GROWTH CHAMPIONS

THE BATTLE FOR SUSTAINED INNOVATION LEADERSHIP

thegrowthagenda

Edited by Tim Jones, Dave McCormick and Caroline Dewing

Contents

Growth Champions

The Battle for Sustained Innovation Leadership

The Growth Agenda

Edited by Tim Jones, Dave McCormick
and Caroline Dewing

WILEY
A John Wiley & Sons, Ltd., Publication

This edition first published 2012

Registered office
John Wiley & Sons Ltd, The Atrium, Southern Gate, Chichester, West Sussex, PO19 8SQ, United Kingdom

Library of Congress Cataloging-in-Publication Data

Growth champions : the battle for sustained innovation leadership : the growth agenda / edited by Tim Jones, Dave McCormick, and Caroline Dewing. – 2nd ed.
p. cm.
ISBN 978-1-119-95413-2 (pbk.)
1. Economic development. 2. Corporate culture. 3. Creative ability in business. I. Jones, Tim. II. McCormick, Dave. III. Dewing, Caroline.
HD87.G765 2012
658.4'063–dc23

2012001523

A catalogue record for this book is available from the British Library.

ISBN 978-1-119-95413-2 (pbk) ISBN 978-1-119-96121-5 (ebk)
ISBN 978-1-119-96122-2 (ebk) ISBN 978-1-119-96123-9 (ebk)

Set in 9/14 pt BookmanITCbyBT-Light by Toppan Best-set Premedia Limited
Printed in Great Britain by TJ International Ltd, Padstow, Cornwall, UK

Contents

Tata Steel	KEY DATA
Total revenues (2010)	INR 12,236 Crores
Average revenue growth p.a. (2005–2010)	75%
Net income (2010)	INR 8856 Crores
Average net income growth p.a. (2005–2010)	88%
R&D investment (2010)	INR 76 Crores
R&D intensity (2010)	0.06%
Average share price growth p.a. (2005–2010)	41%
Tata Steel Group production	23.5 million tonnes

Bharti Airtel	KEY DATA
Total revenues (2010)	INR 594 billion
Average revenue growth p.a. (2005–2010)	41%
Average revenue per user (2010)	INR 194 per month
Net income (2010)	INR 60 billion
Average net income growth p.a. (2005–2010)	31%
Number of customers (2010)	220 million
Number of countries (2010)	19
Average share price growth p.a. (2005–2010)	29%

CHAPTER 13

Tata and Bharti

Leapfrogging from India

Today a good proportion of the world's disruptive innovation is coming from emerging markets and much of it is changing the balance of power across a variety of sectors. Many companies are focused on exploiting the opportunities in high-growth markets and applying what has become termed as 'frugal,' 'reverse,' or 'cost' innovation – redesigning products and processes to eliminate up to 80% of costs and so provide for the masses at the bottom of the pyramid – but that also work very well for those at the top. The majority of the action is taking place in India where Tata Motors is selling the Nano 'people's car' for INR 150,000 ($3000); Bharat Biotech retails a single dose of its hepatitis B vaccine for 20 cents; and Bharti Airtel provides one of the cheapest wireless telephone services in the world.

In 2006, emerging markets' challengers on the global stage were a novelty. Lenovo had recently purchased the PC business of IBM and China NOOC had made an unsolicited and ultimately unsuccessful bid for Unocal. Just five years later it's all changed. Global challengers from emerging markets are the norm, and many are taking a different route to growth than the established players. The new challengers are leap-froggers, moving quickly to build leading-edge international operations. Significantly, alongside strong organic growth, they show an appetite for inorganic growth via mergers and acquisitions that marks them out from their Far East predecessors on entering the world stage.

As *The Economist* recently pointed out, 'Over the past decade the world's corporate pecking order has been disturbed by the arrival of a new breed of plucky multinationals from the emerging world. These companies have not only taken on Western incumbents, snapped up Western companies and launched exciting new products; they have challenged some of the West's most cherished notions of how companies ought to organise themselves.'

'In some ways these groups look like throwbacks to old-fashioned Western conglomerates such as ITT. But in other ways they are *sui generis*: much more diversified and readier to blur the line between public and private. A growing number of them are proving that they can compete in global markets as well as in sometimes rigged local ones. The Boston Consulting Group lists the rise of diversified global conglomerates as one of five trends that will shape the future of business.'

Tata and Bharti are both major Indian conglomerates that have demonstrated a hunger and ambition for global leadership in their sectors. As well as driving significant organic growth in their domestic markets, they are using big acquisitions as a key part of their global strategies. They recognize the need to reach beyond India to sustain rapid growth; they have access to capital; they are partnering to build world-class capabilities, fast; and they have built management teams with a global outlook. While acquisitions and partnerships are enabling both companies to expand their footprint, they are not only strengthening their competitive position globally but are also ensuring continuing growth through simultaneously managing innovation and operational efficiencies.

Tata

Perhaps the most significant of all the Indian conglomerates now playing on the global stage is Tata. A longtime major force in India, the Tata Group is quickly establishing a global presence. Tata is a diversified conglomerate, successfully present in businesses as diverse as consumer products, energy, engineering, information systems, communications, services, and materials. Taken as a whole, the Tata Group is a global player with several of its companies important multinationals in their own right.

In 2010, group revenues were 3.2 trillion rupees ($67.4 billion) with profits of 82 billion rupees. With nearly 100 companies in the Tata Group, on July 21, 2011, the combined market capitalization of the 28 listed ones crossed the $100 billion mark. As *The Economist* views it; 'Just as Tata played a leading role in nation-building from its foundation in 1868, creating India's first Indian-owned steel plant, power station, luxury hotel, domestic airline and sundry other firsts, it is now one of the stars of India's globalization. The group has also projected a new type of company onto the global stage – more diversified than Western firms, more engaged in the life of the community and, if its employees are to be believed, better equipped to prosper in both developed and developing markets.'

Tata has developed its portfolio domestically with Tata Motors gaining much of the limelight through its Indica and Nano cars but with steady growth also

taking place across all platforms. On top of this, Tata has also been using foreign acquisitions, such as the Tetley Group, Corus, Jaguar Land Rover, and Daewoo Trucks, to both increase its global footprint and enhance its capabilities. Between 1995–2003 Tata companies made, on average, one purchase a year; in 2004 they made six and in the following two years they made more than 20. In all Tata has spent around $20 billion on foreign companies. Today it earns about three-fifths of its revenue abroad and employs more British workers than any other manufacturer.

While each Tata business is run independently, there are common traits. As well as many of the interlocking shareholdings and trusts that sit across the 98 separate companies and give such significant financial firepower, many recognize that there is a clear Tata culture that has been marinating for 140 years and is now experienced by Tata's global workforce of nearly 400,000 people. Tata Group argues that three things – loyalty, dignity, and corporate social responsibility – define this. To gain insight into how Tata achieves its success we are looking in detail at just one of the Tata Group companies – the largest business in the portfolio – Tata Steel.

Tata Steel

The steel industry is a highly fragmented and cyclical sector. At the same time, it is largely an old industry with legacy practices, facilities, technologies, and mindsets. However, the global landscape of steel production has been transformed in the last decade driven by the stunning speed of China's growth in steel production: Between 2001 and 2009 China's share of world steel production rose from 18% to 46%. Today, the continued shift of demand away from the mature Europe, Japan, and North America to emerging markets – not just China but other growing economies as well – is accompanied by other issues that impact profitability, especially volatility in raw material prices.

Tata Steel was established in 1907 and retains its headquarters in Mumbai. In recent years, the company has expanded both within Asia and in Europe through its 2007 acquisition of Corus. Tata Steel has also made a host of smaller acquisitions, joint ventures, and associations. Tata is now among the world's

most geographically diversified steel producers, with operations in 26 countries and a commercial presence in over 50 countries. Tata Steel had a turnover of $22.8 billion in 2010, has over 80,000 employees across five continents and, in its own right, is a *Fortune 500* company. Most notably, during a period where the world's steel industry has been under significant pressure, Tata Steel has grown revenue income as well as market value, and through more efficient operations has also tripled its average revenue per employee.

Indian Growth

Up until the late 1990s, Tata Steel was identified primarily with secure employment – 'it had outdated processes, a large workforce and an inward looking mindset.' Through a major re-engineering program the company transformed itself into a globally competitive, low-cost manufacturer of steel.

By 2002, Tata Steel recognized that future organic growth in India would be slow. Although the company was in a strong financial position, large capital projects such as steel capacity expansion were subject to significant delays and there were limited opportunities for growth through local acquisitions. Meeting Tata Steel's ambitions necessitated a move out of India onto the global stage.

Overseas Expansion

In 2004, Tata Steel duly acquired Singapore's NatSteel, followed in 2006 by Millennium Steel of Thailand. These acquisitions gave the company access to six markets in the region, including Vietnam, the Philippines, and Malaysia – all fast-growing economies with attractive long-term potential. More importantly, these first acquisitions allowed Tata Steel to test the waters of M&A, transfer internal best practice from the successful purchase of Tetley, learn how to run a trans-national business, and also understand the cultural issues of integrating larger organizations.

The next acquisition was, however, to catapult the company into the big league and make Tata the sixth-largest producer in the world. The take-over of Anglo-Dutch steelmaker Corus was a logical step in the value chain after its Asian acquisitions. More importantly, the move was in line with the company's

de-integration model that involves making primary metal in markets close to raw materials and establishing finishing (value-adding) facilities in the end-user markets. The deal between a large player with a significant presence in value-added steel and a strong distribution network (Corus) and an outfit that is the lowest-cost producer of steel (Tata Steel) offered synergies that make the combined unit far more competitive in the global league table of steel makers.

Two key features of the Corus acquisition and the subsequent journey are notable:

1. *Partnered M&A:* This was a massive leap in scale for the company as Corus was at least three times larger than Tata Steel when it came to revenues and production capacities. However, the same was true of the Tetley acquisition which was twice the size of Tata Tea. In both cases a partnered approach was adopted.
2. *Sustainable innovation:* It was also as much about raising the technological capability and innovation competence of the whole organization as it was about geographic scale on manufacturing and distribution.

Exploring these two features highlights what Tata is doing differently to win.

Partnered M&A

While many Western mergers and acquisitions have become notorious for destroying value, M&A activities being undertaken by many Asian companies are proving to be more successful. Lenovo's takeover of IBM's PC business is one of the most public, but Tata's tea, car, and steel acquisitions are some of the most successful. Whilst the traditional model of acquisition is to put a large integration team into the new company to align people processes and systems with those of the new owner, Tata takes a different approach as explained by Koushik Chatterjee, CFO Tata Steel, in 2009:

We quite genuinely tend to look at an acquisition as a partnership rather than an acquisition . . . we don't send planeloads of people into a new company. Instead, we only send in a few integrators. That's been the key interface.

We also tend to co-create a vision for the enlarged organization rather than just imposing our own. For example, after we closed the transaction for Corus, on April 2, 2007, we worked together for the next six months on co-creating a vision for the enlarged enterprise. If the vision exercise isn't shared or if the process isn't participative, then the acquired organization's willingness to be part of the future action plans and the consequent accountability will be much lower. This approach requires a lot of maturity from the senior leadership as it requires a lot of adaptability to new situations, cultures and sensitivities. It is not easy to do.

And this partnering approach extends beyond creating a shared vision to a concept of shared change, which encourages sharing and adopting of good practices from both partners; accepting cultural differences between Indian and non-Indian companies but thinking and performing as one enterprise. And whilst this approach takes time it results in trust in the partnership and in the whole target-setting process, and trust can be a source of competitive advantage as Mr. Chatterjee explained:

I believe that when we eventually establish that trust, things move faster; you don't have to go around reassuring people. This was demonstrated by our European colleagues, who reacted very fast to the global economic crisis last year, when we realized Europe would be significantly affected. A short-term program, 'weathering the storm' was launched, which gave us very significant savings – over 700 million GBP – in the six months between October 2008 and March 2009. The program continues even today with significant savings forecast for this year too.

Analysts have commented that Tata overpaid for Corus and Jaguar Land Rover and Ratan Tata admits that the group had to reach deep into its pockets to keep some subsidiaries going. However, even the financial crisis has done nothing to damage Tata's growing self-confidence: The big global deals are beginning to repay its patience. Tata Steel's European operations are now in the black and Jaguar Land Rover made £1 billion in profit last year as well as providing Tata Motors with valuable skills.

Sustainable innovation

In a highly fragmented and competitive industry, survival depends on rapid and continuous innovation to create competitive advantage and to profit from emerging opportunities. In this sector sustainable innovation is the watchword and Tata Steel has been playing a smart game.

A major battleground for organic growth in the steel sector has been providing better performing and cheaper products. 'Light weighting' – the process of taking out material but maintaining or increasing performance – is common across many steel-intensive sectors – from automotive and domestic appliances to construction and packaging. As a major player in the European market, Corus was a recognized leader in joint product development in this field and so the acquisition provided Tata Steel with world-class knowhow that it could build on.

With highly volatile raw material costs, securing the supply of high-quality feedstock is an essential ingredient for business success. At the time of the acquisition in April 2007, Corus did not have any captive raw materials. Today Tata Steel Europe has 25% raw material self-sufficiency across the Tata Steel group and the target is 50% self-sufficiency in the medium to long term.

In 2007 Corus undertook a foresight program, 'Sustainable Futures,' which brought together a range of organizations from different sectors to debate the key issues. From this the company gained unique insights not only into the major drivers of change at a global level, such as the need to improve environmental performance, but also which sectors were likely to be the ones where change impacted first.

As a consequence of this, Tata Steel now has some of the leading environmental products in the market and more major platforms in development. For instance, in the part of the business supporting the construction sector, the company launched Confidex Sustain, the world's first carbon neutral building envelope system; and Target Zero, a project providing construction companies with guidance on how to build sustainable low and zero carbon buildings. Tata Steel has also been co-developing a unique low-cost solar energy coating for steel roofs that has the potential to enable the likes of Wal-Mart and Tesco stores to become zero carbon.

In a sector where customers are becoming increasingly aware of the environmental impacts of their suppliers' products, Tata Steel is working to a target of less than 1.7 tonnes of CO_2 per tonne of steel and a single gas recovery project in South Wales will reduce CO_2 emissions by 300,000 tonnes a year – roughly equivalent to the national CO_2 reduction target for Wales.

Both the takeover of Jaguar Land Rover and Corus led to a shift in attitudes and a focus for innovation in the acquired companies. A year after the acquisition, one Jaguar Land Rover senior manager shared that the change of ownership from Ford to Tata was 'like a heavy burden being taken off our shoulders: We are more secure about our future and are being encouraged to build the world's best car brand.' Similarly for a Corus strategy director 'the Tata ownership has changed the mindset from surviving the short-term business cycles of the steel industry to being given permission to think about the longer term.'

Social Responsibility

Alongside big acquisitions and sustainable innovation, the Tata Group is also known for its commitment to creating value for all stakeholders: 'Tata Steel has always believed that the principle of mutual benefit – between countries, corporations, customers, employees and communities – is the most effective route to profitable and sustainable growth.'

Evidence of Tata's role in the community can be seen in Jamshedpur, the home of Tata Steel and perhaps the world's most successful company town. Tata Steel runs almost all the city's institutions including a hospital, zoo, sports stadium, and the local utility company. The city is remarkably well run by Indian standards, with broad avenues, green parks, reliable power, and water that you can drink. Tata Steel gently mocks all this corporate philanthropy with the slogan, 'We also make steel.'

Kirby Adams, former managing director of Tata Steel Europe, added:

The Tata name and philosophy is a unique asset which evokes trust and a sense of common purpose among our employees, our customers, our investors and the communities in which we operate, as well as opening doors into new markets where the Tata brand is especially well-known and respected. Being

part of Tata Steel has been a tremendous advantage to us in weathering the storm that raged more severely in Europe than anywhere. And it will continue to benefit us as we position ourselves for a return to growth.

The Future

Looking forward, the industry faces many challenges and the top companies will need to innovate further to survive and succeed. Alongside competition from China there are a number of other issues to deal with. Most significant of these will be the continued volatility in raw material prices and moves by suppliers to more dynamic pricing models. Coming at the same time as low demand in the United States and Europe due to the prevailing economic uncertainty, many see further consolidation as a likely scenario. With Brazilian steel producers rapidly becoming the lowest cost producers in the world, thanks to abundant local supplies of high-quality iron ore coupled with low energy prices and low wages, only those companies that have adaptive strategies in place, have a strong innovation engine and healthy balance sheets will do well. Tata Steel qualifies on all three criteria and is in a good position to grow even in an uncertain environment.

At a Group level, as *The Economist* sees it, 'Tata's spread helps it wage two of the hottest wars in modern India: for talent and trust. Tata can compete with Western talent-magnets such as General Electric and Accenture. It is well enough known to appeal to people in the remotest villages. Even the twin strategy of advancing at both the bottom and the top of the market makes sense: it is hard to dismiss Tata as a "cheap" brand when the group owns luxury hotels and fancy consultancies.' Tata's diversified structure has given it a valuable mixture of flexibility and deep pockets. Its Bombay House HQ provides Tata companies with clout when they want to make ambitious acquisitions or when the market turns against them.

Bharti

Founded in 1976, Bharti Enterprises has grown from being a bicycle manufacturer to becoming one of the largest Indian conglomerates. Still very much led by its founder Sunil Bharti Mittal, the group now covers retail, real estate,

insurance, and food distribution but is best known internationally for its telecommunications and IT businesses – Bharti Airtel, Bharti Infratel, Indus Towers, Comviva, and Beetel Teletech. Across all the companies in the Bharti group highly effective partnerships is probably the most visible common thread. In the retail area, Bharti Wal-Mart is a joint venture with Wal-Mart; the insurance businesses are all joint ventures with AXA; FieldFresh Foods is a joint venture with Del Monte; and Bharti Airtel is partnering with all the leading companies in the telecoms arena. As with Tata, although each business is run independently, there are similar traits across all and so understanding Bharti's growth success and strategy is best achieved by looking in detail at its largest company – Bharti Airtel.

Bharti Airtel

Bharti Airtel is India's leading telecommunications company and the largest telecoms operator in the world with over 210 million subscribers. As well as providing mobile services across 19 countries in South Asia and Africa, it offers land-line telephone services and broadband internet access in nearly 100 Indian cities and also has a satellite TV business. Launched in Delhi and Himachal Pradesh in 1995 under the brand name Airtel, the company has grown steadily over the years through a mix of organic growth and competitor acquisitions and went public with an IPO in 2002. Already India's largest integrated mobile operator by 2005, Bharti Airtel launched services in Sri Lanka in 2009 and Bangladesh in 2010. In the same year it made a major move on the international expansion journey by buying Zain Africa in a $10.7 billion deal. Bharti Airtel has expanded at a breathless pace in the 16 years of its existence and analysts see that it has displayed remarkable capacity to scale up year on year and to execute its plans with high energy.

Outsourcing Business Model Innovation

For the first few years, Bharti Airtel followed a very similar growth strategy to other mobile operators around the world – buying licenses, building networks, growing support activities such as customer care, billing and network operation,

building its brand, offering competitive tariffs and the latest phones, and so steadily gaining more customers. This served the company well, but did not significantly differentiate it in the market or give it any major competitive advantage over its peers.

Bharti Airtel's breakthrough came at the end of 2002, when the management team took the hitherto unprecedented step in the telecoms services industry of outsourcing the technical backbone of the service to global specialist firms in a long-term partnership arrangement. This was followed by four other major outsourcing decisions that left Bharti Airtel focusing just on the things it does best. Manoj Kohli, joint managing director and international CEO of Bharti Airtel, explained this reasoning in an interview in 2008:

When we started our journey in this sector in 1995, we knew that the telecom industry needs deep pockets, it demands huge funding, billions and billions of dollars. We also knew that Indian customers would need to be serviced with affordable prices – very low prices. Now these two things actually didn't connect with each other. On the one hand we sell at very low prices but we invest billions of dollars, so we may not have a viable business plan. So we thought to ourselves, how do we get over this? If we have to succeed in this sector, we said; we need to change the paradigm; we need to invent a new business model. We decided in a meeting in Dec 2002, if we have to sell at the lowest prices in the world, then obviously we must have the lowest costs in the world. There is no choice; it is a necessity. Let us modify and alter the business model according to the needs of the customer. We initiated a huge outsourcing strategy in five big parts.

And those five parts were all significant activities that other companies have distinctive competences in:

- Networks – outsourced to Siemens and Nokia, Bharti Airtel then buys capacity and pays according to usage and capacity utilization.
- IT – hardware, software, services, and people all outsourced to IBM.
- Call centers – outsourced to Indian call centers.

- Towers – rather than each operator building their own towers, Bharti Airtel put its towers into separate tower companies which then share the use and cost of the towers with competitors.
- Distribution – rather than build showrooms and shops in every town and village, the Airtel brand is sold by local entrepreneurs through their retail outlets – one million of them across India.

Overall, what we have done in this new business model is that we have outsourced all expertise areas to people who are better than us in their areas and we have no problems saying this, that the partners are better than us and kept to ourselves our core competence.

Our core competence is customer management, brand management – brand is so very important to us, people management – motivating our people, financing is our job, and regulation management. These are our 5 jobs that we do. We do those aspects that are our competence, everything else we don't do. Everything else is done by our strategic partners who have better domain knowledge, better skills and capabilities to help us do it. Today, in the global telecom sector, Bharti's business model is looked upon as most unique and most viable and great for all emerging markets.

Outsourcing these five traditional internal capabilities fundamentally changed Bharti Airtel's competitive position. Unlike the great majority of its peers, it could now scale quickly by relying on other companies' infrastructures, resources, and assets. If it so desired, Bharti Airtel could now grow faster and quicker than the competition, but this would only work if it had the right product and brand mix that customers would want.

Partnered Customer-Focused Innovation

Bharti Airtel's entrepreneurial culture and customer-centricity come together to create an organizational culture that is consistently opportunity minded. Again the focus is on partnering with others rather than trying to deliver everything itself, enabling the company to profit from innovation despite its low average

revenue per user when compared to other global telecoms operators. As a consequence the company has been able to deliver new services to its customers fast and effectively without the need to invest heavily in building new internal capability.

One typical example is the company's app store which extended reach from just smartphones to the more basic devices used by many of its customers. It is a 'device agnostic platform' so from launch it supported over 500 phones across all operating systems and saw over 2.5 million downloads in its first month of operation. By 2011 Bharti Airtel's app store had over 100,000 applications making it the largest operator-owned app store globally.

Given its large number of rural customers, Bharti Airtel also launched IFFCO Green Card – a unique system that creates localized content and delivers it to farmers in their language of preference. 'A good example is our collaboration with IFFCO which is India's largest fertilizer company. It has 36,000 societies and 55 million farmer members all over India. We picked up a small equity stake in their marketing company so that IFFCO and Airtel are working together in all of these societies. We are providing specialized content that is geared for farmer users, we have developed agricultural content and content in 16 different Indian languages that helps farmers. This works as a win-win for IFFCO and Airtel because the equity of both brands grows in the customer's mind.'

In a joint venture with the State Bank of India, the company is preparing to launch Bharti Airtel money – India's first 'mobile wallet' service providing 24/7 payment and transfer options to its customers. 'If you spot an opportunity early, try to capitalize on it quickly. If you can't do it on your own, look to develop it pro-actively with partners. Partnership should be done early, so that the partner and company can work closely together to make it work. If it is done late, then most of the potential is gone. Partnership only works if there is a match with the DNA, the vision and the values of the partners. If it is not congruent, it does not work.'

The partnered customer focus, rapid innovation to scale, and consistent investment in brand equity building have enabled Bharti Airtel to retain a significant revenue per user advantage in the hyper-competitive Indian market even in regions where operators are market leaders.

Africa

Having honed its business model in India, over the past couple of years Bharti Airtel has been on a spending spree -– adding operations in what it sees as other high-growth markets. Sri Lanka and Bangladesh were initial forays but the big acquisition that put the company on the pages of the *Wall Street Journal* and the *Financial Times* was the purchase of Zain Africa's operation in 15 countries. Having failed in an initial attempt to buy South African operator MTN, the Zain acquisition was seen as a good option. It added 42 million customers and moved Bharti Airtel well up the big league of mobile operators.

With an optimized low-cost business model at home, the company believes it can 'bring the benefits of mobile telephony to millions and millions of lower middle class and poor consumers around the world.' Moreover it is confident that it can do this more effectively than any other operator. 'By 2015, Airtel will be the most loved brand in the daily lives of the African people.'

Manoj Kohli sees that 'the acquisition of Zain Africa is clearly amongst the biggest professional challenge that any Indian companies has undertaken in recent times. The big test for us lies in transporting our unique business model and recreating our brand magic across the large population in the new continent and be seen as a global corporation with global best practices. Our partner ecosystem linked through a rich culture of win-win collaboration will undoubtedly be the bedrock of our strategy.'

For Bharti Airtel, Africa presents its own set of challenges as a market. Unlike India, which is one country with several states, Airtel Africa has to contend with 16 different countries – all with different legal, regulatory, financial, economic, and social frameworks. With the Zain acquisition, Bharti Airtel is now playing a more complex multinational, multi-regulator game – one where its ability to manage its multiple partnerships is key. This has involved replication of business structures and processes and re-creation of partner ecosystems. The program commenced in mid-year 2010 when the deal was completed. Bharti Airtel has put in place partnership deals – the first of its kind in Africa – with many of the world's top global ITC corporations, including IBM, Ericsson, NSN, Huawei, Spanco, Avaya, and Tech Mahindra.

Further Optimization

Over the last couple of years the growth of the Indian mobile market has come from prioritizing revenues over margins and all companies have sought to expand their user base to boost profits. With more than 850 million customers, prices for voice have fallen to record lows of half a paisa (1/100th of a US cent) per second. However, as Vodafone and other challengers in India have continued to compete incessantly on prices, Bharti Airtel was the only Indian operator able to recoup its cost on capital last year. Although its return on capital has dropped in recent years from 30% to 15%, the next best competitor is down at 5%. So, to improve profitability, Bharti Airtel is now looking to further streamline its operations. First off is the integration of the African businesses and the merger of its satellite, mobile, and fixed-line businesses in India into one entity. Sunil Bharti Mittal recently said that the company 'had always pioneered new business models that have set industry benchmarks while creating consistent value for our customers, employees and other stakeholders.'

Future Growth

Sunil Bharti Mittal sees future growth continuing to come from both India and other markets: 'The next phase of our journey is set to be another game changer – requiring superior thrust and focused leadership. We continue to win in the Indian telecom market, which is going through a phase of hyper competition. At the same time, we will be developing comprehensive plans for our journey to cover emerging markets beyond India and the South Asia.'

In satellite, broadband, and fixed-line, growth is so far primarily coming from riding and driving the internet penetration wave in India – a country which, with less that 10% fixed broadband access at the moment, has plenty of growth potential. In mobile, the rollout of 3G and 4G is providing opportunities for fine-tuning pricing plans to enhance margins in line with the non-stop growth in consumer numbers. So far only 50% of the Indian population has a mobile and many see that this will quickly rise to over 80% in the next couple of years. In particular, given the company's experience in building partnerships some see that Bharti

Airtel is well placed to take full advantage of the projected rise of data use by consumers.

More mobile expansion in Africa is clearly on the agenda although Akhil Gupta, deputy chief executive of Bharti Group, sees that 'Bharti Airtel first needs to fully exploit the potential in the 16 countries in which it already operates in Africa. We are not going to be greedy. We are not going to rush in to things. We want to get the model right and make sure that we are completely successful here.' Although China led the way in Africa with infrastructure investment via state-supported organizations, Bharti and other Indian companies are keen to ensure that they become as important in future African market growth. Akhil Gupta sees that 'India is ready to put in large investments in Africa. We can match China in investment dollar for dollar and skill for skill.' Two-way trade between India and Africa has now passed $50 billion a year and commentators see that the likes of Bharti Airtel will be at the forefront on future growth.

Financing further investments and acquisitions is coming from a mix of external and internal capital. Most significantly the potential flotation of all or part of the two towers businesses could enhance the corporate treasure chest for future M&A: Analysts estimate that the towers businesses have current value of between $10 billion and $12.5 billion.

Key Insights – Tata and Bharti

Diversified groups are the 'dominant' form of business in many emerging markets. Tata and Bharti are both at the fore of the new Indian conglomerates that have mastered domestic growth and are complementing it with international expansion. In globalizing, both Tata and Bharti have been fast learners, absorbing lessons from within their organizations and their Indian peers. Even though Tata is a far older organization than Bharti, both share some common elements. As well as being run by the founding families and professionals who have been 'lifers' in the organizations, they both reference themselves against the global rather than the local competition.

Although operating in different markets, one very much a business-to-business (B2B) company and the other business-to-customer (B2C), both Tata's and

Bharti's main businesses operate in highly competitive sectors where price is a primary factor. Tata Steel and Bharti Airtel have re-engineered the business model in their sector at home and, in different ways, created highly efficient low-cost growth engines that can match the best the world has to offer. With the frugal innovation mindset at the fore, they have focused first on efficiency and have each leveraged their ability to manage partnerships – Tata for how it manages acquisitions and Bharti in how it runs its business. In addition, both have strong corporate social responsibility credentials – doing rather than just talking about helping the wider society.

Foremost, however, both have the long-term view and focus more on stakeholders than shareholders. They run profitable high-growth businesses but, if needed, will dig into their respective pockets to get through challenging periods in order that they develop the capacity to win in the long term. Tata and Bharti are Growth Champions because they have hunger, ambition, and pride in what they do, which provides the fuel for enterprise growth. These are the energies that create a growth culture and enterprises that seek to grow wealth. In comparison to many of the world's large companies, the likes of Bharti and Tata are distinctive because they still retain their founding spirit, which was to grow wealth for all stakeholders, not just shareholders, and to serve the communities that they are a part of.