

Chanakya's Business Mantra for the New Year: Renewal through Customer Centric Culture

The economy is in a state of recovery. Is there a law for continuous renewal and growth? Absolutely, believes Chanakya. He says:

"The root of all material well being is enterprise; and of material disaster - its reverse" (1.19.35)

Ramesh Iyer, the MD of Mahindra Finance, recently (Dec 2014) won the prestigious BT Best CEO award in the mid-sized Financial Services Companies category. "Iyer has delivered more than what he set out to do in the mid-90s when the company was founded to help support M&M. Mahindra Finance has transformed from being a captive finance company to becoming India's largest non-banking finance company in the rural and semi-rural areas. It has an asset base of Rs 31,665 crore, higher than many old private sector banks. The company has churned out profits of Rs 887 crore in 2013/14, which is one fifth of parent M&M's standalone profits. The company has also spread out across 893 branches with employee strength of 12,816 people" noted Business Today, who conferred this award on him. Mahindra Finance has numerous group entities of its own in areas of Insurance Broking, Rural Housing Finance, and others. How did a man who became the MD of the company in 2001 achieve so much in a relatively short time of 13 years?

"Customer intimacy" is a key factor he counts amongst others. Bharat Doshi, Chairman of Mahindra Finance, says Iyer is a very inspiring leader. "Iyer leads from the front. He fully knows what is happening at the ground level," says Doshi. It is interesting to note that when Mr. Doshi says "ground level", *he implies not just the customer but also the ground level employee, the last link in the organizational chain.*

Chanakya advises:

"In the happiness of his subjects lies the king's happiness; in their welfare, his welfare.

He shall not consider as beneficial that which pleases his but treat as beneficial to him whatever pleases his subjects!" (1.19.34)

Let us consider each Sutra deeply:

"In the happiness of his subjects lies the king's happiness; in their welfare, his welfare.

Businesses are built from ideas but businesses are sustained by its customers. Consider the very challenging Airlines industry. In India, there is severe competition - Indigo Airlines alone seems to posting profits, quarter after quarter, while other carriers are struggling to remain afloat. In fact, Spice Jet, another low cost carrier, which made small operational profits infrequently, is in serious

trouble with its creditors, as this piece is being written (in Jan 2014). At the turn of this century, it was the pioneering Deccan Airways which after being unable to recover from consistent losses, sold out to Kingfisher Airlines which, in turn, probably had the hardest landing imaginable themselves! What a tragedy – from being King of the skies to being grounded to being what seems like a premature death, with its licences being revoked for domestic and international flights. If Spice Jet is to recover, what should be its renewed approach?

In the US, Southwest Airlines seems to be consistently going strong while data shows that at least a hundred other airline companies in the US alone have gone bankrupt since 1980s. This begs the question – what sets Indigo and Southwest apart from its peers? Even the occasional flyer can tell you that it is “customer service quality”. Indigo and Southwest, who are both are posting solid profits consistently, have been conferred with many awards and more importantly – they have ever expanding market shares. Southwest Airlines has been legendary in its service quality.

Let’s consider the case of Apple in the Technology devices domain. Iphone 6, released last year, shattered Apple’s own sales records. More than 10 million iPhone 6 and iPhone 6 Plus devices were sold within their first three days of launch. Apple’s phenomenal success continues though Tim Cook is a different type of leader from Jobs. His challenge involves improving a mature product and operating it at massive scale. Apple is roughly 3 times its size from when he took over from Steve Jobs though many feel the numbers still speak to the idea that Jobs’ creative vision continues to drive the company. Steve Jobs’ famously said “You can’t just ask customers what they want and then try to give that to them. By the time you get it built, they’ll want something new”. While this may seem like arrogance, we know now that it stemmed from a deep appreciation of ‘future customer wants’ rather than from a desire to incrementally upgrade features. It is interesting to note that for over a decade, the best companies have moved from providing plain ‘Customer Service’ to offering elaborate ‘Customer experiences’ which are much more than individual customer transactions. Steve Jobs may have laid the foundation to customer intimacy – positive customer experiences are built around a profound understanding of their emotions. There is a distinct recognition of the customer’s emotional connect with their service experience.

The converse is equally true – those who are driven by their own personal ambitions (as opposed to customer needs) have hastened their downfall, sometimes as spectacular as their rise has been. Sahara India is an Indian conglomerate with business interests in finance, infrastructure & housing, media & entertainment, consumer merchandise retail venture, manufacturing and information technology. Sahara Group, which was founded in 1978 had a rather meteoric rise over 3 decades. It has over 121,653 employees who are called ‘Parivar’ viz family. Yet it finds itself embroiled in several

large cases of their customers losing money, and the Supreme Court of India ordered the arrest of Subrata Roy, Chairman & Founder of Sahara, for failing to appear in connection with the Rs.24,000-crore deposits his company has not refunded to its investors. Whatever happened to Subhiksha? Subhiksha was an Indian retail chain with 1600 outlets selling groceries, fruits, vegetables, medicines and mobile phones. It began operations in 1997, and was closed down in 2009 owing to financial mismanagement and a severe cash crunch, despite having been a rising star in Indian retail with over 1600 stores and 25000 employees less than 10 years in a highly competitive space – a case of the ambition of its founder trampling over the customer promise!

It follows automatically that Leader has to demonstrate the highest level of Service to her people – which consequently needs to translate into the same exalted level of service to its customers! It is the Leader who sets the example. Here is the second part and drives home what seems obvious:

He shall not consider as beneficial that which pleases his but treat as beneficial to him whatever pleases his subjects!" (1.19.34)

And yet so many from time immemorial have forgotten this basic tenet because Leadership, bestows glory and fame that can lull the Leader into a false sense of permanent security.

Mythology tells us that the powerful king Ravan, who had all the qualities for greatness, forgot his kingly dharma when he was distracted by the beauty of Lord Ram's wife Sita, which became a recipe for his disaster...and death. Chanakya merely articulates what history taught him – the mighty ruler Dhananand of the grand kingdom of Magadha was felled. He was so intoxicated by power that he burdened his subjects with a heap of unfair taxes to demonstrate his might. This incurred the wrath of subjects, his downfall was hastened and made way for Emperor Chandragupta.

Consider this: Changi Airport in Singapore is the most applauded and awarded airport in the world. Since the airport's humble beginnings in 1981, Changi has turned into the global standard for functionality, aesthetics, and service asserts the Customer Service guru, Ron Kaufman. It ranks as the world's sixth busiest airport, surprising and delighting more than 42 million travelers a year. How did it reinvent itself? "Travelers fall in love with Changi because the airport has built an uplifting service culture - a shared purpose within every aspect of your business—from the boardroom to the front line—where everyone focuses on creating value for other people both internally and externally" says Kaufman.

Reverting to our case of Mahindra Finance – Iyer, who started by opening the first branch of Mahindra Finance outside Mumbai, in Jaipur, followed up by opening five to 10 branches every year across the country. *"We shrink customer distance by opening a branch,"* says Iyer. Branch is a customer touch point and every branch means access to thousands of customers who need service..and service experience - a shining example of consistent enterprise through customer intimacy.

Game Changers

Customer intimacy in the new age is being defined as *"Collective Intimacy"* (a phrase coined by Joe Weinmen, contributor to Forbes). Collective intimacy "involves moving beyond independent transactions to deep, long-term customer relationships, by better understanding, anticipating, and fulfilling stated and latent customer needs". This is enabled by diverse platforms that are offline and online (social media and mobile) and analytics driven by big data. An intimate relationship is an exact opposite of an anonymous one. Collective intimacy refers to the intimacy a firm or organization is able to develop with each of its customers as a result of data collected from a wide range of customers. In other words, it's "via insights developed across all relationships" with various customers.

Customers are again, no longer merely in physical locations but a commercial transaction can be made anywhere and anytime in the online world. Ecommerce has give new opportunities and access to markets, bringing products and consumers very close almost 'home'.

The stupendous success of Flipkart is symbolic of the growing maturity of Indian consumers, adoption of technology, comfort and convenience of making purchase decisions due to heightened internet security measures for credit and cash based deliveries. However on the flip side, there was a big public ire when the first Flipkart 'billion day sale' failed which lead to the owners publically apologizing to their customers. The lesson from this was while online platforms greatly empower customers but they also open up channels of instantaneous feedback which has the massive potential to make or break the reputation of organizations for its mistakes. Again the constructive application of big data is critical. Like any phenomenon, it also gives rise to questions of the morality of its usage if we take the recent example of the outrage of the research conducted by Facebook's 'emotion

contagion study'. FB is known for using the content generated on its platform for continuous research to stay relevant to its users and build functionality that is friendly. The world has been divided on its experiments to influence people's attitudes and practices. The emotion contagion study was designed to show the impact of the transfer of emotions both positive and negatives to others without their awareness. It was a massive psychological study tested on 689000 users to understand the emotional shift of users, making them feel good or bad by just tweaking its newsfeed. The study created a public backlash with FB being considered manipulative and breaching data confidentiality. This also revealed the thin line between the right and wrong use of data. In the defence of FB, there have been many publications who have supported the merits of social research like this one however pointing out to responsibility. To quote: "The public backlash has the potential to drive a wedge between the tech industry and the social science research community. This would be a loss for everyone: tech companies, academia, and the public. In the age of big data, the interaction between social scientists and tech companies could yield a richer understanding of human behaviour and new ideas about how to solve some of society's most important problems. Given these opportunities, we must develop a framework within which this research can continue, but continue in a responsible way."

Our world of work, business and consumer preferences is fast changing. We are living in 'VUCA' times and facing the continuous disruptions and shifts in our environments both inside the workforce and outside in the realm of customers and business stakeholders. Collective intimacy also gives rise to insights about consumer behaviour and analyzing these insights provides organizations with the ability to continuously innovate and be relevant.

As we embark upon the rest of the year, our ability to build intimate relationships with our customers, understand their behaviours, respond to feedback real time and take responsible actions is going to differentiate brands and high performing companies. The lesson we bring this New year is: *Focus on Collective (Customer) intimacy = Enterprise = Growth.*

Lets internalize this sage advice:

" The root of all material well being is enterprise; and of material disaster - its reverse" (1.19.35)

This article has been jointly written by Rajesh Kamath, Founder, Chanakya Consulting Insights and Puja Kohli, People and Change Catalyst, Unfold Consulting