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**CUSTOMER
ACUMEN**

**INSIGHTS TO BUILD
CLIENTS FOR LIFE**



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EDITORIAL



Dear Mr. George,

There is a new wind that blows through the MSME sector in India. The new generation of entrepreneurs is looking at this sector with innovativeness and adaptability to survive the VUCA environment.

Despite the various challenges (limited access to finance, lack of talent, to name a few), MSME organizations today are looking at innovative approaches to handle these hurdles. Collaborations, digital disruptions and clustering are buzzwords hitting the headlines in this sector. The changing landscape of MSMEs highlights the potential of this sector.

This quarter, **Customer Acumen**, takes a look at the **Business Challenges of a MSME**. **Jay** speaks about the upspoken challenges of MSMEs. We also feature first generation entrepreneur and **Director of AutoDynamics, Anil George** who gives us a first-hand perspective of the various concerns that impacted his start-up and how to manage the same.

We review **Mukund Rajan's The Brand Custodian**, which gives readers an inside view of the workings of the Tata Group and the importance of adding brand value. Alongside this, the author has managed to recount his own progress from an Executive Assistant to becoming the first Brand Custodian, to his last role as Chief Ethics Officer.

In-house Cartoonist, **Vikram Nandwani's**, toon chases his big dreams!

As always, we hope you enjoy reading this issue and look forward to your feedback and comments on how we can serve you better.





MUSINGS



Unforeseen Challenges for a MSME Entrepreneur: A Heads-up

- Jay

The Indian journey to a USD 5 Trillion economy in 5 years has begun. The government has unveiled this ambitious vision and the debate has well and truly begun. While the 'professional pessimists' (as the Prime Minister calls them) will decry this goal, such dreams fuel ambitious entrepreneurs to create start-ups. Any picture of a thriving economy presents a landscape of both large enterprises and many emerging firms (popularly called Micro, Small & Medium Enterprises or MSMEs). We are now beginning to witness a fertile ground where new ventures flourish and many more individuals feel emboldened to take business risks, rather than seek employment with large firms.

Truly, it is wonderful to see many youngsters today who wish to walk this less-trodden path. Nonetheless, this route has its hurdles and let me highlight some of the unspoken challenges in the path of such brave-hearts.

1. The first one is finding new customers. Drucker famously said that 'the purpose of the business is to create and keep a customer'. Entrepreneurs often start because they discover a niche that needs addressing and are delighted to start their business. In their passion to service such customer(s), they are totally devoted to the task on hand and success is their reward. However, the flip side to this passion is customer myopia and an inadvertent neglect of what a business truly needs: *a steady stream* of customers. Markets will change, there will always be an ebb and flow in business. New trends will emerge, customer habits will change, the environment will not be static. Without a steady stream of new customers, a business is always at risk.

Too many entrepreneurs have failed with their present over-obsession and unfortunately their misplaced passion leads to self-destruction. The lesson: business is marketing - and never stop doing it to bring new customers to your fold.

2. Build a team. You cannot do everything yourself, Ms Entrepreneur! Building an enterprise is about building a community and an eco-system that helps you to deliver to your customers. Businesses fail not because the idea is poor but the people delivering the service or product are not well-equipped to do so. The day you add another member to your organization, the complexity grows and with the addition of every new person, the organizational fabric gets a new dimension. Suddenly, issues have dimensions that you did not envisage and all actions have a multiplier effect. Ask any businessman thirsting for growth, and you are likely to hear a lament for good talent. Investing in building talent is actually an article of faith. Small business firms have to resolve a key paradox: not having a good and skilful team will stunt your business but conversely investing in shaping talent may also be a trigger for building your own competition, with some key staff getting lured away or some employees moving away to set up their own shop. Be that as it may, if you wish to be in business, build your own eco-system of key, dedicated in-house resources and a reliable set of external support team (vendors, etc.).

3. Cash-flow is blood flow. This is different from the ability to raise capital for business. Most entrepreneurs talk of needing money for growth. To them I say keep an eye on the cash flow. Good accounting practices are under-rated and many small enterprises are caught in a financial crunch not just because the books are not in order but due to insufficient attention to the need for collecting money in time. The temptation to sell at any cost (even below basic operating cost) in the hope of attracting or retaining a customer is a fatal flaw that has crippled many businesses. While entering the entrepreneurial game it is advisable to get a primer on the economics of the business and those who fail to appreciate the true cost of capital are headed for trouble very soon. The quest for building the top-line makes a businessman rush into unwarranted risks (after all Risk is the middle name of any entrepreneur!), ignoring basic financial prudence. Regrettably, this chimera is a fatal attraction and it is worthwhile to note that however lucrative a future deal seems, ignoring business fundamentals is bound to cause you deep troubles, irrespective of the size of your business.

4. When dreams die young. An entrepreneur without a shock absorbing capacity is an incomplete person. Funny as it seems, losses in business come in many forms, monetary being only one common manifestation. Be prepared for emotional setbacks. You may be let down by old customers who walk away from you as well as by old colleagues and team members who leave you when you least expect; or it could be suppliers or bankers who had proclaimed ever-lasting partnership with you. It is not the event that hurts you - it is your inability to cope with the post-event emotional stress. Often when you are so deeply involved in your pet enterprise, you are blindsided by events that are building up around you, mostly from the least expected quarters. Being sucked in to the vortex of the business and too deep an involvement in the start-up has come at a heavy cost for some entrepreneurs. It is not uncommon that the price has to be paid on the domestic front through failed personal relationships and heavy stress to family ties. Inability to cope with these emotional issues cause many dreams to die early. Having a personal coach or mentor to exchange notes makes the entrepreneurial journey more tolerable - a realization that often comes too late in many cases.

The above list is not exhaustive but is also not meant to deter an individual from beginning a new venture. Quite frankly, entrepreneurs by definition walk to their own drumbeat, and what makes them special to me is captured best in the words of Emerson, *'Do not go where the path may lead, go instead where there is no path and leave a trail'*. Nothing can hold them back when they do strike out, and well, thereby they create a new world for all of us. More power to them as they build the road to the Three Trillion!

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SPOTLIGHT



Anil George

**Director,
AutoDynamics**



Anil George is a professional turned entrepreneur after working for 23 years in the corporate world. He started his entrepreneurial journey 7 years ago by creating new businesses and new companies. He is currently the Co-Founder of 5 Companies and was an Independent Director in 2 companies.

In AutoDynamics he continues what he is best at: creating innovative products and converting products from metal to plastics for light-weighting in the automotive and defence sectors.

Prior to AutoDynamics, Anil George was the Managing Director of Magna Steyr, India, the COO-Export Unit and the Business Unit Head-Technical Centre at Tata AutoComp Systems Ltd.

He has received the Best Innovative Plastic Design Award from the Society of Plastic Engineers (SPE), won multiple innovation awards, was instrumental in filing of 5 patents and was a member of the TATA Group Innovation Forum (TGIF) in the 'Plastics & Composites Cluster'. Anil has presented numerous papers which are published in Plastics Professional, Modern Plastics, SPE Journals, Polymer Society, etc. He was also invited to speak at the United Nations Industrial Development Organization's (UNIDO) annual conference.

Anil holds a degree in Production Engineering from Mumbai. He later went on to pursue his management degree from Welingkar Institute of Management (Mumbai).

CA: As a first-generation entrepreneur what challenges did you encounter in getting started?

AG: After a long stint in the corporate world, you learn a lot about the industry and its nuances. In the corporate world, you have a team, well-defined processes, access to finance and other resources which help achieve business objectives.

Due to digitisation and online applications, starting a company is easy. As a mitigation strategy, you de-risk the business at the industry level by getting into the industrial and defence sector. You develop a good plan, identify the technology, create a product with a unique value proposition and look for executing this plan.

As a first-generation entrepreneur, everything is a risk. You start mitigating risks and then encounter various challenges which include creating teams, setting up manufacturing operations and managing all stakeholders. With corporate experience, you know what teams (with the required knowledge, experience and skill) are required to execute projects, but you are financially constrained. A manufacturing set-up needs capital and the challenge is to negotiate with banks and financial institutions to fund the capex and to give a reasonable credit line. Risk perception is high, leading to increased cost of borrowings. Cash flows are under threat while servicing large orders, rejecting consignments or payment delays from customers.

The challenge from a customer's perspective include:

1. You are a new supplier. The industry norm is to reduce the number of suppliers.
2. Convincing them of the value proposition of a future need.
3. Negotiating a price to remain profitable.

The final challenge is posed by the statutory and regulatory requirements of the company. Government and bank procedures, labour laws, Company Law requirements, etc., apart from documentation and managing accounts, form a large part of administrative work in the initial years.

CA: Are the challenges you faced similar to others in the small & medium enterprises sector?

AG: India has a large MSME base, manufacturing more than 6,000 products and offering a wide range of services. Currently, there is a big thrust from the Indian Government to support MSMEs in the Make in India initiative. As an MSME, there is preferential status for working with government defence organizations which have helped us to acquire orders. I suppose MSMEs have challenges which are common, but they vary in intensity depending on the industry.

Many MSMEs face challenges like capacity utilisation, technological obsolescence, meeting quality requirements, marketing, access to funds and acquiring trained manpower. MSMEs which directly cater to end consumers have to keep up to their advertising budgets and distribution channels as well.

CA: Please share your thoughts on how Micro, Small & Medium Enterprises (MSMEs) can acquire & retain customers for the long run.

AG: In the light weighting space where we operate in, the customer looks for a one-stop solution for the best product at the most economical price. Many times, regulatory requirements force the customer to a direction where economic considerations take a back seat.

Customer acquisition is a complex process for any organization, starting with trust, relationship and value proposition. This becomes very important at the starting point where even with a good value proposition, the customer still does not trust you with your products. Therefore, it is imperative that you have a strong value proposition irrespective of the industry. This differentiated product offering will remain as a competitive advantage throughout its life cycle and therefore will have to be sustained.

CA: In your view what role can digital innovation play to enable MSMEs to capture a wallet share of large businesses? And, how?

AG: The best role of digital innovation for an MSME is to mitigate the various challenges that MSMEs go through from start-up to growth.

The role of digitisation will depend on the market that the MSME serves. For a B2C company, the challenge of huge budgets for advertising can be compensated by e-commerce and other digital platforms. Digitisation needs are relatively more outward focussed towards the customer. For a B2B company where the business model is more complex, digitisation needs are relatively more internal focussed to drive efficiency in internal processes.

Some areas where I think digital innovations can play a key role for MSMEs are:

- a. Business - Managing data for decision making, product strategy, customer management.
- b. Operations - Optimise resources.
- c. People - Skill development and training.
- d. Product / Technology - creating innovative trends, access to collaborate.

CA: Could you please share the unique characteristics of your company, Auto Dynamics, and what makes it stand out from the competition?

AG: The vision of our company is to create unique, innovative products and technology solutions that are ahead of the times and which will satisfy a wide range of basic and implied needs in the Indian market.

There is an in-built uniqueness in all the activities that we do. First, we have been able to create a team that lives by the company's vision. The team thinks of what the customer needs in the future (latent needs). The technology that we have acquired for manufacturing is unique in the sense that competition will not be able to replicate it easily because of our backward integration. This is to the extent that competition will have to bring diverse skill sets from diverse industries, source technology, train and execute. The cost structure of the competition will not allow to create this space in existing organizations. In addition to this, we thrive on the values inculcated in the organization which are customer focussed solutions, cutting edge technology and social responsibility.

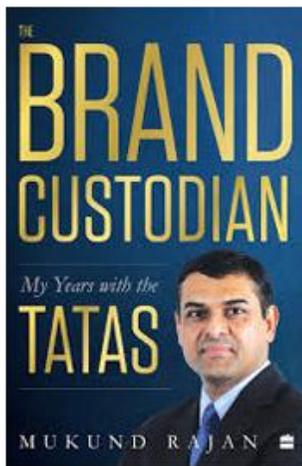
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RESOURCES

Brand Custodian

- Mukund Rajan



"A brand is a living entity - and it is enriched or undermined cumulatively over time to become the product of a thousand small gestures."

- Walt Disney's former CEO Michael Eisner

According to the annual assessment by Brand Finance, a leading brand valuation and strategy consultancy, the 'Tata' brand continued to be India's most valuable brand. The total value of brand 'Tata' had surged to \$14.2 billion in 2018, surpassing the combined value of the second and third most valued brands in India.

Today, companies are ensuring that their respective brand value does not erode. The value behind the Tata brand is the result of years of initiatives behind providing quality products and service to their customers, including providing value back to the community with the highest level of corporate governance. The Tata Group, by principle, has always ensured that that they did what was right by and for all their stakeholders, which include employees, consumers, financial shareholders, the community, vendor and value chain partners.

In one of his first important moves as Chairman of the Tata Group, Cyrus Mistry had created a new position of Brand Custodian, and appointed a young Dr. Mukund Rajan, the brother of former Reserve Bank Governor Raghuram Rajan. Dr. Rajan managed all corporate communications and brand-related activities for the Tata Group. He eventually went on to serve as the Chief Ethics Officer of the Group. His responsibilities also encompassed overlooking the company's CSR activities as Chairman of the Tata Council for Community Initiatives. As Brand Custodian, the central element, even for Dr. Rajan, was to preserve and protect the Group's brand equity. Over time, it was Tata's reputation for giving back to the society that also ensured brand appreciation.

The Brand Custodian looks at Dr. Mukund Rajan's journey and his years of service with the Tata brand. He brilliantly explains how he watched the Tata Group build itself up from an Indian company to become an international organization, with over a hundred operating companies ranging from manufacturing to service sectors. Prior to being entrusted to building the Tata brand, Dr. Rajan had held various executive positions across the Group. He served as Managing Director of Tata Teleservices (Maharashtra) Ltd, Head of Private Equity at the Group's financial services vertical and Non-Executive Director on many Tata boards.

The memoir is peppered with thoughts on Dr. Rajan's challenges at his various leadership positions in the Group. He was also witness to Ratan Tata's dealings with the satraps and learnt lessons during the time when the former Chairman consolidated different businesses to form a structured group. The book also throws light on the move towards internationalization with the acquisition of companies (Corus, Tetley and Jaguar Land Rover), which added to Tata's brand value. Dr. Rajan does not steer away from controversial topics such as the Nira Radia tapes and the spat between Ratan Tata and Cyrus Mistry, which had a negative impact on the brand.

Dr. Rajan is currently working in telecommunications, on a multi-brand auto retail platform, and on environmental sustainability. The author questions readers towards the end of the book about business challenges in the present corporate world and the need for the Tata Group to evolve in these challenging times, so as to ensure that brand Tata does not erode.

The book is easy to read, engaging and inspiring throughout. It gives readers a feel of Dr. Rajan's affinity towards the Tata brand and the challenges in ensuring that value is added to the brand consistently. One can get a feel that despite Dr. Rajan not being associated with the Tatas anymore, he continues to echo the values that the brand has always been associated with. How the Tata Group will look to building its brand in line with its credo of being a 'successful, pioneering, global enterprises, with the community at heart', will have important lessons for the corporate world.

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FEEDBACK

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