2021-22: My reflections

In some ways it feels like we are still in the middle of a year that started 24 months ago. The stop-start rhythm to business and life, the tension between the scarcity of time and the abundance of time, the changing variants, the disparity of outcomes, the miraculous impact of technology. And of course, the indomitable spirit that is still wrestling with a formidable enemy.

Collective human endeavor has generated astonishing outcomes, and yet is being asked to achieve more. In less than two years post the outbreak of the pandemic, 10 billion doses of the vaccine have been administered globally. India alone has administered over 1.6 billion doses. To put that in perspective, it took us several decades to develop and then inoculate every child on the planet with the polio vaccine. But in the last 2 years, we have made great strides in a globally cooperative enterprise to reach every human being.

Despite this gargantuan effort, we are not done yet. The canny virus continues to mutate relentlessly and pose ever new questions of mankind. We have learnt from recent experience not to declare victory, or even the beginning of the end, but are there glimmers of hope for 2022? Hope that the pandemic will become a far less virulent irritant in our daily lives.

The exigencies of the pandemic have pushed the boundaries of innovation. A world where traditional rules didn't apply, freed thinking from its conventional shackles. And we are staring at an extraordinary decade.

The Roaring 20's

We started the decade with a shock that many feared would set us back by years. But with our backs against the wall, a global fightback got underway. The two largest economies, accounting for 40% of global GDP, are between them, expected to add 5% incremental output in the coming year. The American economy has recorded its sharpest rebound in half a century. 6.4M new jobs were created in the US in 2021 – the largest increase since record keeping started in 1939. This is not just the replacement of jobs lost, but entails new roles being created by firms reimagining business models in sectors like retail, healthcare, and financial services. Even though the stock markets have reacted adversely to imminent liquidity tightening — with the S&P 500 falling 10% in the last 3 weeks — the decadal view remains unambiguously positive.

In India, a generation of entrepreneurs are now taking advantage of economic reforms as profound as those in 1991. The twin-balance sheet problem of stressed loans and over-leveraged corporates is also behind us. And therefore, the coming decade will see an upsurge in capital expenditure across many sectors. I believe, we have upon us a forthcoming decade of ***Capex Mahotsav*** in India.

The private sector is also firing on two-engines, the conventional and the new-economy. I call it the **'Double-engine growth'.** Investors are excited about growth prospects in core sectors as well as sunrise sectors. In my view though, the word sunrise sector applies to the entire landscape in India, which includes both conventional sectors like cement, steel, power and auto and emerging areas like digital and renewables. Both hold the promise of high and sustained growth.

Supply Chains: Learning from the Whiplash

The speed and magnitude of the global bounce back has surprised everyone but also left some constituents unprepared. From being the invisible wheels that oiled the global economy, the nuances of supply chains and the intricacies of multi-modal optimization have now become central to our discourse.

Whiplash effects have come into force, with shortages in humble $1 semiconductors in Taiwan, and a fire in a lithography factory in Berlin, lengthening the queues for eager buyers of new cars in India. In messages reminiscent of the license era, hopeful car aspirants are now being put in long waiting lists as companies scramble to crank up production.

On the one hand, container shortages in some parts of the world, combined with port pile ups elsewhere, reinforce the point that the physical world still matters. Despite all triumphant proclamations of software eating the world, the absence of sufficient truck drivers can bring sophisticated operations to a grinding halt.

On the other hand, these whiplash effects have called into question a decades long shift towards increasing efficiency and finely tuned precision operations that optimized operating costs but took away room for margins of error. This is a stark reminder that in times of disruption (which we should increasingly expect with climate change), efficiency wins in the short term, but resilience translates to value in the long term. Near shoring, reasonable inventory holding, multiple supplier alternatives and more sophisticated supply chain solutions are the near-term outcomes from this realization.

Valuations: Sanity over Vanity

The world is awash in capital and there has perhaps rarely been a better time to be an entrepreneur, as everyone from angel investors to the public markets line up to back ideas. The competition for investment opportunities and the Fear of Missing Out (FOMO) have driven up valuations of many fledgling companies to stratospheric levels.

Historically, the key question for any new business was whether it fulfilled an unmet consumer need. A hallmark of some new businesses today is that they seek to use the brute force of capital, combined with smart technology and operations, to create new needs that you did not even know existed! For example, is receiving groceries at your doorstep in less than 10 minutes a service that you cannot live without? Clearly many consumers think so.

Ultimately, my own view is that at some stage unit economics will have to matter. And trusty old concepts like cash flows and gross margins will guide behavior and actions. The only sustainable moat is the one based on intellect. Large waves of cheap capital will eventually erode all other entry barriers.

From Aditya Birla Group's experience in multiple businesses, across multiple geographies, I can say that in the long run sustainable and successful businesses are those that generate tangible profits, prosperity, livelihoods quarter after quarter. Valuation and business longevity will automatically follow.

A Corporation is a repository of Trust

Longevity, of course, is determined by a foundation of values and not just by profits.

This year marks the 75^{th} year of incorporation of our Group's flagship firm Grasim, at a time when most corporations have a half-life of 20 years. I have often paused to think about the spectacular longevity of this company and the DNA that kept it durable. And one of my reflections has been that an enduring corporation is not just a repository of quality products or shareholder wealth. More than that, it is a repository of trust. The Trust of customers, employees, shareholders, and all stakeholders is very precious but also fragile. It needs to be nurtured.

At Grasim, over 5000 colleagues have given more than 3 decades of their professional lives to the firm and built external networks with the privilege of customer relationships that are more than 5 decades old. These relationships are built on mutual trust and a multi-generational recognition of the benefits of shared growth and prosperity.

At the Grasim celebrations, we brought together 20-year-olds and a lion-hearted 100-year-old former colleague. That got me thinking on the inherent value of a multi-generational workforce.

Towards Gen-Infinity

We often obsess over increasingly finely defined generational labels. We are almost programmed to think of each generational cohort as a monolithic force.

And yet, paradoxically, lengthening lifespans and changing technologies are upending linear notions of career and life. A 20-year-old can build a multi-billion-dollar company, proudly wearing the badge of a college dropout. At the same time, a 50-year-old entrepreneur can build a company in a new space, confident that she has years ahead to see her dreams come to fruition. Skills from opposite ends of the spectrum are equally valued. Society, which has been bound by hierarchy, no longer remarks at a mid-career and seasoned executive giving their services and stabilizing hand to a youngster fired by the unbridled optimism of youth.

Even though there are implicit behavioural markers of every generation, the ability to co-exist could well be a defining trend of the new decade. Outside of the workforce, multi-generational friendships are already starting to add texture to lives – perhaps hastened by the pandemic.

I ended my last reflections note by pausing to ask the question "what matters is…". The last two years have left me feeling that the dominant answer to that question is **Gratitude**. Gratitude towards the healthcare professionals who spent the better part of two years in PPE suits, for the municipal staff who kept civic administrations running, towards the farm and factory workers who kept the economy chugging, towards delivery partners who toiled days on bikes to keep us supplied – and many more.

Two years into the pandemic, and faced with the realization that early proclamations of a “post pandemic world” were premature, there is good reason for fatigue to creep in. The metaverse, after all, is not quite the real universe. Yes, a virtual gaming concert drew a record 12.3 million viewers. But the joy of attending a live U2 concert still lingers in my mind.

I often get asked how to deal with the highs and lows of life, and I think the biggest factor is equanimity. It is an acceptance that both adversity and windfall gains are impermanent. And that real success lies in the quiet acceptance of both. Equanimity helps one make sense of the vagaries of the world with the ability to dispassionately learn from the past and plan for the future. The deepest chasms are often a precursor to an impending improvement.

In the spirit of the times, I am also going to borrow a deep philosophical insight from the cryptosphere, that is perhaps unintentionally powerful. WAGMI! Indeed, *We Are All Gonna Make It*!

- Kumar Mangalam Birla