corporations must have the ability to exist; there should be a fundamental ability. As man-made instruments of progress, corporations possess that ability to not only age gracefully beyond 100 years, but also exist perpetually. To be able to do that, corporations have to realize that there are several hurdles in the path of corporate centurianism and therefore, it is a matter of concern that many corporations struggle to grow confidently beyond their mid-teens.

That is because there is less realization that it is possible for a company to see another five generations of employees or another five generations of leaders, they still are focused on the short term and at best a long term of 5 to 10 years. People are not really thinking of the centurion stage that could happen for the company, that is the biggest hurdle and once you have that mind shift, you can have corporate perpetuity as a very legitimate and feasible coal for a company.

As the 100-year history of IBM shows, a corporation can overcome seismic shifts in technology and environment to remain in leadership position by a leadership model and corporate behaviour that emphasizes customers, adaptation, innovation, people and globalization. The five factor framework for corporate perpetuity which I have proposed in this lecture.

You need to have an appropriate leadership model; you need to have the right corporate behaviour and then, you would get corporate longevity. In this process, do not forget the five pillars of corporate longevity or the five drivers of corporate longevity; customer centricity, adaptability, innovation, people orientation and globalization. These must be the DNA of the company.

Corporate longevity also requires leaders and corporations to stay focused on the long term despite the pressures and compulsions of the short term. The lessons are particularly relevant and appropriate for an India Inc that is set to play a larger global role. Even as India desires to be and would be capable of becoming a global economic superpower. With this, we come to the end of this lecture. We will meet in the next lecture.

Thank you.