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EXCLUSIVE

Harsh Mariwala Wants You to Scale Up

The Marico boss launches
a mega mentoring project
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AN ENTREPRENEUR EXCLUSIVE

Mr. Mariwala's Opus

MARICO'S INNOVATION-DRIVEN
BOSS **HARSH MARIWALA**
LAUNCHES AN AMBITIOUS
INITIATIVE TO HELP HUNDREDS OF
ENTREPRENEURS SCALE UP THEIR
BUSINESSES.

By Sourav Majumdar





▼
**Wednesday,
 February 15, 2012
 7.30 pm**

Sixty-year-old Harsh C. Mariwala, Chairman and Managing Director of the Rs 4,000-crore fast-moving consumer goods major Marico Industries Ltd., is busy working out at a gym in Mumbai's Bandra suburb. A fitness buff, Mariwala is a regular member of the gym, and trains at least three days a week.

Only this Wednesday was not really like other days. Mariwala's company had just snapped up the personal care brands of Paros Pharmaceuticals from the U.K. multinational Reckitt Benckiser, which had bought Paros in end-2010. The deal, widely speculated as being in the region of \$100 million, gives Marico access to personal care brands like Set Wet hair styling gel, Livon hair conditioner and the Zatak range of deodorants. More importantly, it marks the entry of Marico—a major player in edible oil products and hair oils—into the fast-growing male grooming and hair care segments, potentially reducing excessive dependence on its traditional strengths.

But even as his team was putting the finishing touches to the deal, Mariwala was busy staying fit. Why was the Marico boss not at the site of action? Says Mariwala, with his trademark smile: "The team is doing it. I am not required to be there."

This, in essence, sums up Harsh Mariwala's business philosophy, one that envisions making oneself redundant at every stage in an entrepreneur's path to scaling up in order to facilitate further growth. Indeed, Mariwala should know about scaling up, having taken the consumer products division of his family firm Bombay Oil Industries from a ₹40 lakh business in 1971 to the current ₹4,000 crore one. Today, Marico is present in 25 countries across India, South East Asia, the Middle East and Africa. In India, every month, products from Marico's Consumer Product Business reach around 130 million consumers in about 23 million households, through a distribution network of more than 3.3 million outlets.

₹**4000**
CRORE

Current size
 of Marico
 Industries
 Limited

ASCENT TO NEW VENTURES

Along the way, Mariwala transformed a sleepy, old-world family-run business into a fast-moving, exciting, consumer goods major with marquee brands like Parachute, Saffola, Hair & Care, Mediker, Nihar and Revive, with an obsession for innovation and an enabling organization culture. Today, as Marico expands its footprint not only in related areas but also globally, Mariwala is busy putting in place what is clearly another dream project for him.

By May, Mariwala will be unveiling Ascent—Accelerating the Scaling Up of Enterprise—a Harsh Mariwala Foundation, an ambitious initiative of grooming entrepreneurs and helping them scale up. The project, which could turn out to be a potential gamechanger and have a major impact on the Indian entrepreneurial ecosystem, is what keeps the challenge-hungry Mariwala busy these days. Says Milind Sarwate, Group CFO and Chief HR Officer of Marico, who is working with Mariwala closely on Ascent: "Whenever I come to Harsh to talk about other things, our conversation invariably veers towards Ascent. That's how passionate he is about this project."

THE EARLY YEARS OF SCALING UP

It is, perhaps, no surprise that Harsh Mariwala is so passionate about how entrepreneurs can scale up. Mariwala joined the family business of Bombay Oils in 1971, when the company had three distinct businesses—fatty acids, spice extracts and consumer products. The consumer products business later morphed into the Marico of today. "The decision to spin off the consumer products business to form Marico was the most important business decision of my life," concedes Mariwala. The consumer products business had two factories—at Sewree and Mazgaon in what was then Bombay—producing raw and refined vegetable oils. Fresh from a degree in commerce from Bombay's Sydenham College, Mariwala got into the business where his father and uncles ran the show. By the mid-'70s, he was put in charge of the vegetable oils business, which was old-world and a model based on bulk sales.

From the mid-'70s through the '80s, Mariwala transformed this business into a more modern, marketing-centric one with continuous branding efforts and a strong focus on innovation. For instance, travelling across the interior markets in his early years, he noticed that retailers were dispensing vegetable oils 'loose' from larger tins to consumers. The market was disorganized. Taking cues from giants like Hindustan Unilever (HUL), Colgate and other consumer goods majors who depended heavily on branding and

THE SCENARIO

- Lever enters the coconut oil market through acquisition of TOMCO
- HUL acquires Cococare in 1999, showing strategic interest in the category
- Doubts raised about whether Marico could survive an MNC onslaught from a strong global player like Lever
- In 1999-2000 Nihar from HUL positioned as key challenger to Marico's marquee brand Parachute
- HUL's strengths: huge ad spends, strong distribution network, leadership mindset
- Acquisition threat by Lever to take over Marico itself
- Marico stock falls dramatically
- Questions raised whether threat would force Marico to sell out

THE HUL-MARICO WAR

HOW MARICO MOVED FROM A POTENTIAL TARGET TO ACQUIRER

MARICO'S RESPONSE

- Underscoring Parachute's product quality
- Contemporarising the 'purity' aspect with *Shuddhata Ki Seal* and high-value promotions
- Ramping up distribution
- Mission *Parachute Ki Kasam* launched to galvanise internal sales force

THE RESULT

- Nihar took away market share only from smaller players
- Marico acquired Nihar in 2006, recording a huge psychological victory

KEY TAKEAWAYS

- Single-minded focus can overcome brute force
- Motivating people down the line critical in crisis times

advertising, Mariwala decided to move from larger tins to smaller packs and take the help of ad and branding experts to create a positioning strategy for the Parachute brand of coconut oil, perhaps the first time a coconut oil maker was thinking of an ad strategy. Alongside was his strategy of making refined oil Saffola a national brand, focusing on its cholesterol-reducing properties.

Mariwala also quickly realized that tin packs were becoming uneconomical with the increasing prices of tin sheets. The answer lay in plastic (HDPE) packs. He virtually pioneered the edible oils industry's move to plastic packaging which reduced costs and scored higher on aesthetics. But even as he went about transforming the business, Mariwala understood there were more challenges awaiting him if he had to scale up his way.

"We were a family managed company, not run professionally. The businesses of Bombay Oil did not have any synergy between them," recalls Mariwala.

"Because of this, there were conflicts between the businesses in terms of resource allocation, key decisions like remuneration for talent, the role of staff functions and image building. In our business of consumer products, everything was focused around talent. In the other businesses, it was capital allocation for putting up factories and things like that. So there was always a conflict in terms of what is good for the organization."

These conflicts led to what he calls sub-optimal decisions. If he paid higher salaries to employees in his side of the business, the other businesses were then faced with problems with their employees. "We were also located in Masjid Bunder, the heart of the Mumbai commodity market. This was a major hindrance to attracting good talent. This also led to the inability to create a common culture across the organization. Besides, we couldn't focus on one business and put in our entire efforts behind it," he says.



Cultural enablers to innovation

- Openness, meritocracy and informal set-up
- Experimentation and learning from failures
- A flat structure
- Cross-functional forums

Marico's innovation highlights

- Transformed Parachute from a pure coconut oil brand to a beauty brand
- Revive Instant Starch
- Mediker Oil
- Kaya Skin Care

Meanwhile, new competition, in the form of ITC Ltd, the cigarette maker-turned consumer goods giant, was growing. While ITC had launched the Sundrop brand of edible oil, Lever had come up with Flora, its sunflower oil brand which it marketed aggressively. Postman, the market leader from Ahmed Oil Mills, began making way for ITC's Sundrop. The landscape had changed.

MARICO AND AFTER

The changing scenario necessitated that Mariwala break out on his own and focus entirely on his dream of creating a consumer products business which had scale and an expansive footprint. In 1990, Marico Industries was born out of the consumer products business of Bombay Oil, which gave Mariwala the opportunity to take a quantum leap. "Liberalization had started taking place, and we had to face competition in attracting talent," explains Mariwala, stressing how his need to attract quality talent virtually left him no other option but to create a separate entity. "If we had to take on the larger FMCG players and grow, we would have to have the right talent. It was very difficult to do that being a part of Bombay Oil then, as four or five of my cousins had also joined the business," he said. "Perception about the business and the speed of taking decisions were also problems. If you are part of a larger business you have to be sensitive to how one decision affects the other family

members or other businesses. In that context, it was a logical step to spin Marico off as a separate company."

Was the decision painful? "Whenever such major decisions are taken, there are always concerns about whether the move will be viable. We had to go about it in a gradual manner and explain to all the family members the reasons behind the move over a period of two years or so [between 1987-'89]," says Mariwala. "I have seen many businesses getting destroyed because the conflict within the family or promoters just pulls you down. It must be a part of the promoter's DNA to ensure that he manages the stakeholders in a manner which does not impact the business negatively," explains Mariwala about the emphasis he placed on getting everyone in the family on-board with his spin-off strategy.

When two of the family factions exited in the mid-'90s, Marico went public.

"Looking back, going public was a good decision, because that puts you under far more scrutiny and has an impact on the image. I have no regrets about going public. Sometimes, there are views that going public puts needless pressure on companies. But I think the answer lies in doing what is sound rather than getting too sensitive about markets. When we launched Kaya (the company's skin care services business) we had said it would impact short-term profits, but we went ahead. If we see the quarterly results as the end, it will drive you to behavior which may not always be good for the company." Bold and unconventional words from the chairman of a large, listed FMCG company which is keenly tracked by the markets.

The investor community regards Marico highly. Says Sudhir Dash, MD of U.K.-based asset manager Investec Capital Services: "Marico has created a mark in the highly competitive FMCG space which is dominated by global giants like Lever and Procter & Gamble. The company is innovative and has made significant strides in both edible and non-edible oils."

INNOVATION AND THE MARICO CULTURE

Today, Marico focuses on getting everyone to 'be more'. The vision is to try and transform, in a sustainable manner, the lives of those the company touches, by nurturing and empowering their true potential. In fact, innovation is at the heart of what Marico seeks to do, and so, whether it is making the shift from tin packs

₹ 3.3
MILLION

Number of outlets where Marico products are sold across the country

to plastic ones, creating a coconut oil usage explosion in consumer packs with HDPE, or introducing the 'flip-top' Parachute pack to enable easy identification of genuine parachute and leak-proofing of packs, or even market expansions through pouches and Parachute mini-B packs, innovation has driven most business decisions at Marico. The Marico Innovation Foundation, set up as the company's corporate social responsibility (CSR) initiative in 2003 was based on the thinking that innovation is a crucial way of getting into the center-stage of global business leadership. Headed by Ramesh Mashelkar, the Foundation plays the role of a catalyst and works towards creating an innovation ecosystem.

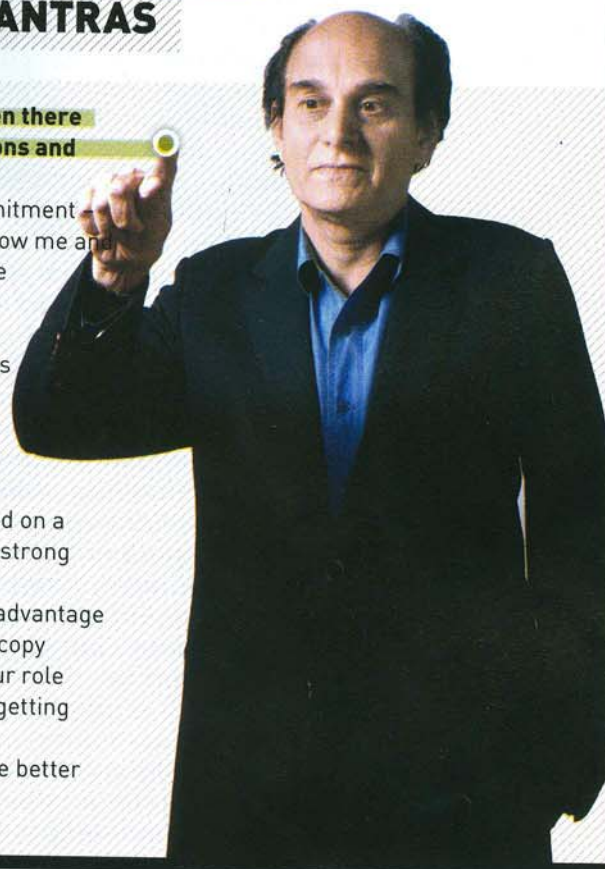
"Innovation is one of the cornerstones for us. Even if you look at Bombay Oil, what did we really do? It was a series of innovations in packaging in coconut oil which enabled us to grow from a zero or one percent market share to become a market leader," explains Mariwala. "But for those innovations, we would have been struggling." The first 15 years of Mariwala's success in business, he stresses, emphasized two salient points in his mind: the importance of people and innovation. "So when Marico began operations, we spent a lot of time in creating the right culture in the organization which basically meant getting the right quality of talent. Then we backed it up by innovation in a far more structured manner."

Mariwala says innovation has different models. "One may be the Apple kind of scenario, where innovation is driven from the top. But that may be suited for a highly discontinuous environment which they were in. But we believe we need to create a culture so that innovation takes place on a regular basis. It need not be just in a product and could even be in advertising. People should go on thinking about innovation on a regular basis and the top management has to go on demanding innovation on a perpetual basis."

Mariwala says the possibility of failure must be built into the concept of innovation. He himself has tasted failure more than once, with introduction of products which didn't work, forcing their withdrawal. The most recent case was of Saffola Zest, a baked snack which was prototyped in a limited way in Mumbai markets and generated tepid response, forcing Marico to pull it out. "Maybe we gave an idea to many others who launched baked snacks later, but I'd say we didn't execute it well though the idea was good," he admits.

MARIWALA'S MANTRAS

- Innovation flourishes when there is a gap between aspirations and resources
- Involvement leads to commitment – tell me and I will forget, show me and I will remember, involve me and I will understand
- You should make yourself redundant at various stages while scaling up
- Strategy is important, but execution is equally important
- Values need to be reinforced on a perpetual basis to create a strong culture
- Culture offers competitive advantage because it is impossible to copy
- As you go up the ladder, your role shifts from doing things to getting things done to influencing
- Your subordinates should be better than you in their roles



The other pillar, of creating a distinct Marico culture, was equally important. Marico went about putting in place one which emphasized on being open, informal (calling people by first names), participative, empowering, merit-based and apolitical. Gossip is discouraged, there is job rotation and learning and preparing for higher responsibilities and cross-functional exposure are in-built.

PSR, NOT CSR

In his own entrepreneurial journey from a commerce graduate who was not allowed to attend business school and joined the family business to being the boss of a listed FMCG major with a global footprint, Harsh Mariwala has seen all the phases an entrepreneur would: starting up, consolidation, and scaling up. It is this entire personal journey which is at the heart of his Ascent initiative. The Foundation, Sarwate says, finds its genesis in Mariwala's personal passion of playing enabler to nascent businesses to help them scale up fast and realize their full potential. This, Mariwala says, is

his Personal Social Responsibility (PSR) as distinct from Marico CSR, a model increasingly being followed by Indian business leaders, among them Azim Premji.

"I am passionate about innovation and entrepreneurship," explains Mariwala. "And at some level there is a linkage between the two." Two years ago, he realized he had to do something on his own, which would be his PSR initiative to try and make a difference. "Each promoter has to work on both (CSR and PSR). So I thought if innovation is being taken up by us at a company level, can I take up entrepreneurship on a personal level? I have been experimenting on this for the past two years; one was through women entrepreneurs in Mumbai." This involved tying up with a business school and an industry chamber, getting entries from women entrepreneurs and even having an award function. "But I wasn't too excited by that experiment and thought we need to change focus."

Mariwala's speech at a TiE (The Indus Entrepreneurs) event generated a lot of requests for mentoring and this led him to put together the basis of what today constitutes the Ascent gameplan. "I thought I could take on groups of 10 and mentor them. Individual mentoring would take a lot of time and would be complex. My whole thinking was how we can make a larger impact rather than through single mentoring sessions."

Even at that point, some individual entrepreneurs came to him for mentoring. It was then that he found some of them were struggling with their business models but were too attached to let go. "They didn't realize they were just burning money and that the businesses didn't have any future. I had to tell a couple of entrepreneurs that I didn't think it was viable for them to put in their savings in the business and it was better to shut shop.

At some stage, you have to give them the bad news as well," he says.

This experience of meeting people who were struggling with the business model stage itself made him realize that it would be a better option to mentor entrepreneurs who had proven business models. "We thought it would be good if we select them from those whose models are proven, has a topline and the bottomline is in sight but they are having difficulties scaling up. So I decided to try and work on scaling entrepreneurs. I took on two groups of ten each and started speaking to them." Mariwala and some of his other team members, including Sarwate, identified about 20 topics and started talking to these entrepreneurs about these. How to attract and retain



talent, cost management, growth, innovation, culture building, raising funds, information technology were among the topics identified for this. This was a good enough prototype and a pilot project for Mariwala's Big Dream. As he got busy for a year thereafter with the presidency of FICCI, he focused on one group and identified a few people from it to act as moderators. This group then began working together, learning from each other and tackling various issues pertaining to their businesses. "I saw that through this model, a lot of peer learning was happening. So now we want to scale this up. We want to take about 10 groups of 10 entrepreneurs, totalling 100. But ultimately, my dream is to have 1,000 such groups. But at this stage, it is a dream. We would like to start from Mumbai, then go national," says Mariwala.

THE ASCENT INITIATIVE

As the starting point for Ascent, Mariwala has already got on board Manak Singh, TiE's former Associate Director, to be Chief Evangelist. "He will spend half his time on this. He will be in charge of the backroom, while Milind and I will focus on the conceptual stage," explains Mariwala. "We will talk to TiE and various associations and get about 300-400 applications from which we will select 100 or 120 entrepreneurs. We want to do all that within the next two months," says

₹106
CRORE

First-year
turnover of
Marico, with
₹4.5 cr
profit

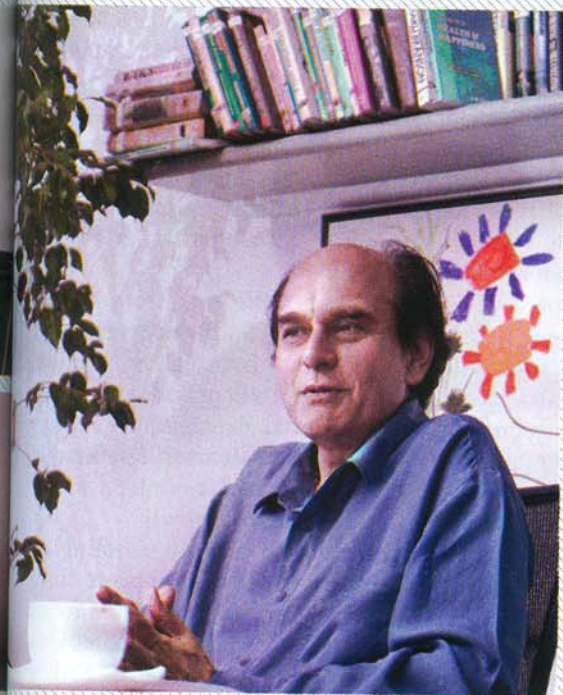


TABLE TALK

Says **Milind Sarwate** (pictured above with Mariwala), Group CFO and Chief HR Officer of Marico, who is working with Mariwala closely on Ascent, **"Whenever I come to Harsh to talk about other things, our conversation invariably veers towards Ascent. That's how passionate he is about this project."**

Mariwala. The selection process may also include personal interviews. Ascent will carefully select only those entrepreneurs who have a proven/successful business model, potential to grow, and desire to learn and teach, through a roundtable mechanism. Members will be selected by a panel using both criteria, tangible and intangible, such as a strong sense of personal and business ethics, a belief that conscious professional inputs will help business to scale up, a proven business idea, with a current scale of more than ₹1 crore turnover for services and ₹5 crore turnover for products. These should have potential to scale up, determined by financial projections and a clearly envisioned future. "Willingness to collaborate will be a strong criteria for selection," says Mariwala.

Ascent will be a Section 25 company, a not-for-profit entity, with Mariwala supporting it financially, on his personal account. There will be just a token joining fee. The fees collected could also be donated by Ascent to a suitable social cause. Members will collectively bear all expenses that their roundtable incurs on sessions.

The program, Sarwate explains, will leverage the power of the collective, rather than the power of individual guidance. "Ascent will thus provide facilities, resources and environment to roundtables of entrepreneurs, and not to individual entrepreneurs. It will however provide separate room for individuals to directly access resources: experts, mentors, investors

and so on. It will shepherd entrepreneurs towards the right mentors, guides and domain experts, without itself being a service provider or directly running their enterprises," he adds. The Ascent Member Roundtables will have access to Knowledge Partners and Consultants. "Ascent will also help members by constructively tracking their progress," he says.

Mariwala points out that Ascent will endeavor to keep the composition of each roundtable as non-competitive and diverse as possible, in terms of age, background, industry etc, so that the experience set is rich and varied. "We expect that most roundtables will continue to function for four-five years. Members' achievements will be recognized periodically through award functions or such events."

Ascent may also form Special Interest Groups (SIGs) around certain themes and domains e.g. logistics, raising capital, HR and will use Information Technology to leverage, among other things, the power of portals.

THE ASCENT ECOSYSTEM

Mariwala also plans to set up an elaborate ecosystem of associates aimed at providing sustained value add to members. This will be done through:

"Initiators"—trained facilitation experts who will facilitate the initial few (3 or 4) sessions of each member

roundtable. They will “shepherd” the initial working of the roundtables and will select their successors from within each roundtable, along with back-ups and help transition to successors who will be called Moderators. **“Moderators”** will facilitate sessions of the roundtable in the steady state, that is, after the initial few roundtables. They would be identified by the Initiators and trained formally to facilitate the roundtables. “We will also have “co-moderators” who will act as back-ups to moderators,” says Sarwate.

“Facilitation Trainers” will be experts in facilitation who will train moderators and co-moderators.

“Knowledge Partners”—individuals with specific domain expertise and experience to be in a position to impart knowledge and wisdom to the roundtables through periodic sessions—will be empanelled by Ascent. Several concurrent knowledge partners, each carrying one or more domain specialization and accomplishments, will share their expertise and experience to enable entrepreneurs to accelerate growth by removing road blocks in the knowledge partner’s area of expertise.

In this endeavor, Knowledge Partners will not have any commercial arrangement with entrepreneurs. They will provide expert inputs to members across the entire business value chain.

These could be in the areas of corporate value creation, innovation, cost management, global business management, marketing and market access, operations, sales & distribution, governance, risk management, compliance, HR/OD, information technology and social responsibility of business.

“Consultants”—Individuals with specific expertise and experience—will be available to individual

entrepreneur members or roundtables, at a cost to be borne by the individuals or roundtables. Consultants will render specific services or help. Ascent, on its part, will provide a facility (including an IT portal) where any individual member or roundtable can connect with consultants and retain them through direct negotiations. Some of the Knowledge Partners could be Consultants. The two roles will, however, interface separately with members and roundtables, Sarwate explains.

PEER POWER

Keen on the peer learning model, Mariwala says Ascent’s value proposition will manifest itself the most for members

through the roundtables the member-entrepreneurs will have. “Meetings will be held every month at least once at a pre-determined date, time and venue. Initiators and Moderators will facilitate these roundtables,” he says. Each roundtable will access Knowledge Partners and Consultants at each monthly meeting, depending upon their roundtable’s schedule. Apart from monthly roundtables, there will be periodic multi-roundtable sessions to be addressed by a thought leader and an annual convention as well.

How will Ascent be different from other entrepreneurship initiatives? Mariwala says his initiative will be different from other similar organizations, like TiE, in that it will provide entry only to entrepreneurs with potential, denoted by a certain minimum scale, and use the Member Roundtable structure that leverages the power of the collective, and focus on acceleration, scaling up and growth.

Says Mariwala: “Ascent will play an enabling or catalytic role. It will never play a directing or controlling role. Instead of spoon-feeding entrepreneurs, the focus will be on letting entrepreneurs learn.” The chief idea behind the concept is to focus on creating the ability to grow from within the enterprise, using the power of “self-help” that a roundtable of entrepreneurs can leverage through learning from each other. “The focus is on collective learning rather than individual problem solving,” he adds.

While the finishing touches are now being given, Ascent will begin with a prototype in Mumbai and eventually pan out nationally. The initial target is 10 roundtables of 8-12 entrepreneurs each, comprising 2-3 social entrepreneur roundtables and 6-7 business entrepreneur roundtables. “Ascent is a new concept. Therefore its structure and targets will keep evolving,” explains Mariwala.

PROOF OF CONCEPT

Mariwala is not going blind on Ascent though. Far from the prying eyes of the mainstream media, and others in the Indian entrepreneurship ecosystem, Mariwala has used TiE to facilitate a pilot group of nine entrepreneurs.

Moderated by Kanchan Kumar, one of the nine and also the current Executive Director of TiE Mumbai, the group meets every second Saturday of the month in different locations. Kumar tell us that the group is just the right sample. “We have entrepreneurs from various fields. There is somebody from the fragrance industry as well as somebody from the extreme opposite end of energy management,” he says, adding that everyone has benefited from this new model.

₹150
CRORE

Estimated
revenue from
recently-
acquired
Paras
brands