Leadership for India Inc: Practical Concepts and Constructs
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Week - 05
Leadership Processes
Lecture - 22
Leadership Balance

Hi Friends, welcome to the NPTEL course, Leadership for India Inc. Practical Concepts and Constructs. We are in week 5 discussing Leadership Processes. In this lecture, we will consider Leadership Balance.

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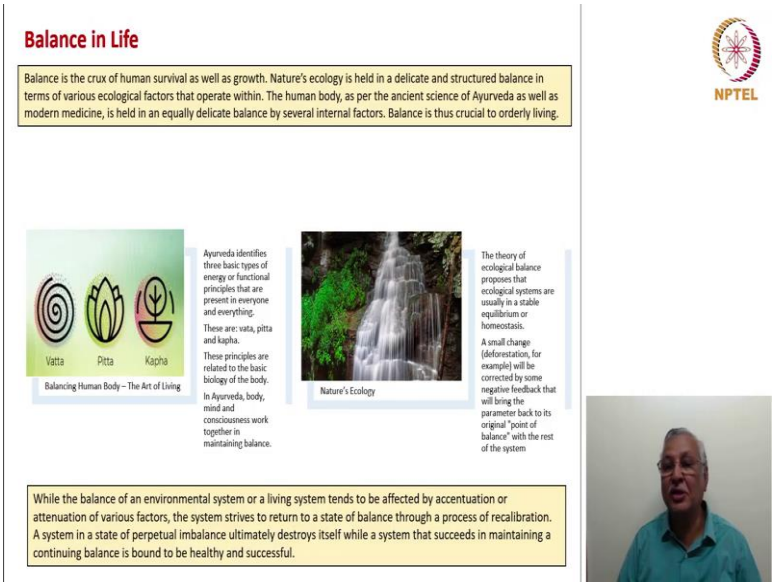

Balance is a very important concept in human life. We talk about balance between professional life and personal life. We talk about balance between family and friends, we talk about balance between academics and experience, we talk about balance within the family between husband and wife, parents and children and so on.

Balance is the crux of human survival as well as growth. If you see the nature as well, the entire natural phenomena are held in a very delicate balance. The human body, as per the ancient science of Ayurveda as well as modern medicine, is held in an equally delicate balance by several internal factors. Balance is therefore, crucial to orderly living, if you want to see the balance within the human body, we can go to Ayurveda for the

principles. Ayurveda identifies three basic types of energy or functional principles that are present in everyone and everything. These are vatta, pitta and kapha. These principles are related to the basic biology of the body. In Ayurveda, body, mind, and consciousness must work together to maintain healthy balance.

Similarly, if you see nature's ecology, the theory of ecological balance proposes that the ecological systems are usually in a stable equilibrium or homeostasis. Any small change in the nature's equilibrium that is either through deforestation or through climate change for example, will be corrected by some negative feedback that will bring the parameter back to the original "point of balance" with the rest of the system.

While the balance of an environmental system or a living system tends to be affected by accentuation or attenuation of various factors, the system always tries to return to a state of balance through a process of recalibration. A system which is in a state of perpetual imbalance ultimately destroys itself, while a system that succeeds in maintaining a continuing balance is bound to be healthy and successful.

These lessons of human physiology and the lessons of delicate ecological balance are equally important for organizations.

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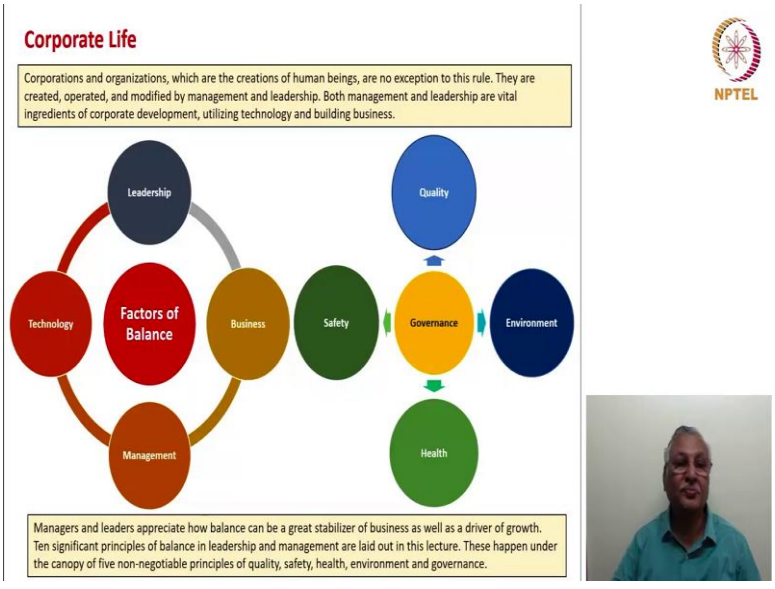

When we look at organizations, there are four factors of balance, these are leadership and management, technology and business, these are the vital ingredients of establishing an

organization. However, while establishing an organization and running it one must always keep these five parameters as non-negotiable basic foundational parameters of an organization, safety, quality, environment, health, and governance. Managers and leaders who are successful appreciate how balance can be a great stabilizer of business as well as driver of growth.

I have outlined in this lecture, ten significant principles of balance in leadership and management. These happen under the canopy of these five non-negotiable principles of safety, quality, environment, health and governance.

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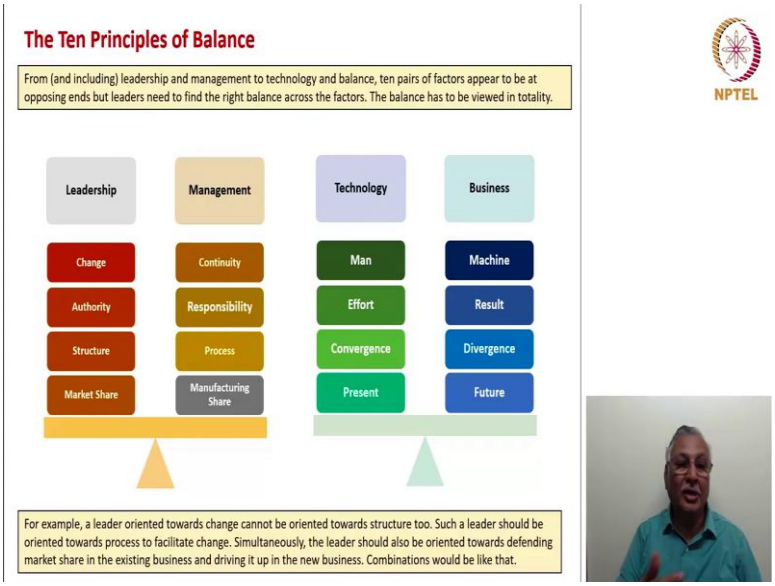

I would like you to view these in two sets, one set of leadership and management another set of technology and business. When you look at leadership, you have factors change, authority, structure and market share on the side of leadership and management is represented by continuity, responsibility, process, manufacturing share.

When you go to technology, it impacts and is impacted by man, effort, convergence, present and when you look at business, machine comes into the picture, result come into the picture, divergence is followed upon and future is always sought for. So, for example a leader oriented towards change cannot be oriented only towards structure, he also needs a process flexibility, a process adaptability.

Simultaneously, the leader should also be oriented towards defending market share in the existing business and growing the market share up in the new business. There would be several combinations of leadership and management, technology and business together in the four factor framework.

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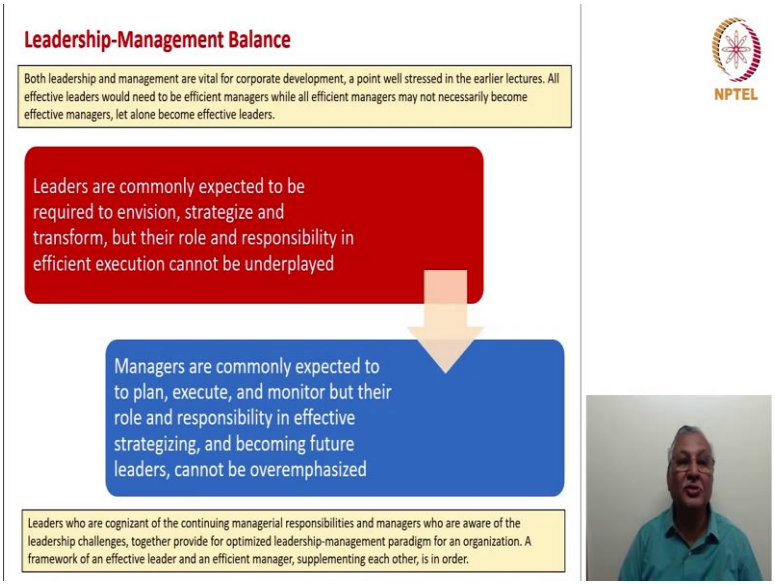

So, let us look at each of these balance factors sequentially. Leaders are commonly expected to be envisioning the future, strategizing for that and transforming the organizations. However, their role and responsibility in efficient execution cannot be underplayed. Managers are commonly expected to plan, execute, and monitor but that set of activities has to undergo the strategic rigor, it has to be done within the canopy of a broad strategy, and to be future leaders they got to be strategic while being a execution oriented.

So, leaders who are cognizant of their management responsibilities and managers who are aware of the leadership challenges and opportunities together provide for an optimized leadership and management paradigm for an organization. A framework on effective leader and an effective manager, supplementing each other, is in good order for great organizations.

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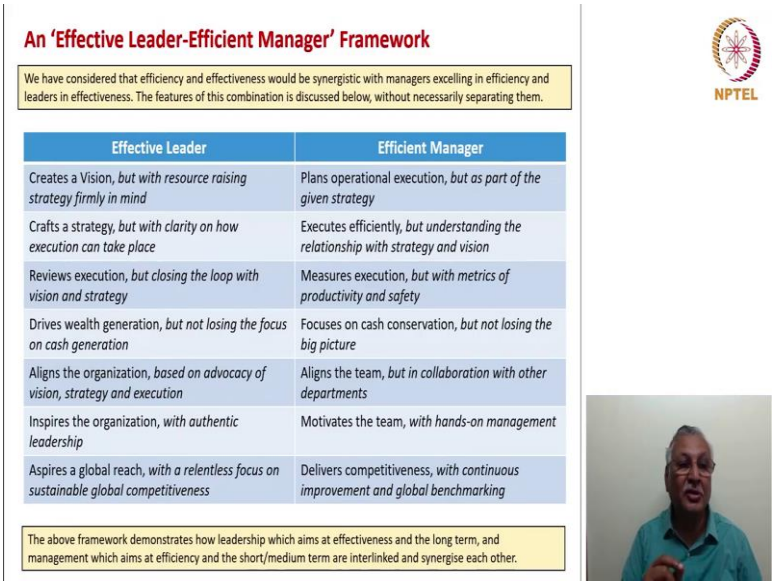

Let us try to see what this an 'effective leader and an efficient manager' framework is. An effective leader is one who creates a vision, but with resource raising strategy firmly in mind.

So, you can see the italicized portion as being the managerial component and the non italics portion being the leadership component. So, creating vision is the leadership component, resource rising is a managerial component and what does an efficient manager do in the same kind of domain, he plans and executes operations, but as part of the given strategy.

An effective leader crafts a strategy, but with clarity on how execution can take place whereas, an efficient manager executes efficiently, but he understands the relationship of execution with strategy and vision. An effective leader does not forget about execution, he may not execute by himself or herself, but reviews execution thoroughly and he closes the loop with vision and strategy whether, the execution is in synchronization with the strategy that has been developed.

An efficient manager has a very materialized view of execution, but he also has other metrics such as productivity and safety. An effective leader drives wealth generation, but not losing the focus on cash generation because; he also knows that without cash the business would collapse. The existing business has to generate revenue and profit for the

emerging and future businesses to take place. An efficient manager focuses out and out on cash conservation, but he does not lose the big picture either.

An effective leader aligns the organization, based on advocacy of vision, strategy and execution whereas, an efficient manager aligns his or her team, but in collaboration with other departments. An effective leader inspires the organization, with authentic leadership whereas; an efficient manager motivates the team, with hands on management.

An effective leader aspires a global reach, with a relentless focus on sustainable global competitiveness, delivers competitiveness with continuous improvement and global benchmark that is by efficient manager for you. So, if you see the canvas is bit different between the leader and the manager.

A leaders' canvas is little broader and little more aspirational compared to the managers' canvas, but each recognizes the importance of the other. This framework demonstrates how leadership which aims at effectiveness and also the long term, and management which looks at the short and median term also efficiency are going to be well interlinked in a successful organization, how their synergize each other.

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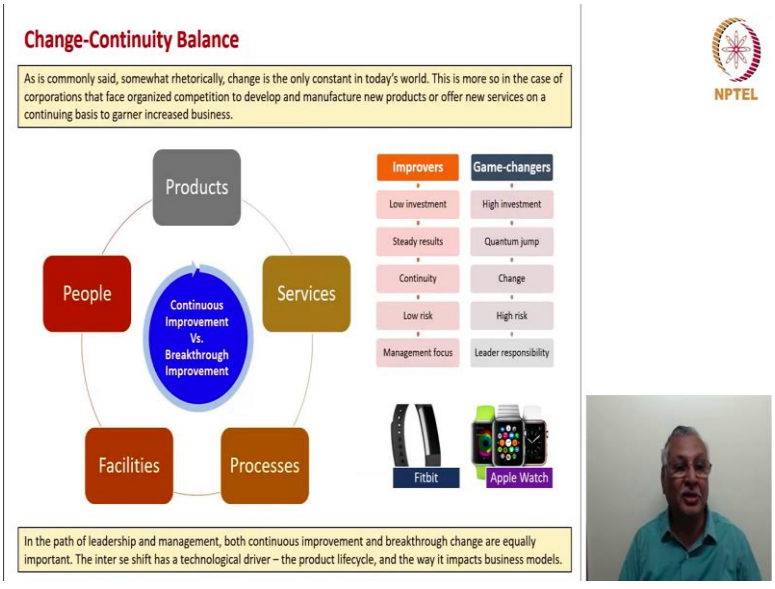

Let us come to the second point, which is the change in continuity balance. As this commonly said somewhat rhetorically, changes the only constant in today's world. This

is more so in the case of corporations that face organized competition to develop and manufacture new products or offer new services on a continuing basis to garner increasing business.

So, we have this challenge whether we should have continuous improvement or break through improvement that represents the change versus continuity dilemma. We have products, we have services, process, facilities, and people. We can have continuous improvements in each of these things or break through improvements in each of these things or in all of these things. So, improvers are those companies, which benefit from low investment, steady results, continuity, low risk and management focus.

They stick to their core competence and consolidate on their business whereas, game changes or the transformers who look for change continuously, they are going for high investments, big ticket projects; they seek quantum jump in product offerings as well as in business share.

They look for change continuously, they are willing to take high risk, and it is considered leaders' responsibility to organize this kind of game changing transformation. In the path of leadership and management, both continuous improvement and breakthrough change are equally important. The inter se shift has a technological driver, the product lifestyle and the way it impacts business models.

If you look at the improvers, you can look at fitness bands continuous improvement from the original very functional fitness band. On the other hand, if you want to look at game changer, you can look at an Apple watch which has combined watch functionality, a fitness functionality, a health functionality, and even advance diagnostics such as ECG and fall detection.

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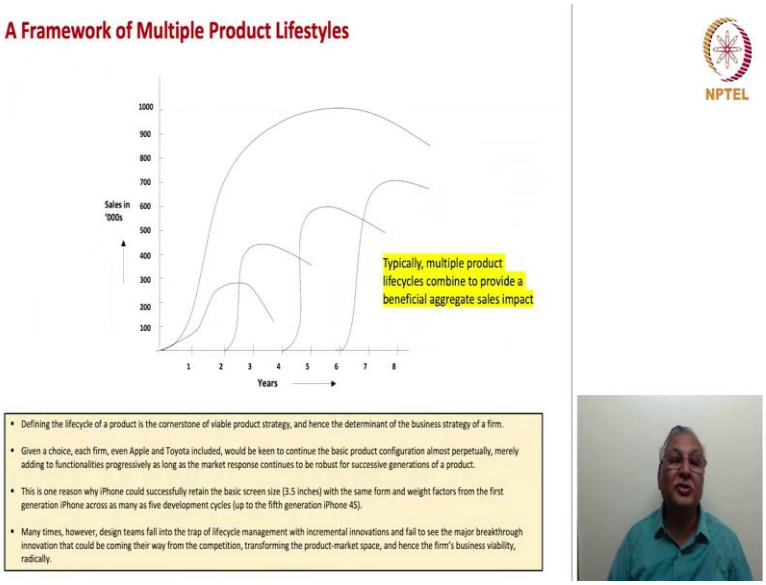

We also have this concept of multiple product life cycles as we look at the challenge of a change with continuity. In the earlier days, we used to have one long product life cycle that is probably something which is extending up to 80 years or so. Today we have multiple product life cycles which combined to provide the same kind of benefit in aggregate sales.

So, the dilemma for leaders is whether we should have a product cycle which is long and sustained or we should have many short product cycles which together provide greater sales capability. Typically, when you have short product cycles which are intense and which stimulate sales, the cumulative impact of such short product cycles could be probably much higher than the impact of a long stable product lifecycle.

Every company Apple, Toyota included would be keen to continue the basic product configuration as long as possible, that is why Apple continued with it is basic 3.5 inches screened iPhone for a long time almost till the iPhone 4S came. Similarly, in the early years', car makers used to keep their models afresh for 2 to 3 years with minor improvements, rather than attempting a model change every year.

However, many times design teams fall into the trap of making continuous changes or getting into life cycle management. Too much of lifecycle management trying to extract the product life cycle beyond its fitness for purpose as a core product that is not good,

neither is it good to have obsolescence or forced obsolescence of product even though it is characteristics are still acceptable in the market place.

So, how do we transform the product market space with an appropriate balance between change and continuity is one of the balancing factors in product strategy.

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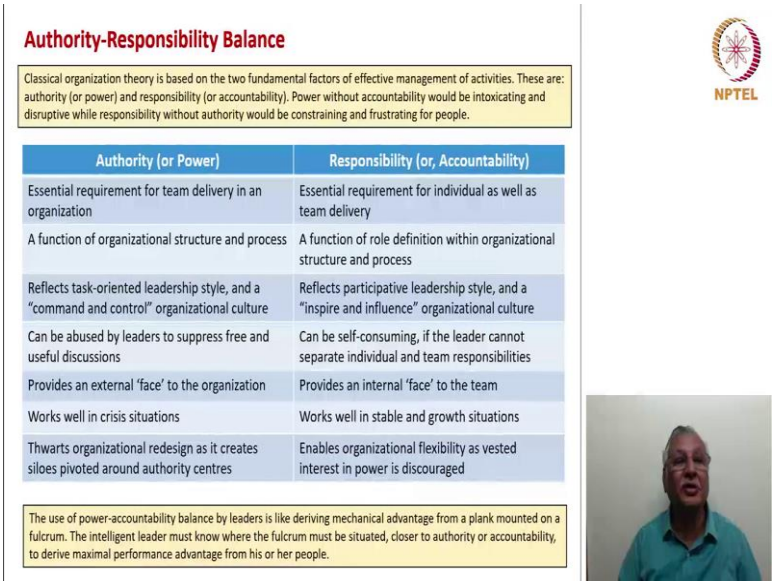

The third point is the authority responsible balance. Classical organization theory is based on the two fundamental factors of effective management of activities. These are authority or power and responsibility or accountability. Power without accountability would be intoxicating and disruptive while responsibility without authority would be constraint and frustrating for people.

So, let us look at what authority will do and what responsibility will do. Authority is an essential requirement for the team to deliver in an organization. Whereas, responsibility is an essential requirement for individual as well as team to deliver, without authority a team cannot deliver and without accountability a team cannot be judged whether it has delivered.

Authority is a function of organizational structure and process whereas; responsibility is a function of role definition within an organizational structure and processes.

So, responsibility is deeper in meaning and content than just authority. Authority typically reflects a task oriented leadership style and a “command and control”

organizational culture. Whereas, responsibility and accountability reflect participate through leadership style, and “inspire an influence” organizational culture. Authority or power can be abused by leaders to suppress free and useful discussions whereas, responsibility or accountability can be self consuming, if the leader cannot separate individual and team responsibilities.

Unprecedented and an exceptional ownership could cause certain damage to an individual’s capability over a period of time. So, one must know where to draw individual accountability where to draw team accountability. Authority or power provided external “face” to the organization whereas; responsibility or accountability provides an internal “face” to the team.

Authority or power works well in crisis situation because, that is when everybody has to work in tandem and in a very quick fashion whereas, responsibility or accountability works very well in stable and growth situations. Authority or power thwarts organizational redesign as it creates silos pivoted around authority centers whereas, responsible system or responsible culture enables organizational flexibility where vested interest in power is quite discouraged.

The use of power accountability balanced by leaders is like deriving mechanical advantage from a plank which is mounted on a fulcrum. The intelligent leader must know where the fulcrum must be situated, whether it should be closer to the authority point or closer to the accountability point.

Depending upon how that is positioned, based on the context the leader and the team, it is possible for the leader to derive the maximum performance advantage from his or her people.

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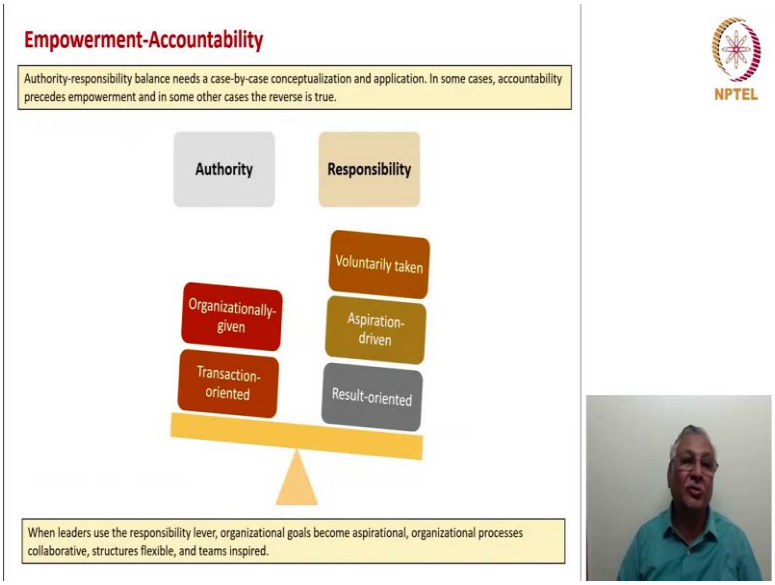

We will go to the next principle, which is empowerment and accountability. Which is similar to authority and responsibility that is, if you are having authority which is given organizationally and which is transaction oriented, you can say that it is authority. On the other hand, if responsibility is voluntarily taken aspiration driven and is result oriented we can think of as empowerment, in some cases accountability precedes empowerment and in some cases the reverse is true.

While leaders use responsibility lever, organizational goals become aspirational, organizational process become collaborative, structures become flexible, and teams become inspired.

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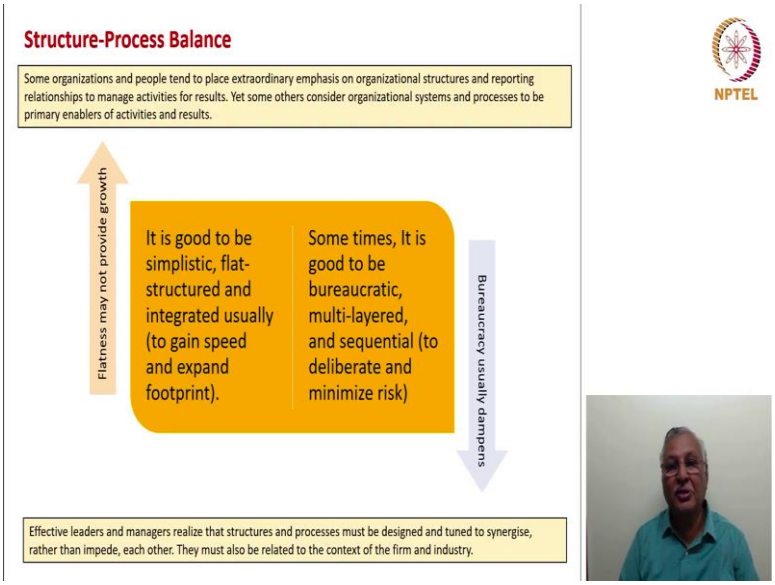

Let us look at another principle, which is structure process balance. Some organizations and people tend to place extraordinary emphasis on organizational structures and reporting relationships, while some others consider organizational systems and procedures to be the more primary enablers of activities and results.

Flatness may not always provide growth while it is good to be simplistic in terms of a flat organizational structure because, it usually gains speed and expands footprint, it is not always possible to have the required measure of specialization with a flat organization.

Sometimes it is good to be bureaucratic, multilayered and sequential so, that we can deliberate and minimize the risk. However, on the negative side, bureaucracy usually dampens the growth impulse.

So, effective leaders and managers realize that structures and process must be designed and tuned to develop synergy, rather than allow impedance. It also must be related to the context of the firm and the industry.

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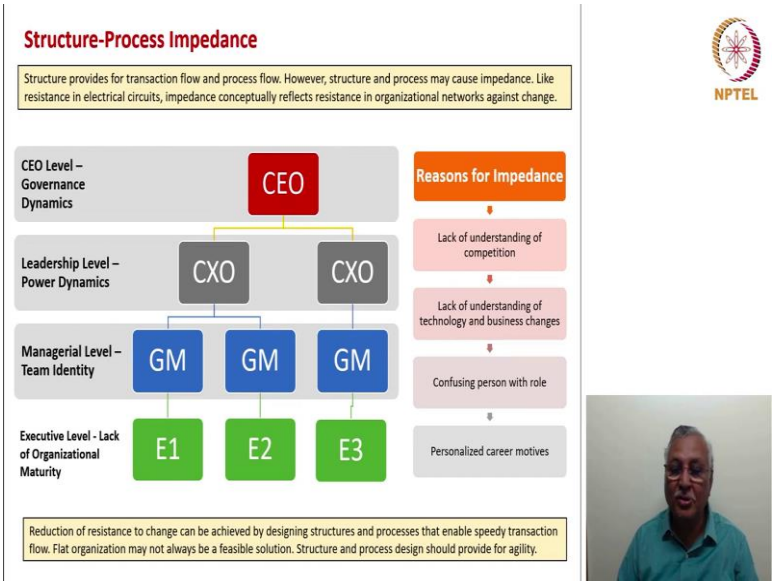

What is structure process impedance, we will discuss that, we have 4 layers let us say in the organization, at the CEO level we tend to have governance dynamics, at the leadership level we have power dynamics, at managerial level we have team identity dynamics and at executive level lack of organizational maturity.

So, you can think of this as a very complex electric circuit and in the electric circuit as we know there would always be resistance. Similarly, an organizational circuit or the network, impedance conceptually reflects resistance in organizational network against change, what are the reasons for impedance, we saw just now that there are different types of dynamics at different levels.

So, that primarily is a major influencing factor on the level of impedance that happens because, everybody is watchful of the dynamics across the hierarchy as well as within the group.

Apart from that there are various other reasons for impedance, lack of understanding of competition, lack of understanding of technology and business changes, confusing the person with the role and personalized career moves, these cause a high level of impedance in organizations. Reduction of resistance to change can surely be achieved by designing structures and process that enables speedy transaction flow. Flat organization as it said may not always be a feasible solution nor a desirable solution.

We should have structure and process to be able to accomplish results in a systematic fashion, but their design and the use of systems and processes must provide the appropriate structural flexibility so, that the organization as a whole can be agile.

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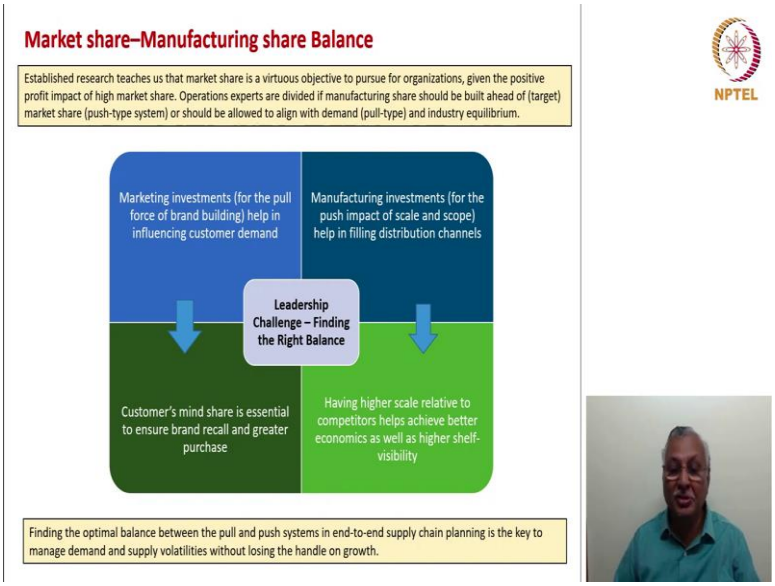

Another principle, market share and manufacturing share, should we aim for market share or should we aim for manufacturing share. What is the difference? You can build your manufacturing share in terms of your capacity far ahead of your arriving at the market share. On the other hand, you can seek market share and have a pull type system which enables the organization or which induces the organization to expand it is capacity.

If you have capacity in large quantum and the market share is lower, not only your break even tends to be high and also your incentive or motivation to be efficient also becomes low, because we have got a lot of fixed cost, which are already sunk. On the other hand, you are just to the brim with reference to the market share capability.

But there is also great potential to increase the market share, then you are motivated and inspired to improvise to be creative and enhance your capacity in several ways and also lower the break even further through several creative ways.

So, the marketing investments for the pull force of brand building help in influencing customer demand and customer's mindshare is essential to brand recall and greater

purchase being there. So, market share comes only when you have the customer's mindshare.

On the other hand, you can have manufacturing investments for the push impact of scale and scope, that would help in filling the distribution channels, but having higher scale relative to competitors definitely helps achieve better economics as well as higher shelf visibility, but we cannot be sure that you would be price competitive in such a situation.

So, leadership challenge is how to find the right balance between the market share and the manufacturing share, which is almost equivalent to the paradigm of finding a right balance between a pull type system and a push type system and the impact on the end to end supply chain planning, that is very much essential for managing the demand supply equation without losing the handle or the growth.

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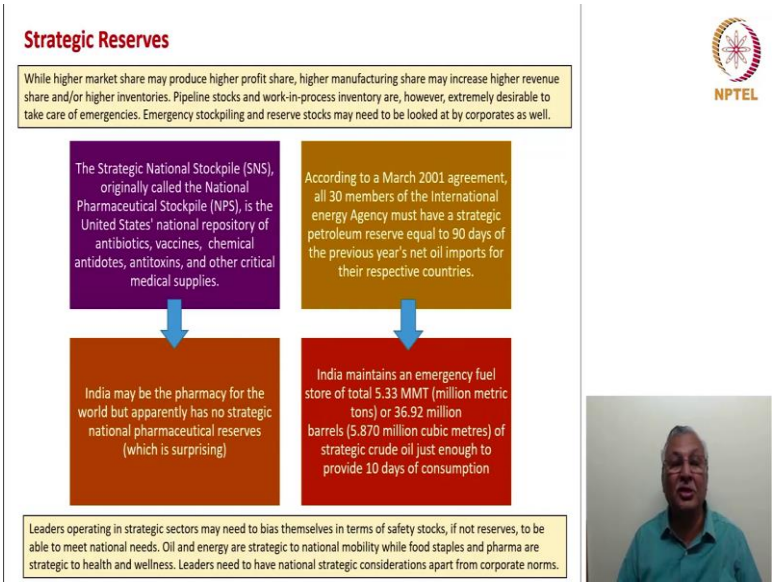

When we talk about these capacity, market share, manufacturing share kind of concepts along with the demand, we also have to touch upon the concept of strategic reserves. Higher market share may produce higher profit share, higher manufacturing share may increase higher revenue share and our higher inventories.

Pipeline stocks and working process inventory are however, extremely desirable to take care of emergencies, the time to say that we should not have any inventory in fact, we should work on a virtuous basis on zero inventory probably is not very correct.

Emergency stock piling and reserve stocks may need to be looked at by corporates as well.

We have a concept of the Strategic National Stock Pile, originally called the National Pharmaceutical Stock Pile in the United States; it is the national depositary of antibiotics, vaccines, chemical, antidotes, antitoxins and other critical medical supplies. These are bought by the government and stored as the SNS.

So that, any emergency is taken care of by the government whereas, in India although we are considering the pharmacy of the world apparently, no strategic national pharmaceutical reserves seem to be in place, which is a bit of surprise for me at least personally.

According to a March 2001 agreement, all 30 members of the international energy agency have committed to have a strategic petroleum reserve equal to 90 days of the previous year's net oil imports for their respective countries. This is basically to ensure energy security for the nations. We maintain an emergency fuel store of total of 5.33 MMT million metric tons or 36.92 million barrels, which is 5.87 million cubic meters of strategic crude oil which is just enough to provide 10 days of consumption.

This one can say is a tough call taken because we have 80 to 85 percent of our crude oil being met through imports. So, we have a kind of challenge, if you want to have high level of strategic oil reserves, you also will have to face high current account deficit and if you have current account deficit and of a high order, your economic parameters would be disturbed.

So, leaders operating in strategic sectors may need to bias themselves in terms of safety stocks, if not at least safety stocks, you should have a continuous pipeline filling. So, that there is no shortage and the pipeline movement can probably give you the cushion to ramp up the production when an emergency or extra demand situation piles up.

The ideal way is to have reserves to take care of the emergency such as Covid-19 pandemic emergencies that we are facing. Similarly, oil and energy are strategic to national mobility, while food staples are strategic to health and wellness. We need to maintain our national strategic considerations apart from corporate norms.

We should be happy that the government maintains very good food stocks and while agriculture in the drought tears may draw down the food stocks the whole concept of having the national food stock piling is a great concept that has been in vogue in India and for a country such as India with large numbers in rural areas and in indigenous sections it is a boon.

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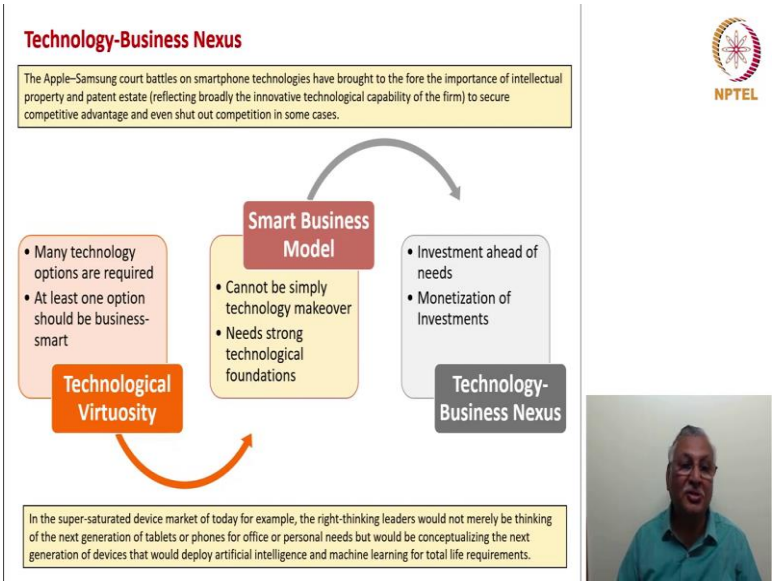

Another principle is one of technology business nexus, the Apple-Samsung court battles on smart phone technologies reflect on the fact that technology underwrites the business competitiveness; if you have intellectual property advantage probably you can shut out competition and enjoy the market for yourself.

Technological virtuosity means, you require many technological options to be chosen. Technological virtuosity means that you need to have a bank of technology options out of which at least one or two must be business smart.

A smart business model requires not merely a technology makeover, but requires basically strong technological foundations. So, to have a good nexus between technology and business, you should be able to invest ahead of the needs and you should be able to monetize investments at an appropriate time.

In the supersaturated device market of today for example, the right thinking leaders would not merely be thinking of the next generation of tablets or phones for office or

personal needs. But would be conceptualizing and integrated generation of devises that would deploy artificial intelligence and machine learning for total life requirements.

They may try to have one common operating system across range of devices providing the same levels of functionality. The best of the functionalities from the mobile systems, the best of the functionalities from the desktop systems would be combined to make one standard homologous operating system.

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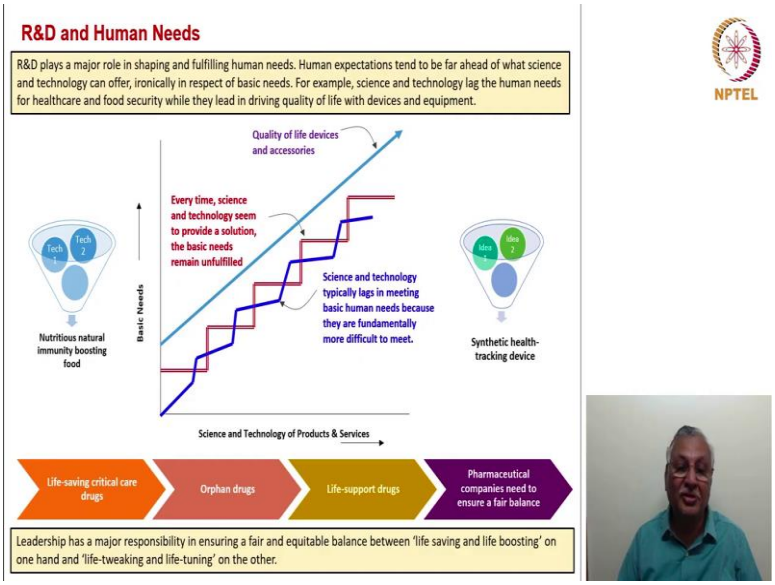

Another important thing we need to look at, when we consider the concept of balance is that, many time science and technologies are utilized to drive products which improve the quality of life. But strangely, to improve upon our basic needs, the technological requirements the scientific requirements are seen to be even more challenging. It is easy to create a smart phone these days, but it is very difficult to make a new vaccine for a new virus.

It is very easy to change the design of a machine tool to have higher manufacturing specifications, but it is very difficult to in build nutritious components in our day to day food products. So, the basic needs have got significant challenge in development of science and technology, many times the basic needs always move up faster than the technological ability to cope with.

Whereas in respect of quality of life devices and accessories, technology seems to be far ahead of the requirement of the human mind. In fact, technology gets developed and the products and the marketing efforts shape the desires of the human beings to seek such products. On the other hand, in life, the human body and the human mind and the nature are craving for fulfillment of the basic needs to the fullest extent, but science and technology is moving in a slower fashion in meeting those needs.

If you take the example of the pharmaceutical industry, we need to have much greater influence and importance attached to life saving critical care drugs, oncology medicines, orphan drugs that is drugs which are used diseases which are few in number, but are debilitating.

As opposed to let us say nutraceuticals, life improving drugs and so on. We need to have a fair balance, but if you to see today lot of investment is in the life improvement products rather than in the life saving products, we have to ensure that there is a fair balance in meeting the basic needs vis-a-vis we meeting the improvement needs and that is the leadership responsibility.

How much to deploy for life saving and life boosting versus, how much we have to deploy for life taking and life tuning aspects of our product strategy.

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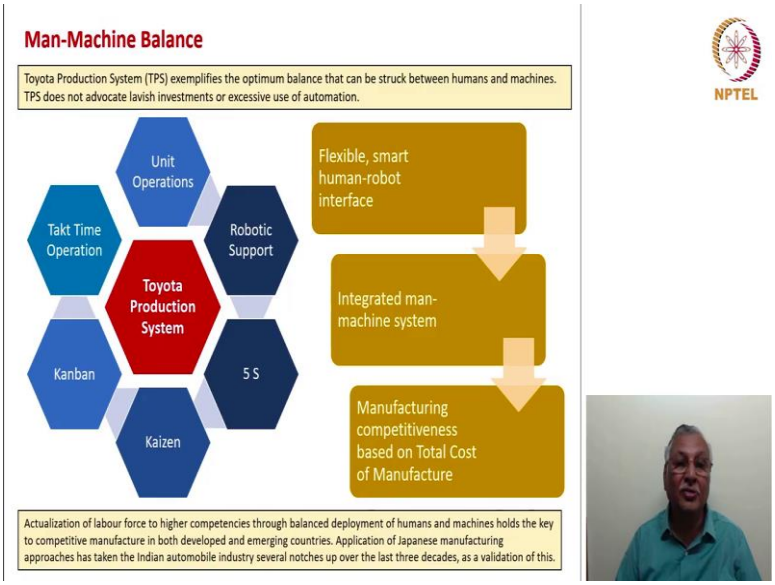

Another principle is the man machine balance. Toyota production system exemplifies the optimum balance that can be struck between humans and machines, and TPS does not advocate lavish investments or excessive use of automation. Those who have seen Japanese factories would actually be surprised that it is not the gleaming new machinery that characterize these factory floors, but machines which have been there for several years, but have been upgraded continuously through electronic and digital means.

So, the Toyota production system is focused on unit level operational efficiency, robotic support, 5S, Kaizen, Kanban, and Takt time operation. TPS envisages very flexible, smart human robot interface, envisages an integrated man machine system and also manufacturing competitiveness that is based on total cost of manufacture.

Actualization of labour force to achieve higher competencies through a balanced deployment of humans and machines holds the key for competitive manufacture in future, while using technology to enhance productivity, safety, efficiency and effectiveness of manufacturing operations in some operational excellence, we also have to see that the interface between humans and robots is judicious.

Application of Japanese manufacturing approaches has taken the Indian automobile industry several launches up over the last three decades and this a validation of the importance having a good man machine balance.

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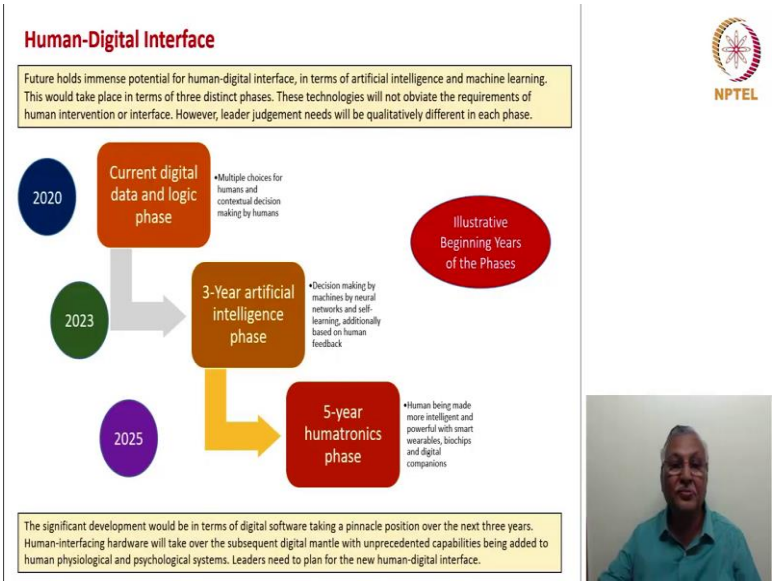

Similarly, we need good human digital interface. Future holds immense potential for human digital interface, in terms of artificial intelligence and machine learning. This would take place in terms of three distinct phases. These technologies which will unfold in future will certainly not obviate the needs for human intervention or interface. However, leader judgment will be qualitatively different in each case.

Let us say we are today in 2020, we have got a strong digital data and logic phase, we have multiple choices as human beings and leaders and we are expected to make contextual decision by ourselves. Three years hence, we are likely to have an artificial intelligence phase, where the decision making would be carried out by machines with neural networks and self learning also based on additional human feedback.

2 or 3 years later we will have a 5 year humatronics phase, wherein the human being will be made more intelligent with smart wearable's, bio chips and digital companions. The already existing high intelligent quotient will be even made more reinforced with the advent of humatronics phase. So, the significant development would be in terms of digital software taking a pinnacle position over the next 3 years.

And human interfacing hardware taking the subsequent pinnacle position. So, un precedent capabilities will be added to the human physiological and psychological systems and we need to plan as leaders for this new human digital interface.

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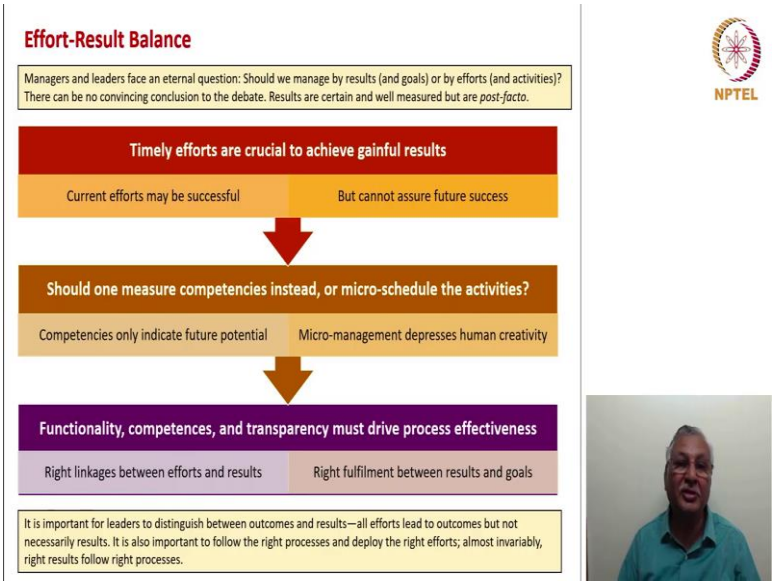

We also need to look at the effort result balance. Timely efforts are crucial to achieve gainful results, current efforts may be successful, but cannot assure future success. How do we measure competencies, to measure competence should we be a micro scheduling the activities, competencies will only indicate future potential, micro management depresses human creativity.

Therefore, we need to have a paradigm which combines probably all of these things: we should have functionality, we have got competencies, we have got transparency, and they must make the process very effective, to be able to do that, we should have good linkage between effort and results, we should also have right fulfillment between results and goals.

So, we have to distinguish between outcomes and results, we have to distinguish between carrying out an activity and securing a result this is very important. All efforts will lead to outcomes, but are they the results which our goal setting process desired, it is also important in this methodology to follow the right processes and deploy the right efforts almost invariably right results will follow right processes.

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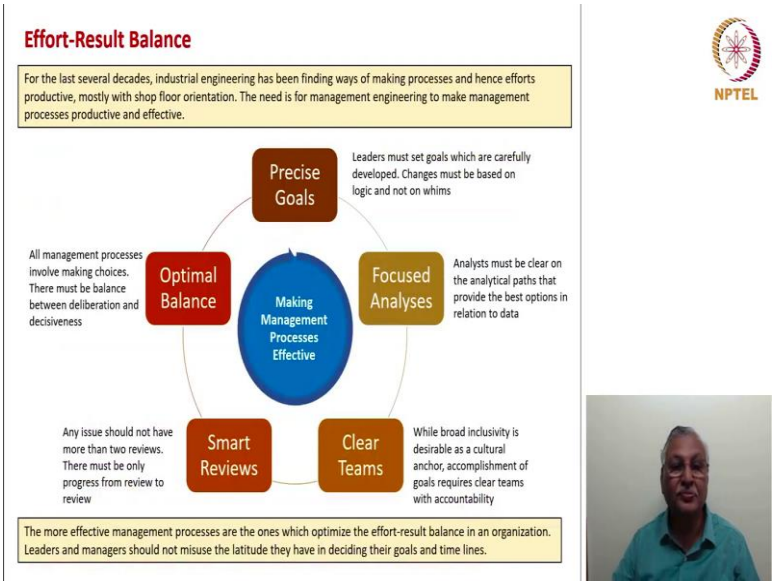

Then we have the effort result balance. For the last several decades, industry engineering has been trying to make the processes more efficient, the man machine interface more efficient, but almost singularly with shop floor orientation. Now, the need is for management engineering to make management process more productive and effective.

It is at times tragic that there is lot of productivity, efficiency and effectiveness at the shop floor, but the management decision making, management of projects, and management reviews are not being efficient that is leaving huge amounts of capital expenditure ill fully or wrongly deployed.

So, we should have this management engineering expressed through these five factors. Precise goals, as leaders we must set goals which are carefully developed, changes must be based on logic and not on whims. We should have focused analysis that is analyst must be clear on the analytical paths which provide the best options relation to data.

We should have clear teams, we cannot have teams of different functionalities coming and going, we should have a cross-functional team that is set up based on a thorough logic and thorough understanding. We talked about how clear teams could be utilized based on the leader member exchanges, the concepts which we have discussed in the earlier leadership theories.

So, while broad inclusivity is desirable as a cultural anchor, accomplishment of goals requires clear teams with clear competencies as well as clear accountability, then we should also have smart reviews. Any issue should not have more than two reviews. If you are not able to review properly to 90 percent effectiveness in the first stage it is self that means that the execution process is quite imperfect or the goal process is imperfect or your own review process is imperfect.

You should look at the second review only for fine tuning and bringing up the fineness in the execution. So, and also there must be clear progress from review to review and again maintaining optimal balance is also one of the goals of the effort result balance. The all management process involve making choices, there must be balance between deliberation and decisiveness, we should think, we should plan, we should analyze, but you should also be decisive, agile and focused.

So, the more effective management processes are the ones which optimize the effort result balance in an organization. Leaders and managers should not misuse the latitude they have in deciding their goals and timelines.

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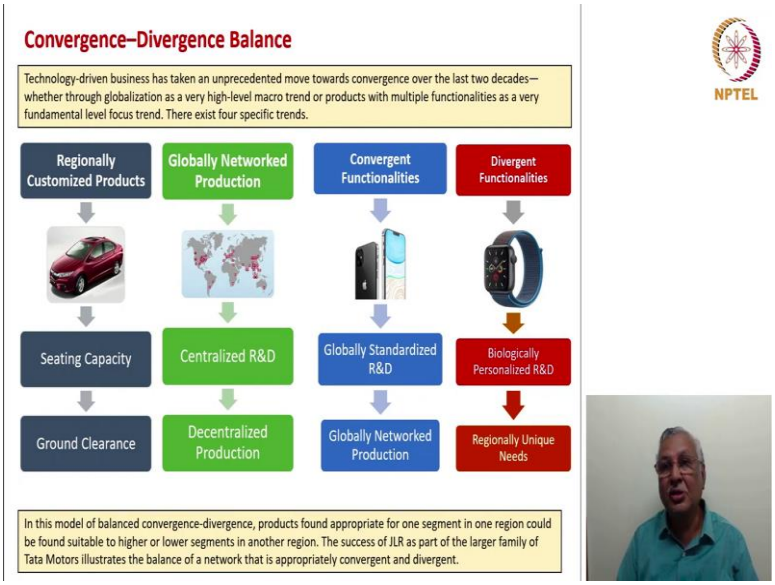

The next principle is one of convergence divergence balance. What is convergence, bringing in several functionalities in one product, similarly bringing in several customer requirements satisfied through one product could also be convergence.

Divergence is the ability to meet multiple requirements through different functionalities. So, let us take an example of regionally customized products. The Sedan which we get from Japan with the foundational Japanese technology is modified to meet the Indian situation, in terms of the body profile, the Indian body systems are different from the Japanese body profiles that is number 1.

Number 2 because Indians would like to have a sedan as a family vehicle, a 4 seater Sedan of the Japanese design will be modified to a comfortable 5 seater sedan of the Indian requirement with the rear seating being very comfortable for pass through situation.

The ground clearance will be upped from the 125 to 135 mm, which could be there in the Japanese car to easily 180 to 190 millimeter which is required in the Indian potholes on road situation. When we look at the globally network production, you will look at centralized R&D and decentralized production, this is the convergence aspect, but with networking.

When we look at the converging functionalities, you have globally standardized R&D, but globally networked production. You can see the difference a centralized R&D with a decentralized production, but a globally standardized R&D with globally networked production, how does the globally standardized R&D differ because the internal factors internal inerts will be the same, but the external embellishments will be different.

So, the functionalities are actually different, but they look convergent and the production is networked therefore, the engines gear boxes or the sensors, the microchips the taptics which is these are all shared. So, that is the convergence of functionalities. Then you can have divergent functionalities wherein you have a biologically personalized R&D and regionally unique need system.

In this model of balanced convergence divergence, products found appropriate for one segment in one region could be found suitable to a higher level or a lower level segment in another region. The success of JLR as part of the larger family of Tata Motors, illustrates the balance of a network that is both convergent as well as divergent.

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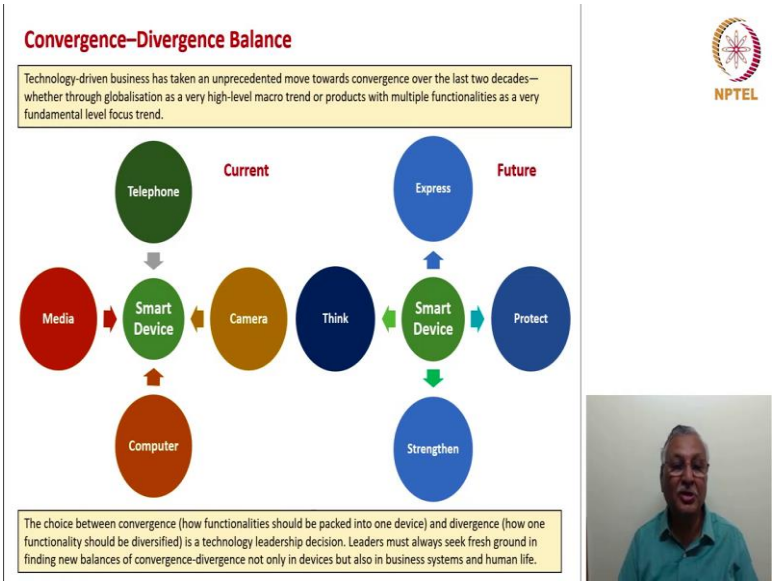

We can look at the convergence divergence balance in terms of the technological factors as well, moving on to an experiential state. If you look at a smart device today, you will define it in terms of telephone, media, camera, computer, functionalities being there in this smart device.

You see them as products of technology. Different types of technologies, different types of product functionalities are being merged into one device what we call as smart device. But in future, you will express this smart device as a device which is able to express which is able to think, which is able to protect you, which is able to strengthen. So, you can say that the basic technological parameters will provide a life experience, a living experience through the smart device in future.

So, it is more of a human companion that is the kind of difference, which is going to happen primarily through technology which is applied in a very humanistic and thinking manner. So, the choice between convergence that is how functionalities should be packed into one device and divergence how one functionality should be diversified, it is a technology leadership decision.

Leaders must always seek fresh ground in finding new balances of convergence and divergence not only in devices, but also in business systems and human life. And the products are the best bridge between different generations and between different experiences which generation experience.

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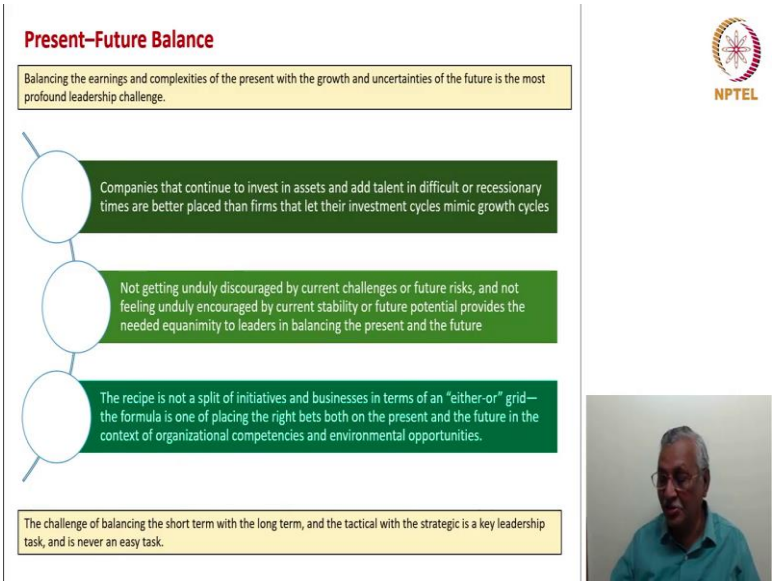

Then we also have the present future balance. If you want to balance the earnings and complexities, there is no other challenge of balance then balancing the present and the future. Companies that continue to invest in assets and at talent in difficult or

recessionary times or much better placed to tackle the future than the firms that led their investment cycles follow the growth cycles.

You should be ahead of the growth cycle, even in recessionary times you should be prepared to make your investments. If you are too much bothered by the current challenges or future risks, it is quite likely that you will not be ready for a v shaped recovery or huge opportunistic increases in demand that could take place.

The recipe again is not in terms of, in a split of initiatives and businesses in terms of "either-or" grid, the formula is one of placing the right bids both on the present and the future, in the context of organizational competence and environmental opportunities. So, the challenge of balancing the short term and long term and the tactical with this strategy is a key leadership task and it is also difficult task.

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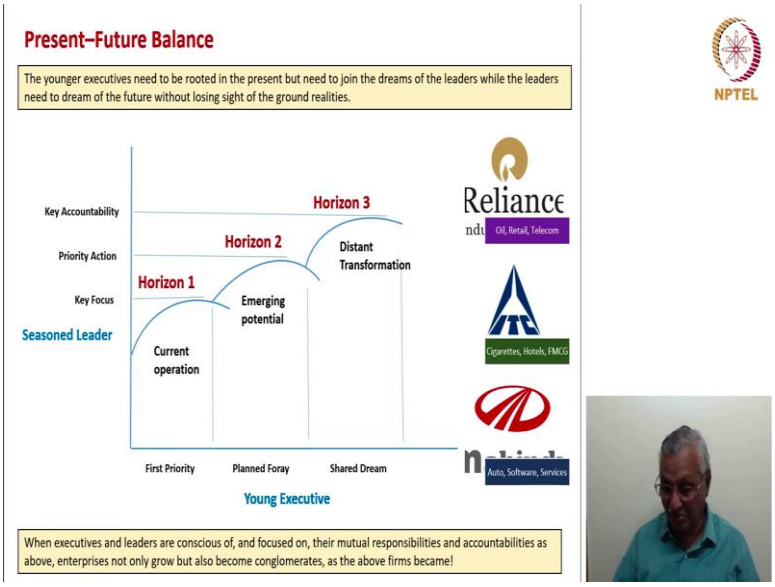

So, when you look at the present future balance, you can see three horizons at all points of time. Horizon 1, which is the current operation, which is the first priority for a leader, horizon 2 which is the emerging potential, which is the planned foray, and the shared dream is the distant transformation which is horizon 3. So, you have this seasoned leader directing this entire multi horizon framework in horizon 1, the season leader's responsibility is a key focus on current operation, sustaining itself and providing the revenues and profits.

For horizon 2, he needs to direct priority action to make sure that the emerging potential is fully harnessed, and for horizon 3 he alone has the key accountability because he has to deliver the proper vision and an inspiring vision, develop strategy and leave it to the other divisions to provide the building blocks for the distant transformation.

If you see the young executive whose journey is planned in the x-axis for him or her the first priority would be the current operation, young executive is enthused to get into the planned foray of the emerging businesses and he would share the dream of the horizon 3 with the leader, hoping to be a leader himself when the transformation starts occurring.

So, when executives and leaders together are conscious of and focused on their multiple responsibilities and accountabilities as above, enterprises not only grow, but also become conglomerates as the above firms became, Reliance became a conglomerate of oil, retail and telecom by focusing on the 3 horizons. ITC became a conglomerate of cigarettes, hotels and FMCGs. Mahindra is now a conglomerate of auto software and services and so on.

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These principles can, we can look at them at work. We talked about leadership management balance, it is putting practice by high performing companies which have large leadership bench and see CXOs and CEOs successions from within. When you look at Tata Steel, we had Dr. J J Irani followed by Russi Modi followed by B Muthuraman and followed by the current CEO T V Narendran.

All of these leaders came from the internal ranks and they were reflective of the richness of the leadership bench which Tata Steel had, similarly, Tata Motors had a strong internal leadership bench. The leadership team which developed the Indica car and later the Nano car is now in charge of the passenger vehicle business.

So, there is the leadership which has risen to the occasion and in the case of Tata Motors, different product lines which were organized and developed thematically gave raise to international leadership development, which could grow the product lines into business lines and from the business lines they could become strategic business unit leaders.

The former provided a pipeline of leaders for the steel business whereas, the later pursuing a path of diversifying into new core competencies while retaining the established once gave diversified technological leadership for converting into business leadership.

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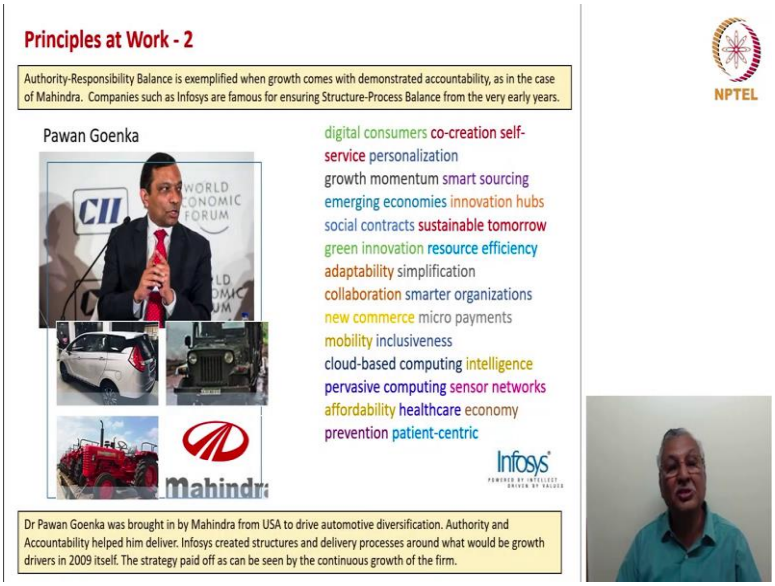

Then, we have another principle. This is authority responsibility balance exemplified through growth. When you have responsibility and accountability, as in the case of Mahindra, you will find that the company is able to diversify into diverse lines. Dr. Pawan Goenka was brought in by Mahindra from USA to drive automotive diversification, it had only the jeep line of dated vehicles at that point of time, proper authority to Pawan and also accountability have made him deliver.

Similarly, Infosys which is the leading IT company has had structures and delivery processes around several aspects of digital services which they envisaged decades earlier. From, in 2009 itself, they laid out their path of growth from digital consumers, co creation, self service, personalization, sustainable tomorrow, health care economy, and so on.

So, the developments which we see in terms of big ticket deals and wins today are based on the expectations of these happening that the company envisaged the leadership envisaged 20 years earlier, that is the authority responsibility balance for you at work in proven companies.

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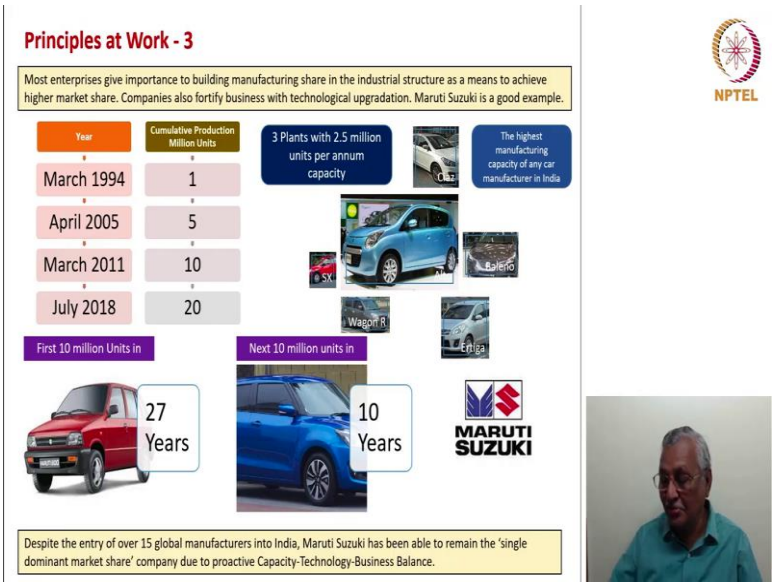

Then there is another principle at work which is demonstrated here 3. Which is most enterprises give importance to building manufacturing share in the industrial structure as a means to achieve higher market share. Companies also fortify business with technological up gradation. Maruthi Suzuki is a good example.

After Maruti Suzuki came and occupied almost 90 percent of the market; over 15 to 20 global manufacturers entered the Indian market and the Indian automobile industry. Maruti Suzuki could have stopped the investments at that point of time, saying there is an uphill battle and there is no point in adding capacity when there is so much competition coming in.

It did not do that. Instead it started building more plants and started adding more capacity, with 3 plants having 2.5 million units per annum capacity it has got the highest manufacturing capacity of any car manufacturer in India. The product count has been going up contingently, product phase outs and phase ins have been taking place continuously. As a result, the cumulative production was 1 million units in March 1994 maybe 10 years from the first active production.

It grew to 5 million units another 10 years later, but in just 6 years it doubled to 10 million units and in just 7 years it again doubled to 20 million units. So, the first 10 million units took 27 years for the company to achieve, but the next 10 million units could be achieved in just 10 years.

In spite of having a higher level of competition with several exotic car designs, the company that is Maruti Suzuki not only maintained high market share, but also high manufacturing share. Rather I should say that they have maintained high manufacturing share so, that they can retain their marketing advantage and also seek higher market share that is how they have done. And that is a very proactive capacity technology business balance the company has been able to achieve.

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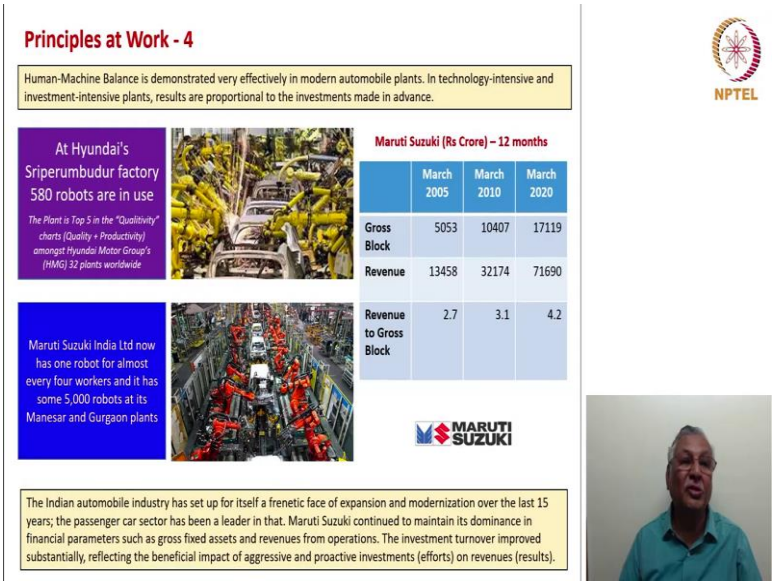

There is this other principle at work, the human machine balance which I have talked about earlier. At Hyundai Sriperumbudur factory, 580 robots are in use. The plant is top 5 in the "qualitivity" consideration which is quality plus productivity amongst the

Hyundai Motor Group's 32 plants worldwide. It is a great credit to the Indian automobile industry, to the Indian manufacturing competence and also the Indian leadership and the ability also to assimilate foreign technologies and foreign manufacturing practices.

Maruthi Suzuki now has 1 robot for almost every 4 workers and it has got 5,000 robots on an approximate basis Manesar and Gurgaon ground plants. On the right side, you have Maruthi Suzuki financial statistics for each 12-month period, as of March 2005 and March 2010 and March 2020. The gross block which was 5000 crores approximately in 2005 tripled to more than three times that is to 70,120 crores by March 31, 2020.

The revenue increased nearly 6 times from 13,500 crores to 72,000 crores, but most importantly the revenue to gross block has nearly doubled from 2.7 to 4.2, which means, the company has committed to huge manufacturing investments but has been successful in deriving much greater market share and much greater revenue share from these investments the company has made.

So, that is the principle at work of efficiency in human machine balance which has driven the profitability and productivity of the manufacturing investments. The Indian automobile industry has set up for it is self a frenetic face of expansion and modernization over the last 15 years and the passenger car sector has been a leader in that.

Maruthi Suzuki has these example show, continued to maintain it is dominance in financial matters as well as in the physical matters and that is because of the proactive investments and also understanding of the principle of human machine balance at work.

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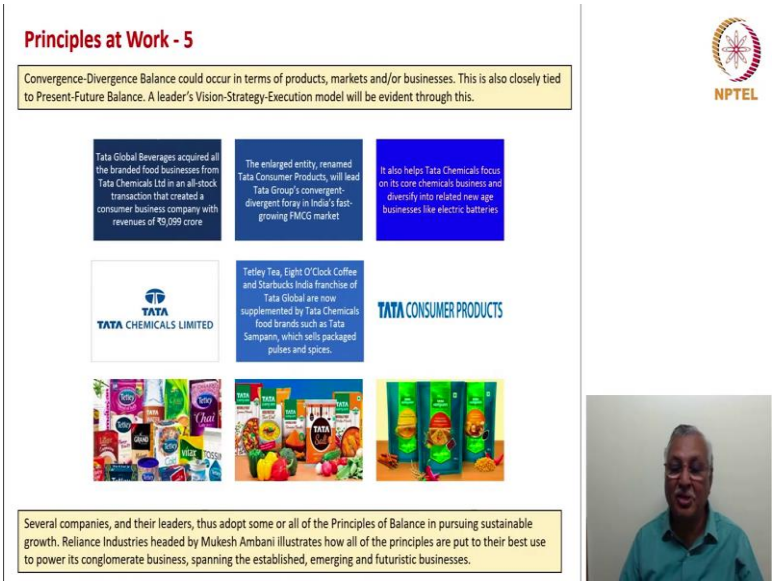

We can look at another principle at work, which is the convergence divergence balance. The recent formation of Tata consumer products with some kind of cross exchange of portfolio with total chemicals limited is an example. Tata global beverages was the company, it acquired all of the branded food businesses from Tata chemicals in an all stock transaction that created the Tata consumer products company as a consumer phasing business company with revenues of 9000 crores.

It is going to lead India's biggest convergent-divergent foray in fast growing FMCG market as per Tata groups aspirations. This move also helps Tata chemicals focus on it is core chemicals business and diversified into related new age businesses such as electric batteries.

Together, what these companies have done, they have provided convergence of market interest into Tata consumer products and divergence of new age chemicals and new age products into Tata chemicals. So, you can see the principle of convergence divergence being implemented in this exchange of product portfolios and development of new business goals for both the companies.

Tata beverages had Tetly Tea, Eight O' Clock coffee, Star bucks India franchise are now supplemented by several food brands from Tata chemicals group. Similarly, Tata chemicals is now being encouraged to get into exotic developments which would support the development of Tata Motors.

So, that is the kind of synergy that has come about through the convergence divergence balance, a principle at work in the Tata group. Several companies and their leaders do adopt some or all of the principles of balance to pursue sustainable growth. Reliance industries headed by Mukesh Ambani illustrates how all of the principles are put to their best use to power it is conglomerate business spanning the established, emerging and futuristic business.

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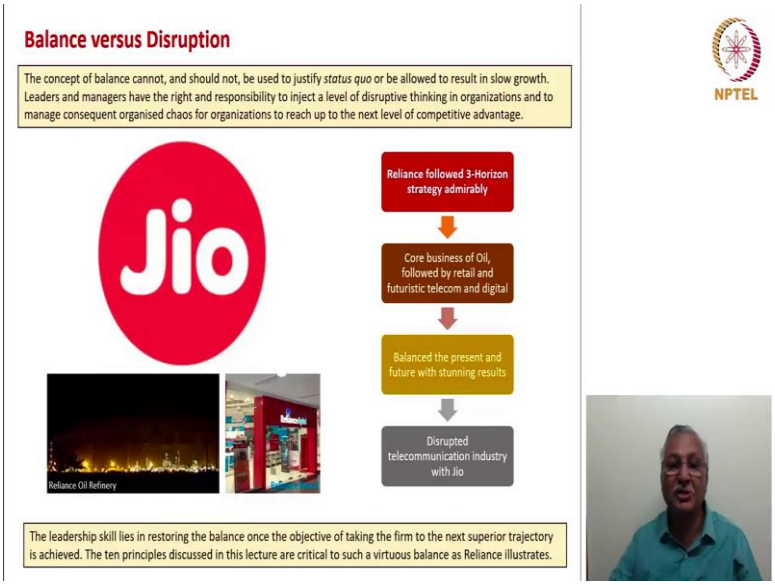

Let us take a look, balance versus disruption. The concept of balance cannot and should not be used to justify status quo, balance does not mean you stay where you were or where you are, it means that keep a balance between apparently competing forces of corporate growth, to derive more balanced corporate growth, that is the meaning of balance versus disruption or balance amongst various principles of leadership and management.

So, what Reliance has done is the implementation of 3 horizon strategy admirably, core business of oil, expanded as energy business followed by retail and futuristic telecom and digital. The company has been able to balance the present and the future with stunning results, it also could disrupt the telecommunication industry with Jio, even within the energy business, the goal of the company now is to have zero carbon footprint oil business and eventually completely clean energy business a few years down the road.

The leadership skill therefore, lies in restoring the balance once the objective of taking the firm to the next superior trajectory is achieved. That is once you consolidate your oil business, your retail business and the telecom business, you must see what else you can do, to rebalance these aspects, it does not stay still and to be able to do that, you keep exploring just telecommunication company is not going to remain telecommunication company the path is already being laid to redefine itself as a digital company.

I talked about the oil similarly; the retail could be getting into electronic commerce also in a big way. So, the leadership skill lies in having reaching a balance and then again reaching another higher level of balance as we go forward. The 10 principles which we have discussed in this lecture are critical to such a virtuous balance as Reliance example illustrates.

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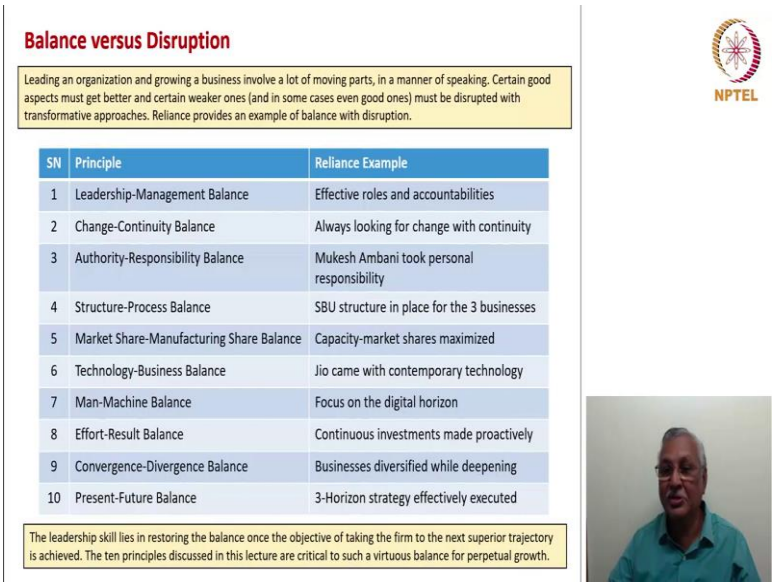

So, when we look at these balance versus disruption, as a summary we can imagine that the organization is an assembly of various parts we call them divisions, we call them functions, we call them roles, we call them titles by whatever name you call, organization is an assemblage of various parts.

And growing a business involves a lot of these moving parts in a manner of speaking. Certain good aspects must get better and certain weaker ones and in some cases even good ones must be disrupted with transformative approaches. We have seen with Reliance the example of balance with disruption. Let us say the principle number 1

leadership-management balance how was it disrupted with the effective roles and accountabilities and having divisional heads who could deliver.

Change-continuity balance, always looking for change with continuity, authority-responsibility balance Mukesh Ambani took personal responsibility for the diversification strategy and even more recently about the fund raising strategy. Structure-process balance, SBU structure in place for the three businesses and although they are all under one Reliance canopy the companies are treated as independent units.

Market share-manufacturing share balance, Reliance was never in doubt about building capacity ahead of the market developing itself, as a result the capacity market share balance has been optimized. Technology-business balance Jio always came up triumphs mainly because of the contemporary technology that it utilized.

Man-machine balance focuses on the digital horizon, effort-result balance continuous investments may proactively and continuous expansion of the organization proactively. Convergence-divergence balance businesses diversified while also getting deepened, present-future balance the 3-horizon strategy effectively executed and each horizon also getting it is own share of either 2-horizon or 3-horizon development. So, with this we will come to the end of this lecture.