भारतीय प्रबंध संस्थान बेंगलूर

INDIAN INSTITUTE OF MANAGEMENT BANGALORE

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तेजस्वि नावधीतमस्तु

Business Model Innovations: Building Global Organizations in India

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The Changing Environment in India

- More Customer Segments, More Requirements
- Many Facilities, Many Locations
- New Markets, New Competitors, New Strategies for Competing
- Large Organizations, Territories, Procedures
- Emerging Market Realities: Undefined risks, hurricane financing & growth opportunities
- Politics, Bureaucracy and Development

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Indian GDP – Industry wise

	Average Percent Change 2000-01 to 2007-08	Percent Change 2007-08	Proportion of GDP 2007-08
GDP	7.3	9.0	*
Agriculture	2.9	4.5	17.8%
Industries	7.1	8.1	29.4%
Services	9.0	10.7	52.8%

Sources: Annual Survey of Industries, Ministry of Statistics and Programme Implementation
Central Statistical Organization, Government of India

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Indian GDP – Sector wise

At Current Prices	Jan 09-Mar 09 (Rs. bn)		Jan 08-Mar 08 (Rs. bn)	% Change
GDP	12,896.16		11,945.78	8.0
Agri., Forestry & Fishing	2,222.81	17.24%	2,026.72	9.7
Mining	333.27	2.58%	402.44	-17.2
Manufacturing	1,977.64	15.34%	1,926.13	2.7
Electricity, Gas & Water	200.03	1.55%	193.13	3.6
Construction	1,120.91	8.69%	1,017.98	10.1
Trade, Hotels	3,223.42	25.00%	3,083.09	4.6
Financing	1,791.86	13.89%	1,596.36	12.2
Other Services	2,026.21	15.71%	1,699.93	19.2

India's Challenge

- Fragmented supply and demand environment
- Extremely high price sensitivity, High channel margins
- Scarce start-up & working capital especially for small firms: guiding hand not stable enough!
- Investment in Skill building low
- Outside Japan, largest number of firms with Deming Prize: islands of excellence

- Market driven planning, State controls vs State planning (strategic sectors), Market controls
- Need to Resolve Competing Resources: IT vs Manufacturing, Balancing technology & labour
- Market for Services under-developed particularly rural services
- Prickly Movement of Goods
- Large base of consumers with “low purchasing power”
- Building on Domestic Growth & globalization

What Opportunities does it Offer?

- Growth (driven by infrastructure expansion and manpower capabilities)
- Leapfrogging and global markets (particularly "manufacturing laboratory to the world")
- Large Services Market (hi-tech services, public service delivery)
- Focus on Removal of Poverty!

How are Organizations Responding?

- Strategy of Indian firms
  - New business models
  - New type of firms
  - New products & processes
  - New scale
- Attempts at skill building
- Performance
- Large Firm v3.0: consortia of small
- Focus on Soft infrastructure
  - Lead Time Reducing Infrastructure, IT, Customs, Ports & Transport, Supply Chain Structure


TATA nano

- ORPAT's Factory at Morbi, Gujarat
  - 5000 wall clocks per day
  - More than 4000 operators
  - Sales turnover: Rs 3.00 billion

- The Story of AMUL

(Anand Milk Union Limited, Gujarat)

  - 12 plants
  - 11, 962 Village Societies, 2.5 million farmers
  - Daily Milk collection: 6.3 million litres per day
    - Mehsana: 1.342 million litres per day
  - 16 product categories
  - Sales Turnover: about Rs 40 billion

Akshay Patra

- ISKCON Bangalore Initatitive: Mid-day meals scheme for rural school children
- Current Scale: 150,000 children
- Cost: Rs 6 per meal
- Issue: How to scale up operations to feed 300,000 rural school children each afternoon?
  - Scale issue: one service location versus many
  - Operational systems and technology: need to dramatically increase throughput rate
  - Integrity of food distribution
  - Supply side innovation on design of the chain

Food for Life: The Mid-day Meal Program in Rural Schools

Projections for the Mid-day Meal Program

To feed
30,000 rural children*
everyday with a sumptuous and
nutritious meal of rice, *sambar*
with vegetables and curds.

This program entails
16,650 kgs of food cooked,
transported and distributed
to the schools by mid-day.

This program costs
Rs. 40,00,000
(or $100,000) per month.

This program addresses the key aspects
of every child's development:
Nutrition and Education.

*The pilot phase of the program, feeding 1,500 children, began on July 3rd 2000. The next phase of feeding 10,000 children began on November 11th, 2000. The target of feeding 30,000 children is expected to be reached by May 2001.

An
ISKCON
Bangalore
Initiative

A strategic program to address two of the most debilitating problems of India: Education & Hunger

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Food for Life: The Mid-day Meal Program in Rural Schools

Fully equipped to fight Hunger

The ISKCON, Bangalore, is equipped with modern, mechanised and scientifically designed kitchen facilities to cook food for over 30,000 students at a time in clean and hygienic conditions.

The cooked food is efficiently packed into specially made containers to suit the requirements of different schools.

The packed food will be transported in custom-built vehicles to reach the schools by lunch break.

A mission to make children hunger-free

This program is put into action by the concerted efforts of the full-time members, Life members, Donor Patron members and follower members of ISKCON, Bangalore. In order to maintain accountability to the donors of this program, KPMG has been invited to audit this program for funds utilization. KPMG has graciously agreed to render this service free of charge.

In order to achieve excellence in the governance of this program, an Advisory Board has been set up to assist and support the management:

Akshaya Patra Advisory Board

1. Sri T. V. Mohandas Pai	Chairman
2. Sri P.N.C. Menon	Member
3. Sri Balaji Swaminathan	Member
4. Sri Abhay Jain	Member

We gratefully acknowledge all the above participants in this noble cause of serving humanity.

Madhu Pandit Dasa,
President, ISKCON, Bangalore.

An ISKCON Bangalore Initiative

A strategic program to address two of the most debilitating problems of India: Education & Hunger

What picture do these examples paint ?

- Unique application domains
- Scale
- Global benchmarks
- Transforming lives through technology & innovation
- New business models

Is this the face of new organizations from India?

Some Other Innovative Examples

- aMap (DecisionCraft): TV Ratings & Analytics
- ITC eChoupal: rural agriculture distribution
- Narayan Hrudalaya: telemedicine
- PBW: bearings & bushings
- Reva/Electrotherm: electrical vehicles
- Strand Life Sciences: discovery bio-analytics
- Su-Kam: power back-up solutions
- Tata Steel: steel and new materials

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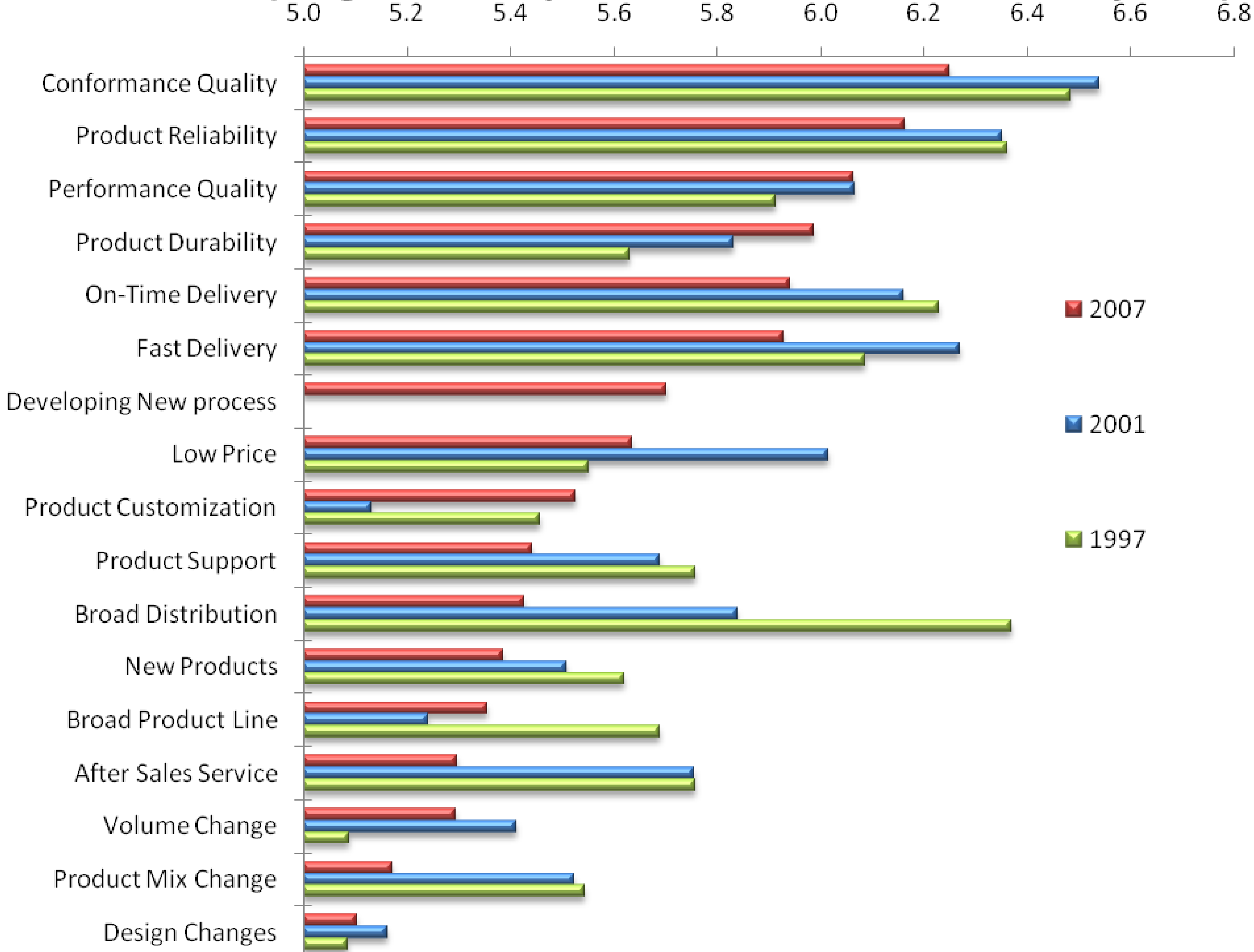
Categorization of Operations by global standards

		Product Variety (%)		
		High	Medium	Low
Volume (%)	High	18.7	9.5	3.5
	Medium	10.1	31.9	7.0
	Low	3.8	4.4	10.1

Competitive Priorities of Firms
(Degree of importance over the next five years)



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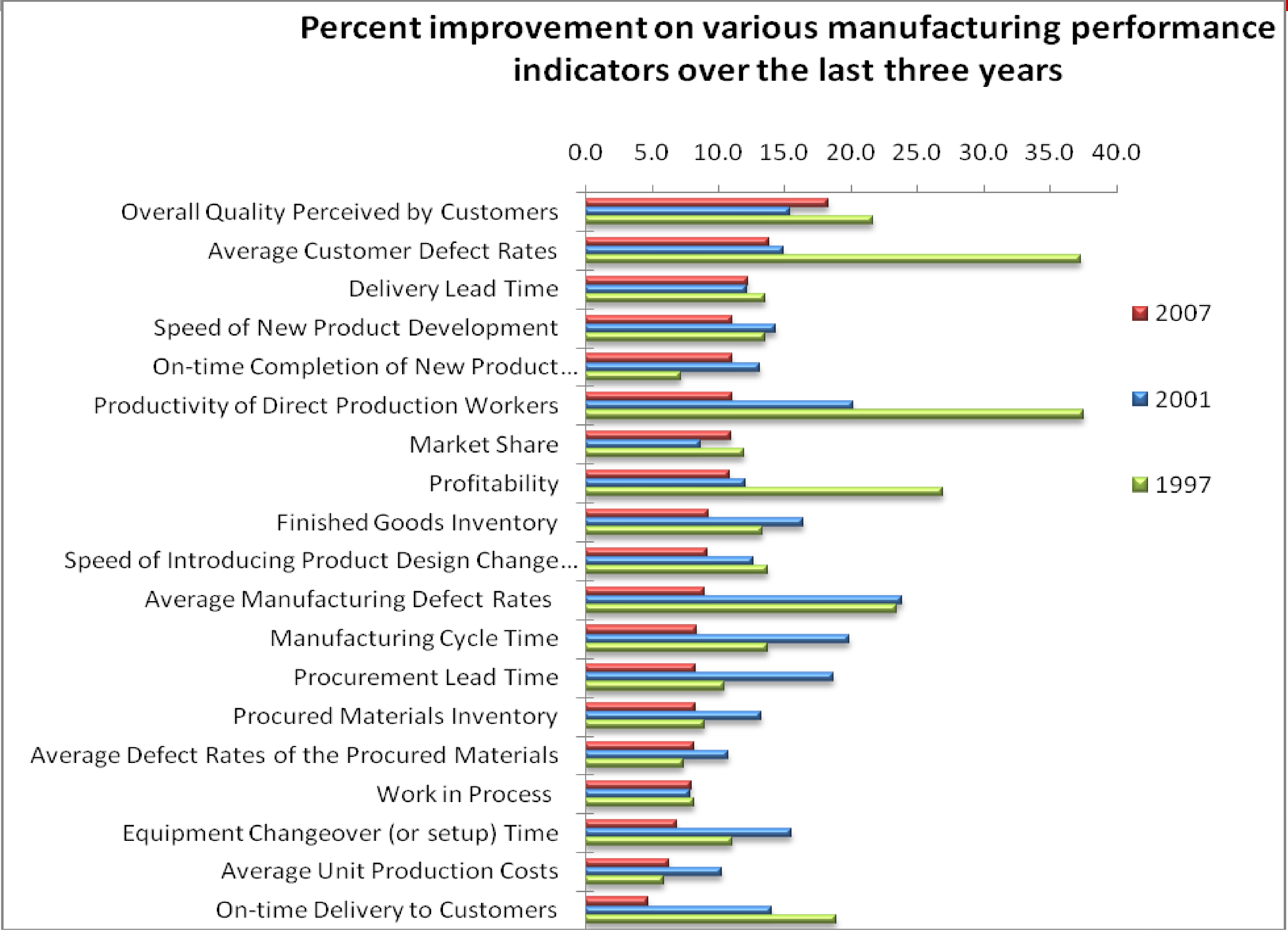
Some Observations on Labour

- Large scale in-migration of unskilled labour from rural to urban centers
- Labour migrates-out during harvesting season
- Hired mostly through contractors
- Investment in training low/Skills Commission
- Union activity low, insecurities may be high
- Market failure in skills

- Skill gaps – only large firms able to draw engineering graduates; all low on PhDs; low on training (10-50 hrs per employee per year);
- Sales and sales per employee highly correlated with training expenditure, advanced skills (degrees) with employees and high perceived strengths in Flexibility & Technology (vis-à-vis competitors outside India)
- Sectoral training investments:
  - High: Auto-components, Pharmaceuticals, Machine Tools, Electrical.
  - Low: Casting & Forging, Food & Agri, Steel, Garments, Weaving

	Net Pre-tax Profits (%)	Return on Assets (%)	Growth Rate in Rupee Sales (%)
Auto	14.3	17.5	20.9
Auto-Comp	13.5	20.0	29.4
Chem & Allied	12.5	18.6	17.3
Electronics	12.8	24.2	19.8
Engineering	14.2	17.8	18.3
Forging & Casting	9.9	16.8	19.8
Food & Agro	14.4	14.1	13.8
M/C Tools	13.7	17.5	19.4
Pharma	14.5	16.9	24.8
Steel	14.3	21.5	20.4
Spinning	7.8	8.8	14.6
Weaving	9.5	12.7	29.1
Garments	9.9	10.5	32.2

	On-time Deliveries (%)	First Pass Yield (%)	% Annual Sales from New Products
Auto	93.9	82.5	48.9
Auto-Comp	88.8	85.0	29.9
Chem & Allied	85.4	86.3	24.7
Electronics	87.0	86.9	29.9
Engineering	83.3	87.9	21.1
Forging & Casting	89.8	88.9	29.5
Food & Agro	81.9	81.2	23.5
M/C Tools	84.1	78.2	22.7
Pharma	90.1	85.6	33.2
Steel	87.7	85.3	28.4
Spinning	93.8	95.7	24.0
Weaving	87.5	74.2	31.3
Garments	88.6	81.5	34.7



Percent improvement on various manufacturing performance indicators over the last three years
0.0
5.0
10.0
15.0
20.0
25.0
30.0
35.0
40.0
Overall Quality Perceived by Customers
Average Customer Defect Rates
Delivery Lead Time
Speed of New Product Development
On-time Completion of New Product...
Productivity of Direct Production Workers
Market Share
Profitability
Finished Goods Inventory
Speed of Introducing Product Design Change...
Average Manufacturing Defect Rates
Manufacturing Cycle Time
Procurement Lead Time
Procured Materials Inventory
Average Defect Rates of the Procured Materials
Work in Process
Equipment Changeover (or setup) Time
Average Unit Production Costs
On-time Delivery to Customers
2007
2001
1997

Conclusion

- Acquisitions globally by large firms
- Stand alone flexible capabilities by medium
- Network of small - clusters
- Quality - process innovation - business model innovation
- Investment in people
- Greatest opportunity - public service delivery commerce
- Greatest strength - belief than we can do it now!

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Thank You

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