BOOK REVIEW

CONQUERING THE CHAOS – RAVI VENKATESAN

Reviewed by
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In this book Ravi Venkatesan takes a reflective view of India, warts and all, but then his readers are primarily multinationals trying to make sense of India as a market and as an investment destination. It is not for these companies to be wistful about things that do not work in India; rather they ought to find ways of doing well in India even with things as they are. An approach somewhat redolent of Parvinder Singh, the man who transformed Ranbaxy, who is believed to have told the executives of his company, "Ranbaxy cannot change India. What it can do is to create a pocket of excellence. Ranbaxy must be an island within India" (Cf .C.A Bartlett and S. Ghoshal 'Transnational Management').

Ravi Venkatesan's theme boils down to a few crystalline propositions. India is a large market essentially comparable to China in terms of potential, but let not anyone imagine that it will remain just that (as people used to say about the economy of Brazil). It is so endowed with talent that it is already a key location in the world to do knowledge work. Its business environment, however, fits the military term 'vuca' to a t, except that to volatility, uncertainty, complexity and ambiguity, one might also remorselessly add another 'C' for corruption. But on the other hand, India's potential can become a reality sooner or later; at any rate, India is an "an archetype for many emerging markets", so much so that to succeed in India is to succeed in those markets in terms of products, business and operating models and capabilities. And Venkatesan goes on to show how multinationals that have fared superbly in India, including those which he has led himself in his storied career, could vindicate his argument about possibilities in India.

While India rates way below China in the preferences of MNCs, many of the latter are seen by Venkatesan as being pleased all the same with their performance in the country. According to him, they are into such serenity of outlook simply by lowering their bar for success, witness the twenty five largest publicly listed multinational companies in India contributed merely two percent of their parents' global revenues and profits in 2011. A higher profit would hinge on stronger commitment by these companies which, in turn, could only come from their seeing the potential of the market rather than its problems. In the absence of such commitment that should extend to the entire leadership of the company and of an organisational model where India is managed like a geographic profit centre, companies could slip into the midway trap, a state in which they "grow no faster than the industry average and are restricted to the tiny premium segment at the top of the market". In contrast to this, real success in India for a multinational means meeting three criteria; being an industry leader with first, second or third rank in the market, delivery of 10 - 20% of company's new growth in global revenues and profits from India and using India as a hub to win in other markets.

For a multinational to pass the muster by these exacting criteria, Venkatesan would have them ensure that their country managers score highly in three traits (courage, higher ambition and entrepreneurship) and two competencies (learning ability and people skills). For another, there would need to be a distinct strategy as well as operating model for India, something Venkatesan examines at length. In addressing the elements of the India operating model, he effectively makes some points based on accounts of actual experiences of some pace-setters or exemplars among multinationals - Microsoft, Dell, JCB, GE, Schneider, Cummins, Bosch and Samsung. It is standard Harvard fare – and occurs throughout the book.

Shortages of every kind of talent, especially functional experts and leaders, are seen by the author as a problem in India. There are stories about well-run talent factories like HUL, but on the whole he finds the challenges of growing talent in India "monumental". His views on how multinationals could work out solutions are mostly expressed in generalities though, but the range of problems is adequately explored including the role of HR leader. The chapter on India as an innovation lab is more thoughtful and with examples such as McDonald's, India Cummins, Deere & Company, Dell India, HUL and Microsoft identifies a set of factors to help successful innovation for the Indian market. He shares late C.K. Prahlad's view about the importance of a 'unifying logic' for a common purpose as essential to successful innovation in India. Besides interesting insights into what individual companies have done by way of innovated products, services and managerial practices, Venkatesan has some spot-on counsel for marketing.

Similarly the part on joint ventures dwells on the multiple aspects of this market entry strategy for India with several examples like Tata Cummins, Volvo-Eicher, Renault-Mahindra and Uninor-Unitech, each with its own moral for the multinationals that set their sights on joint ventures in India. Of particular note are the analysis of the people's component and the relative merits of acquisitions and JVs. Much as this is the staple for any discussion of corporate tie-ups, the experiences of multinationals to which it relates are all instructive.

Resilience is the capability Venkatesan would have foreign companies develop in order to deal with corruption, uncertainty and volatility. Indian readers will cringe at this narrative, but with episodes pointing to the pervasive nature of the problem, there can be no escape from the reality of corruption. The author's view is that corruption in India may have peaked, that it is plausibly on the decline, that it is still largely possible to operate in India without having to bribe, and, apart from clear policies and stringent controls, companies would need to have strong leadership and a culture of compliance to avoid corruption. The author does not fail to point out that there is much that foreign companies would need to do to keep their own record clean and their basics in place, mentioning for good measure the Bhopal Union Carbide disaster and the activists' complaint about Coca Cola depleting water supplies across India. The validity of his views on how companies may develop the resilience to operate in India is attested by the story of Microsoft that is told in some detail.

Needless to say, it is the operational issues involved in strategy execution that must trump most other aspects of doing business in India. Venkatesan believes that winning in India and China requires a paradigm shift – learn to do things differently, make differentiated bets on these countries and achieve success "with different and more affordable value propositions which companies can only develop in local markets". t is in a sense an extension of what GK Prahlad famously argued a generation ago about how to deal with developing country markets. And as for the organisational structure for multinationals in dealing with the next wave of globalization what the author proposes is a network of multiple hubs, which happens to resemble the trans national structure of Philips, with the difference that emerging markets led by India and China will be much the largest hubs and the Indian hub's mission will be to develop innovative products and solutions for the middle of the global market pyramid. The hubs for their part will require a new operating framework, resulting not from "a tweaking of the current approach, but a profound shift in mind-set, architecture, operating model, capabilities, and most of all power".

How many CEOs of multinationals will be willing to accept these changes in their global business environment? Not many, according to Venkatesan but those who do, the globalizers like Sam Palmisano of IBM, Tom Solso of Cummins and Leit Johansson of Volvo, form a distinct set. These are masters of change management, says the author; they use India and China as laboratories to cook new models for other emerging markets. They use intuition and judgement to make decisions, not just analysis and data.

Venkatesan' s dictum that winning in India is not just about India and that it is a metaphor for winning in emerging markets is the leitmotiv of this book. He sees substantial benefits coming to a multinational from winning in India: a tremendous cost advantage, becoming a source of innovative new products, talent that competing in India breeds, a change in mind-set and a better image and standing than the peers.

With McKinsey's three horizons growth model as his basic approach, Venkatesan wagers on India in a way that might strike some as too sanguine. But that would be wrong. For the thrust of his conclusions to work out, however, the Indian market would need to grow in the way that the projections on BRIC had posited. It could well happen despite the prevailing gloom.

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