

### **Ending & New Beginnings?**

While it may still be premature to conclude that India is currently witnessing the end of a political era and with that, end of a few political dynasties in India, there are several major tectonic shifts in the Indian and global business environment which could mean curtains for several currently iconic, very successful businesses and perhaps even some of the largest Indian business groups too.

There are several, seemingly unrelated, trends that seem to be converging in the coming years that are likely to see redefinition of core competencies that would be essential for success in the near future.

To start with, the future value creators are likely to be those entrepreneurs and enterprises that can find pragmatic, innovative solutions around a few seemingly insurmountable constraints of India. Of these constraints, the most daunting is that of space. Increasing urbanization has created unprecedented demand for space including that for housing, offices and factories, physical and social infrastructure, educational and healthcare facilities, leisure and recreation, and retailing to list just a few claimants for accessible and affordable space. Since our planners and politicians have yet to figure out how to handle this complex requirement in a balanced fashion, businesses that are heavily dependent on conventional use of space (e.g. education, retail, and offices) are likely to be at increasing disadvantage.

The second, and increasingly bigger, challenge for India is to find qualified manpower at affordable cost. There are several reasons for the same that include totally inadequate investment in education infrastructure especially on vocational training, and then on top of this, little or no emphasis on quality and relevance while concentrating only on (limited) capacity creation, and visionless urban and suburban development which makes the cost of living much higher leading to higher salaries and wages demands. Businesses that have been set up in recent decades that have high employment are likely to be at an increasingly greater disadvantage in the coming years.

The third big challenge for India is the steadily rising baseline inflation. While the Government and its economists are in perpetual state of denial, the reality is that by choosing to take pragmatic though sometime unpalatable policy / reformist decisions in the last 20 years, the supply side constraints are becoming more challenging. India could well see inflation in the range of 8% - 10% for several years ahead, and with this, stagnation or erosion in purchasing power of the vast majority of households. Consumer product businesses which are unable or unwilling to come up with lower price solutions for these hundreds of millions of low and middle income consumers are likely to face steady erosion of demand.

In addition to these challenges, businesses which strive to remain relevant and competitive in the near future will have to acquire some additional or better competencies. The most important of these competencies for succeeding in the future include understanding and deployment of technology. Whole arrays of exciting new technologies are making their way out of laboratories and

into diverse business applications. These include 3D visualization and 3D manufacturing, new generation of synthesized materials with amazing new properties, nanotechnology, and haptics just to list a few. There also fascinating new possibilities thrown up by advancements in computing and communication technologies and much deeper penetration of the same geographically and across socio-economic strata. The second most crucial competence is to somehow be able to understand the undercurrents in changes in consumer behaviour and latent needs and demands. Classic consumer and market research tools are likely to become less reliable in predicting or anticipating such changes, and instead, newer techniques have to be created that may well border on intuition. A third, and related to understanding of changes in consumer behaviour and needs, competency is to have the ability to directly connect to an individual or at best, small sub-groups of consumers rather than indirect communication with larger masses through conventional marketing and communication tools.

The winners of tomorrow are likely to be those who can find innovative solutions to India's own peculiar challenges and constraints, and then also invest in acquiring the new competencies that would be essential to succeed in launching and establishing these new solutions.

It is in this context that many of the currently successful, highly diversified business groups such as Tata, Birla, Godrej, and Mahindra (among many others) should give yet one more very objective look at the very fundamental structure of their respective businesses. Diversity beyond a certain point could actually become a competitive disadvantage as international competitive pressures increase on every single business unit within the group. A highly centralized planning, budgeting, and decision making system (individual or committees) could lead to delays in efficiently responding to the more rapidly changing market opportunity and business challenges environment.

While there is no reason to believe that most of these currently successful businesses cannot re-adapt, it is also very likely that India will see the emergence of several new stars, across industries, in the very near future while some of the current ones will rapidly fade away into oblivion.

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