

EYEING THE FUTURE -- WITH IMAGINATION AND INNOVATION

Good evening ladies and gentlemen. I am delighted to be here in Ahmedabad today. Thank you for inviting me.

We live on the cusp of a new century and a new millennium. The world is etching new milestones towards a new destination. It is therefore a great privilege for me to address a congregation of some of the brightest minds who will lead us through that unfolding future. Over the next few minutes I would like to talk about the role of mindset and imagination for success in the broadest sense.

The future of a company is determined in and by the minds of its people. The future can seem mysterious and daunting, or exciting and full of possibilities. Indeed it can be converted into possibilities -- of ideas which can become reality -- when imagination is fused with innovation.

Imagination is the power of the mind to grasp the truth underlying facts, and come up with a vision which sets the course for the future. Innovation is the capability to translate this vision into action by doing new things and doing things differently. Together they give an organisation the capability to create, appraise and implement new thought.

Companies the world over -- and increasingly in India -- are trying to inculcate these qualities. This is natural, because of the impact of accelerating change in a rapidly evolving and dynamic world. Corporations no longer have the luxury of being reactive, responding after an event has unfolded. The need is to anticipate, plan and implement revitalisation and reinvention before events unfold. The future will belong to those who lead change and set the agenda for their industries, rather than those who follow the agenda that others set.

Such a mindset is critical to business success. Accepting age-old truths as the gospel is sowing the seeds of destruction. Challenging what is an axiom is therefore instrumental to growth; often you can reposition your response with such challenge. For example, data suggests that our company's

marketshare in personal wash is close to 60%. But when you express it as a percentage of the number of theoretical bathing opportunities, it is only a fifth of where we are today. Challenging and changing one's perspective thus opens up new vistas.

The greater success will arise from such proactive change; foreseeing what requires to be done tomorrow and doing it today. In doing this, we need to build on the past, but not get bound by it. Those who are blind to this renewal face extinction. All of you know that seven of the top 25 consumer goods companies of 1960 no longer exist; half of the Fortune 500 companies of 1970s have withered away. In India too, six out of the top 10 companies of 1990 have today surrendered ground on the basis of market capitalisation, which is nothing but the markets' evaluation of the future of the company.

However there is good news, and that is that companies have now by and large recognised this lesson. They know that their business strategy has to address a complex and changing matrix -- sometimes evolutionary, sometimes discontinuous. They have to sustain themselves where they already lead; they have to equally enter those areas, leveraging their core competencies, where they have no presence. A company has to build equity and create awareness for hitherto non-existing products and services; at the same time it has to introduce new benefits in existing categories in traditional markets. There is no alternative but to consistently expand the horizons of growth in a cascading manner. A company must simultaneously get the maximum out of today's core businesses, while at the same time identify and experiment for that which is going to become core tomorrow -- a bifocal approach, combining the near-term and the long-term.

Horizons can only be expanded by a mindset which explores beyond the frontiers of the present. The knowledge that we command today is important. But it is even more important to think of what can be done tomorrow with today's knowledge. This is the relevance of imagination -- imagination is nothing but the power of the mind to think of something as possible to achieve in the future. It is to derive from events, that happen around us, that idea which can be converted into a potential opportunity and then a profitable reality. A chasm cannot be crossed in two small jumps. It is this faith in the mind that makes you take the big leap.

Thomas Edison saw in a flaming bamboo stem the possibility of an incandescent filament in an electric bulb. Ralph Schneider decided to form Diners Club one night after he lost his wallet. All action begins from that one thought, that imagination sparks. Imagination is not a fiction of fantasy; it is the mental faculty of inspired thinking to create tomorrow's reality.

Creating the reality of tomorrow requires all of us overcoming the barriers of convention. The many cases, that you have pondered over during the course of your studies here, would have clearly manifested that people living at the same time with access to similar information reach different conclusions to meet different ends. In 1977, convention suggested that people did not need computers at their homes. Yet that very same year, Steve Jobs set up Apple to create a new way of living. He interpreted the same information available to others with a farsighted perspective, and an imaginative pair of eyes. As Marcel Proust said, "The real magic of discovery consists not in making new landscapes, but in having new eyes."

Indeed when you have imagination, landscapes full of opportunities inevitably follow. The ideas that blossom need not be and are usually not in either a clear or recognisable form. The starting point is most often the flicker of a broadly understood opportunity area -- a particular consumer trend or a technology which can have relevance to the organisation's businesses and core competencies. But these broadly sketched opportunities must be defined and tested to identify possible market discontinuities.

Innovation is the bridge that helps achieve this; converting imagination into marketable realities. In a corporate sense, innovation is nothing but the ability to create a product, service or process which gives consumers a visible or invisible benefit and actually provides a new opportunity to the organisation. A deep understanding of both consumers and technologies provides the foundation for successful innovation.

Insight into consumer needs and aspirations is critical if new market opportunities are to be identified. Let me give you some examples of how consumer insight has helped us in creating market discontinuities and altogether new categories for the business. We had historically

introduced branded scourer powders as a better and value-added alternative for dishwash compared to ash. The proposition was that it provided excellent cleaning, and value for money. But the market did not grow as expected. Housewives depend on maids for cleaning utensils, and the maids continued to use the powder as if it was ash. Rather than value for money, we were adding to the cost of cleaning. That set us thinking on a new product form, which would indeed ensure dosage control. The result of that innovation exercise, based on consumer insight, was the launch of dishwash bar, the first such offering among many such products now. In the last five years, since the introduction of the bar form, dishwash powders have shown no growth, while dishwash bars have grown by 240%. Bars are now 50% of the total dishwash market.

In the late 1970s we identified that in markets dominated by products positioned on a traditional and family platform, the younger generation wanted products which were modern and aspirational. That led to the introduction of the first gel toothpaste -- a clear discontinuity; today gel is 30% of the total toothpaste market.

Similarly, research among rural consumers in 1995 indicated that a large segment of low-income consumers could not even afford popular priced teas. Research also indicated that in rural areas, tea is not a drink for social niceties, but for satisfying hunger. That led to the introduction of a predominantly tea-based beverage with other edible ingredients like chicory, tapioca and jaggery at an affordable price; once again a new category with enormous growth potential.

Innovation cannot only be restricted to products; it must be extended to manufacturing and product delivery mechanisms. For example, we are harnessing the benefits of technology in building our nascent icecream business. To attain scale, the business has to expand beyond the cities and large towns. But the main barrier to expansion is erratic power supply, key to establishing the necessary cold chain distribution. Understanding the science of Eutectics helped to develop cold cabinets which maintain the product at the required temperature without electricity for a period of upto eight hours.

Generating and implementing new ideas cannot be an intermittent process, stopping and starting at intervals. For companies to retain their relevance they have to be proactively and sustainably ahead of others in building new understanding, finding new insights and actioning appropriate product and process innovations. Speed of action is thus critical.

At the same time, the new ideas must fit into the overall strategic framework of the company. Otherwise innovation will not be driven towards the core areas, and will result only in peripheral benefits. Thus in addition to speed, there must be focus.

Our experience suggests that generating, appraising and implementing new ideas must be managed through a disciplined process which balances speed with focus. The process starts with capturing new ideas and ends with evaluating the performance of the product and service that is finally launched. It is like a funnel with sieves, through which raw ideas are researched and refined into sustainable products and services.

A company cannot afford to depend only on a few individuals to generate thought. Imagination and innovation must become a corporate capability. Therefore the funnel should stretch upto the contours of the organisation, capturing ideas from every member. The company indeed has to be a "hundred-headed brain", as John Patterson of National Cash Register had thought of a hundred years ago. The products that flow from the end of the funnel must have complete marketing, manufacturing and commercial assurance, for sustainable success.

However this process will serve no purpose, without the passion of the people involved. It is the passion of restlessly seeking excellence that enables a company to imagine, innovate and implement discontinuities. The fountainhead of passion is a "can-do" culture, which unleashes in people the desire and the confidence to renew, revitalise and, if necessary, redirect.

The sustainable business model for growth therefore must start with people -- people growth leading to business growth. All the traditional sources of competitive advantage, like capital, technology and brands, can be built or acquired in increasingly faster timeframes. The only true

discriminator, which can offer a source of sustainable competitive advantage, is people. There is no future for any company without a continuous flow of young people. But they can flower only with the right cultural milieu -- and culture is nothing but the collective behaviour, attitudes and beliefs of people within the organisation. As the saying goes, 'If you want one year's prosperity, grow grain, but if you want ten year's prosperity, grow women and men.'

The key goal for an organisation therefore is to find a way to unlock the immense potential in every person and direct it towards addressing the critical challenge of sustaining growth. If businesses have to relentlessly identify and pursue new growth engines while nurturing and building existing ones, they have to have builders and explorers. What is even more challenging, is to train people to transition from one role in one horizon to another, as is inevitable in the course of one's career. We must provide our future leaders an environment and structure which invigorates rather than stifles creativity, and helps unleash the enormous entrepreneurial energy latent in every individual. Only then does an organisation earn, as McKinseys say, in another context, the 'right to grow'. For this, companies will no longer find it enough to survive only on their own historic capabilities. They will also have to form alliances, control and manage intellectual capital without directly employing it, and fund what may at first sight appear to be risky start-up ventures of bright young men and women like yourselves.

In the ultimate analysis, it is all determined by the state of mind. I have always believed that to win in the market, you need to first win in the mind; and to win in the mind, you must "will" things to happen. It does not only depend upon how we perceive the environment, but also how we perceive ourselves. Mahatma Gandhi used to say, "You must be the change, you wish to see around you." Therefore the dynamism we wish to inculcate in the organisation is proportional to the dynamism we unlock in the minds of our people. Young students like you can act as such change agents. As future managers in your respective organisations, that is what is going to be the measure of your success.

But in leading change, there is no substitute for the bedrock of experience. There must be a fine balance between getting ahead and building the experience base. We all like to grow, and grow very fast. What we also need to recognise is that personal growth should be sustainable and, as in a business,

built on cascading horizons. Yes, you will need to compete; but in the world of tomorrow as it emerges, success will equally depend on your ability to work as a member of the team. Interdependence -- everyone needing each other to achieve their respective tasks -- will be critical. None of us can be as smart as all of us.

Businesses are ultimately built by the spirit of women and men behind them, fired with the capability and desire to succeed. It is that desire that brought you to this Institute. Energised by the learning that you have acquired and the experience that you will now garner, you must transform yourselves into sustained winners, spurring your imagination, accentuating your strengths and bridging your gaps. This in turn will influence your future company's collective entrepreneurial ability and competitiveness, enabling you to adopt new approaches and an abiding ability to take risks, the rewards of which are going to be huge.

Organisations indeed are already trying to inculcate this spirit by giving people a mission they can easily relate to; interdependence, with each member of the organisation becoming relevant to the other; rapid and continuous flow of information; and a spirit of entrepreneurship. As their future custodians, you have to accelerate that process, exercising the power of your imagination and innovation, undaunted by the dangers of failure. As the saying goes, "Life is not something that you can step back from and admire when it is completed. Life is a continuous process of laying foundation -- mapping, bonding, constructing, repairing, renovating, painting. You never get it right. It is never complete. It is always under construction."

Yesterday's methods are sufficient for today, tomorrow will require new models. This can best be achieved by young managers like you, because you are most open to tomorrow. On behalf of the corporate world, it is my pleasure to welcome you to our fold and to work with you towards that tomorrow.

(Convocation address by K.B. Dadiseth, Chairman, Hindustan Lever Limited, at Indian Institute of Management - Ahmedabad, on March 30, 1999)