Decoding Disruption: The Indian Way

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This room today is full of corporate futurists who are talking about the future of disruption, the future of corporates and the future of consumers! I want to take a step back and throw light on the disruptions that have happened in India over the last 25 years, which are insightful and provide lessons for implementation in our work life. The key objectives of this session are "How can I be a better disruptor?" and "How can I do that whether my corporation is in India or overseas?" I would try to address both of them.

Understanding Disruption

Let me begin by sharing a couple of theoretical points. There is often confusion between disruption and innovation. Where does innovation end and where does disruption begin? All disruptors are innovators, but not all innovators are disruptors, just like all squares are rectangles but not all rectangles are squares! Disruption uproots and changes how we think, behave and do business on a daily basis. It is a hitherto unknown way of doing things, and having introduced that, there is no going back. The introduction to the theme for this session quoted Prof. Clayton Christensen from the Harvard Business School. He has defined disruption as: "A disruption displaces an existing market, industry or technology and produces something new, more efficient and worthwhile. It is at the same time creative and destructive".

How is Disruption different from Innovation?

Have all disruptions to do with IT? Is Information Technology all that enables disruption? Or are there is more to it? I believe disruption needs to have a far more holistic approach which benefits several stakeholders who are key-contributors to our businesses. The main question that we need to ask is: 'What if'. What if something else can be done? What if this process can be improved? What if a new service can be delivered in a different way? This "what if" question is the root of the process of disruption. Moreover, I am a firm believer that not all disruptions are imported. We usually have a tendency to look to the west for best practices. But there are several examples of disruptions in India which are indigenous and which are very much in alignment with the way of doing business in India. I am going to briefly capture some of them in my presentation today.. I also believe that the core of disruption is not IT and as my previous speaker said, it is "People". Purpose and profit are the twin objectives that people of this generation want to work for. Human beings need to be the core of every disruption that corporations want to work towards. In the five M's of business namely Machine, Methods, Minutes, Money and Materials, it is Man, human resource who gives value to the other five M's. Therefore, people need to be the core of every disruptive process or disruptive idea or disruptive industry structure that we want to venture into. The following six examples provide a glimpse into insightful and successful disruptions by India Inc. over the last five decades.

I. DISRUPTIVE BUSINESS MODELS:

A. Industry Structure: TCS Redefines IT Industry:

My first example of disruption at the industry level is an organisation which has 70,000 employees in Chennai itself. Very few people know that TCS has been a pioneer in disrupting the way the IT industry worked in the 1970's. When the globalisation of Indian IT industry began, TCS had pioneered the Onsite-Offshore model which became an industry norm. Till then, with very limited access to technology and the data tapes being sent back and forth through airmail , the Onsite-Offshore model redefined and disrupted the way IT was delivered way back in late-1970's. But it did not end with that. Disruption is not a one-time change. It needs to be nurtured consistently. As we see over the next 40 years, TCS has continuously disrupted the IT industry structure and its business models. From labour cost arbitrage, the focus moved to strategic and process imperatives like optimisation and digitisation of diverse business processes with a focus on quality and time-to-market advantages. When leading multinationals from USA and Europe moved to emerging economies in China and Eastern Europe, TCS established its space in those countries so that it could serve its clients better. Post 9/11 terror attacks, when the US Government imposed restrictive visa policies, there was increasing concern about a potential backlash against Asian outsourcing due to the heightened security sensitivity. Furthermore, the demand for IT personnel was skyrocketing in India, the cost of Indian engineers was being driven up, and India was losing its cost advantage. At such a time, TCS focused on establishing regional centers at Hungary for Europe and Uruguay for Latin America. Called 'nearshoring', it became the new buzzword in the industry. These centers offered in-demand capabilities, with language and cultural sensitivities. The near-shore centers in New Jersey and Phoenix (USA) provided convenient access to clients in their own time zone, and familiarity with local business environment. The global delivery centers (GDCs) in India and China provided highly efficient offshore services and deep technical expertise not available elsewhere. In all these places, TCS did not go for local partnerships and franchises, but established greenfield projects and created its own employee base, and replicated the model established in India.

At every stage of their evolution for over 50 years, there has been a distinct effort to disrupt the industry in order to stay ahead of the curve. An interesting example of disruption was in 2015-16 when they were bidding for setting up a BPO centre in Saudi Arabia where only 13% of women are in the work force. TCS ventured to have an all-women BPO which was a disruption in that part of the world! Two years later, 85% of the 1,000 women working in that centre were Saudi Arabian women! With their Niqabs and Qabayas they were working as part of the main stream workforce! When Prime Minister Modi visited that centre, he appreciated the disruption in the social ecosystem of Arabia by economically empowering women.

Professor Pankaj Ghemawat, now at the Stern School of Business, New York University, had worked closely with the senior leadership of TCS. He observed a similar triple horizon approach to innovation at TCS. The company employed 60 percent of efforts to derivative innovation (continuous improvement, 12 months horizon), 30 percent to platform innovation (next generation platforms, 1-2 years horizon), and 10 percent to breakthrough innovation (disruption, 2+ years horizon). It consistently followed a structured approach to innovation, a critical success factor in the fast-moving IT industry. Moreover, what disruption TCS brought about in the economic system was that 50% of the million plus students who annually give the IIT-JEE examination join the IT industry. At the turn of the last millennium, over two lakh IT experts from India were leading the global IT industry! That's how disruption works at several levels within the corporate and social-economic system.

B. Customer-focussed: Tata Steel Glamourizes Steel Through Pioneering Retail Ventures

This example is of a company that is a century old, but which went ahead to glamorise steel. Imagine, sitting with your spouse in an air-conditioned shop, sipping Cola and deciding what steel products to buy for your next residential renovation! Or even better, look for customised solutions for your new house which is going to be provided by the steel company! That's exactly what Tata Steel thought about – 'What if they can provide such customer offerings?' They eventually glamourized a commodity like steel and brought it within easy reach of retail customers. From the dust and grime of Mandis (wholesale markets) where steel was available in lumpsum quantities and at everchanging rates, to airconditioned retail stores with dozens of branded options of exact size and at a fixed price. Tata Steel became the first company in India to de-commoditize steel and converted it to a retail brand accessible to customers across India. This customer-centric transformation of India's largest steel company was game-changing.

In the pre-liberalisation era, where demand was always more than supply, customers had to wait for a month to get an appointment with the manager of the Calcutta office of Tata Steel. Post-liberalisation, when MNCs started pouring into the Indian markets and the competition dynamics changed, they realised that they needed to focus not just on B2B but also the B2C markets. Prices moved from cost-based pricing to market-based pricing, and devising strategies for ensuring sustained profitability amid competition became the need of the hour. Tata Steel embarked on re-engineering its entire marketing and sales approach to remain competitive and ahead of the pack.

Tata Steel focused on a three-pronged strategy

The company identified a remarkable opportunity in this untapped retail market by creating significant differentiation in its products and services, redesigning its distribution network and providing superior value to end-customers. To achieve this end, it began an exercise called Retail Value Management (RVM) in 2000, focusing on low-value, high-volume B2C markets.

Given the sheer scale of targeting 19,000 villages across India, Tata Steel's B2C journey consisted of two key steps – mapping the market and modernizing retail channel partners. To ensure that its products reached end-consumers in the most convenient manner, it studied leading FMCG companies like Proctor & Gamble, Hindustan Unilever and Asian Paints, who were highly successful in channel management strategies for B2C products. Tata Steel also became the first company in the world to sell branded steel products. To ensure that they get a genuine product, Tata Steel embossed its brand on all products in a way that was impossible to copy. It became the first company in the world to innovate watermark branding on cold rolled steel. In a nationwide study conducted by ORG-MARG in 2005, all brands of Tata Steel - Shaktee, Tiscon and Steelium emerged as leaders with the highest brand equity in their respective categories. In an industry with a cost-optimisation focus, Tata Steel committed itself to invest financially towards brand-building. About 1% of the total revenue from sales of branded products was spent on branding initiatives. For long years, the steel industry followed 'Aaj Ka Bhav' (today's price). Tata Steel changed and introduced RCP (recommended consumer price) for its products across all Tata dealers. The RCP rates were stable for a quarter and were displayed in stores for greater transparency. The customers benefitted from this price stability.

The middlemen who had earned crores by manipulating the system and deceiving retail customers made Tata Steel's endeavour of a customer-centric retail business loaded with challenges. Prior to Tata Steel's redesigned distribution network, its steel was bought in bulk by traders, who sold it to the highest bidder through auctions in Mandis at Mumbai and Kolkata. The retailers would travel to these Mandis, buy their requirement and return to their geographies to sell the product at inconstant prices. The whole market played on uncertainty and shortage. Sadly, consumers' interests were nowhere in the picture. When Tata Steel introduced its customer-first approach, it met with a lot of resistance as most middle-men made money by hoodwinking consumers on price, quality and quantity. Those traders who were in business for 60-70 years and were making a crore a month through dubious means, could now earn only a few lakhs. Many of them threatened Tatas' officers. Some wrote to Ratan Tata seeking redressal. Others filed cases against the company. Yet, the company stood its ground. It received full support from top leadership.

To ensure rapprochement, Tata Steel counselled its dealers and distributors on the long-term benefits of customer-centric ethical practices. Channel partners eventually realised that branded products, transparent practices and defined prices led to higher footfalls in their stores compared to peers. They were making money not by selling more to one customer at a different price, but by selling to more customers. Between 2006 and 2010, the year-on-year increase in sales to dealers rose from 4 to 40%, inventory requirements reduced by 75%, and ROCE increased from 11 to 32%. By 2017, Tata Steel products commanded a premium of ₹10,000 per tonne as compared to the next competitor brand. As if resonating with the company's prudence in proactively targeting retail customers, Tata Steel's sales from branded products increased from 9 to 50% of total sales of over ₹50,000 crores over the 15-year period. By 2017, the company had 30-lakh retail customers serviced through a pan-India sales distribution network of 212 distributors and 12,600 dealers and retailers. It had exceeded its own target of 10-lakh retail customers by three times in less than a decade by creating win-win outcomes for consumers, channel partners and itself. The entire steel industry's business model was disrupted by ingraining customer centricity at the retail level and disrupting the way steel was delivered.

C. Value Chain focussed: Rallis India's Farm-To-Fork Model

The More Pulses (MoPu) Project was initiated by Rallis India to create shared value for major stakeholders across the value chain.. At the national level, production of pulses would reduce India's dependence on imports and in turn help the exchequer in saving foreign currency. Private sector's involvement brought in technology and transparent practices to enhance farmer incomes and working conditions. For investors, the market for branded pulses provided a huge opportunity to capture market share, especially for first-movers like Tata Chemicals. The pulses market in India was estimated at ₹2 lakh-crore. The proposed branded pulses category from MoPU would capture a market of ₹10,000 crores. For consumers, pulses presented an affordable and rich source of protein, for India's substantive vegetarian population. This was especially important for India, where feeding the growing population continued to be a major challenge.

By the beginning of the last decade, India was the largest producer, consumer and importer of pulses in the world. This ironical position was mainly driven by low production within India. Despite accounting for more than 30% of global acreage under pulses, India's productivity was around 750 kg/ha, compared to 4,219 kg/ha in France, and 1,596 kg/ha in neighbouring China. On their part, farmers preferred crops like wheat and rice to pulses owing to the higher Minimum Selling Price (MSP) set by the government. This scenario had an adverse effect on India's exchequer with the cost for import of pulses estimated at ₹24,000 crores. Interestingly, countries like Australia and Canada grew pulses only to supply India. They did not consume any!

Rallis decided that it would be worthwhile to partner with farmers. Rallis identified unorganized procurement as the main problem in the pulses value-chain. The middlemen who also engaged in money-lending targeted marginal farmers. It began with helping farmers in productivity improvement and procurement through technology and training. It estimated cost savings of 10-12% by eliminating middle-men, and another 10-12% by improving value-chain practices. The company decided to span the entire value chain from 'farm to fork'. One of the key initial challenges was to convince farmers to grow pulses as a focus crop. To address this, Rallis educated farmers on the possibilities of enhancing their incomes, and also assured them of buying the produce at prices that were at least equal to market rates.

The most critical opportunity to develop farmer connect, arose when subsidies had to be distributed. Rallis decided to involve its executives in the distribution process to avoid any mismanagement. Farmers identified through a proper process were given farming kits. Rallis representatives also ensured that inputs were used in actual practice. Several farmers expressed a sense of disbelief when they received the kits. It was the first time they had come to know that such subsidies existed!

The package of practices designed by Rallis in collaboration with government agencies covered 14 important interventions addressing major issues that affected productivity of pulses. Before Rallis' interventions, farmers were unaware even about the right kind and dosage of fertilizers to be used. Post-interventions, farmers started using micro-nutrients for increasing pulses productivity.

At this juncture entered Tata Chemicals, who assured sourcing of pulses from farmers to ensure regular earnings. The sourcing strategy comprised three aspects: aggregation of produce, processing, and distribution. Based on estimated demand provided by Tata Chemicals, Rallis executives would talk to farmers and commit to a certain capacity. Tata Chemicals followed a market-plus pricing model. This meant that farmers were assured of market price for their produce. If they came with better quality, the prices were even higher. Unlike the opaque system practiced in Mandis, this was a transparent system.

The company ensured that the pulses are sold through their existing and well-established retail network. They launched the Tata i-Shakti brand of pulses which was eventually renamed as Tata Sampann. While the company had been successful in bringing a high-quality product to consumers' doorstep, it had the enormous task of convincing consumers about benefits of unpolished pulses (with a rough appearance) that retained nutritional value as compared to popular polished pulses (with a shine), which were harmful. Celebrity chef Sanjeev Kapoor was brought in as brand ambassador to endorse the benefits of unpolished pulses, along with several other channels of communication.

The whole story of the MoPu project is what is now called the farm-to-fork model. Right from farming, all the way till the product reaches your plate, how the entire value chain can be disrupted in a way that it benefits various stakeholders across the value chain is what this example captures. The impact has been phenomenal and about 4 lakh farmers have benefited in 10 districts across three states of India. A FICCI report indicated major advances - productivity improvements ranging from 30 to 60% in total production, and reduction in spending on fertilisers by 30-40%, thereby improving farmer incomes. Through MoPU, farmer livelihoods were improved, productivity of pulses in India enhanced, consumers provided with a healthy source of nutrition; all these with a for-profit focus that would even benefit the shareholders.

II. DISRUPTION IN PRODUCT/SERVICE DELIVERY

A. Product Delivery: Bharat Petroleum's 'Pure For Sure'

We are in an era where we take quality and quantity for granted. But there was a time about two decades ago when quantity and quality was a big question mark, especially in the public sector energy companies. To take this head-on and change the consumers' perception, Bharat Petroleum Corporation Ltd. (BPCL) launched the 'Pure For Sure (PFS)' campaign. How can the consumers be assured that petrol/diesel that is being filled into their vehicle is of the guaranteed quality and the quantity? PFS began as a huge campaign and entailed disruptions at various levels within the supply chain. The key challenge for BPCL was that changes were required at the dealers's end as they were delivering the final products. How do you seal all the loopholes where there can be opportunities for adulteration? For this, they brought in Germany-based company TUV Suddeutschland to implement and monitor the new set of processes.

One of the first recommendations was to install a tamper-proof lock in every lorry carrying fuel. Abloy lock, a Swiss product was used for this purpose. The manufacturers guaranteed that nobody could tamper with the lock. According to the new process, one key was to be at the location where the product was filled into the lorry, and one key was to be with the dealer at the delivery site. All the lorries, whether those belonging to the company, or those rented from independent vehicle owners, were fitted with Abloy locks. If required, the fabrication was changed at company costs in such a way that the Abloy locks could be fitted on all lorries. Having sealed likely compromises on the way, TUV was given the responsibility of ensuring high levels of process orientation at dealers' end.

Secondly, at every PFS fuel station, BPCL wanted to ensure 100% quality and quantity to the consumers' fuel tank. Besides, other external aspects such as a clean and welcoming atmosphere for customers, a healthy environment for the forecourt service personnel, and personalized and efficient service to consumers were also mandatory. All pumps were expected to have digital units. Those that had mechanical units were asked to replace them. Large number of dispensing units were bought at company cost, and given to franchises. BPCL also spent money on repainting trucks with PFS artwork and colour combination to ensure greater standardisation.

After the infrastructure and processes were in place, TUV would perform an audit to ensure that everything was as per PFS standards. Only after this was certified could the PFS mnemonic be displayed at the petrol pump. However, it didn't end there. TUV was engaged for continuous audit. There were mystery audits and special audits all through the year. The company officers and TUV were given the authority to close the outlet if it did not meet PFS standards during any such audit or inspection. Besides fuel, outlets were also judged on parameters such as efficiency of service and behaviour towards customers during these surprise inspection events, almost every fortnight. These were big changes, rather disruptions, in the working of a public sector behemoth!

Launched on Indian Independence Day - 15th August 2001, the PFS services were available at 98 outlets in four metros. More significantly, in the very first year since the campaign began, BPCL recorded a 20% increase in sale of fuel, both petrol and diesel. This reflected the success of the effort.

Any major behavioural change is not without resistance. Even before the dealers could make noise, there was a lot of resistance even within the company. One group of old-school thinking believed that by creating such a differentiator among dealers, BPCL was perpetuating a kind of 'caste system' among dealers! But Chairman and Managing Director Sundararajan intervened and insisted that customer interests are paramount, and that the company must unfailingly deliver on parameters of quality and quantity. The initial reaction among dealers was also one of extreme resistance. Given that the quantum of commission they received from the company was less, they considered the hanky-panky as their route to earn some extra money. To ensure that committed dealers participated in the PFS programme, BPCL took onboard proactive dealers who were willing to improve their standards. The company chose good outlets in decent localities that had high potential to make a difference. When those dealers came forward and certified as PFS outlets, other dealers started seeing their rise in sales, because customers started going to PFS outlets than the generic ones. The differentiator was visible, and as a result, HPCL and IOCL outlets started losing sale. Even BPCL outlets without PFS, started losing customers. To further support the PFS-certified dealers, BPCL increased the commission to a higher slab. Yet, that wasn't a very big incentive. The real incentive was improved prestige in locality, and the ability to attract new customers. PFS was also an opportunity for dealers indulging in hanky-panky to improve themselves or get left out. It became a prestige issue for many dealers, and an irritating issue for others. However, the company stuck to its guns. Pure for Sure also emerged as a way to keep the black market at bay and a fight against adulteration.

By 2015, the number of PFS outlets increased to 5,700. To move forward with changing times, BPCL introduced 'Pure For Sure Platinum' that aimed at providing round-the-clock service in a technology-enabled environment. For this, a lot of automation infrastructure was put into place at retail outlets. It was called 'Nano'—no automation, no product. The dispensing and storage units at the retail outlets were monitored on a real time basis through computerized systems. IT was extended to vehicles through fleet tracking systems. All lorries were tracked through the GPS system to ensure zero deviation from the route to the dealers' depot. All this automation aimed at continuously and consistently delivering the brand promise to final consumers.

B. Service Delivery: HDFC Bank Spearheads Core Banking Solutions

In the post liberalisation era, HDFC Bank was among the first in centralized implementation of core banking solutions. In those days all other banks in the public and private sectors had branch banking. Each branch was a self-sufficient unit. But, branch banking also meant that a customer could bank with only that particular branch of the bank where she had an account. It would take a lot of effort for her to deal with another branch of the same bank. Core banking facilitated HDFC Bank customers to go to any of its branches pan-India and expect the same kind and level of service as the original branch. It was said that a customer would receive the same familiar smile from the teller as she would receive from her own branch! The only drawback of this system was that post-submission of the account opening form, it would take a week to receive the cheque book and the ATM card from the Bank's central facility. But the main advantage was that the customer was no longer a customer of the branch. She became the customer of the bank.

With core banking solutions, any every HDFC Bank Branch primarily became a sales and service outlet. The focus of the front-end staff was mainly customer service. They did not have to be experts in banking, but rather had to strike the right conversation with customers and understand their needs based on demographics. The focus was to proactively work towards customer delight. Most of the front-end staff were people from the hospitality industry, who enjoyed working with customers. When compared to corresponding people in PSBs, they knew less of about banking. But the profile was very different. The bank wanted their ability to service customers. At the supervisory level, they brought in people with a lot of banking knowledge. This was a fine balance.

Besides, the Bank did a lot of work-flow study in terms of efficiency, and used technology to remove dreariness from the work for all employees. Anything repetitive would make work boring for employees, and would often lead to two kinds of problems. One was insufficient verification of documents. As a result, transactions which shouldn't be there in the first place, may get processed. The second was that the boredom would prevent employees from thinking innovatively about what they could do for their customers. HDFC Bank believed that employees' brain power should be focussed on what else they should do for the customer, which would help both the customer and the Bank. For this, the Bank made their employees tech-savvy. The operations people went through a lot of training to understand the system in totality so that they could commit to the customers what was possible, and politely refuse what was not possible. Through this approach, the Bank empowered the employees to use their talents in more strategic and focused ways rather than through monotonous paperwork.

HDFC Bank disrupted the way banking services were delivered to consumers. Two decades later, core banking solutions has become an industry-wide practice with all public and private sector banks.

III. DISRUPTION IN THE STAKEHOLDER QUALITY OF LIFE: Tanishq's Mr. Perfect

Tanishq from Titan Company is a market leader in the jewellery industry. The disruption introduced by its top leadership changed the quality of life of this particular community who are called the 'Karigars'. The Karigars are the makers of jewellery, but due to poor working conditions, they developed eye and neck problems that affected hand–eye coordination within twenty years of work.. By the time they were forty, they had to quit work and take up other jobs. This scenario discouraged the newer generation of their community from taking up their traditional line of trade. The situation had endangered the existence of skilled craftsmanship and supply of aesthetic products to the industry.

Tanishq took the responsibility of improving their standards of living and lifestyle, rather than accepting their condition as an occupational hazard. The first requirement was gaining the Karigars' confidence. The company undertook several initiatives to convince them of their genuine interest in their wellbeing. Titan ensured that all Karigars had hospitalization insurance and underwent periodic health check-ups. It went the extra mile by arranging loans and sometimes even financing the Karigars. The employee suggestion scheme was also extended to them. It took them a couple of years to gain their confidence and trust before they could take this engagement to the next level.

After developing a good rapport, Titan expanded this commitment through a social entrepreneurship project in 2008 – establishment of Karigar Parks and the Mr. Perfect programme. In these parks, Titan provided Karigars with equipment, material and training (skills and behavioural) along with great working conditions, health and safety practices. The Karigars had air-conditioned work spaces, work stations with chairs and work tables, unlike the traditional work-on-the-ground arrangement, adequate lighting and ergonomic seating. They also received identity cards, uniforms and assistance to open bank accounts, and a small canteen. The Karigars thus groomed and trained through this ecosystem were Mr. Perfect. The Mr. Perfect Karigars now had to focus only on using their skills in making jewellery of the highest standards and designs. By 2012, Titan established four Karigar Centres (an evolved version of the Karigar Parks). The company constructed four building of 11,000 square feet each with world-class amenities at a cost of about ₹20 crores. About 300 Karigars worked in this new arrangement. The Karigar Centres even provided boarding, lodging, recreation and gymnasium facilities. It even had guest rooms for visiting family members. Given that 60% of Karigars hailed from Bengal, the centres also had Bengali cooks to make recipes to delight their palate, and even stocked Bengali magazines and DVDs to make them feel at home. 'Bhalo Laage' (it feels good), was the usual response of the Bengali Babu artisans to these new arrangements like those seen in a BPO industry. The Karigars were earlier looked down. Now they were Mr. Perfect.'

While Tanishq gained with lower costs and better quality directly impacting productivity and profits, the Karigars benefitted from holistic improvements. By 2017, Titan had established 14 Karigar Parks, 4 Karigar centres and impacted lives of over 1,400 Karigars. While this was a small number, the company pitched the Karigar Centres as an industry model to inspire competition to 'raise the bar' by disrupting and improving the quality of life of these vital stakeholders.

In conclusion, I would like to leave you with this thought. Globally, the 4.2 billion people at base of the economic pyramid will shift from the base to the stomach of the economic diamond in the next 15 years. By 2035, over 50% of the global population and over 100 crores in India would be a part of the middle class. Any disruption that corporations wish to undertake needs to cater to the requirements of this particular segment whether as customers, employees, supply chain partners or the society.
