

LEADING BY ABDICATING

Building India's largest retail conglomerate, Future Retail, from a single clothing store in Kolkata to a 700-plus imperium took Kishore Biyani leadership skills, namely the willingness to abdicate responsibilities to his CEOs



The global rule in the textile business is that there's more money, much more, to be made in manufacturing and branding than there is in retailing. But the line that Kishore Biyani started in was the rag trade which had more of an affinity to retailing, a fact that impelled him to sell rather than produce. He saw his

And how! In 2008, barely fifteen years later, Kishore Biyani has become a multi-millionaire retail, repeat retail, magnate. His company, Future Retail, is the largest retail presence in the country operating 700-plus stores throughout the land. The stores are organised by "format" (what global marketers would call "brand"), with a present total

to a megabyte player required, yes, vision, and, yes, general savvy-- but, above all else, an extraordinary organisational touch. By his own account it was the way he organised his company, the organisational structure with which he endowed it, that made possible such fast growth. How? Well, read on, please.

and good Indian instinct were then, and remain now, its ideals. Obviously this entails making mistakes, but that's all right by Biyani, who considers it a sure-fire way of learning. Forgiving a mistake, provided the errant party has drawn a useful lesson from it, has proven out as a means for achieving commercial success, at least in Biyani's book. But there are other tricks to Biyani's kind of trade.

"A swift flow is critical," explains Sanjay Jog, the chief people officer at Future Retail. "A fast growth company cannot afford the luxury of analyse-and-only-then-proceed. Too passive. Kishore Biyani has always wanted to have the first-mover advantage. He is determined to race into the market ahead of the pack. To us speed is of the essence."

To attain, and to maintain, the pace Biyani does not allow red tape to get in the way. He manages this by delegating authority to the CEOs of his by-now sprawling business empire. "In fact, delegating is not enough for me," he says. "I need to abdicate responsibility for my businesses to the business unit heads, the CEOs. This allows me to move on

to the next challenge, and build the next business." Biyani explains that delegating still implies too much involvement on his part. He believes in personally nurturing a new business for one – at most two – years; after that it's up to his unit heads to assume the responsibility.

Concept owners

So, how did Future Retail manage to quickly come up with a team of unit heads that was fit to shoulder such responsibility? "For quite a while, we relied on a geographic organisational structure, with four zone heads: north, south, east, and west,"

explains human resources' Sanjay Jog. "Each zone head would handle all of our store formats in his area. A series of support functions were provided by HQ: human resources, finance, visual merchandising, IT, marketing, etc." That worked fine in the early years (1994 to 2002), when there were less than half a dozen formats. But Biyani then pushed the turbo button, and by 2004 Future Retail was introducing at least 4 new store formats a year. Some are home-grown, and some are joint ventures or other types of agreement with foreign retailers. But all still had to be run by Future Retail's on-the-ground managers. Change was seen to be needed when problems began to get too big and complicated to be handled so humbly.

"So, in 2007, the notion of 'concept owners' was introduced," explains Biyani, "and our operations were re-structured under five top managers, who later became CEOs of their own operations (not legal entities). There was one concept owner for each large format: Big Bazaar, Food Bazaar, Central, Pantaloons, Home Town."

The concept owners are the guardians and custodians of the retail format and hold bottom-line responsibility. The business environment in which they operate requires of them top performances and top results, attuned to the competence of Future Retail's major competitors – Tata, Ambani, Birla.

To cope, Future Retail's concept owners may draw on services extended by Biyani's headquarters: human resources, marketing, finance, visual merchandising, information technology, and other central

services. As the business has grown and changed, so has the character and size of these central services. "Recently the concept of 'power of one' has been added," explains Sanjay Jog. "The idea here is to create highly developed 'central service' departments to help our specific retail sectors. For example fashion, food, general merchandise or home decorating are now serviced by specialist departments. Pantaloons, a Big Bazaar or a Top10 store can summon their assistance."

Powers of one and small formats

Having these 'power of one' divisions enables the various retail formats to take advantage of economies of scale and in-depth knowledge related to the product categories that are sold in more than one 'concept owner' area. Another advantage to this matrix of concept-owners and power-ones? "Their juxtaposition creates a certain tension that is also beneficial to the business as a whole. There is both push and pull," confides Jog with a malicious twinkle.

Biyani's loose, fast-changing and hard-driven organisation averages about one dozen top managers at any one time – entrepreneurs, so to speak, reporting to him. In this three-dimensional realm, one axis has the concept owners, who host the five main formats (Pantaloons, Big Bazaar, Food Bazaar, Central and Home Town). The smaller formats are annexes of one of the five large formats: for example the Depot stores are annexes to Big Bazaar, whereas the Top10 fashion boutiques are members of the Pantaloons family. The

Future Retail - Key financials

(All figures in Rs crore)

	FY2004	FY2005	FY2006	FY2007	FY2008
Revenues	660	1,055	1,870	3,350	5,050
Cost of goods sold	440	700	1,245	2,245	3,510
Rent	30	50	115	205	325
Personnel cost	30	50	110	205	275
Total costs	605	960	1,720	3,020	4,590
Profit after tax	20	40	65	120	125

Source: Company reports

decision justified after opening his 10,000 sq-ft Pantaloons Shoppe in Kolkata in 1994. It sold just trousers and paid off fine. In India, he concluded, the global rule simply didn't hold. On reflection it was not hard to figure out why. Low rents, low staff costs and high mark-ups made enough of a difference to tip the money scales in favour of retail.

of 17 formats in all. Some of the formats are big enough to be recognised as national brands – Pantaloons, Big Bazaar, Food Bazaar, Central, Home Centre – while others are just prospering niche players. (see chart). The ___ large-format stores accounted for ___% of the company's fiscal-year 2008 turnover.

Growing from a bit player

Speed of execution

To organise a company you need to start by organising its leadership. To do this you must know what kind of leader to seek. To Biyani, who was determined to build a business that was above all competitive, fast decision-making had to be a cardinal trait. Future Retail never over-analysed. Quite the contrary: visceral feeling



second axis contains the heads of the business lines: fashion, food, general merchandise, home. The remaining axis holds the heads of the central services: human resources, information technology, finance, visual merchandising.

How is coordination ensured? Every two months there is a so-called convergence review, where format coordination is assayed, trends examined, and conclusions drawn. Convergence is plumbed at relevant depth, from macro problems between formats owners to micro problems

imagine the stress and strain on the recruiting process. Yet it's been vital to the health of the company."

He surprised GO when treating a special wrinkle in human resources' selection procedures. "Examining possible candidates, especially store managers, we look for 'Indian-ness'" he says. "We are a very, very different country, with a large ambition to play a leadership role on the world scene. In picking managers, their ability to embody this Indian-ness is very important

INCUBATION AND IDEAS

Biyani has also delegated new ideas. Each store manager is asked to and encouraged to be an entrepreneur in his own right.

One key element of Future Group's corporate culture is the emphasis on entrepreneurship, or rather 'intra-preneurship', since the company relies in large part on internal ideas for the creation of new business. "In its early years, and even until about three or four years ago, Kishore Biyani was our sole entrepreneur," explains Sanjay Jog. "Now the group has many more. Each of the 700-plus store managers is an entrepreneur in his own right." To which Biyani comments: "Managers here don't go looking for permission. They need to develop their own initiatives. They are allowed to make mistakes; that is not the end of the world. That is the best way to learn, from mistakes made on the ground."

Managers will come up with ideas for new retail formats. They will do the research and defend their ideas and the idea will be tested either for applicability as an entirely new concept or as a variant of an already existent one. The process tends to be mundane. One of the managers came up with the idea of fielding a stable of beauty salons. High net margins, he pointed out. The concept owner asked the ideating manager for a market study. He presented the study, and in return got clearance and money to start up. These clearances remain rare. About 15 big-project ideas are given full-treatment consideration annually. Of these only two or three pass muster. One of the recent ones to bite the dust was a proposal to found a line of do-it-yourself home stores.

On top of this intrapreneurship, the legacy division, Future Brands, remains active. This is the business unit that develops "in-house" brands, for sale not only within Future Retail's stores, but also at other retail outlets, in India and beyond. Take for example John Miller, a brand of dress shirt that was launched in the early days when Pantaloons was the company's sole format. John Miller remains the best-selling shirt brand in Pantaloons, but it is also sold by other retailers. Of this unit Biyani says: "The twenty-odd formats within Future Retail cover fashion, food, home, general merchandise and other segments. I view them as a permanent laboratory for creativity and product development. In a way Future Brands completes the virtuous circle that enables us to develop the best goods for our own stores, increasing our take of the value chain."

And Biyani is part of the innovation laboratory. Although he only spends, oh, half a day each month on formal new product development, by all accounts he continues to dabble in the creative process, especially in clothing and food. ■

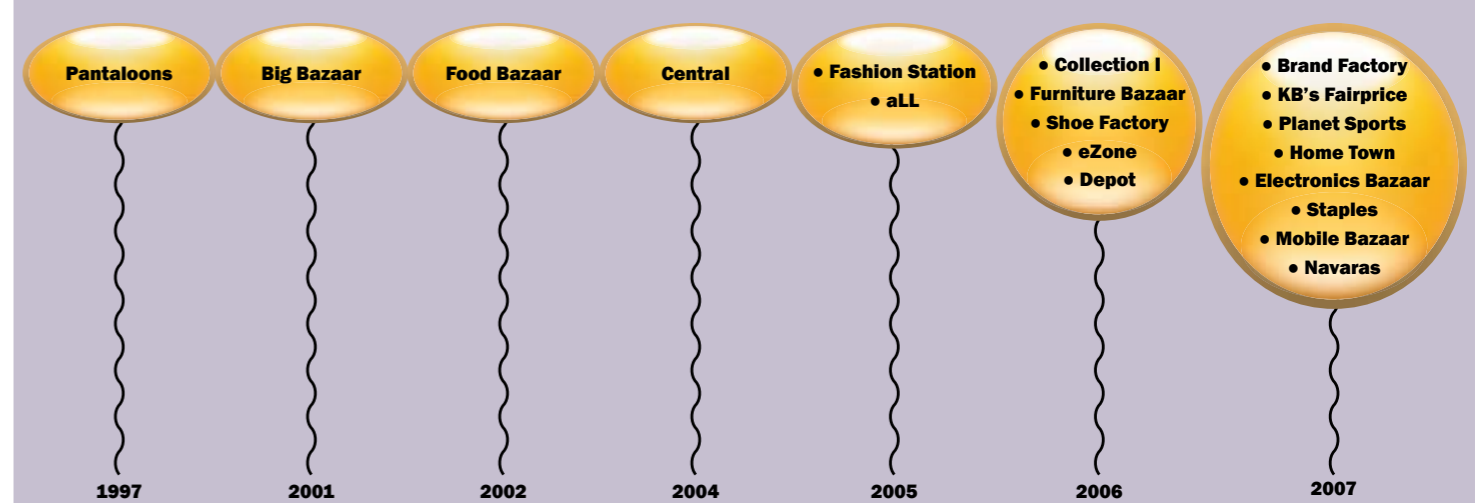
L-shaped areas so that people get stuck and talk to one another. Shopping in India is a family outing, a social event in which all people participate: husband, wife, children, in-laws. Indians want to pick up things and feel them and discuss them. They

need hang-around areas," says Biyani, and provides them.

Aside from the Indian-ness, great value is placed on a prospect's respect for detail, for serving customers, for looking after, and for, new customers.

"It is sometimes difficult to find

Title for the Cronology chart



staff with the 'serve-the-customer' attitude, since historically there was a period of planned economy without market conditions," says Biyani. "This is also why we are now introducing new training modules. Through four new schools built for this purpose, all of them opening before the end of the year, we plan to train up to 10,000 people each year, providing them with certified courses."

Until now, the staff's initial training was done during a week-long induction period. "Initial induction is crucial to the operations," explains Sanjay Jog, "since many of the managers who enter retail are either (a) not college graduates (high-school only) or (b) feel less 'qualified' than graduates who go into more glamorous fields such as finance or brand management. Our seven-day retail induction gives them greater self-confidence, an important trait to deal properly with the front-line responsibilities of being a store manager."

By developing self-esteem in staff, the induction course also gets it more involved, more open

to instruction, and in this way more susceptible to development. Seen thus, it becomes a leadership class.

Motivation

At Future Retail, another requisite that's written large is motivation, fuelled by the example of Biyani. "Undeniably one of the main motivating factors for managers at all levels in Future Retail," explains one of the managers in Biyani's inner circle, "is that we realise that in Kishore Biyani we have a modern-day retail genius. He has very strong observation skills. He can smell products. He is spot-on when it comes to timing. Yet, curiously, Kishore would shrug all this off. He would deny much creativity, and probably barely admit to a keen sense of observation from which he then draws his insights."

A second motivating factor rises from the empowerment lent managers via the policy of 'abdication'. It gives them clearance to manoeuvre and prove themselves. A third motivator is freedom to operate

on instinct and to experiment. That allows them to challenge themselves and quest for great ideas and results.

The company encourages competition between stores. Store data is openly shared between managers. "I love to beat another store," is something that Sanjay Jog claims to hear often from company managers. With balanced-scorecard and other management performance systems in place, check is kept on the competition between stores. The sales reports provide full details and enable store managers to see what is working elsewhere, and what not.

To sum up, GO once again consults its anonymous inner-circle source. "So in the end the ideal Future Group hiree," he says, "is one with a strong Indian cultural mark, the right way of thinking and the wit and willingness to test new concepts or products. What we want is just the right mixture of self-confidence and restraint; we search for this by attempting to tap into the 'special voice' that guides them inside their heads."

Encouraging evolution

As suits a fast-growth company active in new areas of business, Future Retail has a strong corporate culture. 'Indian-ness' is one important component of it but beyond that, the company expects managers' to show that they can evolve with the company. "Given the strong surge of youth in India, and the increasing role that young people will have," says Biyani, "the group has to be able to evolve, to stay young. We're on the lookout for genes that will do this for us. My managers must always be seeking new ventures and improved ways of operating." Sanjay Jog thereupon observes that "staying young" is done the Indian-ness way, via relationships, and not via processes.

"Trust is more important than documentation," is how Sanjay Jog terms it. One of the rare cases of abuse of this trust involved one of the format CEOs. He misused funds for personal gain, and the fallout from this malfeasance entailed a money loss but it also affected relations



affecting individual stores. Every four months there is a group convergence review, which also brings in the financial team, the marketing team, the operations, information technology and other headquarters support divisions.

The Indian consumer and service

This is where the spotlight turns on human resources' Sanjay Jog. "When I arrived at Future Retail in 2004," he recounts, "there were 3,500 staff. We are now 30,000. So you can

to us. You may ask, How can I check a person's Indian-ness? Well, as starters from the family background, the upbringing, and from the role that they see for India in the future."

Why such stress on Indian-ness? Here GO turns to the boss, Biyani, for enlightenment. "I strongly believe that there is an Indian way to do things," he says. "If Big Bazaar had been an exact replica of Wal-Mart, with its clean layout, it would not have worked as well as Big Bazaar, with its planned chaos. We like

Organisational Chart

with suppliers and customers. The initial reaction by Sanjay Jog was to tighten the control system and enforce a stricter regimen. Kishore Biyani however vetoed this and insisted on keeping things the way they were-- the same level of abdication, in order not to dampen the intra-preneurial spirit.

One example of a mistake that led to learning involved big orders for white shirts that were placed early in the history of the Big Bazaar stores. This was done in the expectation that the shirts would sell well. They looked good for the price. Wrong. In the event, they did not sell, even when discounted. Maybe it was this mishap that caused a store managers to notice that the customers were generally not garbed in white shirts. He began asking why. A female customer responded that her husband took public transportation every day and his shirt got too dirty in the process. That made for a lot of laundry, she complained. It was much more convenient for her to provide her husband with darker shirts, or patterned ones, she said. And so, you guessed it, supply of white shirts was curtailed. White shirters responsible for the misjudgement were not guillotined.

Communicating and planning

Biyani is the almost-paradoxical kind of entrepreneur, one who is both forward-looking and set in his ways. As the company grows into a giant, he still communicates directly with his house entrepreneurs. He prefers to do this over the telephone or via SMS. E-mail is a lesser channel. He visits stores often and circulates among the staff. He also keeps in touch with it via 'Monday Musing', an email that Biyani composes, collecting his thoughts as they have accumulated over the week. It is then read at the stores' Saturday morning meetings, before the doors open for the heavy weekend traffic. Employees write to 'KB' – or Kishore-ji – regularly. As a result KB remains well cued in from the staff level as well as ensconced on the trust level with it.

Maintaining this trust also entails protecting certain privileges that might seem superfluous as the company gets bigger. Recently the HR department proposed doing away with the birthday celebrations at store level since, as the company grew, there were too many parties. There resulted an immediate flood of complaint.

People said it was one time when they were able to meet and talk to each other in an open manner. Biyani became aware of this and told the HR department to reverse the decision. If its important for employees, then it should be preserved, he ruled.

Future Retail does not do strategic planning. Biyani scorns strategic planning because, he says, it takes too many of its cues from the past. It does what boring diplomats tend to do, historicise. He does believe, however, in scenario planning which attempts to look into the future. He wants Future managers to get used to contemplating what may lie ahead.

Lately, however, he has taken to peeking at the past by way of Think Reviews. That began in 2007 in the form of a very numbers-oriented and systematic business review. It was supposed to enable top management to assign parameters to the various business units. Parameters in terms of store achievements. The reason for not doing this previously was that the business had been growing very fast while very lean, and it seemed wrong to let bookkeeper types fuddy-duddy around with the company. But now the situation seemed to

be changing.

Explains Sanjay Jog: "When we were small – only seven stores – we could look at each store individually. Now that there are 700-plus stores, and we find ourselves obliged to look at them not singly, but in homogeneous groups. We group five or six stores sites/groups by socio-demographic parameters. Hundreds of stores, but just one sort of clientèle."

Future Retail hopes that its new way of assaying and organising itself will help elevate it out of its present sole niche of retail selling. It is eyeing entry into such, well, wholesale fields as consumer finance and private equity. Its new field of vision is recommended by the financial size that the company has attained. Fiscal 2008 will be registering \$1.5 billion in revenues. Target for fiscal 2011 is \$6 billion, not unrealistic since annual growth has been 70% to 80% over the past 5 years.

The meaning? In one word: Kishore Biyani, five-star manager, has made it! ■

NEXT ISSUE:
XXXXXXXX