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ENTREPRENEURS—PAST AND PRESENT


50
SHARING 50 YEARS OF
INDEPENDENCE WITH INDIA

ENTREPRENEURISM

Entrepreneurism, entrepreneurship are the lifeblood of any economy, more so in the developing economy. In India, entrepreneurism is in its cultural ethos. Entrepreneurship and enterprises are a continuous process and it is growing from centuries to centuries.

Information and communications technology make it easier for companies to serve the world from any place they choose. Overnight package delivery-service allow companies to get parts from nearly anywhere within a day or two; so, they don't necessarily need supplies to be nearby. Highspeed, low-cost communication systems link companies to offices anywhere in the world, giving even small or remote communities opportunities to compete. Therefore, just as the acquisition and application of knowledge will differentiate winners from losers in busines, the adoption of a global outlook will mark those communities and individuals who thrive in the next century. In addition to bringing jobs, any business moving into a community is also likely to bring new services, technologies, and equipment that can help it grow. And cosmopolitans who come to a community can help raise the standards of schools, government, public services, and its businesses.

In 1990, six people threw up their jobs and set out to form a venture which would provide anything and everything required in the infotech arena. Under the banner IT&T, the company's activity termed 'facilities management' has grown over the years to clock a turnover of Rs. 30 crore. The initial phase was quite testing for the team and three of them ran out of steam when the future looked bleak.

Perseverance paid rich dividend. Once the three promoters were able to service reputed companies and deliver results, things automatically started looking up. The troika of Karan Puri, managing director, Hemant Kohli (CEO) and K. Ganesh (director), have not only proved the other three friends wrong by achieving results but also have recently roped in another partner — Rohit Chand — as executive chairman. The incumbent, who has 30 years of experience, has imparted a cutting edge to improvisations in facilities management and creating a niche of networking systems and systems integration. IT&T's latest venture, the IT&T Global Services Ltd., is his first contribution to the company. The first client of the company is Siemens, which is setting up a power plant in Brazil.

The focus of the company from now on is going to be high margin business particularly smart sourcing and global services. This may reduce our turnover a bit but will increase our profits in addition to reducing a lot of unwanted workload. Despite competitors like IBM Global Services, Wipro, compaq OMS and Microland, IT&T has constantly thrived by offering innovative services.

The smart sourcing business model deals with contractural acquisition services for customers' hardware, software and networking requirements to ensure highest possible quality at the optimal costing of IT infrastructure. The idea is to provide single window supporting system for companies which can utilise the strength of procuring the best out of many vendors with each catering to their strength rather than going for the easy route of getting everything from a single point. In the first phase, the company is tapping mature buyers for whom infotech systems are crucial for day-to-day operation. Ranbaxy, Castrol, Dabur, Reckitt & Coleman, British Council are some of the big clients.

Offering IT services and support, launch of three new service streams (facilities management, mail and messaging services and network management services), smart sourcing services, implementing solutions on these services and the launch of IT&T Global services are some of the highlights for IT&T this financial year. IT&T has targeted 1999-2000 as the year for its highest growth in both the domestic and foreign markets. Last fiscal, the largest portion of the company's sales came from the sales of Compaq and IBM workstations. IT&T has, since inception, positioned itself as a key distribution and systems integration company.

The whole idea of smart sourcing came from the clients themselves. Each company needs to remain focused on its strengths. But the strengths in this business alter so rapidly that by the time you become near perfect in that particular service, it becomes obsolete. Technology upgradation and regular R&D in service quality enhancement remains the buzzword in this segment.

Though IT&T has been performing well over the years despite the entry of formidable rivals, it is lasting the course that matters. Only then would IT&T be an Indian company that not only stood up to the foreign majors but set itself as an example to the next generation of software companies. With innovations as the core competency, IT&T has emerged as a leader in sourcing information technology. The end-target may be clearly visible, but much of the route may be invisible from the starting-point. The only way you are going to see the path ahead is to start moving. Thus, strategy must be as much about experimentation as it is about foresight.

The enterprise must pay more attention to the pre-conditions for innovative strategy-creation. The goal is not to develop perfect strategies, but to develop strategies that are directionally correct, and then, to progressively refine them through rapid experimentation and adjustment. This is the real work of the leader.

THE IDEAL ENTREPRENEUR

Not a workaholic. Sure, you should be prepared to work long — and irregular— hours, but the freedom to choose and priorities free time is always at hand, if you cannot sleep at night, as long as there is a single file left unperused, a memo unread, a number uncrunched, back off right now. Entrepreneurship isn't one-dayer. You must have the self-control time play for a long innings instead of burning yourself out.

Be warned, therefore: even when you are your own boss, long-term sustainability demands that you balance your professional and personal life. Only then can you truly make your own business sustainable in the long-term.

To Morph into an Entrepreneur

- Managers must be able to translate their career ambitions into specific business goals.
- Managers must use their people management skills to motivate and inspire their employees.
- Managers must capitalise on their skills to manage the financial aspects personally.
- Managers must turn their aggression in the workplace into a risk-taking approach.
- Managers must leverage their functional expertise when choosing their line of business.
- Managers must develop leadership qualities on the job before venturing out on their own.

Prepare, therefore, a mental checklist of the other side to the entrepreneur's job. Sure, your once-in-a-life-time innovative idea will convert customers immediately, but are you as prudent as a penny-pinching CFO? The diplomacy of the personnel manager? The doggedness of the door-to-door salesman? You'll need them all, in addition to that gem of an idea.

The entrepreneurship audit will judge individual's capabilities to be an entrepreneur or not. Just try it.

THE ENTREPRENEURSHIP AUDIT

Do you measure upto the tough task of being your own boss? Assess yourself impartially and objectively your positive and negative points in becoming your own boss. If need be, negative points might be corrected by training and education. Take this test to find out:

	Yes	No
1. Do you enjoy taking big, even unwarranted, risks?	☐	☐
2. Do you plan a head on most things you do?	☐	☐
3. Do you have a head for numbers and finances?	☐	☐
4. Do you make it a point to complete what you start?	☐	☐
5. Can you survive a drop in your standard of living?	☐	☐
6. Are you able to take decisions without dithering?	☐	☐
7. Are you free of major financial commitments?	☐	☐
8. Can you get along with different kinds of people?	☐	☐
9. Is your career path in your company flattening out?	☐	☐
10. Do you enjoy travelling on work?	☐	☐
11. Are you capable of leading people?	☐	☐
12. Do you have a clear vision about your dreams?	☐	☐
13. Do you have innovative ideas about projects and services?	☐	☐
14. Have you acquired specific skills to run the new venture?	☐	☐
15. Do you plan your work methodically?	☐	☐
16. Are you adaptable and flexible?	☐	☐
17. Do you prefer working alone to teams?	☐	☐
18. Do you find yourself envying entrepreneurs?	☐	☐
19. Can you cope with punishing work schedules?	☐	☐
20. Does your spouse support your plans?	☐	☐

The Scoring

Give yourself 5 points for every YES and 0 for every NO

TOTAL ☐

The Rating

0-35	You won't get far with I Inc. be satisfied with that you already have in hand.
40-60	The passion as a self-starter is weak. You seek the status quo rather than a crisis.
65-100	All systems go. Greener pastures and challenges await you.

THREE KEY ASSETS

Most leaders accept the premise that organisations (enterprises) must become more knowledge-intensive and value-enhancing. That is how it should be in the 21st century.

Of course, a community that cannot offer the brain-power or skills that employers demand, and is forced to compete with low-wage labour overseas is in trouble. But communities can develop 3 key assets that will raise their competitive standing concepts, competence, and connections. Concept-driven communities search for new ideas, and have a knowledge-intensive workforce. Competence-driven communities develop centres of quality for manufacturing or other disciplines, using a combination of good infrastructure, customised job-training, and commitment to world-class standards. Connection-driven communities combine their cultural knowledge of the world with a healthy commercial infrastructure to become places where trade is centred or deals are made. Each of these assets creates the basis for a globally-linked local economy that attracts jobs, capital, and the flow of customers or visitors.

Apart from purely local services, any company that competes on the basis of low labour-costs is, eventually, going to look for lower-cost places to operate. It is clear, for instance, that we will need fewer people in manufacturing plants. That is why the competition to attract those jobs is so intense: there are simply fewer of them. The problem is, people who have had those jobs aren't given the skills to move up the ladder but have to accept lower wages in their next jobs. The only forward-looking strategy is to try to move as many people as possible up the skills ladder.

THE CORPORATE GOVERNANCE AUDIT

Is your company's board really equipped and empowered to govern? Use this diagnostic to determine the efficacy of your company's directors:

1. Does your board include ...

A.	One external director for each internal director?	2
B.	Two external directors for each internal director?	5
C.	Three or more external directors for each internal director?	10

2. Does your board comprise ...

A.	Directors who have experience only in your industry?	2
B.	Directors with experience in other related industries too?	5
C.	Directors with experience in related as well as unrelated industries?	10

3. Is the agenda for your board ...

A.	Set by the CEO with inputs from internal directors?	2
B.	Set by CEO with inputs from all directors?	5
C.	Flexible and set in keeping with emerging requirements?	10

4. Are the agenda and reading materials for your board circulated...

A. Two weeks prior to the meeting? 2

B. Three weeks prior to the meeting? 5

C. At least a month in advance? 10

5. Is the typical board meeting...

A. Structured so as to offer only token discussions of each issue? 2

B. Structured so as to ensure enough time for discussions? 5

C. Structured so as to always ensure time for free-wheeling exchanges? 10

6. Is the nomination of a new board member handled...

A. By the CEO after getting inputs from all directors? 2

B. By a nominations committee with strong inputs from the CEO? 5

C. By a nominations committee with inputs from all directors? 10

7. Board members are replaced...

A. When a director wishes to step down. 2

B. When one, or more, directors do not attend meetings. 5

C. On the basis of a formal evaluation of directors. 10

8. Is the audit committee of the board...

A. Involved in selecting the audit firm from a short-list? 2

B. Asked to recommend to the board which audit firm to use? 5

C. Asked to make its recommendations and to approve the choice? 10

9. Does the audit committee establish its agenda ...

A. On the basis of the internal auditors' suggestions? 2

B. With complete freedom to choose its areas of investigation? 5

C. After setting priorities for systematic study of high-exposure areas? 10

10. Does the compensation committee base its recommendations ...

A. Using inputs from the human resource department? 2

B. On the basis of historical trends and industry practices? 5

C. On pre-established standards and a formula-based reward system? 10

The Rating

20-33 Out of control. Your board is probably a liability.

35-70 Barely in control. And things could get worse.

72-100 In control. Your board is an asset for your company.

Adapted from The Case For An Off-Balance-Sheet Controller, by R.F. Lusch & M.G. Harvey, Sloan Management Review, Winter, 1994.

THE VALUE CHAIN PATTERNS

Value moves in mysterious ways. Some strategies work. Sometimes. Others don't. All the time. The ability to cut through cross-sections of industry — and company — profitability, and see the patterns that function as the invisible forces that add and destroy value is invaluable. For, the capacity to decipher profit-patterns is the ultimate strategy machine.

Value

Value is everything. Enterprises that can create value, win. Those that cannot, lose. Yet, the quest for attaining value is but one-half of what makes corporation successful. For, once captured, value has to be sustained. And that is a dynamic process, which requires a entreprenur's business strategy to be geared for the continuous creation of value. Thus, every entrepreneur most constantly strive to keep the market valuation of his company — one of the best measures of the value is creating — higher than the competition's. Or else it may not face a future.

The key lies in spotting, and benefitting from the factors that drive profitability. If the trend in an industry shows that customer preferences are changing, the successful company will be one that anticipates them — and immediately alters its strategy. For corporate India, which is in the throes of an upheaval — with smokestacks fast yielding way to silicon chips — recognising trends even before they emerge is vital. For entrepreneurs in quest of value, orthodox business sense will not help in these difficult times; what used to be sure-shot remedies yesterday will spell sure-fire disasters tomorrow. Clearly, in a constantly changing business environment, the rules for creating and sustaining value are also continually changing.

Over time, changing strategic market conditions create a migration from one set of customer priorities to another. Existing business designs become obsolete, and new business designs must be invented to deliver new value to customers. Some executives understand this. Experienced players can detect similarities between movements of value at different times and in different industries; they can detect patterns.

Industry value chains used to be incredibly stable. Today, those value chains have been compressed, broken up, and put together again. At the same time, profits and power have started to move along the chains more frequently and more rapidly. Nor is the dynamism limited to the industry value chain itself. Previously distinct value chains are now overlapping, competing, and merging. Some value chains are disappearing entirely.

Customers are the ultimate arbiters of value, The patterns of customer-driven profit shifts are just beginning to be understood clearly. Across a valiety of industries, the behaviour of the customer-base is changing in similar, repeatable ways. These changes have triggered numerous patterns, and will continue to transform the strategic landscape in nearly every business. Customers hold more power in the supplier-customer equation, and they possess the information as to what will be valuable tomorrow.

As power and influence shifted downstream, closer to customers, distribution channel players became more important. They had direct contact with buyers, and they could access current information on how customer's preferences were changing. But it wasn't all upside for the intermediaries. In many industries, traditional channels underwent compression (fewer steps in the distribution process), and ultimately, disintermediation.

Prior to the mid-1980s, the product was the manufacturer's source of competitive power and profit. In recent times, however, profit and value have begun to migrate away from the product along sevral dimensions via many different patterns. The common denominator across these patterns is that the value that had existed in the product itself has moved next door, economically speaking, to new scarce assets such as brands, blockbusters, and solutions. The laws that govern these new scarce assets have little in common. Each pattern has a different success logic — and needs to be understood on its own terms.

Knowledge is a form of energy. It is quiet, clean, and effective. It can be disorganised, dissipated, and squandered. Or it can be organised and profited from, by both supplier and customer. A great deal depends on how we think about it. Knowledge patterns will proliferate in the next few years as the focus of the economy shifts from the manufacture of goods to the application of useful ideas.

The organisational system can have a huge impact on the company's profit. It can add value to, or subtract value from the company's product franchise and business design. The outcome depends on how well the organisation system creates an alignment behind the company's strategy, and an energy level that is sufficient to enable the brilliant execution of that strategy.

Value patterns are not rigid. Each has variants. Thus, the concept of value pattern is an invaluable tool for the entrepreneurs. All along, you knew that profits — and, hence, value — ebbed and flowed within an industry and across industries. The ability to recognise the patterns that drive profitability and value remove much of the mystry that surrounds the process of creating and implementing the right business strategy. For, at the end of the day, the best strategy is one that leads to an increase in value. Clearly, there is methods to the madness of the New Millennium markets. And it has everything to do with decoding their patterns.

The Notional Top Twenty-five Enterprises in India (1998-99)

Rank	*Company (BT-500/PSU Rank)*	*Market Value*	*Sales (Revenues)*
1	Hindustan Lever (1)	34,210.15	10,448
2	ONGC (1)	27,157.80	15,005
3	ITC (2)	17,998.15	7,739
4	Indian Oil Corp. (2)	17,077.37	61,086
5	Reliance Industries (3)	13,002.87	15,174
6	MTNL (3)	12,353.24	4,768

7	Wipro (4)	9,724.13	1,853
8	State Bank of India (4)	9,328.88	18,698
9	Gas Authority of India (5)	7,268.27	6,398
10	Bajaj Auto (5)	6,898.75	3,845
11	Hindustran Petroleum Corp. (6)	6,658.20	20,851
12	Bharat Heavy Electricals (7)	6,606.98	6,841
13	Videsh Sanchar Nigam (8)	6,176.31	6,452
14	Infosys Technologies (6)	4,862.79	513
15	TELCO (7)	4,303.05	6,635
16	Nestle India (8)	4,294.11	1,613
17	NIIT (9)	4,268.98	469
18	Larsen & Toubro (10)	4,239.54	7,483
19	TISCO (11)	4,222.91	6,982
20	Bharat Petroleum Corp. (9)	4,184.42	20,998
21	Hindalco Industries (12)	4,140.79	2,145
22	Castrol India (13)	4,095.12	1,101
23	IDBI (10)	3,623.69	7,537
24	Ranbaxy Laboratories (14)	3,511.77	1,588
25	Reliance Petroleum (15)	3,180.85	—
	Total	2,18,626	2,34,727
	Public sector 10	1,18,191	1,68,634
	Private sector 15	1,00,435	66,093

The Global Top Ten Corporations

Rank	*Rank*			*Revenues in US $ Billion*	*Rs. crore*
1	1	GENERAL MOTORS	US	161.31	7,02,505
2	17	DAIMLERCHRYSLER	Germanhy	154.61	6,73,326
3	2	FORD MOTOR	US	144.42	6,28,949
4	8	WAL-MART STORES.	US	139.21	6,06,260
5	3	MITSUI	Japan	109.37	4,76,306
6	6	ITOCHU	Japan	108.75	4,73,606
7	4	MITSUBISHI	Japan	107.18	4,66,769
8	7	EXXON	US	100.70	4,38,549
9	12	GENERAL ELECTRIC	US	100.47	4,37,547
10	11	TOYOTA MOTOR	Japan	99.74	4,34,368

Exchange Rate
$1 = Rs. 43.55

Compared to the global ten corporations, the top ten India Corporations are tiny in terms of revenue (sales) with an exception of IOC.

Is is therefore evident that India must target a much higher rate of growth. Such an ambitious growth agenda in a fast globalising environment can only be realised through an accelerated reform process that makes the Indian economy globally competitive and thereby attract commensurate investment.

As the order changes, there is a pithy point that the entrepreneurs must perform — or perish. If, per chance, their business happens to be one where profits are under serious long-term threat, they simply cannot expect to create market value. For, value cannot accrue without performance, or profits. Those who discern this message from the stockmarkets correctly will, therefore, take a hard-nosed look at their businesses, and restructure, re-organise, or re-focus the way they run them. They may even have to re-invent themselves completely since the stockmarket is, without doubt, the greatest leveller. For India Inc. it is time now, like never before, to introspect.