

as a developed world multinational. But Nokia really started from Finland, which was nothing but a block of ice. And a block of ice is a lot worse than what we have outside this hotel. So how did they do it? What can we learn from these three? All these illustrate the three ideas very well—leveraging of home base, embracing your neighbours and borrowing strategically.

Let me say a bit more about leveraging the home base, leveraging India. What could this possibly mean? Many things. But here are a few ideas that I encountered wandering around India in the past 12 months. What is the first thing that hits you about India if you are observing it from outside? Its very large population. But it also has some positive features other than the demographic profile.

One, it permits unbelievable learning and productivity, and I mean productivity in soft skills. A good example of this is Devi Shetty at the Narayana Hrudalaya, the cardiac hospital in Bangalore. This gentleman has done some of the most amazing cardiac surgeries, the sort that you will be able to do only one of after a month at the Mass General Hospital in Boston, where I live. But it is the sort he is obliged to do many times in a day because of the sheer incidence of cardio-vascular ailments in the country and the sheer number of people coming to him for this. So his productivity is bet-

ter than the best. Now if there is some way to take this example and multiply and leverage the learning effects from having a large population, it is something, as history will tell us, not easily imitated by anyone else.

Take another Bangalore example. Down the street from Devi Shetty is Kiran Majumdar. She is doing some pretty neat experimentation with large bodies of diabetics in Bangalore, trying to understand the disease markers in a way that is completely non-replicable in the US. The reason it is non-replicable is that the legal environment and the various dis-

**“We have to embrace our neighbours, that is, learn to do business in the neighbourhood.”**

ease treatments that diabetics in US have been subjected to make them a poor testing ground for the sorts of things that Kiran is able to pull off in conjunction with others. Look at the software companies. What I find more amazing about them in India is that they are human resource processing machines. I don't know of any other company in the world that can process thousands of applicants in a few days, package those software

engineers and ship them off to do some work in Johannesburg or Bratislava, or some obscure place like that. That is an amazing turnaround of talent. These are the replicable skills that come from our large population and from being thrown into this large population and asked to make the best of it. Take ITC as an example. Here is a company that has learned to work with the informal sector in villages. Hindustan Lever is another example. Look around the world; a lot of opportunity in the developing world is in the informal sector. If there is a way to tap into it, it could be unbelievably huge.

Third thing. I take this example as Anand is on the podium with me. His company has created Scorpio. You think about Scorpio and you say, wait a second, there are so many people making SUVs around the world. Why didn't they think of it? Everybody knows that India has talented designers, everybody knows that India has engineers. Why didn't Ford come along and build a SUV like this? The answer lies in Ford's precommitments to a variety of things. Ford has, for very sensible reasons to do with its own business scope, detailed blue books and guidelines that restrict it from doing certain things that Anand is able to pull off. Of course, Anand is a latecomer to this particular business because India is a latecomer to the world stage. But if there is a sensible way to exploit it again so that the incumbent firm against whom you have to compete is pre-committed to something that does



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not allow it to copy you, then you are home free. Another example would be Ford. They have a supply base that they are committed to for a variety of reasons. So the idea of doing what Scorpio did, which is picking a Korean company, a German company, a Japanese company and a US company, and cobbling together and creating Scorpio would be anathema to any of the existing multinational car companies. It is not that it is not doable; except for the effort taken to replicate, it would be very hard.

Lastly, I consider leveraging the diaspora. I think India's diaspora is an extraordinarily under-utilised asset, though with the Pravasi Bharatiya Diwas, we have started to at least reach out to the diaspora in some ways. Zee TV is a good example of tapping the diaspora. There are tons and tons of examples. Think about the Hong Kong and Shanghai Bank. It is the world's second largest bank and has just gone to the US. In some ways, it is one of the better run banks in the world. It is built entirely on following the Chinese diaspora over the past hundred years. It is about a \$200 billion bank today.

A large bank built on following the diaspora around the world. Even today if you go to San Francisco, Vancouver or Sydney, you will see that their strongest following is among Chinatowns, even though the bank has no Chinese management per se at this point. It

is actually run by a bunch of Englishmen sitting in London. But they have used the diaspora strategically over the past hundred years. And there are tons of other such examples. If Jollybeys is a fast food take on McDonald's targeted at the Filipino diaspora, there is Grace Kenedy in the Caribbean which has built up a multi-billion dollar business selling Caribbean food to the Caribbean population

**"It is important to learn to borrow strategically, be it capital or talent, from the rest of the world."**

in the Americas. You could go on and one ...

The second part of this three-legged desk stool that I propose is to embrace the neighbours. Let me come back to the examples of Cemex, Nokia and South African Breweries. What is the core capability that Cemex came up with that was intrinsic to Mexico? They looked around and said that the one thing that's different about Mexico is that people like to buy cement in handfuls. Cement in Mexico was not, at the time it came up with this insight, sold to large institutional builders. It was sold to people on the roadside in one bag and a few handfuls. So they cre-

ated this distribution system to sell retail cement. Having done that and having built an impregnable position in Mexico, they said, where else can we use this? The way they defined neighbours was clever. They said, we should go to the Hispanic population in America which is large and burgeoning and cater to them. Then they said, let us go to the Spanish-speaking population around the world because we have an empathy with what they are after. So they went to Spain, parts of Philippines, places that are not necessarily geographically proximate, but are proximate to their business model in some meaningful way. It has become the most profitable cement company in the world, beating Lafarge, Blue Cement, Italy Cemente, Glow Circle—cement companies that are primarily European.

Nokia. What was the essence to be leveraged in Finland? Finns live on blocks of ice far away from each other and have to communicate. So there was an intrinsic demand for their product and it was the only part of the world that adopted an open systems approach early on in mobile telephony. What this meant was that Nokia had to cut its teeth in a high-intensity competitive environment. It didn't shrink away from that and honed its capabilities in Finland. It began to sell first to the rest of Scandinavia, then to the rest of central and western Europe and gradually expanded out. At the same time, it opened small marketing facilities and, interestingly enough, the first



thing it did in the US was to open an investor communication cell where it could tap into the capital.

The South African Breweries is perhaps even more dramatic. It shares some similarities with Cemex. These people sell beer. They realised that in the apartheid South Africa, Black people could not buy beer by walking into a pub. Instead, they bought it at the equivalent of our toddy bars. So they created Koshobans in South Africa, a system where they could distribute to the Shibeans. Having done that, they said, where else is this applicable, this capability that no existing brewer, Heineken,

Miller, nobody has any clue about? These are the psychological barriers of the multinationals we need to tap into. They don't have any clue about distributing to the Shibeans. So they build the busi-

**“India should leverage its diaspora. It is an extraordinarily underutilised asset.”**

ness in places that look like small economies but are, in fact, untapped economies. They built enormous business in Botswana, Zimbabwe, in basket case economies, and then gradually spread upwards to Africa. They did the same thing in eastern Europe because they all buy beer in the same way. Then they went to China and were one of the first successful multinationals in China at a time when most powerful MNCs were not making any money in the country. Then they went to Europe and, two years ago, bought Miller Breweries in the US. This is an illustration of leveraging the South

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African home context, the clever definition of neighbours and embracing the neighbours even though they don't necessarily look attractive. The reason I am emphasising this is that I don't think we do enough of this in India.

The last thing: borrow strategically. What do I mean by this? I'll ask you to reflect on why we use the term "emerging". Why do we have the appellation "emerging" in emerging markets? It is somewhat tautological. It is because functioning markets don't exist in places like India, China, Brazil.

"A positive feature about India is that it permits unbelievable learning and productivity."

Russia and so on. They are emerging de facto and the reason is that if you want to raise capital, they are pools of capital. There are people who want the capital but the soft infrastructure needed to match the buyers and sellers of capital is missing. In that sense, the capital market is emerging. The same is true of markets for ideas, talent and so on.

So the implication of all this is that companies in the emerging market often find that they need certain key inputs—talent, capi-



tal and ideas being the most salient—but they don't know how to get them. So a common feature of the companies that have emerged in the developing world is that they are not constrained by the absence of these markets in the immediate environment; they borrow from the world. They create a compelling value proposition and go to the rest of the world. Take Nokia. I don't know how many of you know that Nokia was a pulp-and-paper company. You

don't think of Nokia as a pulp-and-paper company. You think of it as a hand phone, cell phone company. So having come up with this mobile telephone and discovering that it wasn't the best cell phone company in the world, it realised it had to convince the rest of the world that it was a good phone company. The way it did so was very clever. It dedicated a high-level person to become a full-time vice-president of investor relations, a senior position in Nokia at that time, and relocated him from Helsinki to Dallas, Texas. Why

Dallas? There is no capital market in Dallas. The reason is that at that stage it could not go to public markets and convince them, thousands and thousands of anonymous shareholders, that they should put their hard-earned money in their company. It is very difficult to communicate that information to so many shareholders. But you can look for private equity capital for private placements. And in Dallas, there was somebody who knew about the telecom industry, who was sitting on a few hundred million dollars of capital. So they gave private placement and used it as a first step to have a public listing in New York.

This was an example of a company that discovered it could not raise the money easily in Helsinki or in Stockholm, or for that matter, in London at that time. So it decided to go to the capital market and crafted a strategy to borrow from the capital markets of the US. When you look around the world you see dozens and dozens of similar examples. Cemex did not want to raise that capital from Mexico because the debt capital is very expensive and volatile there. So it opened a separate subsidiary in Spain to tap into the Spanish capital market. Why Spain? Why not London? As a company that had Spain written all over it, it was to communicate to the Spanish investor. So it borrowed from Spain. Petro China borrows the corporate

governance standards of Hong Kong. Samsung is a good example. Five years ago, Chairman Lee said that Samsung was global by some standards. They sold tons and tons of products, every airport had a trolley, the brand name was recognised, but they were not a global company. The plan that he came up with was to go to the best business schools in the world, hire people of all nationalities and get them to spend some time in the chairman's office. So he was borrowing the infrastructure of the business

**“We have dozens of firms that the world is aware of, that it is seeking. The entire thing smacks of a nice explosion.”**

schools primarily in the US and Europe and getting non-Koreans to come and live in Seoul, especially if they didn't speak any Korean. That was almost the first requirement. He did this for almost five or seven years. He would come by every year and ask if anybody wanted to spend a couple of interesting years in Seoul. At one level, the failure rate of this programme was 100 per cent because essentially nobody stayed. They came, they spent some time at Samsung, they did some projects, they tried to assimilate into the Korean society,

found it hard, and left. But on another level, Samsung created its own diaspora. It created the Samsung diaspora of well-meaning Europeans, Brazilians, Americans and Africans who are now spread in all corners of the world and speak highly of those two years they spent at Samsung. That to me is proactive thinking. It is thinking with a 10-year horizon and saying that we need to do something to ensure that the opinions reflected in the boardroom are not purely Indian opinions, not purely Korean opinions, not purely African opinions but reflecting the global world. There are very few companies that are doing this proactively and for this reason I like the Samsung example.

Let me come back to the analogy of the Harvard Business School classroom. To the fact that we have gone from one or two students per 100 in Anand's time and then in my time 10 years later, to today, 20 years after Anand, when we have 10-15 Indian students per 90-100 students in the class. This is a process of increasing returns, wherein each committed student makes possible things that are way beyond the addition of just one person to that student body. They help each other. The larger pool attracts companies to come and seek them out. That, in turn, attracts more students to come and the cycle is complete. My optimistic hope is that we will use these increasing returns to build not just a hundred but a thousand companies that can go global.