

## **Outliers: Ravi Venkatesan, Founder & Chairman, Global alliance for Mass Entrepreneurship**

### **People Involved:**

- Interviewer – Mr. Pankaj Mishra
- Interviewee – Mr. Ravi Venkatesan

### **Duration of the Interview:**

- 40 minutes and 20 seconds

Hi everyone. Welcome back to the outlier's podcast. I'm your host Pankaj Mishra and we are back with a new season of outlier's called the season of resilience. These are uncertain times, and everyone is trying to cope with uncertainty, anxiety and so many unanswered questions. We thought we could be useful to all of you by doing a fresh series of conversations with outliers and some new guests. Please stay safe and I really hope all of us get out of this stronger and more resilient.

### **Interview:**

**Pankaj:** Today I am really, what can I say, I can't say really thrilled given the times we are in but very privileged to have Ravi Venkatesan who has worked across different sectors, is the voice of wisdom for many of us and we are going to be discussing some of his lessons in navigating crisis, unforeseen situations and hopefully pick some actionable insights. Welcome to the podcast Ravi.

**Ravi:** Hey Pankaj, thank you for the opportunity. It's obviously an extraordinary moment and I am glad that you are getting many voices together.

**Pankaj:** So, Ravi just to kickstart this conversation, there is a lot of anxiety around all of us and its only getting worse. What do you make of what's going on?

**Ravi:** Well, I don't claim to have any particular insight. We are all trying to figure out what's really going on, but clearly dealing with a situation that happens once in a century, a situation that is extreme, with extreme consequences, and also extreme uncertainty. So, we can now only extrapolate right now from what is happening in other countries, particularly what's happening in the US, in Italy, in U.K. and try and understand how it might play out in India. But you know there are two extreme scenarios. The most probable scenario is that in the next few days if we are not able to contain the virus through draconian measures, lockdowns and so forth and if the virus actually breaks out then we are looking at a scenario where conservatively 300 million of us will fall sick and perhaps even more and this virus appears to have a mortality rate of somewhere around 1% for the average population, its much higher for older or at risk groups and so you are talking about potentially a catastrophe. Now, you know our government,

both center and as well as in the states, is conflicted like every other government. It's torn between locking down and saving lives versus balancing the impact on the economy and livelihoods. So the Hobson's choice here is lives versus livelihoods and so of course they can calm down in much tougher ways, we can have a total lockdown but as people are beginning to recognize one person's spending is another person's income and so if you begin to do this aggressively and it lasts a long time, and the chances are, and it looks fairly likely that this will last until who knows July, August, September the very least before wave 1 subsides, you've got hundreds of millions of people with no income. In our country, 85% of the people work in the informal sector and they are doing various types of services and small production, etc. so things like work from home are simply not a possibility so what are they supposed to do so this is the enormous-enormous challenge that poorer countries, including India, face. My own sense is that if this plays out in the way I described, we are looking at what is potentially a mass extinction. A mass extinction not of people and humanity but of businesses. A mass extinction of livelihoods and the only, sort of, way of dealing with this is what is called Helicopter money. Huge amounts of direct cash transfers to the neediest and a massive-massive stimulus. Not some timid, half measures but a bold stimulus package that is aimed particularly at keeping alive small entrepreneurs, small businesses, etc. and this is why you look at the US today, they are talking about 1 trillion is not going to be enough and the Republicans are trying to negotiate a bailout package of 2 trillion and if you say that, that's about 5% of their economy, we are talking about extremely large numbers for India and without this, such a stimulus, things are looking extremely difficult for most startups, for most small and medium businesses and large businesses. The point that's really terrifying out here is you could potentially see companies like Boeing and McDonalds go down, you know not to talk of the shop next to you, the small manufacturing company, the part supplier, etc. This is, I think, a very realistic scenario and we shouldn't underestimate it. There are those who would like to also believe an alternative scenario, there are some astrologers that are predicting that today the planets are going to move and the new alignment will result in much improvement by the 30<sup>th</sup> of March and the virus will simply peter out in April and a cure will be found. Look, I am not trying to be funny here. I think it shows the range of assumptions out there. I certainly hope the astrologers are right, but we need to plan and prepare for the worst, even as we hope for the best.

**Pankaj:** This sets the context very realistically Ravi. Now let's look at your own career and life and if you could handpick a situation or two where you faced an unforeseen crisis and share some of the lessons with us.

**Ravi:** Ya, I can, and I probably will but I am feeling that the crisis that I dealt with is so small compared to the magnitude of the Tsunami we are facing. Look, like anybody who has lived a reasonable number of years and handled a lot of responsibility. We have had to deal with lots of crises, personal and professional, but I mean this is a once in a century phenomenon, but I think it may still be worth discussing the crisis because maybe the principles still apply. So, I was thinking, maybe what should I talk about. Well, I will talk about how I spent many years in the manufacturing industry. I spent years and years with the Cummins engine company making

diesel engines and in fact I came back to India in 1996 from the US to a very-very troubled joint venture between Cummins and Tata Motors called Tata Cummins in Jamshedpur. This is 1996 and the situation I found was that the joint venture was in shambles, the two partners didn't trust each other because the JV agreement was unfair, a plant that was designed to produce and sell two hundred and fifty engines a day was making one or two engines a day. We were out of cash. On day 1, which was October 1<sup>st</sup>, when I landed, there was no money for payroll or for paying the electricity bills. The product was a complete failure. It was actually launched as something that was going to be a huge improvement over the old trucks and buses that were plying the roads at that time but just to give you a magnitude of the issues, typically in the automotive industry you measure defects per hundred vehicles, hundred cars or hundred trucks or whatever. Here we were measuring hundreds of defects per truck and the customers were really pissed off because they had pawned their wives' jewels to buy a new bus or a truck and now, they had lost all their money. I mean it's hard to visualize a bigger mess and my job, as a 32-year-old CEO of that thing, was actually quite simple. Not to fix it, my mandate was how do you close this failing venture with the minimum losses to Cummins. So, we began in October and the first thing you do is realistically size up the gravity of the situation and usually for a business, cash turns out to be number one and so we were out of it and so job number one was to go with a begging bowl to our joint venture partner, Tata Motors. Though that time the CFO was a fantastic guy called Praveen Kadle and you know if he hadn't lent a hand, we would have gone on dearth on day two of my tenure. So, we managed to, you know, get a little bit of money and make partial payroll and I spent a tremendous amount of time first, earning the trust of the joint venture partner because that was what was the core to succeeding. After that we, you know, got on a really aggressive force march, for instance, we had to figure out how to reduce the cost of the engine by 80%. 80%. It was just a stunning goal, but we actually overshot that. In 18 months, we managed to reduce the cost by 85%. Another huge effort with many-many-many task forces was aimed at addressing each of the quality issues that were out there and so on so forth. So, I can't drill further but at the end of about 24 months instead of having to close the venture, we began to see light at the end of the tunnel. By summer of 1999, the plant was full making 200 engines a day, then 220 and today it's a company that earns about a 40% return on capital. But just, it was one of my first experiences as a young leader learning to manage a giant crisis that was, you know, beyond anything I had experienced. So that was one. In 2001, I was Chairman of Cummins, India and we ran into a really bad economic situation again where there was zero demand for the large, high horsepower engines that Cummins, India produced or produces. Most of these went to big generators. The country was in economic doldrums then, like now, and again we were confronted with existential issues. You know one of the advantages, and I'll come back to this, is that both Tata Cummins and Cummins India were unionized and in a unionized environment you can't just send workers home, like you can in many other industries, ok, so you actually have to work with the union and the employees and find solutions and make decisions or else they react badly and rather than being a hindrance it was the source, the dialogue, was the source of so many-many-many productive ideas. So, the employees volunteered to take pay-cuts, they volunteered to take

their vacation time. More importantly, one of the more interesting experiments we tried Pankaj was we sent everybody home, said just go back to your villages and towns that you come from but go out and meet customers, ok, don't just sit at home there. Go out and meet as many bus fleets, truck fleets or companies which are operating these Cummins gensets and learn from it and send reports back. It changed the culture. You know when the good times came back it completely changed the culture because everybody whether somebody in accounting or somebody who was, you know, a janitor or somebody who was assembling something, for the first time in their lives came in contact with the customers and understood, they could connect their work with the business of their customer. So, we did that. One of the things we learnt in both these situations is crisis and opportunities, as they say, are two sides of the same coin. So, in Cummins we said look, ok, nobody is buying this, buying are big engines, what do we do now and we started looking at export markets and from a very-very slow start in 2001, we began to see success exporting engines to the U.K., to the U.S., to the middle-east and of course that required a tremendous amount of work to improve quality, improve simple things like paint and finishes and, you know, what are castings look like so that it doesn't look like something shabby made in India *jugaad* but actually indistinguishable from a global product. By 2004, when I left, 50% of the revenues were coming from exports and that's been the mainstay of Cummins India since then. We also got into new markets. We said, ok, nobody is buying big generators but at that time the cell phone companies were rolling out towers and each tower had a small genset except we didn't make those small things but we said alright, let's go on and buy engines from tractor manufacturers like Tafe and package it into gensets and sell it and that grew into a fantastic successful business. So, Cummins now is a global leader in small gensets which are exported, not just used domestically. We got into IT. You know, I said, look, there is an IT boom, we are not participating in it, so we started KPIT Cummins Infotech which went on to be a huge success. We said, "what else can we sell?" We got into lubricants. And so, we did a joint venture with Valvoline called Valvoline Cummins to sell lubricants to our customers. So, we tried many new businesses. So what if somebody is not buying x, can we sell a, b, c, d products instead and some of those really took off and by the time I left the company to join Microsoft, you know, 20% of our global revenues were coming from India, which is just a fantastic achievement and I look back and I thank the crisis for being the stimulus for all this creativity, this innovation, this improvement and so forth. And then the last thing I'll talk about is my Microsoft in 2008 during the fiscal crisis. It was a very sudden deflation, as you remember, in October of 2008 and Rajan Anandan was the head of sales and marketing, I was the chairman, and we were dealing with a very tough situation because in a financial crisis one of the most deferrable expenses is you know upgrading your IT system or buying new software. It's something that can definitely be postponed. So, we saw essentially our new revenues going to zero in a quick period of time. So, again there was a lot of internal brainstorming and we said look, what is it we can do here and of course you took the usual cost-cutting measures and so forth but those are not going to save the day. We needed to find new sources of revenue, new business and, so, Rajan and I came up with this idea of a marketing campaign which went out to every single customer saying, 'here are ten ways in which we can help save you money', coz the

thing that customers are very receptive to in a downturn is anything that helps them save money or find new business. So, for instance we said, look why don't you stop all travel and use Microsoft videoconferencing to conduct all these meetings. Now, today Zoom is red hot but this is now twelve years ago that we were pushing the same idea with fantastic success. Another idea is, 'hey, you guys are spending a lot of money on IT with different vendors, with Oracle, with Symantec for security products, etc., so why don't you consolidate your spend with Microsoft and we'll help you save a lot of money by cutting out other vendors.' Obviously, not a popular idea with the industry but it was hugely customer friendly. So, net-net-net we ended that year with 17% growth and got the award from Bill Gates for the best performing geography in the world that year. So, again, this is not a time to brag or anything, the point is if you really apply your minds to it, get everybody thinking about ideas, I think you can actually end up finding many-many opportunities in the midst of an otherwise super dark period. However, I want to come back to what I said Pankaj, these were tiny crises in comparison to what it is we are facing today. What we are facing today is absolutely unprecedented, ya, in human history. So, I don't want to say that, you know, there is much that is generalizable, but I think there are four or five principles and if you allow me to rattle on, I think there are some principles which are useful. I think the first thing I would tell founders, leaders, CEOs of these businesses is 'stay calm'. Ok. It's a very tough situation, I myself, you know, going around with my stomach sometimes in knots, thinking about how this is going to play out, both in terms of, you know, the impact on us as human beings but also as the business impact. But, as a leader, we cannot afford to panic, show anxiety, make knee-jerk decisions, we have to have to find every way to stay calm, stay centered and make thoughtful decisions and calm down others around us who may be agitated. So, that's kind of the first thing and it's no easy thing but it's really crucial. The second idea is the thing called the 'Stockdale paradox' and I really love it. It comes from good to great and it's about Admiral Stockdale who was shot down in the Vietnam war and he was imprisoned by the north Vietnamese and in very-very-very difficult conditions where most people, no most prisoners actually died and he was one of the very few senior Commanders who survived and lived to tell the story and he says look, the ones who survived, and this is same of the survivors, Jewish survivors of the concentration camps and so forth, extreme situations, you have to on one hand embrace reality that you are in and plan for the worst but at the same time still hoping for the best and staying optimistic. So, this is the paradox that we have to be able to hold, which is to plan for the worst but continue to remain hopeful and optimistic. This psychological make-up is very-very-very central to those who end up actually coming out of this in reasonable shape. So, both of these are just mindset issues. Then it comes to developing a practical set of short-term plans. Right, so if you think about companies today, they are facing so many challenges at the same time. It's like the perfect storm. So, one hand demand is collapsing, it's going to zero. Doesn't matter what business you are in, unless you are FMCG right now or selling medicines, then it's probably still ok, but most businesses are finding that their customers are melting away, the revenues are going to zero and cash is becoming really-really very-very scarce and we are going to see a liquidity crisis like we have never seen pretty soon, so cash is the second issue. The third is you're seeing supply

chain breaking down, logistic chains breaking down, you're seeing many people choosing to stay at home, migrant workers who are out here are going back home, you know, and you can see the videos yesterday that went viral from the Pune station, you know, for the Pune-Patna Express, so just finding enough, you know enough workers and employees is a challenge, so all this is happening at the same time. So, what you need to do is make some pretty good short-term plans and the single most important thing that I think is important to do is develop two scenarios, one, is a realistic scenario and one is a worst-case scenario and do some projections of your financials and cash flows and say how bad could it get and then, therefore, what decisions do we need to make today to start conserving cash because if you are out of cash, you're out of oxygen, you're dead. So, what do we need to do today to, you know, get through what is likely to be the situation that we are all going to experience. So that's kind of really important. So, I don't know how many of the startups and young companies today are making really robust, scenario based short-term plans. In addition to, trying to figure out all the band-aids to the other crisis, the logistics crisis and so on. See, you can get very quickly into firefighting, but you also need a bit of a plan for the next 30, 60, 90 days. So, that's important and then beyond that we need to start thinking about where the opportunities are. Ok, because as I said from my own experience, there are opportunities in crisis. Yesterday, I was talking to Reema Nanavati. Reema Ben is the CEO of SEWA, the Self-Employed Women's Association. They have nearly two million self-employed women across the country and they are facing an absolute catastrophe because again the demand is zero and these women depend on what they make and sell for their livelihood, so she said what shall we do? And we brainstormed what else can they make? Can they make masks? Can they make gloves? Can they make hand sanitizers? Can they make hospital gowns? Ok, and if they can make these things quickly, how can we, you know, figure out how to distribute them. So, the point is, every business could be making something that is urgently, desperately needed in this crisis. In the US today, companies like Ford and GM are trying to make ventilators. Anand Mahindra announced the same thing. He says we are going to convert all our Mahindra Holiday Homes into, you know, quarantine centers, and we are going to try to figure out how to make ventilators. I am working with JCB, you know, which makes construction machines, to figure out how they can make low-cost ventilators. Same idea, what is it that the world needs right now that we have some capability to-to produce and don't just think about it from a profit perspective, it's about can we do something useful that helps the crisis at a time when, you know, things are really-really quite desperate and find a way to give livelihoods to at least some of our workers and employees. So, this sort of thinking, innovation, is really-really important which brings me to my last point, it's not just what Pankaj, it's how we make these decisions. How these decisions are made, particularly in circumstances like this. First, if you are a CEO, Founder, a Business Head, it's really-really critical at moments like this to lead by example. Look, a time is going to come, if it hasn't already, where many business are going to have to make incredibly painful people decisions, to you know send people home or cut salaries, etc. and this is traumatic in the best of times and in circumstances like this it's beyond traumatic and so here, how a leader leads is important. So, you know, many people would have seen this viral video, in the last few days of

the CEO of Marriott, his name is Arne M. Sorenson. It's a beautiful video, so look for it if you haven't and he's recorded a very short three – four minute video to all employees, Marriott employees, saying look, this is something we have never witnessed in our lifetimes and we are going to do our best and to start with both, the Chairman and I, have decided we are not going to take any salaries for a year. Now, when the leader starts like this and others also have to share in the pain, they are so much more understanding and then as a contrast you take Goldman Sachs which has just given its CEO a 20% increase in salary. Now his compensation has been increased to twenty-seven million. Now, if they have to take tough people decisions or their shareholders have to suffer, they are going to be really mad, ok. So, this is like war time. Successful commanders in war time lead their troops from the front, they are the last ones to eat the meals, they make sure the jawans have eaten first, ok and that's how you build loyalty and followership, ok. So, that's kind of really-really important to keep in mind in a crisis. The second thing is that you've got to involve your stakeholders in making the decisions. Ok. You can't just make decisions and announce them. So, if you have to take difficult employee decisions, don't just communicate to employees, involve them in making decisions. Share the facts. People are adults, they can come to the same conclusions, ok and they can also come up with ideas maybe they say, look, we are all willing, this could be a long haul, we just need enough money for food, ok and we are willing to make that sacrifice. So, we don't know what that is, ok. So, but involve employees as responsible adults who are in this situation together with you and you will come up with more commitment, more understanding and better ideas. Same way on liquidity. Don't just cut the payments to your vendors, that's what many companies are doing, and it is so bad, ok. Have a discussion with your vendors and figure out how to share the pain. Ok, same thing with your bankers. So, you know, for a banker, if you go belly up its no use. You have to write off the loan, so can you negotiate something. So, in a crisis you need to be able to work with all your critical stakeholders and negotiate, you know, new terms and if you do that, I think, you build a much stronger culture. So, look, what is culture? Culture is not something you write on a board. Values are not something you put on a piece of paper and hand out. It's the way you make these choices particularly in times of crisis and when you emerge from it, it's going to determine what kind of a company you are, what kind of a culture you have and how you are seen as a leader or not and most of all its going to determine whether you'll survive or not, how you feel about yourself. Even if your company goes under, you can still feel good about how fairly you treated everyone, how you all did your extreme best and well, sadly it wasn't good enough. So, I think the how matters even more than the what. Anyway, let me stop here but it's basically a call for leadership. Leadership is not a title. It is not the founder, it is not CEO, it is not any of these things. Leadership is an act. How you act, particularly in a crisis. That's leadership and this is the time when we need many more people to lead.

**Pankaj:** One of the final things I also want to ask is, if you were to pull out five things and make kind of a checklist for a leader in these times, based on everything that you have said, how would that checklist look for you, 1-2-3-4-5 ?

**Ravi:** First of all, I think we all have to recognize, diagnose this problem correctly. Ok, as I said in the beginning, this is a mass extinction, ok, this is a mass extinction of businesses, everywhere and of jobs and livelihoods. Ok, now if you see this as a mass extinction you can prepare yourself and plan a little bit better than if you think delusionally that by 15<sup>th</sup> April, we are going to bounce back, ok. There is almost no probability of us bouncing back any time really-really soon, ok. So, the correct diagnosis of the problem is kind of really high out there. There's hope in mass extinctions. You know the last time there was a mass extinction on the earth, the asteroid hit the earth and 99.99% of all living things died, including the dinosaurs. But some creatures survived and adapted including ancestors of mammals and within a few thousand years, the planet was flourishing again. So, from the ashes of this destruction, first there will be many survivors and there will be many new enterprises that spring up and so, you can't lose hope and faith. What you gotta do is say I am going to do my extreme best to adapt in all the ways that I talked about earlier, ok. Charles Darwin said, "the fittest is neither the strongest or the most intelligent or the fastest, it is the one that is most adaptable to change. So, think of it that way. How can you become adaptive and agile in this moment? And it is not just you, it's you and your little ecosystem. I think it's very-very important as I said to lead with heart and head. This is not just about head, it is not just about profits, it's not just about valuation, it's as much about lives, ok. So, making thoughtful decisions and treating others the way you would want to be treated is really important. Look, you wouldn't want to be delivering packages without protection at a time like this. So, don't make your people do that. Don't put them in harm's way. So, the golden rule is treat others as you would want to be treated. Essential services need to be maintained. Business continuity is needed, but then protect employees, ok. Give them the isolation, the flexibility, the masks, all the things that they need. Be generous, you know, taking care of emergencies and medical bills and so on so forth. So, leading with head and heart at a time like this rather than being mindless and stupid, *ki usne band kardiya* so I am also going to do it. He has cut salaries by 80% so we should also do it. The worst thing we can do right now is be knee-jerk and emulate stupidity. The other thing that I keep emphasizing is cash-cash-cash. From a business continuity standpoint, you know, cash is oxygen. The faster you begin to develop an understanding of how much cash you are going to need given the worst-case scenarios and start planning and conserving for it, the better. The final point I would say before we sign off Pankaj is this. Look, this crisis will pass. Every crisis does and most of us will still be around and will probably come out, you used the word resilient in the introduction, we will come out stronger, tougher, more resilient in some ways. The point is, are we going to be less stupid at the end of this. So, if you already think about this pandemic and think about what we can learn as humanity, as individuals, as business leaders. There is so much to learn. For instance, we have to learn to live in harmony with nature. Why did this virus mutate and cross over from animals to humans? Because of bad eating practices in China. What is the price of this gung-ho growth which is completely unsustainable in every way? Environmentally unsustainable, economically unsustainable, etc. What kind of a society are we creating with such extreme inequality that most people have no resilience, financial resilience, you know, are facing starvation and death if the government and we don't do something imaginative and huge

and bold right now? Is this the kind of society we want? Ok, how much travel do we really need to do? Today we seem to be coping perfectly well, you know, without having to travel and in fact nature is better, our lives are better, everything is better. How much do we need to consume? Etc. Etc. There's just so much we have to learn from this, and I hope, you know, we learn both, individually and collectively and we come out of it more thoughtful and less stupid than we were. That would be my hope. It's not a checklist but it's a hope.

**Pankaj:** Before we sign off Ravi, just one final thing, you know there will be scars from the journey, right, even when we are coming out as individuals, as founders or professionals, how can we stay hopeful? I mean it is completely hopeless, right. I know, it might sound a little philosophical question, but resilience matters when we are able to rebound. So, what would you tell people?

**Ravi:** First of all, just look at facts. Humanity has come through so much including situations which are even more traumatic and worse and I once spent two days with a young woman, who was a tootsie, who survived the genocide in Rwanda and she told her story, she broke down crying recounting it because she lost everyone in her family. She herself was raped, multiple times by multiple people and she finally ended up as a refugee in the US and she rebuilt her life, became a road scholar, lives in Switzerland doing amazing work back in Rwanda now. So, I said, look, what an amazing story and what courage you have. She says I don't think there was any choice, ok. She said that the will to live and survive was so strong, I just kept going and just put one foot in front of another and eventually the horror ended. And so, I think, in a time like this, first of all the most constructive thing I am doing is counting my blessings, several times a day. Gratitude. You just look at what each of us have. Anybody who can listen to this podcast is already in the top .1% of Indians, ok. So, just systematically write down all the things that you have to be grateful for. You are not infected by the virus, you've got your loved ones around you, probably don't have to worry about food at least, ok and even if things don't go well from a business standpoint, you have an opportunity to rebuild and a scar is also a badge of honor. It's not just something that is ugly. It's a badge of honor that you went through an extreme situation and came out to tell the story. Ya, I just think, the most important way of keeping hope alive is to stay connected to others. I think I get a lot of, sort of, comfort, just being talking to all my friends all over the world, all my colleagues in various endeavors. Just human connection at a time like this when we are locked up is beautiful and the other thing is to be grateful for the things we do have, which is quite a lot. You know, on that note, let's just wish everybody good luck and I certainly believe that we will come out of this stronger and more sensible.

**Pankaj:** Thank you Ravi and Godspeed. This was a really-really useful conversation and I hope all of us talk about it and learn from it. Thank You.

**Ravi:** Thank You, Pankaj. Good Luck to you.

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