

Chief Guest's Convocation Address

Mr Chairman, Members of the Board, faculty members and the Class of 2006. It is a great privilege for me to stand before you today at this convocation function at my own alma mater - and indeed the alma mater of another three of my family members! Like the Class of 2006, I spent two wonderful years here. I learnt a lot from the institute and the faculty —some of whom are here on the dais today. I also made some wonderful friends who are as close to me today as they were then. But most of all, I found my wife here - Kamini - who was my classmate. By the way, I am glad I did not find her, or she me, till the third term of the first year. That would surely have made life a lot tougher in the excruciating first term! Kamini has been my wife for 27 years and the mother of my two sons. She runs a global consultancy and has authored two books. In fact, she is the first author in the Banga family. I must warn you right away that she will not be the last!

Walking down this aisle today, I could remember an evening in 1977, when I sat like you on this very lawn, wearing a gown. At the time, I felt some sense of closure -the end of an enjoyable chapter that I would surely miss. But mostly, I felt great. I had made it! Ten years of an unending series of tests — school leaving exam, then five gruelling years at the IIT and finally six terms at IIM. All the stress and pressure to excel - to do well - to get to the next stage. Now there would be no more exams. I was going to be a manager in a big, admired company. I would be working. Independent. Living on my own. Yes, I felt great.

You are doubly fortunate that you graduate at an extraordinarily exciting time for India. Every time I come here, I can feel opportunity all around me. And a sense of optimism. In January, this year, I was at the World Economic Forum in Davos. India was very well represented by several leading businessmen. And the world took notice. There was a feeling that we had arrived. I must say I felt proud to be an Indian. Our country is on the move. Our GDP growth on the upward path. We have delivered eight percent last year. This is amongst the highest in the world. We are already amongst the top five economies in absolute size by PPP. But stop for a moment. Think. Dream. What could it be? Where can we get to?

In doing so, there is the hardware aspect — infrastructure, education etc. But then there is another side to this. We can only build the hardware with very strong software in place. This is about mind-set, belief and conviction in the idea of India. That it can and will be great. Once again, let us look back. Post-independence, several countries flocked to join one of the power blocks. India, went its own way and chose to be nonaligned. Its dream was to be the world's largest and most successful democracy. It is a melting pot of cultures, castes, religions, languages. In many ways this made our path more difficult. And yet, today, we are a stronger democracy than when we began. We still have divisive forces which even lead to violence. And yet, after each such event, we emerge stronger. More united. Which country is more visibly secular than India with a Sikh Prime Minister, a Muslim President, a Hindu Vice President?

Indians are working in every part of the world today. Fifty years ago, they were tolerated and mainly allowed into lower order occupations. Today, they sit on the world stage with the biggest and best in academia, business and medicine. Yesterday, an Indian abroad, was often diffident and unsure. Today, they exude confidence and are comfortable in their own skin.

But above all, we have got rid of the cynicism. More and more people, irrespective of what they do, are confident of their future. They believe that tomorrow will be better than today. Imagine the power of that belief when all one billion Indians feel it.

But building the fundamentals or building the core of our economy is not an easy task. Nor is there a magic formula or a silver bullet. It will require a series of steps. Each in itself small, but all consistent and pointing in the same direction. Take a leaf out of Jim Collins's book. Good to Great, where he likens changing large organisations to pushing a flywheel. The Indian economy is like a fly wheel. Large. Heavy. Weighed down by its population and democratic tradition. Slow to move. Needing a lot of push. And then slowly it gains momentum. And begins to spin faster. The very weight that delayed its start now gives it momentum. It spins faster and faster. Finally, it has so much momentum that a small push gives a big result. And nothing can stop it anymore!

What can you do to speed up India's flywheel? You can and must be a change agent. In whatever profession or role, you choose. Many of you will join large organisations, with years of success behind them. Their success gives them a dominant logic and a strong culture. They will try and indoctrinate you. They will want you to conform, despite what they say. But you are their best chance of renewal and change. And if they change, India will change. So do not surrender your beliefs, your convictions. Listen. Learn. But keep your own point of view.

I am often asked how does one do this when one is at the bottom of the pyramid in an organisation? The answer is simple. By knowing your ground. And knowing that you are closer to the ground than anyone else. Use the power of knowledge. Bring your beliefs to work. And let them show. Incidentally, I am particularly delighted to learn that some of your colleagues have decided to become entrepreneurs and that two have kicked off their ventures yesterday.

Let me share some of my experiences with you. I left here to join my dream company — Hindustan Lever. And from there on began a wonderful journey. I thought it would follow a predictable path. As described in pre-placement talks and folklore. But it was full of surprises. Within months of joining, I found myself living in a village, trying to adjust to village life and work out how to do rural development. Tough as hell at the time. I wondered why I was there - after all had joined a multinational to learn marketing. But I survived and learned. Most of all, I learned about myself. And what I was capable of. These things helped build my self-confidence. So I was ready when the real test came. And it did.

Fast forward to 2000. I was in the corner office on the 5th floor with the top job at HLL — an aspiration I had from the day I joined. The company was entering a very challenging phase. It was now missing its growth targets after having grown strongly in the nineties. The market context had changed dramatically. The nineties had seen FMCG market growth of a scorching 15%. This slowed and then stalled in 2000. And then declined for 4 years! My challenge was to turnaround the company. To grow in this crisis of declining markets. To enhance our competitiveness. We were increasingly challenged by competition from mushrooming local players as well as the big international companies excited at the potential of India. We had too many businesses and brands and our resources were spread thinly. We had lost our edge in many areas, as others caught up.

I decided that our path to growth was to go back to the fundamentals and rebuild the core. We focussed the company on FMCG and divested the non FMCG businesses, amounting to almost 20 % of the company. We chose 20 power brands out of our portfolio of 110. And made them competitive, contemporary, relevant and iconic. We gave them world class quality and spent more on advertising and promotions. And succeeded. Lifebuoy is one of our oldest brands — over a hundred years old. Nobody believed that it could grow. But it has and strongly - in double digits, every year, for the last three years.

We simplified the company and created two divisions from seven profit centres. We attacked bureaucracy, built a culture of speed and action. We weeded out non performers - about 20 percent of the management. We invested in IT and improved our processes. And we faced up to competition. One of our competitors dropped prices by 50%. We had five times their share in the market. Any change in price would cost us five times as much. But we did not blink. We matched them move for move. And increased our market share.

But all of this was the hardware of the strategy. Let me tell you about the software of the turnaround. My first challenge was to get everyone to face up to the crisis. In this, our past success was our biggest enemy. People found it difficult to accept the need to change. So they looked for other reasons. They blamed the monsoons. They kept hoping that the market trend would correct itself. But even more, they believed that our current business was mature and that we needed to enter new businesses to grow. But how could our business be mature? How can any business be mature in a country like India?

We dealt with this by using the brutal reality of numbers in every discussion. And by going to the financial markets, telling them that our current strategy was not working. I also announced the new strategy. Our people thus heard the same message everywhere — both inside and outside the company. In many ways, that was the easy part. Implementing the turnaround involved many challenges and difficult decisions. For example, making the divestments. In every case, we were letting go of businesses we had built. And people we had known for many years. I did this in the belief that it was right for the long-term health of the company.

There was also the question of perception. Through this period, the company's sales looked flat. We were of course improving the intrinsic quality of the portfolio. By shedding poor quality businesses and replacing them with power brand growth. But this improvement was not easily visible. We had a drop in our bottom-line as we ~ invested in the future. In improved products, world class quality, more advertising and promotions. I spent a lot of time explaining this to our own people, as well as media and analysts. When we began, there was a mixed reaction. Some agreed with the thrust on rebuilding the core. Many others were disappointed that there was no big, new, business entry or acquisition. My strategy was all about pushing the flywheel. It was about back to basics or rebuilding the core. And that was not a very exciting story. This reaction only strengthened my resolve. I was convinced we could not contemplate any big move into a new business, till our core was healthy and growing. Even more, I believed that our core was capable of strong growth.

So we ploughed on. At first, things went well. More and more people- from within and outside began to buy into our plan. There was more good comment than otherwise. But this was too good to last! The market got more difficult. Some changes took longer than planned. There was a major drop in profit when we dropped prices to blunt a competitive attack. The concerns came back and there were many adverse media headlines. Many of these questioned our strategy. Some challenged our implementation. Others questioned our competence. This was a very difficult point in the journey.

I travelled a lot to see first-hand what was happening on the ground. I talked to a lot of people, looked at data. I would come home and introspect for a while every day. I looked for signs as to what was working and what was not. And my inner voice invariably said yes, we are on the right track. Remember the flywheel. I was close to our transformation plan and was convinced that the HLL flywheel was gathering momentum. It was simply that this was not visible to the outside world. So I carried on. And developed a little thick skin to ignore the doubting voices.

And the turnaround came. Slowly but surely. First came volume growth. Then came value growth. And finally profit growth. Last year HLL grew its top line and bottom-line in strong double digits and the company exited the year with good momentum. I am confident that we have transformed the company in terms of portfolio, capabilities and culture. HLL is fully prepared to exploit the opportunities of a new India. That brings me to my next point. I have seen much success and much challenge over these twenty-seven years. I know now that it is difficult to predict exactly when it will all come together. I believe totally in the saying, "Success is when opportunity and preparedness meet". Equally, challenges and reversal are often caused by circumstances beyond your control. I do not allow myself to get disheartened by any reversal. I only stop and think. So what have I learnt from this? And how do I move forward?

I have spent a lot of time describing to you the software of the HLL turnaround. What are the key messages?

Firstly, building the fundamentals or building the core is a very challenging task. It is time consuming. Requiring both persistence and patience. And that it is not easily glorified. That is why it needs an enormous degree of belief and conviction to see it through. You need to know when to change the path and when to hold firm. Today's world is moving faster with greater volatility. Trends beginning in one part are immediately transmitted across by modern media. New opportunities and products are coming from the convergence of technologies. It is all too easy to be blown from one direction to another. Today, more than ever before, you need an inner compass.

And that is your instinct. Not gut feel as some put it. Instinct is a potent combination of intellect, experience, belief and values all being processed at electronic speed in your brain. You do not sense the collusion, because they happen fast, like the most powerful computer. And that is why whenever I have a really difficult decision to make, I seldom make it instantly. I listen to everyone. Then go away to my own inner space. And soon the answer is evident.

And finally, one more thought. We live in a world which dramatizes the present. Which celebrates the current. We are so used to the ever-increasing internet speed that we get frustrated at a second's delay. And yet, building fundamentals or the core takes its time. Remember the flywheel. Success comes from a series of small incremental steps with each one so small that one hardly notices a change. And then all of a sudden, these small steps have built upon one another and add up to a big change. To summarise, if I was to leave you with one message, it is this: Building the core is an extremely challenging task —one that requires enormous self-belief, or in other words a truly strong inner core.

Let me conclude by sharing a story I heard from a friend who was spending time with someone on his death bed. The dying man told him "Life is not a rehearsal," he said, "it is a one act play. So you better give the very best performance you are capable of."

Last night, I looked back to see how I felt about life. The answer is one word. Great. I look back with enormous satisfaction. And without regret. I have and continue to live every day to its full. I have given whatever I have done my fullest commitment and my family and friends my fullest engagement. I have a strong sense of what I truly believe in and have persevered in that, irrespective of any opposition that I have encountered. I sleep well — so well that Kamini often complains that I always fall asleep even while she is talking to me! And I wake up ready to face the challenges of a new day. For the last year, I am in Europe as President, Unsilvers Foods. We have a 20 plus billion-euro business, facing a similar challenge of finding growth in an increasingly challenging environment. I am confident that we will be able to grow it sustainably. Here too, we will build on our core. But it will require us to change. In many ways. And that, for me, is the excitement of it all.

Ladies and gentlemen, I congratulate you on your achievement in securing your credentials in business from this great Institute at the hands of an outstanding faculty. I wish you success in your endeavours. And above all, hope that you find joy in these as well.