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Context to the nugget

Tarun talks about how entrepreneurs (keen on having impact at scale) in developing economies should think slightly differently from their counterparts in more developed ecosystems like Silicon Valley. He urges them to include trust-building as part of the objective function in addition to the business metrics they are going after in building out their enterprise.

Transcription

Deepak Jayaraman (DJ): Just bringing it back to the work you do in strategy Tarun given your thinking around the notion of building the trust what's the difference you see in how the entrepreneurs in developing economies frame this strategy question as compare to some of their counter parts and developed economies is there a difference in the way they should be thinking about the problem?

Tarun Khanna (TK): So, you asked two questions and the answers are different the first question was is there a difference in the way entrepreneurs in the developing world frame the problem compare to those in London or Boston and the answer is no! they frame it the same way, however I think that's the mistake I think the entrepreneurs in the developing world should privilege trust as being a central core objective of whatever is it they set out to do, that's the reason I wrote the book and that's the reason I wrote it in the narrative style as oppose to in more academic jargon because I am trying to reach would be entrepreneurs or would be investors to recognise that cultivating trust should not be an ancillary avocation it should be absolutely central to the enterprise and in the book I have a chapter which I think is the probably most interesting chapter to me that's called the mindset change, when I was going through classes at HBS and at Harvard economics department there was a very strong and continues to be a very strong ethos, which is with good foundation to say that you should quote unquote stick to the knitting, you should focus on what's core to your enterprise and so on and so forth there's a lot of logic to it and it's not hard to see why? Which is don't get distracted it is tough enough to do something world class and you shouldn't be distracted however I think it's a bogus advise for the developing world because it's not practical at the end of the day as I said at the outset in our conversation at a practical level if I want to do something that remotely scientifically sophisticated even in Bangalore, I quickly hit road blocks which is up to a certain point when within a few pretty narrowly constraint domains, are we able to make progress? After that I will rapidly find that I don't have these skillsets around me, I don't have a dense enough pool of talent around me I don't have people who can converse in the scientific language, I don't have intellectual property, sophistication, I don't have a common law precedent to help me, I don't have a variety of functions of intimidation that I need to make that happen so I have to do something that is not my core which is I don't want to be an IP lawyer or an IP valuer, I don't want to be an educated intellectual property in that particular example so it's not my core competence but I have to do it, because without creating the conditions to create, without the mindset shift that

allows me to say left brain right brain, I have got to do this and I have got to do that you are essentially sunk or to put it differently your enterprise may very well be profitable and so called successful but it's not likely to have impact at scale and by scale just to fix numbers I am saying if we want to effect at least 10 or 20 million people at a time so I think that's what should be done differently, is it being done differently? No! Because people are aping what is happening in, I am guessing why this is happening people are mechanically aping what we are teaching in a strict US curriculum or a curriculum in Europe and translating it without thinking about the underlying logic and how the conceptual circumstances are different in Johannesburg or Jakarta.

Reflections from Deepak Jayaraman

DJ: While Tarun makes this point about building trust in the objective function when it comes to entrepreneurs in developing economies, a similar insight came up in a different context during my conversation with Ravi Venkatesan (RV) (who happens to be an HBS alumnus). He spoke about the criticality of Trust in a world where the Gig Economy has made it possible to get things done through these platforms where Gig workers aggregate. He spoke about the criticality of building trust and how people sometimes don't build that transaction cost in the economics of business.

RV: *"Lower and lower transaction cost idea is at some point trust also deteriorates and then the transaction cost curve starts going up, going back up, if people don't trust each other than the transaction cost to establish trust will also start rising so I think we are reaching a point, where there maybe that inflection where it starts climbing again, and then you will have to find some new equilibrium"*

DJ: At some level, the insight from Tarun is similar. The higher friction and the greater transaction costs in emerging markets need to be acknowledged and systemically solved for by the entrepreneur. Just focusing on your business alone may not move the needle when it comes to impact at scale.

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End of nugget transcription

Nugget from Ravi Venkatesan that is referenced: [Gig economy and careers](#).

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Tarun Khanna - Nuggets

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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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Podcast Transcript [38.06 Tarun Khanna - Framing the Strategy question](#)

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