2022-23: My reflections

The turn of the new year represents a time to reflect on learnings from the months gone by, and to define priorities for the coming year. It has now become customary for me to formally translate my reflections into a note – and this year, I began the process by delving into my notes from the previous years. This provided an instructive walk into the recent past, as the clarifying lens of hindsight was trained upon some of my previous observations. Some of my beliefs such as sanity over vanity in valuations, the enduring role of large corporations as engines for growth and societal good, and the decisive return to office - WFO over WFH – have stayed true. On the other hand, my conviction about the roaring 2020s needs stronger confirmation.

Three years back, the pandemic felt apocalyptic in its proportions. But the strength of our collective bounce-back is equally remarkable. At the same time, we are learning to live with a new geo-political normal that has reshaped everything from supply chains to the relative fortunes of different countries.

Against this backdrop, I have discerned 5 broad trends that I think will have a multi-year impact.

India's rise: Beyond '+1'

Think of a country that combines economic might, a large working age population, demographic dynamism, entrepreneurial energy, robust democracy and diversity. Add to this a pivotal position in current global geopolitics. That country is India. And I think even Chat GPT concurs!

India's economic fortunes are critical for the world. But more interestingly, India's rise is being welcomed by the world as it grows into a stabilising and non-disruptive growth engine. In fact, the byline of India's G20 presidency captures its foundational values — One Earth. One Family. One Future. What we call Vasudhaiva Kutumbakam. The latent economic potential of this country is being coupled with a newfound civilisational confidence born of our emergence as a strong third global growth pole. The next two and a half decades undoubtedly represent an *Amrit Kaal*.

A decadal reshaping of supply chains is underway. As global corporations start to look at countries across Asia as part of their China + 1 strategies, India is a clear choice. Supply chain repositioning is complex and needs us to stay the course. However, the path we are charting is bold and certain to yield good outcomes.

India already has the largest working age population globally. The lessons learnt from the transformations of other economies through the last few decades point to the importance of this demographic dividend.

As India further opens up to trade and investment, forms new alliances and reaffirms old ones in the changing world order, it will have a unique place in the global economy. It is now up to us, its people, its companies, and its leaders to harness these opportunities in India's favour.

Clean energy at a tipping point

Climate and sustainability have rightfully been called out as the defining challenges of the 21st century. While the short-term flight from natural gas has been to coal, broader efforts to clean energy transition are now truly underway. Governments and large corporations globally finally see a confluence between what is virtuous and financially prudent. And this convergence will drive a multi-decade transition.

India has made some bold bets and commitments behind this transition. As a nation, we aim to generate 50% of our power requirements from renewable sources, or put another way, have 500GW of non-fossil fuel based capacity by 2030. India is walking the talk as is evident from its pioneering leadership of the International Solar Alliance.

At the corporate level, it is heartening to see similar whole-hearted commitments being made across the business spectrum. We are making similar investments in green energy, the circular economy and sustainable materials, across a range of our group companies. The pendulum of climate change will swing globally when we can find technology led solutions to marry the material aspirations of current generations with responsibility towards the lives of future generations. And nowhere is that truer than in rapidly emerging countries like India.

No shortcuts to business building

The availability of capital, coupled with young talent brimming with ideas, has meant that we have been witness to a unique explosion of new business building. There is much to be celebrated and learnt from the raw energy and hustle of many of these new ventures in the start-up ecosystem. At the same time, it's also increasingly clear that there is a thin line between hustle and hubris. To manage this balance well, it is important to get four things right.

- **Build great teams and be unafraid to bring in new talent.** The single biggest difference between many successful firms and others is not the novelty of ideas, or even the uniqueness of their technology, but a team that can harness the best solutions available.
- **Create a culture of values, where actions matter more than slogans.** Unfortunately, there have been one too many examples recently of teams that have embraced shortcuts. Where compromises have been made in the interest of growth. And where alarms are set off too late. Build for the long haul.
- **Own the offensive moves. This is true for both incumbents and insurgents.** Play out the patterns on the chess board three moves hence. Big bets need to be orchestrated based on your own fundamental strengths - better unit economics, massive scale, network advantages, speed etc. If you do not continuously reshape the terms of the industry based on these big bets, someone else definitely will be playing to theirs.
- **Metrics still matter, even in the absence of perfect analogues.** There is still value to investing in building a view to core metrics - operating profits, gross margins, and cash flows. These terms have enduring resonance across business cycles.

Longevity = Reinvention

Changes in technology, and evolving consumer needs, are creating ever shorter business cycles. For a group like ours, a unique challenge is to harness the trust and stability that comes from longevity, while ensuring that we can continuously reinvent ourselves.

The original Top Gun movie was released more than a quarter of a century ago. I can imagine some of you as youngsters grooving to the tunes of that iconic soundtrack and imagining yourselves in the cockpit of a fighter aircraft. Top Gun Maverick in 2022 grossed a phenomenal $1bn at the box office in the very first month of its release. The franchise is carried not just on the shoulders of the nostalgic Gen Xers of Tom Cruise's youth, but by the enthusiastic embrace of Gen Z. This is in no small part due to the push for cinematic excellence, the commitment of a star who still does his own flying, and the imagination to reinvent and build for the future.

Across the corporate landscape, companies will be asked pressing questions regarding their own futures. What is the unique formula that harnesses historic moats formed by brand power, distribution might, or technology prowess, with a forward-looking product pipeline, consumer relevance and an agile, young workforce? And what are the bets that see through the short-term fads and translate into sustainable advantage? I do not have the answers to all these questions but take heart in some of the unique experiments that we have underway to find solutions.

And finally, Purpose as a talisman

In 2022, we formally put to words our group's purpose statement which has been an unspoken anchor over the years. At its heart is the aspiration to enrich lives by building dynamic and responsible businesses and institutions that inspire trust. In a world of increasing opportunity, and also accelerating uncertainty, our purpose statement is meant to act as a talisman and remain at the core of our business decisions. As we grow, we expand our capacity to receive. We enhance our absorption of talent, technology, and capital. This, in turn, enables us to increase our ability to give back, create impact, and enrich lives. This virtuous cycle is at the heart of being a successful purpose-driven organisation.

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- *Kumar Mangalam Birla*