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Context to the nugget

Tarun talks in detail about the mind-set with which entrepreneurs need to think about creating the conditions to create. He talks about the example of Charles Shao and how he battled the decline in trust in the milk industry in China. He discusses how Charles gave away IP (which seemed counter-intuitive in the short run) to widen the profit pools of the industry as a whole and thereby improve the outcomes of his business.

Transcription

Deepak Jayaraman (DJ): What does it mean in terms of leadership, again how does a leader again if you looked at the prototypical leader in emerging markets as compare to the leader in developed economies with deep support infrastructure, what have you observed about, what leadership muscles they need to have in addition to what their counter parts in the developed markets have?

Tarun Khanna (TK): So, I think there are lots of people who specialized in characterizing the contours of leaders and I am not one of those experts but let me provide a more arm's length characterization to some extent, my feeling is that a leader particularly in the business world, you know there is a very famous saying it tribute to Milton Freedman the economist from university of Chicago won the noble prize saying that the business or business is business, in other words if you are a business man or a business women, the best that you can do for society is to forget about Society and just get on with making money because if you do it really well that's your contribution to society there are other people who will take care about other things. There are doctors who are taking care of the sick, there are teacher who are taking care kids who need to be educated, there are social service workers who taking care of those who are down on their luck and so on and so forth but what happens when you go to the most of the world? And none of these conditions are available then I think at a very practical level this admonition from Prof. Friedman falls on its face, it cannot be the business or business is business the business or business in the interest of business, in the self-interest of business is to engage in in my view in the partial private provision of so-called public infrastructure. Let me that elaborate what I mean my public infrastructure is infrastructure that you put out there, you can use it but other people can use it also a Road your canonical example, public security is a canonical example, the fact that their security and you feel secure doesn't detract from somebody else's sense of security in the same ambience. Economist says that such things are called non-rival risks. Now, who is going to provide these public goods? The support services that help creativity that help entrepreneurship, we could point fingers at the government and bemoan its corruption and its venality and its incompetence and whatever else you want to complain about and some of it is true and depends on obviously place and time and setting but by enlarge its neither here nor there is my very practical point and admonition to all of us, what's the point of pointing fingers, why don't we just get on with it? And find the people within the state apparatus who are

willing to work on constructive things and willing to extend a hand to the private sector and do work with the private sector and I am convinced that they exist in every single society it's only a few bad apples that give the public sector less than glowing reputation in many instances and work with them to help them to create the conditions to create and if that means that a private entrepreneur has to contribute to something that the public ends up benefiting from, I think that's just fine and its often in their own private interest because the acid test is you better of as an individual as a private business person doing this or you better of sitting on your hands and saying that's the task of the government, the latter is almost never true the former sometimes is.

DJ: So, when you talk about enlightened self-interest as well in the book, in the context of you take the example of Charl Chao and the way he shared IP do you want to talk about that for a minute?

TK: So, Charl Chao is a colleague, friend who I met some years ago and he was former entrepreneur, actually in the tech industry, originally Taiwanese, worked in southern California and really got fixated on this problem of milk poisoning in China back about 10 years ago in 2008 and realized that all the solutions the government had put forward, better information, more education, severe punishment, chastising, public shaming none of it really worked, the number of people who got to touch milk from the time that it came out from the cow to the time that a child consumed it was far too many to police and too many ways to make mischief and people were adding these contaminants that made the milk look as though it had a higher protein content but actually were chemicals that damaged the organs of kids and immune compromised patients so he decided that he would come up with the technology based solution to tracking each and every cow, to making sure that the care of the cow is individually customized to the cow and he had this feeling that his objective was to generate happy cows and then he had a lot of measurement systems in place to say that happy cows clearly deliver something like I don't know 20% more milk than if you take the some cow and put her in a conventional dairy setting, we don't have all these customized sensors and so on plating data and customizing the feed and robots that clean the cow poop away in very pleasant cow sheds, if we don't do that the productivity goes down very simple and ultimately economic and economic argued and to cut a long story short, the main constraint that emerge to his growth of this successful farm that he created was that dairy farming was never sexy in China still isn't and he couldn't find techy people from the big cities to come and work on his techy dairy enterprise because he was much cooler to go work for Alibaba or Tencent or do WeChat or something like that. So his gimmick was let me just give away the IP, now why give away the IP? The intellectual property involves in creating happy cows and a tech enabled dairy farm but the idea was that somehow of a young person graduating from a reasonable university came and saw only Charl Chao is the maverick doing this, one could imagine that they would have some trepidation in banking their careers on Chao's efforts whereas if they saw that Oh look there's dozen farms or twenty farms or fifty farms or a mini industry setting that's doing it maybe my career is not hostage to Charl Chao and its situation so essentially by giving away the intellectual property to the horror and chagrin of his financial backers he was able to begin to attract some tech talent to come into the tech dairy industry in a way that they alleviated to some extent to the constraint will began to grow so this giving away of IP precisely in order to foster an ecosystem in which talent came in to then help them to grow the core enterprise, so that he became a smaller piece of the overall pie but the pie was immeasurably bigger is sort of the essence of creating the conditions to create and that's why I like that example and you see this everywhere I spend a lot of time in the city that I was born in was Delhi but also in Bangalore where I went to high school and in Bangalore I do a lot of work with Devi Shetty, the Surgeon and when you think about the story of Devi Shetty, how he has created sort of Cardiac factory or sorts which I have been chronicling now for 14-15 years it's really a sequential creating the conditions to create, so his operation is premised on scale and a lot of patients coming in but the problem is the patients will not come into the hospital because they live too far away,

they are uneducated they can't get away from their work they physically unable to get there so on and so forth so you have got to invest in transportation, in logistics, in medical insurance, in education in satellite delivered telemedicine, you have got to create all these conditions and that's not what you want to do as an entrepreneur, you want to do heart surgery and cardiac care and to do that you have to create the enabling conditions before you allow you to do that so there are lots of examples like this but that's why I say create the conditions to create and it requires that particular mindset to be able to say it's a mindset change that of course my core skill is going to be in developing happy cows for more milk or in doing cardiac surgery very efficiently and cheaply for poor people but to be able to do that I have to have mindset shift and say it's shouldn't be outside the remit of possibility or beneath me to think of ways in which I can either create these conditions myself or catalyse others to do it along with me and that requires sort of a perhaps a more eclectic model of leadership than you would when only specialization is adequate.

Reflections from Deepak Jayaraman

DJ: I am reminded of my earlier conversation with Arun Maira (AM) (Former Member of the Planning Commission of India and Former Chairperson for BCG India). He spoke about the distinction between leadership in an open system versus a closed system.

AM: *"We have a much more open world and in this world we need to partner with or work with organizations who are in other parts of the world and also we are finding because of as you said the world is more dynamic and information technology even them is enabling us to be communicating with partners outside our boundaries, how to be successful in a more open world"*

DJ: While Arun makes this point in a different context, I guess at some level the key insight for me here is that we need to look at the system we are operating in and solve for the system. Bringing it back to what Tarun says, as an entrepreneur, if I just solve my piece of the puzzle, the jigsaw is not going to complete itself. I need to work on some of the adjacencies as well for my business to flourish.

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End of nugget transcription

Nugget from Arun Maira that is referenced: [Leadership in an open system](#).

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About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work [here](#).

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