Feb 5, 2001 PNB comes out with an IPO at a premium

GURU MANTRA

1961-2010 ET: The 50th Year

India has many things to offer to the world. Its entrepreneurs may not fear failure, but India Inc will have to find the passion to unlock latent opportunities and use reverse innovation to deliver inclusive growth

Tarun Khanna
Jorge Paulo Lemann Professor at Harvard Business School

Entrepreneurial India Does Not Fear Failure

IT SEEMS APPROPRIATE, AT THE half-century mark for Economic Times, to reflect on the evolution of Corporate India's reputation in the world.

I cannot claim to have been a student of Indian political economy and business for as much as a half-century, but my roughly two decade-long immersion is a decent enough swathe of that time, that I will use ET's invitation for this reflection.

Clearly, India's image has changed. In my earlier book on China and India, Billions of Entrepreneurs, I reflected on the attention that the world's (English speaking) media had lavished on India over the past 150 years. The media's attention to India, barring at the time of the nation's birth, was abysmal. I re-checked data for the past three decades for this opinion piece. By my calculations, there has been a tripling in the past two decades of 'long' stories on China and India in the *New York Times*, a bellwether newspaper, with attention continuing to rise.

Interest in the mainstream media is, of course, an imperfect indicator of India's image. More telling are changes in societal attitudes. This has occurred outside India. Just a couple of weeks ago, the local skating rink near my Newton, Massachusetts home, was playing Jai Ho as the music to which American kids, including some champion skaters and Olympic hopefuls, were ice-skating.

The skaters do know that the melody has originated in India, even if they couldn't place the words. This is quite a change from the vagueness about Asia that Harold Isaacs described in his celebrated 1956 book, *Scratches on Our Minds: American Views on China and India*, referring to the views of educated Americans then.

Even more impressive and consequential for India's future, though, is on-the-ground attitudinal shifts. Compared to even five years ago, let alone a couple of decades, the frequency with which I encounter individuals who desire to start their own enterprises — for profit and NGOs or just informal coalitions to spur productive civil action — is heart-warming.

Just this past week, I have brainstormed with Indian-origin entrepreneurs from Ahmedabad, Dubai and London, separate plans for launching a solar power company, an old-age retirement home, and a good-for-you, branded natural ingredients food business. In all these conversations, the fear of failure is absent. I choose the word 'absent' advisedly to mean that the entrepreneur-to-be no longer worries about her future career prospects if the brainchild fails to come to fruition.

This is momentous. To appreciate that this is a fortuitous and rare transformation, let me recount an encounter I had in Seoul in February, when I addressed a celebratory audience of corporate glitterati gathered for the 100th anniversary of the birth of Samsung's founder. Samsung, of course, is one of the most successful companies in East Asia, with market capitalisation of its group companies in the neighbourhood of $200 billion. One introspective note at the otherwise festive event stemmed from the recognition that the fear of entrepreneurial failure still haunts Korea, despite it being a wealthy country and OECD member. There are many things that Korea does superbly, but encouraging de novo entrepreneurship is probably not high among these. Rather the existing businesses — chaebols like Samsung — are the engines of new enterprise creation. So young talent from the best universities in Korea are still far, far likelier to join coveted positions at the likes of Samsung than they are to roll the dice and strike out on their own.

India has largely eliminated the stigma of failing at a new venture only in pockets — Bangalore, Gurgaon, Hyderabad, come to mind — but in most places, we remain mired in the past. Much of India is not shining.

This brings me from India's beacon of hope — banishing fear of entrepreneurial setbacks — to its dismal and embarrassing failure, that the new economic opportunities still remain accessible to but a few. In India, the mantra is to improve inclusion, that is, reduce the number of those who are locked out of the economic mainstream. In the financial sector, microfinance firms, and an older state-led focus on rural banking, have tried to remedy this. There is some success, but a long way to go.

The situation is, I feel, even more dismal if one applies the idea of inclusion to the market for talent. India produces 15 million college graduates a year, many of whom remain effectively unemployed, or at least are woefully poorly matched to occupations where their human capital can be effectively utilised. Some estimates suggest that as many as 80% of India's trained engineers are unemployable. This is our society's abysmal failure. To the extent we see disaffection among India's youth, even violent action in some geographies, very likely it is underpinned by disillusionment.

INDIA'S FAR FITTER PRIVATE SECTOR WILL HAVE TO PLAY A ROLE IN SOLVING THE PROBLEM OF LACK OF INCLUSION

Of course, there are those in the state apparatus who are well-trained and well-intentioned enough to focus on this. But I suspect that, in the years to come, India's far fitter private sector will have to play a role in solving the problem of lack of inclusion. We see this already. For example, newly established companies like TeamLease in Bangalore and AspiringMinds in Gurgaon are finding employment for those locked out of the mainstream talent markets, whereas Devi Shetty's Bangalore-based Health City is effecting 'medical inclusion,' that is making tertiary medical care available to the poor. While the social benefits of each of these are large and palpable, these are self-sustaining businesses that are not run as charities.

Making a meaningful dent on the inclusion problem in India will allow our entrepreneurs to leverage the same skills in dozens of countries with the same problems, providing another boost to their global expansion plans.

From the emaciated entities of the Licence Raj, to conquerors of the fear of entrepreneurial failure, it's been a road well-traversed. Now, it's time to turn the same flair to helping address the big social problems as well.

(Tarun Khanna is co-author of the just-released Winning in Emerging Markets: A Roadmap for Strategy and Execution and author of Billions of Entrepreneurs: How China and India are Reshaping their Futures and Yours)

! INDIA'S FAILURE IS THAT NEW ECONOMIC OPPORTUNITIES still remain accessible to but a few. The mantra is to improve inclusion. There is some success, but there's a long way to go

Vijay Govindarajan
Earl C. Daum Professor at Tuck School of Business

India Can Lead in Reverse Innovation

WE INTRODUCED THE CONCEPT OF reverse innovation in the Harvard Business Review article "How GE Is Disrupting Itself" (October 2009). Historically, multinationals innovated in rich countries and sold those products in poor countries like India. Reverse innovation is doing just the opposite. It is about innovating in poor countries and selling those products in rich countries. It is perfectly logical to see why a poor man would want a rich man's product. A rich man has an automobile and a poor man wants one. A rich man has a TV and a poor man wants one. But it is not intuitive why a rich man would want a poor man's product. Consider the following example.

Poor countries are "disease capitals" of the world, especially for infectious diseases. Tuberculosis (TB) is no doubt mostly a poor man's disease. Haiti is a case in point. Haiti has a per capita income of less than $1 a day. Contrast this with the per capita income in the US of $44,000. It is little wonder US can afford to spend between $15,000 and $20,000 to treat TB. However, we need breakthrough innovations to cure TB in a poor country like Haiti at a dramatically lower price point — precisely what Dr Paul Farmer, the founder of Boston-based Partners in Health (PIH) did in the 1990s. Dr Farmer and his partner, Dr Jim Kim, through out-of-the-box thinking, successfully treated TB patients in Haiti for a cost of $150 to $200! Even more amazing, Dr Farmer and Dr Kim found a very inexpensive cure for the deadly multidrug-resistant (MDR) TB in Peru. It so happened that MDR laced TB struck New York City prisons, homeless shelters, and public hospitals in the late 1980s costing US taxpayers over $1 billion to contain the epidemic. Similar incidents could happen in the future. Since many infectious diseases are "airborne", the affluent population of Park Avenue must worry about the health of homeless shelters in the Big Apple. Solutions from the poor world for infectious diseases such as HIV and TB can be used to prevent potential medical catastrophes in the rich world in a cost effective way. This is not some ivory-tower thinking. The PIH approach has been adopted by the PACT (Prevention and Access to Care and Treatment) Project at Boston's Brigham & Women's Hospital in 2001 to treat HIV patients in low-income Boston neighbourhoods — patients that were failing treatment in hospitals with Western-style methods. The results of the PACT Project, whose staff included Dr Farmer and Dr Kim, have been dramatic. The immune system of HIV patients improved nearly 70% within one year of being admitted to the PACT Project, at roughly 50% of the total inpatient hospitalisation costs as compared to the traditional medical system.

LOW COST IS NOT BECAUSE OF LOW LABOUR COST IN INDIA, BUT A RESULT OF BREAKTHROUGH THINKING

India faces so many problems — health, education, energy, security, to name a few. Every one of these problems calls for breakthrough innovation. Those innovations can be used to launch globalisation and take those innovations to other emerging markets and subsequently to developed markets. Consider India's health care needs.

About 75% of what is spent on health care goes to benefit only about 15% of the world's population What about the rest? How should we increase healthspan, not just lifespan, in India? For instance, Narayana Hrudayalaya Hospital performs world-class open heart surgery for $2,000, compared to the $20,000 to $100,000 it costs in the US and Aravind Eye Hospital does high-quality cataract surgery for a jaw dropping figure of $30, what typically costs $3,000 in the US. Low cost is achieved not because of low labour cost in India or due to charitable donations from rich countries. Low cost is the result of breakthrough thinking. Narayana Hrudayalaya and Arvind Eye Care have used process innovation by borrowing concepts like economies of scale and assembly line from the industrial sector and applied them in health care to bring down costs without sacrificing quality. India is a country with a large rural population living in poverty. Many millions of people lack convenient access to decent healthcare. Many also suffer from eye diseases that often lead to blindness. The innovations of the Aravind Eye Care Hospital go beyond the cataract surgery. The constraints of poverty, geography, and deficient infrastructure led Aravind to innovate around access to care. Since patients can't travel to distant hospitals, Aravind sends well-equipped mobile eye clinics out to rural villages. Doctors and nurses screen villagers. If needed, they use a satellite link to connect patients with specialists in their urban hospitals. If a patient requires surgery, Aravind provides transportation to the hospital and back. These services are offered free of charge. Only one-third of Aravind's patients can afford to pay market rates for their care. But that's enough to generate profits that underwrite care for the rest.

There is no reason why such approaches won't work in the West. There is general consensus that the health care system in the US is in "intensive care" — soaring costs, yet more than 60 million Americans are either underinsured or uninsured. The Obama Administration Health Care Reform is anchored on three principles: low cost, increased access, and quality care — precisely the same three principles that will create the health care industry in India. Those innovations from India have the potential to transform the health system in the US.

Indian companies are in the best position to solve India's problems — they understand the Indian consumer, they have local resources, and they have access to phenomenal talent.

Now the questions are: Do Indian companies have the passion to unlock latent opportunities? Are Indian companies ready to lead the world in reverse innovation?

(Vijay Govindarajan is the Earl C. Daum 1924 Professor at the Tuck School of Business at Dartmouth. His book "The Other Side of Innovation: Solving the Execution Challenge" will be published by Harvard Business Review Press in August 2010)

! INDIA FACES MANY PROBLEMS. EVERY ONE OF THOSE CALLS for breakthrough innovation. Those innovations can be used to launch globalistion and be taken to other emerging markets

Milestones

November 9, 2006: RNRL moves HC against RIL over breach of gas deal

Gas Dispute Explodes Into A Legal Battle, Rupee Gains Global Currency & A Soft-Drinks Company Gets Down To Basics

RELIANCE NATURAL Resources (RNRL) has moved the Bombay HC against Reliance Industries (RIL) for not honouring the master gas sales purchase agreement (GSPA) signed between the Ambani brothers. This move comes three months after the petroleum ministry declined the RIL-RNRL gas deal over pricing issues.

Confirming the move, a director on the board RNRL told ET: "We have filed a petition in the Bombay HC for honouring the demerger scheme and RIL is a party to it." "Questions relating to the supply of gas to the Dadri project have been in public domain for some time. Since the issue has now become subjudice, we have been advised not to comment on the merits of the matter," an RIL statement said.

The HC in its order dated December 9 approved the scheme of arrangement among RIL and Global Fuel Management Services (since renamed RNRL), Reliance Capital Ventures, Reliance Communications Ventures, Reliance Energy Ventures (REVL) and their respective creditors and shareholders.

JUNE 8, 2007

Rupee's Now The World's Favourite

Sabse bada rupaiya. The RBI is going to find it increasingly tough to prevent the rupee from appreciating — if the growing appetite for the rupee in different parts of the world is anything to go by. For instance, the US-based Inter-American Development Bank (IADB) raised rupee-denominated debt worth Rs 150 crore money in the Japanese market in May. The issue was of 10-year bonds offering an interest rate of 8.25%, with payments to be settled in dollars.

The transaction is only a pointer to the growing strength of the rupee, which is fast gaining the confidence of investors across markets. The IADB floated a rupee-denominated dollar settlement issue after Japanese investors insisted on holding rupee assets, said an official. The dollar value at redemption would depend directly on the valuation of the rupee. This debt issue is significant because it was floated in a mature market, signalling that even investors in developed economies are now betting on the rupee. Says Vineet Gupta, head-local credit analysis, Calyon Bank: "Every investor wants India in his portfolio and the global demand for rupee-denominated assets will continue to strengthen. This comes on the back of high growth in the economy and the appreciating rupee."

JUNE 8, 2007

Pepsi to retain 100% in bottling

PEPSI India has asked the government to waive the clause which requires it to dilute its stake from 100% to 51% in operations acquired from local bottlers. The company has moved the application because it has to divest equity this year in Kools Drinks Beverages, a company it acquired from the Dhillons in 2002.