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Reimagining
Business in the
New and Next
Normal: An ITC
Perspective



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Reimagining Business in the New and Next Normal: An ITC Perspective

Innovation is an elixir of growth that continuously builds competitiveness and strengthens resilience in times of crisis. It is one of the most critical factors for being future-ready and to enable quick response to emerging trends.

The untamed spread of COVID-19, a Black Swan event, over the past few months has precipitated an unprecedented crisis across the globe, impacting lives and livelihoods on a scale not witnessed since the Great Depression. The pandemic has since snowballed from a health crisis to a grave economic crisis. With world GDP in contraction and consumption shrinking, estimates say that around 200 million jobs¹ could be lost and close to 265 million people² could potentially face a serious hunger crisis.

The crisis also exacerbated the slowdown that the global economy was witnessing even prior to the pandemic. The World Economic Outlook report, published in October 2019³, forecast global growth at three percent for 2019, the lowest since 2008–09. Societal challenges were no less daunting. Across the world, job creation was falling far short of requirement. Poverty, inequity, unemployment and hunger continued to be areas of extreme concern. Aggravating the social challenges was also the growing threat emerging from climate change. The World Economic Forum's 2020 Global Risks Report has listed climate change as one of the top five risks for the next decade. Already, the last few years have seen extreme and erratic weather events occurring at an alarming frequency. Depletion of natural resources, particularly water, plagues nations across the world. Providing water, food and livelihood security to the 10 billion people, set to inhabit the world in a few years, will be a herculean task.

It is evident that business cannot succeed in societies that fail. The pandemic has reinforced the imperative need for enterprises to respond to societal needs with compassion. As large economic organs of society, it is in the enlightened self-interest of businesses to embed societal value creation in their core strategies. Going forward,

¹<https://news.un.org/en/story/2020/04/1061322>.

²<https://time.com/5842424/hunger-coronavirus-world-food-programme>.

³<https://www.imf.org/en/Publications/WEO/Issues/2019/10/01/world-economic-outlook-october-2019>.

consumers and markets will demand such purposeful action from corporates. In future, even access to capital will be influenced by a corporate's commitment to sustainability.

The universal question that today engages policy makers, businesses and civil society alike is: how do we reimagine the future not only to survive and revive, but also to thrive in the new normal? The journey is likely to encompass three distinct phases that will run concurrently. First, a 'Survival' phase where corporates will have to strive to manage the current crisis. Second, a 'Reboot' phase where businesses will need to align to the new normal where certain segments will experience demand destruction, some new trends will emerge while several pre-crisis trends will gain accelerated pace. Third, when the crisis ebbs, corporates will have to gear up for the 'next normal' with some pandemic trends moderating, some remaining at an elevated level, some segments recovering, whilst new opportunities and industry dynamics will get constantly redefined.

Black swan events like the pandemic provide opportunities for organisations to reimagine the future – to rewire thought, strategy and action to build a path to a safer, healthier and secure tomorrow. While such events test the very resilience and adaptive capacity of organisations, they also have the potential to unleash forces of innovation and creativity to rebuild a better future.

REIMAGINING BUSINESS - BUILDING COMPETITIVENESS WITH RESILIENCE, AGILITY & COMPASSION

The future will certainly belong to purposeful enterprises that constantly build competitiveness with agility and innovation to respond swiftly to shocks and emerge even stronger. They must embrace a new paradigm of growth that enables them to remain competitive, while at the same time address the needs of society and sustainability. At ITC, this paradigm of growth is called responsible competitiveness.

The current pandemic has reinforced the need for resilience, which is manifested in the robustness of an organisation's ecosystem. This is demonstrated not only by an enterprise's agility to deal with the immediate context, but in its ability to spot future opportunities and leverage institutional strengths to design, develop and deliver relevant products and services to consumers ahead of time. Going forward, markets will continue to witness rapid changes. It is imperative that enterprises are agile to adapt to the fast-changing environment swiftly by realigning supply chains and repurposing offerings. Unique partnerships must be forged, as they bring to the table capabilities that may not be internally resident.

ITC's commitment to create a robust and future-ready organisation that serves the needs of the nation and its stakeholders is manifest in its organisational vitality which enabled the Company to respond to the crisis with speed, agility and compassion. Within days of the pandemic breakout, ITC set up a contingency fund of ₹2.15 billion to help the vulnerable and distressed. To ensure liquidity in the hands of

programme, ITC facilitated creation of 0.76 million person days of work in just 45 days. To ensure business continuity, extreme focus was provided to sweat assets and get more out of less. Timely partnerships were orchestrated, and supply chains realigned. Critical infrastructure and relationships, nurtured across the value chain, were repurposed to sharpen the company's competitive advantage. Strict measures and protocols were put in place to address the health and safety concerns of not only its employees, but those of its supply chain partners as well.



The ability of a company to orchestrate such interventions with agility depends on several critical factors. The most important aspect is the relationship of the enterprise with its stakeholders. A relation of trust and mutual respect builds confidence and expedites alignment among stakeholders. Equally critical is the robustness of the Company's infrastructure. There has been a debate whether to implement centralised infrastructure that provides economies of scale or distributed infrastructure which provides agility as well as scale. ITC's model of distributed infrastructure, which reduces layers in the supply chain, has lent the Company structural advantages during the pandemic. ITC's investments in local supply chains as well as its institutional capability of cutting-edge research and development have also enabled the Company to launch differentiated products in record time. Yet another important factor in driving agility is an enterprise's governance model that is reflected through its strategy of organisation and processes, including the clarity of vision, objectives, roles and empowerment of the distributed leadership and the vitality of its talent. Business disruptions and discontinuities must also be cognised for and managed by a robust de-risking mechanism.

FOCUS FOR THE FUTURE

As companies transition to the new and next normal, there are five broad areas that will help build momentum and foster future-readiness. Some initiatives from ITC are also presented below as an illustration of the areas highlighted.

1. Purposeful Innovation

Innovation is an elixir of growth that continuously builds competitiveness and strengthens resilience in times of crisis. Being able to innovate is one of the most critical factors for being future-ready and to enable quick response to emerging trends. Extensive scenario planning is essential to identify possible opportunities so as to be in a state of readiness when such occasions emerge in the future. The pandemic has led to increasing consumer demand for products and services focusing on health, wellness, safety and hygiene. Preference for trusted brands is on the rise. Discretionary spends are down, and there is evidence of value-seeking behaviour. Digital shopping has surged exponentially even as local grocery stores have emerged as lifelines for essential supplies. These trends need to be addressed not only through innovative products and services that are relevant, but also require deep innovative capability to realign supply chains, sourcing, ramp-up manufacturing and find newer ways of reaching people confined at home.



The advanced scientific platforms of the ITC Life Sciences and

Technology Centre in health, hygiene and immunity enabled an accelerated response to the pandemic. ITC's innovation engine is at work 24x7 to develop future-ready products. This was leveraged to rapidly introduce over 40 high quality, first-to-market products and variants during the pandemic to meet emerging consumer demand. These science-led innovations are witnessing encouraging consumer response. To reach millions of consumers restricted to their homes, ITC also innovated by entering into collaborations with companies such as Dominos, Swiggy, Zomato, Dunzo and Amway to leverage their direct-to-home reach. An innovative 'ITC Store on Wheels' initiative was also launched to directly service residential complexes.

2. Accelerated Digitalisation

The pandemic has also expedited the adoption of digital technology- be it in e-commerce; digital entertainment; work-from-home conferencing; or even online learning. Progressively, the entire gamut of economic activities will witness an accelerated pace of digitalisation – from agriculture to manufacturing to distribution, as well as in consumer engagement, contextual communications and so on. This will certainly call for significant focus and investments going forward.



Accelerated digital transformation is integral to ITC's future-ready strategy and is increasingly being harnessed to enhance competitive advantage. New technologies such as Industry 4.0, Artificial Intelligence, Big Data, Industrial Internet of Things (IIoT) and Machine Learning are being deployed by all businesses, including its supply

chain and logistics to enhance operational effectiveness. Substantial investments have been made in the creation of a digital ecosystem to drive smart manufacturing, product quality, traceability and supply chain agility, amongst others. ITC's Marketing Command Centre 'Sixth Sense' - leverages cloud-technology, cutting-edge social-media engagement tools and a digital marketing and analytics platform to drive contextual communication and product development rapidly. In agriculture, ITC e-Choupal, the world's largest rural digital infrastructure, was conceptualised at a time when the internet was in its infancy. Leveraging emerging digital technologies, e-Choupal 4.0 will bring in a fresh dimension for next generation agriculture and farmers with a provision of end-to-end, personalised services on weather and markets on a real-time basis.

3. Reinforcing Sustainability

The pandemic has reinforced the imperative need for sustainability to take centre stage. Given the need to address the colossal problems of social inequity, poverty and environmental degradation, with compassion and urgency, it is imperative that businesses embed sustainability in their core strategy and play a transformative role in securing the future of generations to come. The creation of large-scale livelihoods, ensuring environmental replenishment and addressing climate change through adoption of a low carbon growth path, among others, will be some of the core issues that will increasingly call for business models that deliver heightened triple bottom line performance. While there is discernible consensus today that corporate strategic objective



must go beyond creating shareholder value alone to enabling a larger purpose of societal value creation, the challenge lies in creating the right business model to pursue this synergistically.

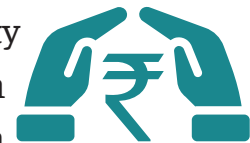
ITC's experience demonstrates that it is possible to simultaneously create economic, environmental and social value whilst building an enterprise that is extremely competitive. It would be pertinent here to mention one example of such an innovative approach. Two decades ago, ITC's paper and paperboards business was challenged due to lack of cost competitive access to pulp in India for making paper. Despite a regime of low import duties, ITC chose a path less travelled and made a strategic decision to create a fibre source by implementing a large-scale afforestation programme by mobilising tribals and marginalised farmers to plant trees on their wastelands. Through extensive R&D, ITC developed fast growing saplings that were given to farmers. Over time, farmers were also assisted in growing crops together with plantations, thereby giving them an additional source of annual income, with the plantations yielding them income every four years. Today, the programme has led to greening of over 8,00,000 acres, generating 147 million person-days of employment. In addition, it provides a unique, renewable and competitive source of pulp to the paperboards business, making it a market leader in its segment.

The conscious choice to create societal capital in the context of its businesses has made ITC a global exemplar in sustainability. ITC is the only company in the world to be carbon, water and solid waste recycling positive for over a decade. More than 41% of ITC's energy consumption is from renewable sources. ITC's solid waste management programme,

‘Wellbeing out of waste’, which reaches out to over 12 million citizens, creates a sustainable source of recycled waste as an input for its paper and paperboards business. All ITC prefixed hotels are ‘Leadership in Energy and Environmental Design’ (LEED) Platinum certified green buildings. ITC’s businesses generate sustainable livelihoods for more than six million people, many of whom represent the weakest in society.

4. Intellectual Capital

The creation and ownership of intellectual property is critical for a country’s progress. When such intellectual capital is manifest in successful Indian trademarks that can win against globally reputed brands, it serves as a force multiplier for larger value creation for the country apart from being a badge of national honour. Ownership of intellectual property also enables the creation of surpluses required to spur additional economic activity.



ITC’s endeavour to create winning Indian trademarks aims to build such intellectual capital. A vibrant portfolio of more than 25 homegrown world-class Indian brands anchors domestic value chains making them more competitive, thereby also creating and retaining larger value in India. Several competitive agri value chains have been assiduously built over time to benefit farmers. The wheat and spices value chain is anchored by the Aashirvaad brand as well as exports. The potato value chain is driven by ITC’s Bingo! snacks, the fruits and vegetables value chain is powered by ITC’s B Natural juices, Farmland

and ITC Master Chef Frozen Foods and the dairy value chain leverages Aashirvaad Svasti dairy products and Sunfeast Wonderz milk-based beverages. These vibrant value-chains provide consumers high quality products whilst generating substantial livelihoods.

5. People

Times of crisis bring to the fore the critical role that inspired talent plays in building resilience of enterprises that are built to last. ITC has always believed in nurturing a talented pool of ‘proneurs’ – entrepreneurial professionals who operate with a start-up mindset but with the crucial advantage of ITC’s institutional resources. This pool of distributed leaders with wide experience across businesses are supported by a culture of continuous learning that provides cutting-edge development support to create the ‘proneurs’ of the future. Such a mindset and adaptive capacity, together with the deep inspiration to serve a larger national purpose forms a critical fulcrum of the organisation’s resilience and a provides a source of immense strength in sustaining competitive edge in the market. It has been ITC’s continuous endeavour to provide its dedicated and inspired talent pool a wide spectrum of opportunities in learning at work, given the belief that 85% of learning comes from real experiences. Indeed, in times to come, people and talent will remain the critical differentiator of enterprises that are agile, resilient and ready to meet every challenge and crisis.



The Final Word

The future will undoubtedly belong to resilient enterprises that constantly build responsible competitiveness and are thus able to respond comprehensively to an ever-changing context and emerge even stronger from every volatility.

“It has never been more important than now not only for enterprises but also for all of us who are fortunate to have the opportunity to transform society to be more compassionate and embed sustainability in all our thoughts, strategy and action. That is the only way to build a future that will be more secure and sustainable.” As it has been said long ago,



We do not inherit the Earth from our ancestors, we borrow it from our children.



The writeup is based on a talk delivered by Sanjiv Puri on “Doing Business in the COVID-19 Era” as a part of ISB’s Distinguished Speaker Series.