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CBS Business Review

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... from the Editor's desk

It is with great pride that we are re-launching our in-house magazine – the CBS Business Review. The CBS Business Review is a quarterly business magazine aimed at providing keen insights into management learning at all levels in the organization. It's objective is to compile articles and case studies developed by both industry professionals and academia and also present book-reviews of "must-read" management books.

An additional feature of the re-launched version will be the interview sessions with a senior Industry professional and an alumnus of CBS.

The first article is about relationships and business sustainability. The author, Dr CB Rao, is on the Advisory Board of CBS and was the MD of Hospira Ltd.

The next article is triggered by the 'cash burns' that seem to be the Mantra for start-ups and discusses why start-ups do and whether start-ups should engage in burning cash. The author is the Founding Director of CBS and also thinksynq, a company engaged in consulting, accounting and ITES.

The recent slowdown is affecting many industries across the globe. How is the L&D function in the organization dealing with this? Mr Jayaraman Venkat, GM-L&D of Siemens Gamesa has penned his thoughts on the same.

For the interview sessions, we have carried two interviews – one of Mr Venkatanarayanan – President HR in Rane Group and the other of Mr Balaji, an alumnus, who is a Manager-HR in Mahindra Electricals. While the former interview is on Digitization and its impact on business, the latter pertains to the Evolution of the HR function.

In the Book Review session, we have reviewed "High-Hanging Fruit" by Mark Rampolla.

I do hope you find the newly-launched magazine as much fun and enriching as the previous ones.

Wishing all of you a bright and rewarding financial year ahead

Chief Editor

Prof. Sridar Natrajan
Dean, Chennai Business School

Governing Council

CBS has a Governing Council comprising some of the most-renowned industry captains across several growth-oriented Industries.

The Governing Council is presently represented by the following members:

- Mr. K. Krishnan
- Mr. J. N. Amrolia
- Mr. Mohan Menon
- Mr. N. Sathasivam
- Ms. Sanghamitra Mohapatra

A Theory of Business Relationships:

Five Principles for Success and Sustainability

By Dr C. B. Rao

Relationship is at the core of social evolution. Relationship is the way in which two or more people or things are connected with each other. While relationships are usually interpreted in terms of family ties and friendly moorings, relationships extend far beyond family cocoons or friendship circles. In a broader perspective, relationship is the way in which two or more people or groups regard and behave towards each other. Many such relationships that are beyond the family system are experienced by us; for example, the teacher-student relationship, the doctor-patient relationship, the employer-employee relationship, the landlord-tenant relationship, the people-government relationship, the buyer-seller relationship, the multiple stakeholder relationships, and so on. In fact, virtually everyone has a relationship with someone else he or she deals with, in one way or the other.

At the very basic level, awareness of one another results in just a cognitive relationship. As it evolves into an acquaintance, a reciprocating relationship develops. Reciprocation could just be in the form of exchange of greetings or could extend to exchange of information or other material factors. While one could experience hundreds of reciprocal relationships, only a few would evolve into sustainable relationships. For a relationship to be sustainable, the relationship must traverse through three stages. The first is rapport, the second is credibility and the third is trust. Rapport exists when two people or agencies have a close and harmonious relationship, understanding each other's feelings and ideas, and communicating well. Credibility exists when one stands convincing, believable and capable of fulfilling the promise, in a consistent manner. Repeated demonstration of credibility leads to a firm belief in the truth, reliability and ability of someone or something. Trust has, in most cases, a material fiduciary responsibility and accountability.

Business relationships

Business relations are varied; from one-off casual interactions to legally binding business contracts, there are many ways in which business relations evolve. Some are business to business (B2B) while some are business to consumer (B2C). There are others like business to government which are legal and regulatory, and certain others such as business to society that are more qualitative and abstract. Whatever be the nature of relationship, the three step process defined above, and comprising 'rapport, credibility and trust' is a must. Even in respect of one-off transactional relationships, the process builds value for the present or for the future. Business managements have traditionally seen financial ownership and/or commercial partnership, with legal structuring, as the predominant basis to form and protect relationships, but there is more to it.

Relationships are also subject to competitive dynamics. Exclusive dealerships have, in the past, been the preferred relationships for sales and marketing. Over a period, multi-brand dealerships have started appearing (whether in the same dealer format or co-owned dealer format). Simultaneously, companies started setting up their own selling plazas (for example, Maruti Nexa). Just as social relationships are disturbed by dynamics of families and friends, business relations are also disturbed by competitive dynamics. Any amount of legal mandating may not help when competitive dynamics disturb. These influences could be for cost and price advantages or growth compulsions. These could also be due to lack of relationship between the people who manage the relationships.

Interpersonal complexities

Business relationships are far more complex than usually imagined. It is not as simple as measuring performance or profits as generally thought to be. Each business relation is, in fact, a complex maze of interpersonal relationships. There are three such principal complexities.

The first is generational complexity. When first set up, later managed or eventually terminated, it is people who interpret and endorse or negate a business relationship. A business relationship has four distinct phases; commercial discovery, legal templating, operational performance, and performance review. All the phases are carried out by individuals on either side of the relationship. As individuals change, not only the dynamics change but the initial perspectives tend to get lost.

The second is horizontal complexity. Although a transaction is fulfilled at one end of a business value chain the actual utility could be far out in the value chain. A typical example is a vendor relationship which could impact manufacturing. If persons leading or operating at different points of value chain cannot communicate holistically and meaningfully, even simple performance issues could lead to enormous noise in the system and destabilize relationships.

The third is vertical complexity. Certain business relationships are initiated, structured and signed off at the top between senior leaders, and handed over to operating teams below to execute. While the jobs may be handed down, the perspectives and the subtleties may never be cascaded down. In certain other cases, a business relationship may be established at the operating level but could come to the notice of, and review by, senior leaders at a later stage. The juniors may not be able to explain appropriately, or even lack the strategic approach the senior leadership now takes. This could also create noise in the system.

Given that business relationships are built on interpersonal foundations, the need for a systemic yet a people oriented approach to business relationships is self-evident. Five principles for successful and sustainable business relationships are discussed below.

Five principles

There are five principles of trustworthy and trusting business relationships that can be built with interpersonal trust model.

Strategic

Not every business relationship is, or needs to be, made at the CEO or CXO levels. Consistent with the nature of business relationship, the highest leader must, however, be involved. A new green field expansion by a component supplier needs certainly CEO to CEO partnership. However, an arrangement for housekeeping will not require such intervention; yet, within the boundary at least the functional managers must be involved from either side. The involvement of senior managers and leaders helps in the avoidance of 'penny-wise and pound-foolish' approaches and instead focus on long term value creation. Involvement of strategic leaders ensures that operating executives are not threatened by self-perceived need to save the pennies at the cost of long term value.

Risk based

All relations aim at rewards. It would be fallacious, however, to assume that there are risk-free approaches to business relationships. The more novel a business relationship is, the risk profile could be higher even as its competitive advantage could be higher. If the relation follows a beaten or established path, it suffers from another type of risk of eroding margins. No amount of legally binding contractual language can identify and provide for all current and future risks. Interpersonal rapport, credibility and trust help in addressing risk professionally. One may have a perfectly collaborative relationship with a competitor (like Apple and Samsung have) when the risk and reward tracks are not intermixed, and respective leaders are allowed to deal with competitive and collaborative aspects separately.

Stage-gated

Business relationships should not be founded on expectations of immediate miraculous results. Adequate time should be allowed for operational teams to strike rapport, prove credibility and establish trust. Leaders have a particular responsibility in selecting lead managers who have positive interpersonal approaches and sound fundamentals. Many times, conceptually sound partnerships flounder due to cantankerous managers who are self-obsessed rather than focused on mutual value creation. If the first stage of rapport does not take place, the sponsor-leaders have a responsibility to either counsel the lead managers or replace them with more harmonious ones. Similarly, if credibility is not established with repetitive consistent performance, the processes must be relooked. Normally, a quarter of rapport building and another quarter of credibility establishment, at the maximum, may be allowed to assess the precursors to trust. And, transparency is the key to assessment of trust.

Transparency

Transparency starts from the initiation of a business relationship. Mature leaders realize that placing mutual expectations, strengths, weaknesses and resource capabilities on discussion table help establish the fundamental rules of transparency in a business relationship. Many do not realize that understanding the weaknesses of partners helps build greater strengths in the relationship as a whole. For example, when an Indian outsourcing partner does not have global sourcing strength, and discloses that weakness upfront the sponsoring client would be able to leverage its own global sourcing network to meet the gaps. This transparency may cost the outsourcing partner a pricing advantage, and the sponsoring company an overhead burden but will provide to both greater business value. Transparency helps in win-win alliances as well as in developing trust to handle risks and share rewards equitably.

Codification

There are two ways to handle interpersonal complexities, whether generational, horizontal or vertical. One way is to have the same people handle the business relation, longitudinally in time, horizontally in value chain, and vertically in hierarchy. In this case, institutionalized knowledge and practice keeps building on established relationships. However, 'people-perpetuity' is hardly possible. People have to be moved in and out of positions, and careers; and even if they stay static, changes in business environment with new competitive dynamics induce changes in people. The only insulation can be through codification of perspectives, processes and expectations with which a relationship is set up, and the implicit and explicit value from the relationship. Partnership codification must be a living document, enriched with progressive setbacks and accomplishments.

Partnership as relationship

Partnership, in a legal meaning, is an association between persons or entities which involves pooling of all resources and sharing of all assets and liabilities, usually in the ratio in which respective resources are brought in by the parties. Partnership, in practice, is the consummate form of a relationship which brings in the concepts of sharing equally and equitably. Relationship is a generic way of two entities connecting with each other while partnership is a customized definition of equitable relationship. Partnership signifies a shared future. There are times when partnership itself has to move an even more sublime relationship.

Partnerships are challenged when one of the partners is beset by serious business troubles for extended periods of time. Imagine the relationship between a truck maker who makes only trucks and is hit by recession and a component maker who caters to all types of automobiles, some of them growing in demand. If the component maker agrees to price reductions to support the truck maker and stays on through the cycle of recession collaboratively without shifting capacity, it goes beyond partnership; it will be companionship. Strange it may seem in a hardnosed business context, companionship is the sublime form of business relationship, as in personal relationships

Dr C B Rao is on the Advisory Board of CBS and was the Managing Director of Hospira Ltd

A Horror Called 'CASH BURN'

By Mr. K. Krishnan

In a Board meeting held recently, an investor asked why the company is not burning adequate cash to grow more rapidly. After running profitable businesses for decades (startup included) & forever having been told that "cash is king", the entire concept of cash burn as a strategy still puzzled me.

I decided to talk to a few young professionals, who are very enthusiastic about burning cash, to understand their reasoning. Even at 65, there are skills one can learn and I was keen to acquire this rather interesting skill whereby someone gives me money and encourages me to use it up or so I thought. Here are my learnings on how to approach this horror called cash burn.

For the uninitiated, cash burn is the rate at which a company uses up its capital to run its day-to-day operations with or without some contribution coming from revenue and margins. In simple terms, business performance is influenced by volume, unit revenue minus unit cost called Gross Margin or in investor parlance "Unit Economics" and fixed overheads. If the business sells sufficient volume and the unit economics is positive, the resultant Gross Margin equals overheads, the cash burn stops.

Cash burn can occur due to insufficient volume commensurate with the size of fixed overheads or negative or very low unit margins or a combination of these. Let us analyze these elements to understand what can be a prudent way to use cash burn as a strategy. Let me illustrate this with the following example:

- Market chosen is 10% of addressable market & the size of the market is 50 mn units
- This is an existing service and market is addressed by unorganized sector
- Fixed overheads is at US $ 20 mn a year
- Unit realization is US $ 4 & Unit cost is US $ 3 and hence unit economics is US $ 1; The organization needs to sell 20 mn units to stop cash burn
- At 20 mn units the market share will be 40%- is this possible?

Profitability table

	Units	20/21	21/22	22/23	23/24	24/25
Market size	Mn	5.0	5.5	6.0	6.5	7.0
Sales	Mn	0.5	1.0	1.5	2.0	2.5
Market share	%	10	18	25	31	36
Revenue / Unit	$	4	4	4	4	4
Cost / Unit	$	3	3	3	3	3
Unit Economics	$	1	1	1	1	1
Gross Margin	$ Mn	0.5	1.0	1.5	2.0	2.5
Fixed costs	$ Mn	2.0	2.2	2.4	2.5	2.5
Cash burn[1]	$ Mn	(1.5)	(1.2)	(0.9)	(0.5)	Nil

[1]Quantum of money spent out of capital of the company

The company burns cash of $ 4.1 mn in five years after breaking even in the fifth year. Now let us analyze different situations based on investors' strategy:

UNIT ECONOMICS LEVEL

1. "Buy market share" sooner – you can do deep discounts of price of $ 4 to lubricate market on the belief that the company can get to 36% share in third year instead of 5th year. This is the strategy followed by OYO, Swiggy, Jio and many others. In case of Swiggy every masala dosa you eat is partly funded by an investor. Jio has just announced increase of 40% in tariff – basic lesson is no one can endlessly operate on negative margin.

   a. Companies with financial muscle can afford this strategy.

   b. If the price drop is $ 1, the Gross Margin is zero leading to much larger cash burn and shareholders fund this as a strategy.

   c. This is a correctable strategy to an extent – how far will the company be able to take back the price without affecting volume will still be in doubt. Or is the strategy to make money in selling other products.

   d. Two things to keep in mind – ability to raise prices to acceptable level later and continuous watch to see whether the discounting strategy is delivering market share or not.

2. The company needs to be able to achieve $ 3 as variable cost. If the cost model is not proven, it will lead to additional cash burn; such a case is

not a strategy but inability to execute a cost strategy or seek corresponding compensation in the market. If targeted cost is not achieved or price rise is not feasible, unit economics will perpetually be negative leading to perpetual cash burn. Constant watch on this critical.

3. If the unit economics continues to be negative and there is no demonstrated plan to make it healthy, the business will cease to exist. This fundamental held good fifty years ago and still holds good. The most important factor to be proven in any business model is unit level profitability.

FIXED COST VS VOLUME TRADE OFF

4. High aspiration of market share – in this model the company is the only organized player and hence hopes to pull in 36% market share in year 5 and even considers advancing it. What if the volume aspiration is not met? Even with a positive unit economics, the company may not generate enough volumes to eliminate cash burn. Can the fixed costs be reduced to reflect this market reality?

5. $ 4.1 mn cash burn is only for the geographical territory accounting for 10% of the market; if an aggressive approach leads to 100% market coverage from day one, the cash burn will be $ 41 mn. What if the model fails or leads to lower profitability? Money lost can never be recovered.

6. Is the value proposition to the customer solid? Why should the customer move from unorganized sector?

7. Are the fixed costs appropriately dimensioned? If not, the additional fixed costs will put extra burden to increase market share which is already planned to be at a high level. What is "appropriate fixed costs"?

   a. Are profile of employees and hence the cost in line with the market size and complexity

   b. Do we need positions that exist in large organizations but may be superfluous in a start up? Is outsourcing such jobs better than having full time employees?

   c. Are company policies and hence costs appropriate to the business we are in.

      i. I recollect the Board of a small company, where the board members were all from very large organizations, wanted to introduce a sophisticated ERP system in an environment where on a small piece of paper you can figure out everything that happens – timing is critical.

      ii. Another organization engaged at an enormous cost a well-known cricketer as "brand ambassador" for its product much to the delight of the board members when the company's products were being sold in less than 200 streets of a metro.

iii. Fancy office and hence all related costs is the first thing every company wants to provide "great working place"; provide a challenging environment which gives fulfillment – employees will work from garages (remember Bill Gates, Steve Jobs, Kiran Shaw Mazumdar and many more who have created great organizations but from a humble beginning). I interviewed the state sales head under a tree outside our ram shackled project office in Airtel. He stayed with the company for more than ten years and did very well.

START UP WITH NEW IDEAS

The cash burn in case of a startup is extremely difficult to predict largely because of the uncertainty related to adoption of the product or idea. During my RPG days when Health & Glow was launched, it was seen as a fancy store with items that were normally difficult to source plus a pharmacy. The initial years showed that when it was launched it was well ahead of time leading to a lot more cash burn than originally predicted. Careful rollout prevented significant shareholder's wealth being eroded.

Same thing will hold for Flipkart, Amazon – buying online instead of at a store; Uber, Ola – travelling conveniently in a car instead of driving your own etc. Question is, how long do they keep burning cash? Is there a metric(s) that tells them that the burn is worth it? Has Amazon or Flipkart estimated when it will turn profitable – on what basis can they do so? What should they be monitoring? These are difficult questions to answer but an answer one must find. My experience is to empirically treat each case based on evidence available on ground.

Both online shopping as well as Uber / Ola adoption rates are significant – the idea is accepted but the question still is rate of adoption. These must be good since we have already seen many changes in pricing and driver compensation (leading to a lot of ruined lives), surge pricing, different models of car, moderate compensation for vehicle owners etc pushing up the revenue.

INVESTOR MINDSET

All investors like scale; hence the push for aggressive growth and consequent tolerance to cash burn. But investor's mind is influenced by many factors even when the strategy is to quickly scale and consequently burn cash; hence the investor can't be relied upon to endlessly fund cash burn:

- Inability of the invested company management to demonstrate the model, ability to scale, prove unit economics etc

- Ability to accept higher cash burn given success or other wise of strategy or how other investments in portfolio are performing
- Change of people from the investor's side
- Changed circumstances in the investment environment where everyone decides to go aggressive or conservative
- Investors also have investors and bosses – when the going is tough for them they will be at your throat
- Last but not the least best discussed across the table than penning down in an article

CASH BURN AS AN INVESTMENT

In an internal discussion, when I commented that the cash burn is very high and unsustainable one of our younger executives looked at me as though I am something the cat has brought in from the street and said "cash burn" must be seen as investment. For a 65 year old this was innovative but sounded correct. Why should investment only be in physical assets. I agreed and asked for ROI calculation. There were none. If cash burn is investment are we measuring return on that investment - not always.

WHAT TO DO IN A CASH BURN SITUATION … old habit of being prescriptive

1. Relevance and acceptability of the product must first get established. If there is no product there is no business; value proposition is key.
2. Positive unit economics – how fast can you get to a positive unit economics and reach planned level of unit economics; a startup CEO must be constantly focused on this
3. Establish the above two in a small geographical area before expanding; it will help burn less cash in the long run
4. Every day there will be a new idea – you can't chase all of them – stay focused on key objectives and deliverables
5. Every day look at the business to see where to cut cash burn
6. If pricing strategy is used for higher market share see whether volume is increasing rapidly
7. Don't believe a strategy will work until there is sustained evidence it is working
8. Fixed costs should be as minimum as possible; even at a higher cost keep as much as possible as variable

I am often told that one needs to spend and be aggressive to build a large organization. I hope you all remember a gentleman by name Sunil Mittal who has created a 10 billion dollor company called Airtel – When I first informed him of the launch of service in an area which was under my care, his first question was when do we get to EBIDTA break even.

Nobody can accuse Sunil Mittal of not chasing a very big dream. Good businessmen will always stay focused on minimizing cash burn. Please remember burning cash is not a virtue but sometimes a business necessity and strategy. More often than not, the money being spent belongs to institutional investors who trust our business model and invest. We need to be extra sensitive and responsible while using their money.

At times the investors encourage you to burn more cash for rapid growth. Such a strategy can lead to problems unless managed well. It is like a hand grenade with the pin taken out. It passes from one investor to the other but finally blows on somebody's face unless responsibly handled. For the investors, the investment in your company is one of their portfolio; if yours doesn't work something else will and will get averaged out; for you this is the only business and if it fails it is curtains and you start all over again.

Cash burn is necessary, unavoidable but needs to be responsibly managed.

Mr Krishnan is the Founder Director of Chennai Business School. He is also the Founder Director of thinksynq, a company engaged in management consulting and IT services.

How Businesses Cope During Economic Slowdown – L&D PERSPECTIVE

By Mr. Jayaraman Venkatraman

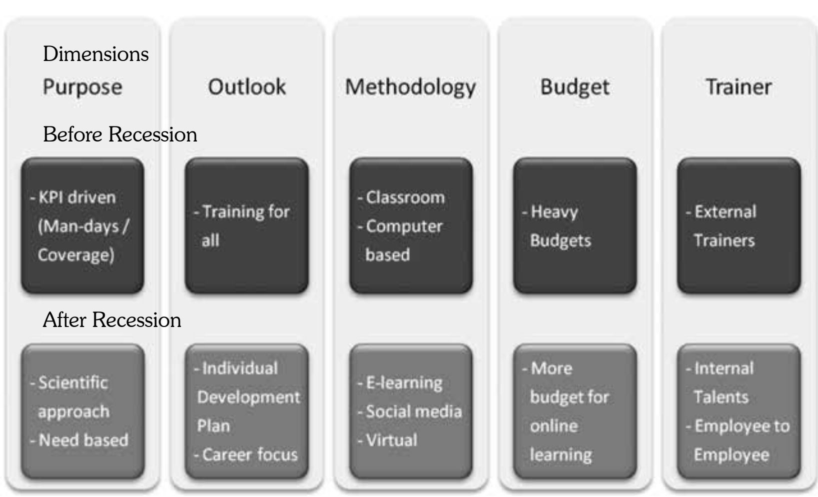
In one of the organizations I had worked in, there used to be frequent non-production days during recession times. Shop floor employees were kept engaged in inventory checks, rework, repair and the likes - everything apart from training. As the budget was not enough to engage external trainers, we had to come up with alternatives, We chose certain relevant soft skill topics,developed a training module and trained our HR folks to deliver it in their respective areas. And it worked!

In my opinion, the face of Training has changed for good during the post-recession period (after 2009). Employees started seeing the bigger picture in career development as a whole rather than just training, while employers started focusing on talent development and retention. The so called training function had taken a rebirth as learning & development in many organizations. The way training used to be conducted is going through a sea-change and the job descriptions of training managers are undergoing a paradigm shift. Traditional training methods are giving way to less-formal modes of training.

Let's look at the L&D landscape "Dimensions", "Before Recession" and "After Recession" as indicated in the dimensions of purpose, outlook, trainer, training methodology and budget.

Purpose:

Earlier, training was mostly KPI driven with measures such as training man-days, employee coverage in training etc. Employees used to attend training programs based on the calendar published by the training function and managers



nominated employees to ensure everyone got to attend some training. The focus then was on generic self-development. Post-recession, the focus is shifting towards need-based interventions (rather than just a training program) combining training, On-The-Job experiences and related learnings. Scientific approaches such as Competency frameworks and job skill-based approaches are becoming prominent.

Training Outlook:

Gone are the days where there used to be heavy training budgets with the aim of covering all employees in at least one training program. Post recession, the compass is shifting towards the employees – such as individual development plans (IDP) and self-initiated learning. Employees are encouraged to envision their career plan supported with IDP. In this approach, employees take ownership for their learning & development supported by their manager and facilitated by HR.

Training Methodology:

The visible change that happened post-recession is in the training methodology. Formal training in classrooms or through computers came under fire. Less-formal modes of training, including on-the-job learning and the use of social networking tools are taking the centerstage. Technology based training such as e-learning, virtual classrooms, internal blogs, social learning, mobile learning, Virtual reality, etc, are becoming the prime training methods. Mobile learning and Social learning is on the rise especially to accommodate Gen Z workers.

Training Budget:

The L&D budget shrunk during and immediately after recession. However the Workplace Learning Report 2019 by LinkedIn states that budget is no more a top challenge. Rather the budgets allocated for traditional methods are shrinking and more budgets are apportioned for online learning. As per the report, since 2017, 59% of organizations spend more of their budget on online learning and 39% spend less on instructor-led training (ILT).

Trainer:

Prior to recession there was a heavy reliance on external trainers. The general tendency was to look for third party trainers from the market irrespective of the topic. Post-recession many organizations are leveraging on internal talents. Termed as employee to employee learning, employees train each other on areas of their expertise.

In conclusion, the Learning & Development function has come a long way in a very short amount of time. The function is changing its face and mindset in terms of offering learning solutions to the employees. It is for sure transforming from being a central function for providing training to being a trusted learning partner for every individual who is looking at his/her career while keeping the organization's interests in mind.

Evolution of HR!

Interview with Mr. Balaji

Balaji M.S is the HR Manager of Mahindra Eletricals. Mr. Balaji is a proud alumnus of Chennai Business School and was interviewed by the students of CBS – Harsheeka and Aravind N. Mr. Balaji has drawn from his rich experiences in companies like Ashok Leyland, TAFE and Mahindra Electricals to share his views on the current HR practices and the stature of HR as a department in the current scenario of business which is growing at a fast pace.

Do you think HR is still an Independent function?

HR can no more function as a silo - it cannot exist independently. The function is intertwined with business and HR executives should have good knowledge about the business and, at the same time, should look at bringing the outsider perspective in terms of talent. The team has to work cross functionally with every other department in the company to get the most effective and efficient results.

How has HR transformed and evolved in the recent decade?

The HR function was initially perceived to be a personnel function (time office, payroll, staff welfare etc.) and was limited to managing processes like recruitment and training of employees. In the last decade, the HR function has transformed from being just a people-centric department to a business-centric department. Today, the greater the knowledge of business, the greater is one's contribution as an HR professional to the company. The HR function has now become a Centre of Excellence. The HR function has to now look for effectiveness, people retention and to contribute to the growth of the business.

How has Digitalization affected HR?

Regressive or repeatable tasks can be replaced through automation, but it cannot replace application of human mind, emotion and other human intervention. Digitalization will definitely replace a lot of jobs, however the HR function is here to stay. With HR moving into the business partnership function, the role of HR can be made more effective through Digitalization.

Something for B-School students; How important is it to network?

Very important. Start networking from the class room itself! Associate with learning bodies - information sharing happens through events conducted by the NHRD, SAE India Convention and BNI. Live forums, meet ups and digital interaction hasn't penetrated much as of now. Concentrate on learning as of now, monetary gain will follow up as you climb the vertical. Mutual learning happens only with networking and both parties will have something to offer to each other.

What message would you give to the potential HR managers?

HR must be an enabler. HR must be number driven, to get a grasp of the market. Taking people for trekking and cutting cakes used to be enough 2 decades ago, but now things have changed. Differentiating is the key. First build your brand and inculcate reading habits. Read business newspapers like the Economics Times, talk to people who have failed in life, read about struggles of various individuals. The learning that one gets from the experiences of other people is much higher than any other kind. No learning is lost, it will be useful at some point of time. Be fearless and take bold decisions during the initial phase of your career. Keep a balance between being rebellious and being a good door mat. Keep pushing yourself and learn from mistakes.

The Imperial Era of Digitization

Interview with Mr R Venkatanarayanan

THE IMPERIAL ERA OF DIGITIZATION

Change is the only constant. This is one of those statements that not only holds well with respect to today's VUCA environment but keeps proving its validity every other day. The concept of digitization and automation, which was a mere idea a few years back, has become the reality of industries today. Though this was brought in with the objective of aiding the day-to-day tasks of an employee in an organization and to improve his/her efficiency in the process, it has given rise to a pandemonium of fear- "Is automation the catalyst to the destruction of manpower dependence?"

Let's take a BPO organization as an example. Rather than employing multiple people to perform the repetitive tasks, the company can bring in Artificial Intelligence (AI), thereby reducing redundancy, manpower and improving customer satisfaction. However, on the flipside, the wide array of employment options that was previously available is rapidly shrinking. This has become a cause for concern and who better to clear the air than an HR expert?

MAN-UFACTURING OR DIGI-FACTURING?

RANE Group has not only been a pioneer when it comes to the automobile ancillary industry but also has been recognized for its state-of-art HR practices. We were privileged to meet with Mr. Venkatanarayanan, President HR- Rane Group to get an expert opinion and he was gracious enough to do so. He made us realise that automation is not a threat but just a GPS guiding us in the right direction.

Q: Technology disruption - a concept that has not only created a lot of buzz all around, but has also become the norm for industries - is something that still feels alien to a lot of us. Your opinion on automation since more and more organisations are moving towards machines.

A: Technology will eventually become a differentiator in the aspect of measuring QCD or overall efficiency, so we have to embrace all that goes with it. The major change that this disruption would bring is in the existing competencies of the workforce. By realigning the competencies of the senior and middle level management, we will be able to create a competent workforce that can not only handle the complexities of the new technologies being embraced, but will also be able to guide the labourers better. In a labour intensive organisation, you will need a different level of supervisory intensity because of the technology driven atmosphere which shop floor employees are not yet used to.

Q: How is Training and Development going to be revamped?

A: T&D which was seen to be a discrete process in the performance appraisal of an employee, has to be transformed into a continuous process that is used for career planning as well. Technology in this case has been a godsend. Imagine being a HR and having to look into the productivity of every single employee on a daily basis and also tracking their learning. Doing it manually for a small employee strength might seem doable but, implementing the same on a large scale organisation or an MNC is nothing short of a nightmare. Cloud based ERPs and Performance Management Systems factor not only the continuity in appraisal but also ensure the validity of the same thanks to the efficiency of capturing the employee's performance. Another added advantage is the integration of this data throughout the company and promoting ease of access from anywhere using a device as simple as a mobile phone. This software is designed in such a way that they capture intricate details such as attendance through biometric, reduce paper work related to record keeping and also can be used to forecast the employee's performance based on captured data. The puzzle pieces that form the life cycle of an employee is seamlessly put together thanks to the help of technological advancements.

Q: Do you think this advancement in technology can be treated as a crystal ball to look into the future and fore-cast the market?

A: Though the market is a volatile playground, it is a gift to able to forecast the performance of the company itself thanks to the new age tools. Previous to the intervention of digital implements in the different operations of a company, forecasting the number of products that might be sold in the market, the possible percentage of market share, the possible productivity of an employee and the movement of the market itself was either based on intuition or approximations. Since the advent of the recent tools, the reliability of the numbers that they produce as a result of the promising accuracy is extremely high and the probability of these numbers being wrong is very meagre compared to the old school methods. The depth of slicing and dicing of past data that these tools can provide and the inferences they can draw is unreal. And it's not just random data but validated information obtained through calculated algorithms. Want to know if you should expand your company to larger horizons? The answer is just a click away.

Q: Being a millennial on the cusp of entering the industry and becoming a part of the current 65% millennial workforce, we want to know how the lifestyle choices we aim for is being met by companies.

A: The transition of culture is not a sprint. It is more of a long range marathon. It cannot be done with the snap of a finger. It has to be brought in gradually by slowly building in endurance. You can't run a marathon without moulding yourself for the same with practice. Being an avid marathon runner I take prior measures to ensure I build up my endurance to be able to handle tough situations. An organisation is very similar to it. RANE encourages the millennial crowd to grow and has come up with a knowledge repository through an application called PADS (performance assessment development system) that aids the constant thirst for knowledge. We also have 2 days orientation programs for the managers and senior level staff where they discuss the needs of the youngsters and formulate a plan to deal with the same.

Q: Virtual workspaces have become the norm at present. What are your views?

A:Agility should replace rigidity in organisations. It is difficult to ensure security of critical data since a secure data transmission method that provides ultimate protection against hacking has not yet been found. Also, it is not possible for everyone to have proper surroundings at home, and there is always likeliness of distractions in the form of the TV or people around us. Plus, a lot of people tend to come to the workplace to socialize. We would be a source to the lack of socializing by bringing in the aspect of virtual workspaces. I can't have a lineman say he can control production from home or a designer wanting to take home highly critical designs. Connectivity is a major issue and the recent cyclone was the best example of the same. Though I do agree on the fact that video conferencing is something that has reduced the pains of travelling. Especially in a manufacturing industry, travel is inevitable. But, thanks to tools like Skype, we can tone down the number of visits we make to different plants or to different offices for meetings.

Q: Have the employees at RANE been open to technology disruption or are they still hesitant towards its acceptance?

A: We are always open to using new age technology that enables us to perform better. We are actually excited on the aspect of using high tech tools that enabled faster learning, better connectivity, high reliability, information sharing through integration and appreciate the journey towards the transition. Developmental orientation is something that has been greatly improved by the new tools being adopted. In fact we have a biometric system to follow attendance of employees and have also adopted multiple mobile applications that make work easier. Technology plays a vital role starting from recruiting, payroll and compensation, leave tracking and even exit interviews. Performance appraisal is another major domain that uses technology to improve its accuracy in our organisation.

Q:RANE is an organisation that has bagged multiple awards for total quality management. Are these solely due to the commendable use of new age technology or are there other aspects to it?

A: TQM is all about total employee involvement. We consider customer satisfaction as the ultimate reward for our hard work and constantly strive to achieve the same. Our employees are the base of the pyramid that supports customer satisfaction and organisation branding. The best awards out of the ones we've got are those we received from our customers. Our success lies in the effectiveness of aligning our employees' goals to that of the company's. Starting from our goal setting process, to cascading the agreed upon goals to the lower levels, we follow a seamless format. Improved communication and IT tools help in achieving this without any hindrances. Also, we establish a clear understanding of why we do what we do such that no discrepancies arise at a future stage. We train employees in quality control tools to maintain standards we promise our customers. For us, awards are a by-product of maintaining quality. And when it comes to TQM, standards go beyond technology-execution excellence matters.

Q: IR is one area where male candidates are preferred. Is this a preconceived myth or a reality?

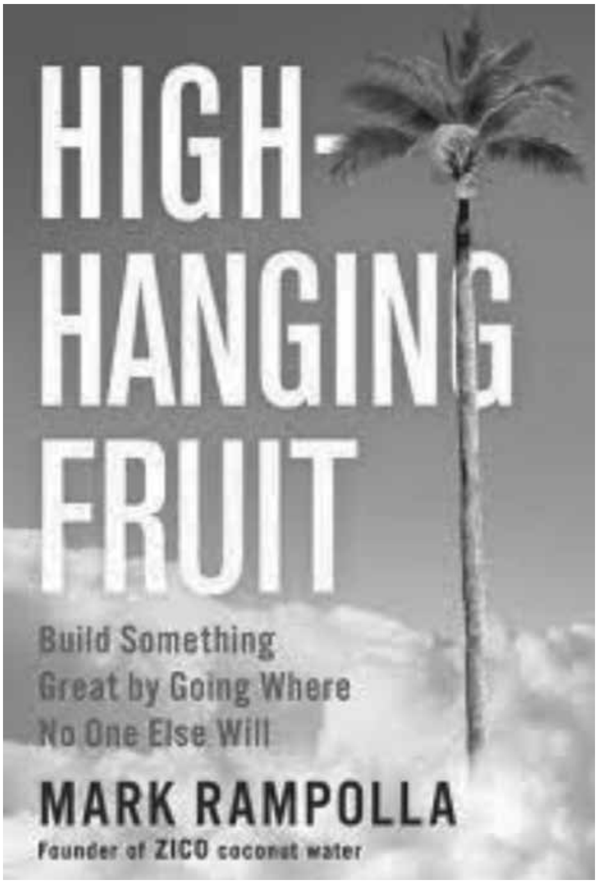
A: Not at all! I would not mind employing a female as long as she is competent and has the skills for being an IR manager. In fact, I think women are more patient and might deal with any issue with perseverance and persistence. Also, thanks to this new era of technological development, women can surely perform as a good IR manager.

HOLOGRAMS OVER HISTOGRAMS? ONLY TIME WILL TELL

Although Robotics, Artificial Intelligence and futuristic IT tools have grown significantly in the market, a country like India, where human touch is still seen as an integral part of the services sector, would not abruptly shift to machine over man. Even if the comfort level of organisations towards technology improves, it will not completely overtake the need for manpower. There are certain grey areas in the industry which have not been decoded yet, but thanks to the imperial era of digitization. Hence, get ready to upgrade your skills to complement the change rather than brace for impact. Sometimes, if you can't beat them, join them.

Book Review

By Prof. Sridar Natarajan



High-hanging fruit is a book written by Mark Rampolla, the founder of ZICO Coconut Water. It is the story about his start-up – from the ideation phase till the time he exited after selling the business to Coca Cola!

Today is the era for start-ups. Professionals graduating from Undergraduate and Post-Graduate Programs are leaning towards starting enterprises rather than working for an organization. For such professionals, this book is a must-read. I have not come across a better book that describes, to a fair level of detail, the pains and travails of a first-time entrepreneur.

There are two kinds of would-be entrepreneurs. The first is the one that has a clear idea about the start-up - what the product offering is, who the target segment is, what need is the product satisfying and so on.

The other kind is different. Their strength is in their ignorance. They know they want to start a business, they have a vision but beyond that there is nothing. They are typically first-time entrepreneurs who will probably have to sacrifice their salaries (the only source of income to the family) if they start their business. This kind would ideally like to cling on to their jobs as long as possible and leave only when they have an idea that the business will be able to stand on its own.

Mark falls in the second category. He was the Latin America Head in International Papers, was earning well, well-respected, managing a team of around 300 employees and probably on his way to becoming the CEO in a few years! But ….. And this is where it all starts.

Mark wanted to “reach higher”. He wanted to make the world a better place by starting something worthwhile, where he could work towards creating something meaningful. His business should have a positive impact on all stakeholders – founders, employees, families, suppliers, business partners and investors. Not at some point in the future, but throughout the journey from the start.

This kind of utopian thinking combined with the restlessness of not achieving invariably results in an entrepreneurial venture. For Mark, the trigger was at a Conference, when one of his colleagues asked him why he did not start a venture of his own! Mark seriously gave thought to this question and thus began the venture – ZICO.

The book takes you through the process followed by Mark and his wife Maura to zero in on a product. This part of the book was a little slow – as an ideation process normally is. The depth of detailing was high and this also added to the slowness of the pace. However, once the product was decided upon, the book moved at a fairly rapid pace and it was as gripping as any Perry Mason case or a Hercule Poirot mystery!

When he was trying to get some capital from investors, he learnt some very important lessons:

- Be clear about what you need
- Control your destiny as long as possible
- Choose your early partners carefully
- Raise what you can, when you can

The above lessons that Mark learnt the hard way can be a very useful guide to the would-be start-ups.

The book takes you through the different stages of the establishment's journey – the failures, the struggles, the frustrations, the gambles that had to be taken and, finally, the success. Cash is King, is something all B-Schools teach. But Mark realized the why and how of this statement and knew that it definitely was not clichéd. There comes a time when the start-up is forced to take tough decisions because of cash not being available. I read about the Snapdeal layoff, about Stayzilla suspending operations but can now understand them better after having read this book.

Mark, during the process of growing the venture, learnt very valuable lessons and has dealt with each of them with examples. They are:

- Hire Bottom Up
- Build a Superteam, Not a Team of Superstars
- Play to strengths
- When you make Hiring mistakes, Undo them Quickly
- Importance of having Women in the team

The book ends on a debatable note. Was Mark right in selling off to Coke? There will be many views. I personally did not like the fact that Mark actually facilitated it – there was no business pressure for him to sell.

Is a vision finite? Does the exit of one venture signal the end of the vision? Can you ever be sure that the buyer will carry on with the same passion and uphold the same culture and values? I'm sure Mark had the same questions to answer to himself when he decided to sell out. But, as he put it, he had won. Because his family was intact, content and happy – and those were things he would always put on a very high pedestal in his priority list.

The reviewer is Prof. Sridar Natarajan, Dean - Chennai Business School. The views expressed are his alone and not that of the School's.

Happenings at CBS

Chennai Business School (CBS) believes in providing opportunities to its students to expand their learning. While the time-tested learning through lectures and books does exist, CBS has supplemented this with a plethora of extra-curricular events and activities. The academic year 2019-20 saw several such initiatives on collaborative learning experience.

Outbound Training:

An outbound training program was organized by Chennai Business School at Green Coconut Resort to enable students to enhance their personality development, confidence building, team building and leadership skills.

Movies

Chennai Business School empowered the students to learn management through movies. The movies were carefully selected to ensure that they received a widened perspective on management issues.

Outdoor Games

Cricket - "Combined Individual Efforts leads to Team Victory"

A cricket game was organized for all the students. The Professors also participated. While there was a lot of fun, the match also helped improve team bonding and understanding among team members.

Management Games:

a) Stratup:“Gamification of business activities”Running a simulation of real world scenarios through management games.

b) Majaa: “One Aim, 40 Stories”.The real strategy comes into play when you swipe your cards with Majaa.

Conferences:

“Era of transforming business through people and technology”

NHRD

Students were given an opportunity to learn, network, conduct and evolve as volunteers at the NHRDNC19 conference held at the ITC Grand Chola.

CII

Not only did our students volunteer for the CII 2019 HR Summit, they also got an opportunity to be the Master of Ceremonies.

a) ET Now – Leaders of Tomorrow:An event which brings the Entrepreneurs and the Investors under one roof. Leaders of Tomorrow – The students of CBS were a part of this event.

Real Time Courses

Artificial Intelligence:

"Adapting to the future".

The world is rapidly switching over to adapting quickly to changes, and as management professionals, it is important to forecast the probable future outcomes. Given that, automation is the biggest change in future and the path towards the change has already begun, it is important for management professionals to be aware of the working of Artificial Intelligence and its implications/impact on our lives.

Lead Yourself Through Story Telling:

A story has the power to convey the message in the best possible way. And for a marketer, it is imperative to sell his side of the story to the customer. At CBS, the students are given an opportunity to lead themselves through the Art of Story Telling by Mrs. Janaki Sabesh. Mr. Srinivasan was also invited to give the students a glimpse of how one must build confidence and overcome fears as someone rightly said "Experiences teach great lessons."

CALL FOR ARTICLES / CASE STUDIES

CBS Business Review is a quarterly publication of Chennai Business School, Chennai. The Chief Editor is Prof. Sridar Natarajan, Dean of CBS.

The Publication is aimed at providing keen insights into management learning at all levels in the organization and has a target readership of corporate executives, alumni of CBS and academicians.

The Publication contains articles, case studies and book reviews. We invite contributions from academicians, practicing managers, professionals, and research scholars engaged in study of Business activity.

All necessary information for the authors' guideline has been attached for convenience.

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