

# Business Acumen Handbook

By

Saugata Nandi



© Saugata Nandi, 2018

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of the author.

## About the Book

Having conducted over a hundred workshops on this subject, I thought it was time to write this book. A CFO had once remarked, 'It's a very interesting topic. Can you really teach this?' A workshop participant said, 'Whatever the management tells us as priorities, we deliver. For an employee this is not important.' A CEO told me, 'I want all my people to identify and grab business opportunities. I wonder why not even a single good thought has come up to me in spite of pushing hard on this aspect.'

I have read endlessly on this theme – about John D, Bill Gates, Lee Kuan Yew and various other entrepreneurs whose inspirational stories keep coming up. I have also read about entrepreneurs who are so deep in debt that they seem to have no way out. I'm guessing that there are more in the latter category.

I have dived deep into the works of Louis Gerstner, Andy Grove, Taiichi Ohno, Bill George, and Robert Kiyosaki and have witnessed the transformation of Indian Postal Services to a financial powerhouse. Going through the numerous management frameworks, case studies published by leading business schools, books, models, and more provided me with deep insight into the way businesses evolve.

As a consultant, I interacted with several business leaders, academicians, politicians, bureaucrats and employees. I was fortunate enough to teach a course to MBA students and learn from them. I could create software to analyse companies in order to identify which ones would be good to purchase stocks of. I am from a generation that witnessed typewriters going away, telegrams fading, airlines becoming affordable, knowledge shifting from books to Internet, and computers morph into handheld gadgets. In other words, I, like many of my generation, know a thing or two about change management and transformation.

Most importantly, I got the opportunity to run my own boutique consulting and corporate learning firm, METL Global Perspectives, [www.metl.in](http://www.metl.in) which helped me transform from an employee to a self-employed professional.

Putting together all the learning, I am writing this book on Business Acumen, which I hope my readers, MBA students, working professionals and entrepreneurs will benefit from.

If you are an employee, I hope that after going through this book, you will be able to gauge if you have the mental stamina needed to identify and delve into a business opportunity and have the ability to take calculated risks. You will also learn how to grow a business, which sustains long after the owner gives up active involvement in running it.

If you are looking at it from your organisation's perspective, you can groom future leaders to incubate and grow more businesses and thereby diversify or go deeper in the value chain. It will provide you with a structure to grow your business while leveraging the best of your assets – your employees.

## Chapters

Evolve and Improve – Faster, Better, Cheaper, Healthier .....	5
Understanding Mindsets – Employee and Businessman.....	7
How to Run a Business – developing a deep understanding.....	9
Macros –Getting the fit right .....	11
Identifying and Creating the Opportunity .....	14
Competitive Superiority.....	16
Is ‘The bigger, the better’ still valid?.....	18
Sustaining a Successful Business.....	20
Employees make the best Businessmen.....	22
Guts Needed .....	24
Reference Material and Books.....	26

## **Evolve and Improve – Faster, Better, Cheaper, Healthier**

Organisations are built around the 'going concern' concept, which means that they will be there, for a very long time, unlike an employee who has a defined tenure with an organisation, as given by the retirement age. As times evolve, countries and citizens evolve and this necessitates that the organisation stay relevant to the times, else it will find its existence difficult over the years.

An Organisation is not isolated from the environment it functions in; it is subject to domestic, global and consumer-driven forces. As a nation defines the policies, it broadly outlines the limits which organisations within the country as well as others that want to trade with the country have to comply with.

As consumers always want more, organisations must be fast enough to put ever-improving things on the shelves even before the consumers think it possible. When the technological platform shifts, an Organisation must be quick to adapt to the new platform or risk being left out.

One of the companies which have successfully evolved over the years is Nokia: from a pulp mill in 1865 to an electronics and networks giant. Even such a successful company was bought by Microsoft in 2015, and then again reinvented itself for the 5G world.

Stop right here!! And think. What would the management decision-making scenario have been like when the large paper-and-pulp company decided to venture into electronics? How would the decision be made? Compare that to similar situation when the large mobile and cellular technology company was getting purchased by a software company, maybe due to the disruptive power unleashed by Android.

In the former instance information would be scarce, while in the latter adequate information was available. Perhaps it was a mistake made with eyes wide open. This is where business acumen comes into play. The ability to gauge the right move, in spite of less or no information and then stick to the path and make it work, is what makes for great business acumen.

Several instances can be studied to understand this better:

- Kodak from a leading film maker to bankruptcy – outplayed by the digital era
- McDonnell Douglas bought over by Boeing – outplayed by jet engine technology
- Paradip Phosphates bought over by Chambal Fertilizers – outplayed by management inefficiency
- Lenovo forcing Dell to go private – outplayed by better execution of the business model
- Toyota making a space for itself amongst existing automobile players and rising to the number one slot –continuous pursuit of excellence and improvement
- Wal-Mart changing the retail landscape in US with an everyday low price proposition
- Amazon wiping out traditional book stores
- Tesla forcing several automobile companies to give up diesel and petrol-based engine technology and the disruption is still playing out.

As a management team member, always make efforts to constantly evolve your organisation and also improve it. Whenever you hear of an option that is faster, better, cheaper or healthier trying to

making space in your industry, understand that it is time to evolve your organisation or get seriously challenged over the next few years.

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Understanding Mindsets – Employee and Businessman

There is a fundamental difference between the ways employees and businessmen think.

Businessmen understand that productive deployment of capital over a long time frame is the most important aspect. They look for opportunities where this is possible, wherever be the business and wherever the location. The broad consideration is to create a business model that will generate sufficient income over the lifetime of the investment made. During that period, the expenses would be provided for and profits would be generated.

As the business grows, more expenses are incurred, more income is generated and adequate returns start coming in. For a businessman, the concept is around finding such an opportunity where this is possible and then grow.

Employees, on the other hand, look at certainty. They try to manage expenses based in the available income or potential and then look towards having a good enough savings with which to retire. This orientation is fundamentally different as it is a short-term one and there is no concept of deployment of capital for returns.

Therefore, one can find many employees who have great ideas, have adequate resources to lead their own lives, but still unable to invest the excess amount into one of the ideas. For such an individual, the concept of income and expenses are much more critical than productive deployment of capital and expectation of returns over a long term.

Employees who can transcend this thought process become the most successful ones. This requires shifting from a short-term orientation to a long-term one while making personal decisions at the first place. Some of such decisions are:

- Investing in assets and not a liability
- Ensuring no liability is incurred on anything which requires expensive maintenance
- Spending adequately to gain multiple experiences and exposure
- Incurring high spends on education and small business setup
- Shifting out of a 'savings' orientation to an 'investment' orientation

When these activities are carried out at an individual level, the person starts evolving into a business mindset. However, even if this journey is initiated, often it so happens that the associated uncertainty prevents the individual from moving ahead on it.

On the other hand, an individual with a business mindset will try to identify a source of funds and figure out a way to best deploy those funds to a commercial activity – a business. Once the business model is perfected, it is rapidly replicated. Thereafter, the individual will try to grow the business, either by focussing on increased supply, increased demand or increased distribution.

If the business model is not the right one to replicate, the individual then looks for closing it down and explore other opportunities, through fresh capital deployment for setting up a new venture, acquisition or diversification.

Several leaders can be studied to understand this aspect, such as:

- Sam Walton – Founder, Wal-Mart
- Kiichiro Toyoda – Founder, Toyota Motors
- Jeff Bezos – Founder, Amazon
- Jack Ma – Founder, Alibaba
- Walt Disney – Founder, Walt Disney Company
- Colonel Sanders – Founder, KFC

These are all great examples of individuals with a business mindset.

There exists a synergy somewhere for the organisation which wants to grow while using the expertise of its employees. An organisation driven by someone with a business mindset can find a way to let employees incubate new businesses and share risks and returns over the long term. The Organisation can invest the resources and the employee can then run it. A portion of employee retirement benefit can also be invested in the new entity.

With a reduced risk and a capital invested, an employee with definite expertise can be turned into an entrepreneur with slightly lesser risks, while the Organisation can benefit from his deep expertise.

I believe that an organisation that perfects this way of working of the hub-and-spoke system will stand to benefit the most, as the upcoming business environment is more about expertise and less about capital availability.

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**



## How to Run a Business – developing a deep understanding

There are several instances of individuals who dropped out of college or never had any formal education in business management going on to lead big businesses. Does someone really need a business management qualification to build a big business? The answer is an overwhelming NO!!

Business is broadly based on two central themes – viability in the short term and growth in the long term. This is in addition to the earlier theme – productive deployment of capital. Putting all these together, a good business idea is one which generates cash and profits; and continues to do so over the years to come.

It is evident that any business that continues to generate cash and profits over the years has to be unique and difficult for anyone to replicate. This brings us to the concept of sustainable competitive advantage and the need to have a great strategy. Again, both of these are irrelevant if the people running the business are incompetent. Ultimately it is all about the ability of the people to make the right decisions at the right time.

When a business is started, it needs sufficient funds to meet the capital expenditure for land, plant and machinery, and also to fund the operating expenses. As the business stabilises, the operating cycle starts generating cash which can be further deployed to set up another plant. The skill at this stage is to ensure steady operations and constant reduction of the time required for execution of the operating cycle.

If the business is not unique or special enough, competitors will intensify their activity and not let a new player emerge or gain ground.

The next stage is the phase of growth and this is critical to manage correctly. Growth is a cash guzzler and several organisations go bankrupt trying to handle a large project or making a large acquisition to scale up. Growth also means going to the equity markets for raising funds, large loans from banks and resulting high-interest payments. As the focus of the management shifts to the growth side of business, the existing business might start faltering, thereby disrupting existing cash flows.

With larger projects getting commissioned and stabilised, the supply side surges; with good strategic partnerships, sales and marketing, the demand side catches up and again the business starts generating cash. Any unscheduled stoppage of work, or unexpected increase of prices of raw material or consumables disrupts the flow of materials and cash; this can be fatal for the organisation that wants to grow.

To prevent that, the entire flow of raw materials, plant availability, operations, finished goods, inventory, sales and receipt of cash needs to be managed flawlessly with no hidden inefficiencies. Any inefficiency can give rise to a new competitor.

A good businessman understands that any business needs to complete the operating cycle as fast as possible, generate cash from the business before giving cash out of the business, and also do so better than anyone else, so that no one can compete. If the businessman can grow to such an extent that the ecosystem can be influenced, then he has built a great business.

I can think of several leaders who have done just that:

- John D and formation of Standard Oil
- Oppenheimer and the growth of DeBeers
- Ray Kroc and McDonalds
- Mark Zuckerberg and social networking
- Lee Kuan Yew and making of Singapore
- Chairman Mao Zedong and formation of the Communist Party of China

Just like a good business has to be competitively superior, for its sustained progress, a nation has to be globally competitive and do things over time which keeps it competitive. And like a business where people are very important; for a nation its citizens are the key to success.

Running a business needs deep understanding of the cash flows, business environment, economic developments, customers, operations and the way to engage with all to run a productive enterprise. And as technology evolves and customer requirements evolve, every business has to be fast to lead the transition and not play a catch up game. This again needs constant transformation of business models and strategic deployment of funds to generate returns.

Managers with limited functional mindsets or vested interests miss out on developing an understanding of the business and how to run it in a commercially successful manner.

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Macros –Getting the fit right

The constant evolution of technology and increasing needs of consumers ensures that businesses move ahead. Consumer needs, defined in four broad directions – faster, better, cheaper and healthier, constantly drive technology improvement and adoption. This creates great disruptions for those who want to preserve status quo and opportunities for those who are agile and thrive on change.

Capital-intensive businesses get severely disrupted with any such change, as the risk of rapid obsolescence of plant and machinery is very high. Power plants, steel plants, refineries, and most large projects are subject to the risk of obsolescence; they need to be handled accordingly. The world is witnessing a large-scale disruption due to the advent of electric cars and the resulting drop in capacity utilization of petrol- and diesel-based automobile manufacturing facilities.

How does one invest in building capacities while staying ahead of the obsolescence curve? Is there a framework to that? The answer lies in understanding the broader macroeconomic environment and steering the business along with it.

There are only a few distinct types of businesses possible – financial, product or service. These need to be coupled with the value proposition – customer centric, product excellence or operational excellence. These are to be aligned with consumption, investment, government, exports or imports – which is the fundamental GDP equation. Think through this and you will see that there are over 50 different ways of doing any business.

Broad Direction	Type of Business	Value Proposition	Focus of Business
Faster	Financial	Customer centric	Consumption sector
Better	Product	Product excellence	Investment sector
Cheaper	Service	Operational excellence	Government sector
Healthier			Export sector
			Import substitution

For example, consider a businessman who wants to venture into real estate business. The options available are to become a financier, builder or developer. The value proposition to the customers could be a) customer centric – designed as per requirements of individual customers; b) product excellence – designed by best designers; or c) operational excellence – most convenient design considering ease of living. Business focus could be around residential layouts, commercial building, government properties, overseas development for clients who want to settle abroad or bringing in global best for the real estate sector.

This individual then needs to explore the possible options and get into the right business based on the prevailing macroeconomic environment and the possible future scenario. When businessmen get carried away by the prevailing opportunity, in the urge to grab it, they forget to consider the macroeconomic environment or they assess it incorrectly; as a result, business feasibility suffers and long-term viability of the business gets eroded.

Even if one were to grab the right opportunity, it may be too big for him to finance, leading to erosion of the business as it would not be feasible to provide for the various costs.

At a broad level, getting macros right for a business means identifying what the business needs to do to stay relevant to the following spaces:

- Consumption sector: Do they want to focus on the consumers directly? What is the target segment? What would be the product, price, and placement and promotion strategy? How attractive is the sector currently and in the near future?
- Investment sector: Do they want to go in the business-to-business space? What is the approach? What is the go-to-market strategy and the business model? How attractive is the sector currently and in the near future?
- Government sector: Do they want to address the Government requirements? If so, what are the Government departments to focus on and what is the model for engagement? How attractive is the sector currently and in the near future?
- Export sector: Do they want to export to countries with favourable tax regimes? If so what will be the approach to cover the global opportunity? How attractive is the sector currently and in the near future?
- Import sector: Do they want to import substitute some items coming into the country? If so what will be the approach and how will it cater to the business possibility? How attractive is the sector currently and in the near future?

When it comes to forecasting, it is easy to ask the right questions but difficult to get the answers. Some leaders have gotten it right. For example,

- Lee Byung-chul – Founder of Samsung
- Steve Jobs – Founder of Apple
- NR Narayan Murthy – Founder of Infosys
- Zhang Ruimin – Founder of Haier Group

While many have not. For example,

- Kim Woo-Choon – Founder of Daewoo
- Stephen Elop – CEO of Nokia
- Narendra Kumar Patni – Founder of Patni Computers
- Richard Severin Fuld Jr. – Chairman and CEO of Lehman Brothers

The ones who get it right over and over again have very clearly defined the business direction, type, proposition and the focus. Also, they evolve constantly and do not get it wrong.

Managers who keep changing priorities and try to grab any possible opportunity mindless of these four fundamentals end up wasting energy, resources and capital. Remember, in the competitive environment, misdirection is enough to let competitors grab the opportunity and inflict significant damage to the erring business.

Organisations that want to grow in multiple radial directions must give enough thought to the way the businesses will operate, or else the entire company can collapse, despite availability of enough capital to fund the radial growth plans.

Globally, as the macroeconomic environments change, businesses must anticipate this and figure out a way in which they want to operate in the different economic conditions. Business leaders

spend time configuring ways in which they can handle the China reality, the US political environment, the EU reality, upcoming markets in India, OPEC influence, and struggling countries like Venezuela. Capital expenditure and operating expenses must be aligned to the realities. All this, while keeping enough room to navigate the challenges that new technologies can bring, viz. Bloom energy, lab meat, 3D printing, hydroponics and driverless cars.

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Identifying and Creating the Opportunity

Business existence and growth depends on finding the right opportunity and then scaling up at the right time. Such an opportunity can be an entirely new one powered by disruptive innovation or can be doing things better than others. The big ask is, how to find such opportunities?

There are three elements to finding 'the opportunity.' Let us understand these through instances:

- Lee Kuan Yew wanted to design the Singapore of the future. While he was studying at Harvard, he interacted with the hi-tech industry leaders, from whom he got the insight to bring that industry to Singapore.
- Taiichi Ohno studied the mass production system at Ford Motors and remarked that a new car company was possible in Japan as there was too much MUDA (waste) in the Ford system.
- James Schlatter, a medical researcher working at G D Searle & Company, discovered the sweetness of aspartame in 1965. He was developing a treatment for ulcers when he licked his finger to turn a page of his notebook and noticed an unexpectedly sweet taste. He had the presence of mind to trace the sweetness back to a simple molecule of two amino acids. This evolved into an alternative to saccharine, the artificial sweetener that left a bitter aftertaste.

These three instances illustrate that an opportunity comes to a prepared mind that is seeking options; also, it comes through education, expertise, exposure or a combination of these.

An opportunity comes to one who is constantly looking for ways to resolve existing challenges or trying to improve the way things work. These can be improvements to the work processes, evolution of the business models or innovation. They can be for customers, business partners or the organisation. Whatever creates a faster, better, cheaper or healthier scenario, is an opportunity; and if a business figures out a combination of faster, better, cheaper and healthier, that is an opportunity of a lifetime.

Stakeholders	Opportunity	Broad Direction
Customers	Improving work processes	Faster
Business Partners	Evolution of business model	Better
Organisation	Continuous innovation	Cheaper
Employees	Disruptive innovation	Healthier

The world of business is full of instances where opportunities were missed:

- Gary Kildall who did not design the operating system for PC and the opportunity went to Bill Gates.
- Intel decided not to design the chip for Apple as the possibility of it selling was less.
- Xerox Palo Alto centre designed the first GUI interface and could not commercialise it, which Steve Jobs licensed.
- Sony sticking to the MiDi format and losing out when the MP3 dominated.

While identifying the opportunity needs deep expertise, converting the opportunity into a viable proposition is another thing altogether. Some recent examples that I can recall:

- Yahoo not buying the Google algorithm
- IBM deciding that the PC market was a small one
- Nokia deciding not to adopt Android
- Yahoo refusing a \$45 billion offer by Microsoft and later being acquired by Verizon for \$4.5billion
- Kodak deciding to stick with camera film rolls rather than adopt digital imaging

Great businesses are built around pursuit of opportunities that managers and entrepreneurs see, but others are unable to. Coffee drinking is a centuries-old habit, but it took Howard Schultz to make a billion dollar enterprise out of it as Starbucks.

When was the last time your managers embarked on identifying and creating opportunity? Do they have the collective expertise available to make it happen? What should be done to unleash this huge potential for your organisation?

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Competitive Superiority

Any business organisation is not in isolation; it operates in a competitive environment. This environment is essential as it keeps a business agile and focussed on competitive perspectives. With adequate capital and the end of licensing-based businesses, competitive perspectives have evolved beyond the five forces as defined by Professor Porter.

In the digital world one can choose to watch a movie in a theatre, or on Amazon Prime or Netflix. He can watch it on a 20-metre wide screen or on a 6-inch screen of a cell phone. Competition can creep up from any side; in this context, it would be a combination of convenience and experience.

While tactical competitive moves are carried out based on the business reality, the sustainable advantage comes from diving deep into the customer's latent needs and configuring a scalable solution that addresses them. A winning organisation has that capability embedded deep in it, and nurtures it.

As the world gets enveloped in the fourth industrial revolution necessitated by climate change, the first three are important to understand here. The first Industrial Revolution was all about steam and making of machines powered by steam viz. ships and textile mills. The second was about oil, electricity, guns, warfare, chemicals, etc. while the third one was all about information technology. Each of these was led by some interesting discovery which provided superiority to nations, organisations and individuals.

The world of business also adjusted accordingly; in fact, maybe it hastened the transformation. From bringing the best to one's own country, to shifting bases to other countries and now – a scenario where manufacturing and markets are entirely globalized. This also means competition can come from any market and any geography. The interconnectedness of things and has made knowledge and expertise flow across frontiers with ease, making technology permeable.

Good ideas flourished. The core competence of organisations shifted from size and scale to the ability to have cutting-edge ideas for the business and market, and to forge relationships in order to translate those ideas into products. If the ideas are good, competitors would jump into the bandwagon to make money. Therefore the product initially designed needs to evolve at a constant pace to stay ahead of the competition.

This capability to design new options and evolve solutions is becoming critical. Often, countries that are further up on the evolution process dictate the trends. It has become crucial for businesses to integrate research and technology, have a roadmap-based approach to the marketplace and develop capabilities to scale up quickly.

These can be done only with talented and motivated employees and with a supportive organisational culture that unleashes these. While the core competence of organisations of the yesteryears was availability of capital, availability of scarce resources or mines, the future is all about the ability to harness employee power.

Several CEOs have been speaking about employees being most important asset for an organisation. Notable among them are:

- Richard Branson of the Virgin group



- Steve Jobs of Apple Inc
- Anne M Mulcahy of Xerox Corporation
- Tony Hsieh of Zappos

Earlier, organisations used to hire consultants who were better educated and had fancy management qualifications to show the way ahead. However, now these organisations have several employees who have similar credentials, are globally travelled and have deep expertise in the company's way of working and culture.

There is every reason for the organisation to focus on employees as the new competitive advantage and develop them through a combination of education, exposure and expertise. Such employees, when guided appropriately by the board and management, will ensure sustainable competitive advantage for the organisation.

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Is 'The bigger, the better' still valid?

As machines developed to lead industrialization, the concept of 'the bigger, the better' started to gain a toehold. Larger factories, larger machines, larger capital deployment started to define competitive advantage. This, coupled with mass production and speed of manufacture, gave rise to unrivalled excellence.

At the same time, the concept of distribution gained ground, and it seemed normal to produce in large quantities in one place and then sell all over the country or to the world. Soon there were large automobile companies, power plants, airplane-manufacturing companies, chemical plants, ships and financial houses and the general goal was touted as 'To be in the top 3,' or to become 'too large to fail'. These large companies also built a lot of overheads in the process.

Then the concept of product variants caught on and a customer could pick a tube of toothpaste from an array of a hundred different ones. Gradually, this led to a surplus and a system that was unsustainable. Not due to the size, but due to the sheer number of products it generated – all basically of the same type, fuelled by consumerism.

The unsustainable nature of this growth made its impact on the environment, and such severity that every possible natural resource got contaminated and scarcity dominated in the times of surplus, once again contesting the idea of 'The bigger, the better'.

Technologies evolved that made it possible to produce on demand and take the next step towards a sustainable environment. New concepts like fuel cell promises to light up a home with a small battery-like device; solar power became cheaper than fossil fuel-based power; and 'growing' became the operative word rather than 'cutting it to size'.

However, the existing large factory-based systems and supplier networks cannot become redundant all of a sudden. The impact of the new concepts was so high that entire existing production systems might become outdated. The way mass production killed craftsmanship, these new systems will make distribution and then mass production itself redundant.

Imagine: if Bloom energy boxes were procured by every household to power the house, what would happen to the huge transmission grids which wheel power from the producer to the consumer? Will Bloom energy be able to hold the technology close to itself so that no other company can make such a product? Unlikely.

With the 'technology' and 'education' edges fast eroding for regions such as the USA and Europe, and as countries like South Korea, China, Taiwan catch up on technology prowess, hi-tech and cutting-edge technology-based products will soon be available everywhere. We are witnessing that right now in the pharmaceutical industry, where innovator drugs are being replicated by generic pharmaceutical companies and being made available at a fraction of the cost.

As global distribution companies powered by the internet gain centre stage, distributing products across the globe becomes possible even without setting up extensive distribution networks. The concept of 'The bigger, the better' will be replaced by producing 'here and now' based on customer specifications.

Similarly, with the need for large capital giving way to technical expertise, the organisation of the future will be one that can design extensive hub-and-spoke-based operating models, where the main product is held by the Organisation and customised options are created at places near to consumer. Therefore, this would lead to better deployment of capital and higher returns.

A highly distributed and agile company connected by core competence and technology-based delivery platforms is the future. This way every involved entity will hold on to the core competence while requiring less capital.

The entire breakdown of the classical business value chain also exerts pressure on the way businesses are currently designed. However, a quick look at the growth of Amazon Web Services justifies this point. Home-based charging stations for electric vehicles will severely impact gasoline filling stations.

What are the current business realities which can alter the 'bigger is better' thought for your industry? How can you lead the transformation by shifting to dominance based on localised production and technology? A few CEOs such as Jeff Bezos of Amazon have recognised this and are moving towards the technology-powered local services approach.

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Sustaining a Successful Business

Any business is subject to the forces that prevail in the environment that it operates in. Sometimes large events – war, significant market movements – affect the business. The ability to evolve and to be on the cutting edge of technology are key ways to sustain a successful business. This requires regular scanning of the prevailing industry environment globally for changing customer preferences and investing in the right technology well in time.

While several businesses such as Cargill, 3M, Mercedes Benz, Ford Motors, Nokia, Kongo Gumi, Corning and others do sustain over a long time, remember that they keep reinventing based on changes in economic environment, customer requirement, technology, production processes and industry.

A most well-known scenario is that of automobiles. As countries started making roads, automobile makers also started making better cars which would not breakdown. With oil being inexpensive, the automobiles grew bigger and more comfortable. Rising incomes enabled more families to own automobiles, many owning more than one. The financial system extended credit to make it possible to purchase a vehicle with less cash outflow for a family. Even the government system lowered the age for getting a driving license.

Such dynamics have spin-off effects. A company like Wal-Mart started with their large discount-format stores at outskirts of cities, where space was cheap; their proposition was of lowest prices.

Over time, oil became expensive and automobile companies started turning to more efficient technology and more relevant designs. While that effort was on, an increased amount of consumption of oil led to rise of pollution, to never-before-seen levels. Thus technology evolved to create electric vehicles or non-oil-based technologies.

This will lead to another big shift in the industry. A big shift brings in new players and changes the existing value chain in the industry. Volvo cars have already announced the shift to all-electric cars and major automobile players are playing a catch-up with Tesla.

The point here is, why did the existing automobile companies, with access to money, markets, distribution and technology, not move fast enough to produce the first electric car? In fact, Tesla Motors announced their intention many years before they actually brought the car to market.

Businesses often falter due to lack of right amount of investment at the right time or for becoming complacent and taking things for granted while trying hard to maintain status quo. A sustainable business is one which grows by anticipating customer requirements, evolving technology and business environment.

The role of the board which keeps a long-term view of the business is fundamental in this evolution. While the managers can bring up ideas for consideration, depending on what is happening at the marketplace, the role of moving the rudder is with the board.

Several companies have made the transition over the years to stay relevant largely through acquisitions or diversification. Some of them are:

- Nokia – transitioned from paper industry to electronics giant

- 3M – transitioned from a heavy industries focus to an innovative enterprise
- Walt Disney – transitioned from animation to an entertainment giant
- HP – transitioned from an electronic instruments company to a IT major

Is your Organisation evolving and transforming or trying to hold on to status quo? When was the last time there was a drastic shift which needed new capabilities to be brought into the organisation? Do you think you will be able to sustain your successful business?

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Employees make the best Businessmen

An organisation requires its employees to work in a coordinated manner and deliver outcome. Overtime these employees specialise in functions or in running the overall organisation. They are the body of knowledge and as discussed earlier have the employee mindset. As they retire a huge potential is lost.

A large organisation has many advantages, like ease in raising capital, huge pool of knowledge, ability to influence Government decision making, and wherewithal to handle complex issues. Small Organisations are unable to do these and get caught up in operations. Here comes the possibility of synergy and the hub and spoke model.

Organisations which benefit from this synergy leverage on the capability of the employee and the advantages of the organisation. They form a fungible way of working across the supply chain so that its employees are involved with the operations of the vendor Organisations and thereby have an operational control.

These organisations have to develop the employees over time to carry out such activities. Employees need to have a cross functional perspective to wear the hat of a businessman and integrate the vendor value chain with the organisation. Depending on the criticality of the vendor, operational and financial integration can be carried out.

Deep expertise of employees or partners, if leveraged well, can give rise to enormous opportunities. Here are a few examples of a former employee/associate going on to create a new business opportunity like:

- Flipkart started by ex-Amazon employees
- Infosys started by ex-Patni employees
- McDonalds corporation started from employees of McDonalds brothers
- Dr. Reddy's Laboratories started by ex-IDPL employee
- Wal-Mart started by ex-JC Penney employee

All of these were possibilities of the organisation retaining their employees and scaling up along with the idea of the employee. What can an organisation do to make this happen? There are four steps:

- Develop a hub-and-spoke way of working in the supply side and the demand side
- Skill up employees in a cross-functional manner with deep understanding of running a business
- Provide regular opportunities to employees to setup, launch and operate a business profitably
- Build the mindset of a Director and stewardship in the employees

Then a few carefully groomed employees can become the source for the future of the organisation. While an employee seeks security, and provides his expertise in lieu of financial returns, the same can be made into a good business opportunity by developing the employee over time to become a businessman with deep expertise. This is a very good combination for any organisation that wants to grow, and is constrained due to unavailability of time of the existing management team.

Once employees are able to overcome the 'employee mindset', and are provided with the necessary financial security, they become the best businessmen. These employee-turned-businessmen have the benefit of deep expertise, but they lack the ability to take risks.

A key dimension of a business is the element of risk, coupled with long-term vision. Due to the way employees are educated and inducted in businesses, they develop a time-and task-based orientation, not a long term-vision, nor the ability to take risk. The time-bound nature of thought comes from the 'retirement day' concept firmly etched in the minds. Therefore, the employee thinks about life before and after retirement and his actions are aligned accordingly.

Business continuity concepts are limited to top management and business owners. Employees with the potential to become good businessmen can become the new growth engines of an organisation.

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Guts Needed

The most critical element for running any business is courage. As there are a limited number of variables which can be modelled, and their possible impact forecast accurately, it is critical to develop the courage to take the bold steps. These bold steps could either be a series of small, thought-through ones or a single large leap.

This needs courage, aka 'guts'. It is one of the most important elements for developing business acumen. If the thought process is clear, the necessary business courage will appear. A few instances of businesses making bold decisions that worked out positively:

- Steve Jobs and recreating Apple Inc
- Walt Disney and the making of Snow White
- Andy Grove and Intel's move into microprocessors
- KM Birla and purchasing of Novellis

Business courage needs to be developed over time by making decisions in the absence of complete information. Individuals with business courage or guts have a clear understanding of the future, deep appreciation of the business model, can envision the broad steps needed to make that happen, and get the right people in place to ensure that the steps are executed well.

The ability to make the decisions is not like a coin toss and getting it right by stroke of luck. It is about putting the entire business acumen at work and being able to join the dots.

It means, in an interconnected manner, addressing the following six elements:

Stakeholders	Opportunity	Broad Direction	Type of Business	Value Proposition	Focus Sector
Customers	Improving work processes	Faster	Financial	Customer centric	Consumption
Business Partners	Evolution of business model	Better	Product	Product excellence	Investment
Organisation	Continuous innovation	Cheaper	Service	Operational excellence	Government
Employees	Disruptive innovation	Healthier			Export
					Import substitution

The few crucial questions to be answered confidently for what needs to be done are:

- How does it improve the existing scenario by making it faster, better, cheaper or healthier?
- How does it impact my stakeholders positively?
- Where is the opportunity – in doing the same thing better or with a disruptive innovation?
- Are we going to offer a financial solution, product, service or a combination of all?
- Who is the customer and what is going to be our value proposition to the customer and therefore, the focus?



- What is the focus sector currently and after a few years?

When the answers to the questions are provided without any hesitation, the new business opportunity is ready and the individual would have demonstrated business acumen.

**What are your thoughts at this point?**

**What do you need to know more about?**

**What do you need to do?**

## Reference Material and Books

Throughout this handbook, references have been made to individuals and organisations. The information has been gathered from several books, case studies and news reports. In case any of the information is incorrect and needs editing, the same will be done, if it comes from a credible source. The books referred to are:

- Making of Singapore – Lee Kuan Yew
- Only the Paranoid Survive – Andrew S Grove
- NUTS – Southwest Airlines
- Wal-Mart Way
- HP Way – Dave Packard
- Dell Computers – Michael Dell
- Nokia Revolution
- The Search
- Discipline of Market Leaders
- Machine that changed the world
- Financial accounting – Libby/ Libby and Short
- What the CEO wants you to know – Ram Charan
- OLAM – company website
- Sony Vs Samsung
- FORD century – Banham - Book on History of Company
- Who said Elephants can't dance – Louis Gerstner

And innumerable books on management by leading thinkers.