



# SPUR RURAL ECONOMY

## VIDEO TRANSCRIPT

Welcome to the series on navigating the never normal. Today, we're focusing on accelerating digital transformation to unlock enterprise value. COVID-19 is triggering some fundamental questions, especially in countries like India where the number of cases are still rising. There are internal issues and internal challenges that organizations are rushing to cope with, particularly larger ones. And then there are external challenges pertaining to consumers. There are also challenges in trying to recruit talent. India Inc. is navigating this never normal by taking cues from how consumers are responding, as well as things that are being done differently within organizations. We'll also talk about the key lessons that we've learned. The crisis has revealed the resilience of organizations to cope with such dramatic shocks and changes. Today, I'm joined by Sunil Kant Munjal, a business promoter, institution builder, social entrepreneur, an angel investor and the chairman of Hero Enterprise. He's overlooking several businesses ranging from investments in many other companies to insurance broking. I'm also joined by Accenture in India's Piyush Singh, who has been in financial services for a while and also worked in a bank in England.

*Mr Munjal, what are your thoughts and what are your key learnings from the past few months?*

**Sunil Munjal:** The current situation does not impact companies or business alone. It impacts us at multiple levels—as individuals, as families, as businesses, as nations and as a society at large. Many companies turned around very smartly. While there was extreme shock at the beginning, businesses have gradually reacted and responded quite quickly – first to the crisis and then to helping people, building safety, providing support to the disadvantaged,

migrants, etc. Many of us I, including myself, have been deeply involved in looking at how policy can be designed. How the central government and state governments should function. How to record the capacity of hospitals, ICU beds, protective gear, ventilators, etc. We set up an alliance of auto companies, auto component companies and medical device companies. Along with this being highly entrepreneurial, it's also very patriotic in how people were willing to go beyond their first call of duty to help the masses. However, the large number of administrative orders in quick succession took us off track. And each one was countering the previous one. But, in hindsight, we were all learning how to cope. Today, we are smarter. We are better informed, and we've now figured out that we have to learn to live with this.

*Would you say that across your investments, companies that are part of the Hero Enterprise are facing shared experiences?*

**Sunil Munjal:** Absolutely not. It varies as per geographical area and business line. For example, the steel business shut down because customers are shut down too. The training business, on the other hand, got a boost because many people felt the need to reskill/upskill their remote workforce. Many people came voluntarily, but lots of the requests also came from companies

*Piyush, how do you think companies have looked at this situation and how do you think they need to look at it?*

**Piyush:** You are absolutely right in calling this period the never normal. And we don't know what the normal is going to be for some time.



I agree with Mr. Manjul on how most organizations have done a commendable job of dealing with this level of uncertainty that is unprecedented. Specifically, about consumers, we were already living in a world where we were all projecting a level of digital adoption. What this crisis has done is it has accelerated that level by about 10-fold in the last few months. A lot of people have said this, and the only question is whether it is 10X or it is 50 X, but that curve has gone up. So, what that means is that we are now in a possibly irreversible position of that acceleration of consumption of all goods and services and digital interaction with our customers. The need of the hour is a fundamental revisiting of operating models and of the way organizations are designed to deal with customers. And this is true across industries – not just in consumables or e-commerce. For example, in China, a number of organizations are fundamentally revisiting the distribution supply chain or the distribution end of automobiles because they don't foresee footfall at dealerships. We're working with life sciences organizations that are having to revisit how to interact with medical health professionals. This is because no medical health professional is willing to increase their risk of exposure. So, we're looking at a fundamental rebuilding of the way you interact with our consumers. Companies also need to plan for a massively elastic cost base because there are scenarios that'll require us to go all the way down to zero production and zero supply. This will mean a fundamental revisiting of the internal supply model and operating model. Organizations can't look at cost cutting superficially and hold back just on discretionary spend. Because then they'll risk building massive inefficiencies. Companies instead need to find way to reinvest for growth.

**Sunil Munjal:** Two other things are happening at the same time. First, the decision-making curve is becoming flat. Companies are empowering their people to make decisions, so they don't need to get many people together or bear the burden of too many meetings. This is boosting efficiency. Added to that is the work from anywhere model. Essentially, this is a magical opportunity here for a tremendous leap in efficiency, productivity and innovation.

*Referring to the Hero Enterprise study that talks about three buckets of companies – those who benefit; those who are beaten but will recover. And the last category that will be badly hit and will not fully recover. Were these companies not able to create the right elasticity in cost or is it something to do more fundamentally with their businesses?*

**Sunil Munjal:** It's a bit of both. Some sectors will get impacted inevitably. This also has to do with human behavior. Part of our behavior – at work and otherwise – is changed forever. Some of it is elastic and will spring right back. So, the smart companies are trying to figure out the distinction and how they can use it to power their future. One is through the massive induction of technology in all aspects of business. The most conservative businesses are also looking at being technology driven. Second, the essence of the cost base is being questioned.

*Can you give us some illustrations?*

**Sunil Munjal:** We've done it ourselves. I let me give you a non-business example to show you the sheer range of impact. We have a foundation called the Serendipity Arts Foundation, which runs one of the largest arts festivals in the world. The Multidisciplinary Art Festival is done every December in Goa. Because we can't do that this year, we did a virtual one in April. We had 1 million visitors in just six days from around the world. And we're going to do another one now. This is what I mean at relooking at business activities in so-far unimaginable ways. Companies are reorienting their processes, decision-making, supply chains and distribution, starting from the very concept and design of their products and services. In fact, the massive migration and job losses can be an even bigger opportunity than technology for India.

*What are your thoughts on this, Mr Piyush?*

**Piyush:** The migration issue is a complex problem. If you look at the migrants that have



gone from urban to rural today, it essentially means the power of IT has gone with them. This can mean a number of fundamental value-adds for the rural economy. First, the migrants have got a taste of technology-driven innovation that's been rampant in urban India. Second, they have experienced organized financial services, so they're not afraid. The deep rural population is reluctant about the concepts of banks, but not the migrant population. Third, the migrant worker is no different from an urban Indian going to a developed country to chase their dreams. So when they come back, it won't be very different from the.com bubble burst experience, when a lot of Indian techies came back home and wanted to experiment right here. However, for that to happen, like Mr Munjal pointed out, we need clarity in policy making across various institutions. We will need to unleash organized financial banking for this community and encourage them to become entrepreneurs, and build new innovative services and products that are good for the rural economy. This is a huge opportunity because the migrant population understands the needs of the rural community. My only fear is that we'd focus instead of bringing the migrant workers back. There's a lot of money that the Indian economy has to spend on decongesting in urban clusters. Our urban clusters are suffering huge amount of decay because of this. So instead, those funds can be redirected to resettling this migrant labor in an enterprising fashion in their home. There are pockets of enterprise to be unleashed.

*What are your thoughts on this, Mr Munjal?*

**Sunil Munjal:** I agree with Piyush, and will take it a step further. We must rapidly grow the rural economy by industrializing the migrant population. This labor has worked in companies for a long time and have lots of skills. We train them on digital services and mobilize them to build the rural economy and replicate urban industrial clusters. We encourage them to automate processes and use more machines. That's because our products aren't being consumed only nationally but are in direct competition internationally. This essentially means we could upgrade the entire economy in India. This could be a big quantum leap forward.

We are at a cusp of dramatic change in India, and this could mean a phenomenal opportunity when the world is looking unkindly at China. But, companies won't turn to India on their own. It's something we will need to work on. In the first flush that started two years ago, most companies went to Vietnam, Indonesia, Thailand and even Brazil. Only a few of them came to India. Bangladesh got a big advantage. We did not. So, we have to grab the opportunity and make good on it. For the first time now, India has made a list of 1,400 companies around the world that have the potential to either come in and invest in India, or use India as a part of their value chain. So, it is a unique opportunity for us. We can cash in on it by building the rural economy and upgrading the urban economy at the same time.

*The migration crisis was at its peak in April and, to some extent, May. A lot of people started coming back after that. Some were enticed back by their employers, particularly in construction, which in any case is a large. Do you feel things have panned out in this manner?*

**Sunil Munjal:** We will see a rebalanced portfolio of skills. About 30 to 40% of the migrant population has already come back. Another 25 to 30% workers will come back after Diwali or around the time. However, about 30% will never come back. Their families will not let them come back. And they're looking for opportunities at home. That is the energy we need to tap. Let's not forget, digital services are reaching the rural areas. There is opportunity for 380 million new bank accounts. About 700 million people have smartphones, so that is a staggering opportunity. But, we must keep pushing this initiative in the right direction.

*Piyush, one of your key portfolios is financial, including financial inclusion, which can drive and sustain many of these efforts. What's your sense? What will be the role of financial inclusion in building this strong base of a new economy base?*

**Piyush:** This can sit as part of organized financial incentives where the RBI and the



Finance Ministry incentivize priority lending. For instance, they reward institutions that disburse new MSME loans. A great advantage for our policy framework is our clear geographical distinction for rural areas. Every entrepreneur will mobilize another six people. For this to happen, the organized financial sector is a big tool, and priority segment lending is a great policy framework that can be used to incentivize lending for pushing MSME activity in the rural sector. It could also help abate reverse migration in a mode of panic. If at all it has to happen, it must happen in an organized fashion.

*Mr Munjal, in this never normal, is there a place for compassionate organizations? Do companies need to focus on cost elasticity and being learn or on building intimate connects with consumers?*

**Sunil Munjal:** This is not an oxymoron. It's essential for companies to become more humane. Since everyone is spending time at home, they're realizing we're facing similar difficulties. As a result, people have become more considerate. Firms need to be sympathetic to their entire value, including their employees, suppliers and the larger distribution system. Most importantly, they need to understand the predicament of their customers. This is a wake up call for some, and those who were already following these practices are benefiting very quickly. Some companies are reporting 100 or 120% of pre-COVID level already. Of course, this is in certain segments of the market, and not across the board, because parts of the economy are still hurting and suffering quite badly. So, for example, we asked how we could help our employees, their colleagues, their friends and their families as well. We started a small campaign to support our people and also larger sections. To add to this, our insurance companies started offering insurance to people digitally without having to meet in person. Our real estate firm also started carrying out 3D visits. Companies have to become sensitive to the reality of today. Some have been forced to do so, but the smarter ones are doing it proactively and the smartest ones are those that will hold on to this.

*Piyush, what's your sense about the personality of this never normal organization or the organization in this never normal future?*

**Piyush:** Companies most definitely need to operate with compassion. In that compassion, you are partly hinting at contingent action. This is a contingent period. Which means we need to step up and deliver, and go that extra mile. Organizations that fail to do so will suffer irreparable damage. The other part is to build the elastic cost base. There is a shortage of skill in various areas where there is an acute need. Unemployment is a lack of correct alignment of skills. Technology can take care of mundane jobs. That's the kind of elasticity we need. On the other hand, companies must engage in rapidly skilling people to make sure that they are starting to fulfil the massive shortfalls. So the problem, even globally so, is that there is a shortage on one hand and an oversupply in areas that are largely substitutable. This hints at the need for an inevitable reshaping of the supply chain. It's not a question of substitution, but of deploying the right skills and getting people to work more efficiently along with technology.

*Mr Munjal, you spoke about how access to technology decides access to knowledge. While this is a given now and everyone understands it, not everyone is able to adopt and adapt at the desired speed. What are your own experiences?*

**Sunil Munjal:** I'll tell you a formula that we had used for many decades in our company. We relied on some considerations to use a machine or a robot in a process instead of a human being. If a process is a health hazard, we have always chosen to use robots and machines in our companies. This is true for our paint shops, plating shops, raising shops, etc. Hero Cycles used to have robots in its paint shops and its raising shops 40 years ago. The second was processes that required extreme repetition and extreme accuracy. In some cases, we put a robot in place and brought in the person back after a few months. We have always been flexible and realistic in our assessment of this.



Going to your question, the quality of life will get impacted for people who have digital access. For instance, we are deeply involved with education. We have 30,000 plus kids studying in our own family schools right now. We started virtual classes, but some of the kids or their parents did not have a smart device. So, we figured out a solution – whether they can use TV or radio. Some people got together and build a device bank of the old devices we have lying around at home that we don't use. This is also applicable in business. We had to physically deliver devices to some people. Another challenge was security. We're still figuring out solutions to some challenges. Even after the pandemic, it makes sense to use technology for furthering our work, our processes and our decision-making.

*Piyush, your thoughts on how organizations will progress into the future?*

**Piyush:** I'll go back to the distinction around the contingent period and post-contingent phase. What we're seeing at the moment is a lot of adrenaline, as well as organizational and nationalistic patriotism. We will need to go back to the drawing board to redraw those relationships. We need to ensure that we have redrawn the ways of working, so that work can be done in a sustainable manner and people remain efficient once the adrenaline of crisis management starts to come down. So, the period of crisis will be followed by a period of redrawing as the crisis subsides. The second thing is, like Mr Munjal said, the lesson we've learnt to have a greater sense of trust. Pushing decision making down the hierarchy means you place trust in your people. It is part of the building block. It is the new way of working. So, we're looking at revisiting ways of working, redrawing them from scratch and making sure technology plays a pivotal role. But, that can't happen if we just digitize the analog world. We have to focus on becoming digital native organizations, and not just using technology to continue doing business the way we have in the past. There is a there is some real rethinking to be done that will be beyond the popular headlines. Many people will never come back to office; all that real estate will go away. When we

redraw our ways of working, we will have to really look at what are the collaboration spaces – where will they exist; will they exist in offices; will they exist outside office; will they be physical or not.

*Can you share an example?*

Digitizing analog work will lead to a massive level of inefficiencies and disengagement. For instance, digitizing insurance policies doesn't mean you go to market with the same terms and conditions and just put it out on a digital medium. It entails a complete rethinking of purpose. As a result, people will get disenchanted with the workplace, rather than embracing it.

*Mr Munjal, in the beginning you talked about partnership. Like Piyush said, this crisis has unleashed the adrenaline of crisis management, which of course begins to wean off overtime. What's your sense when you look at this now as an entrepreneur? What is this teaching us? What is it telling us about ourselves?*

**Sunil Munjal:** We've learnt quite a few things about ourselves and about organizations. I think one of the things which is necessary is for us to show leadership by action – actioning things ourselves by doing rather than only talking. Another important one is communication. Open, transparent, clear communication, especially in the middle of a crisis and going forward in the changed environment post the crisis, is going to be critical and will segregate mediocre companies from the outstanding ones. There are some that do well in spurts, and then there are those that fare well quarter on quarter, year on year, and decade on decade. These outstanding companies will be marched into success by leaders who lead from the front and allow their teams to take credit. They're also willing to take the blame when things go wrong. If we want to remain leaders or we want to become leaders in the future, this is what we must do at a minimum. We've also learnt we are more resilient than we thought. Both Piyush and I started out by saying that businesses, industries, companies, leaderships and



management have demonstrated strengths It's only when you put something under pressure that you see the true worth. But, it's not over yet. There is some way to go.

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