

IIM Bangalore Convocation 2017

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Chief Guest Shri Uday Kotak, Executive Vice-Chairman & Managing Director, Kotak Mahindra Bank Limited

Chairperson Dr. Kiran Mazumdar-Shaw, Director Professor G. Raghuram, Directors of the Board of IIM Bangalore, faculty, parents, students, friends:

I am delighted to be here at IIMB, which is popularly called by most people as IIM Best. So friends, you have a lot to live up to, and I am going to today talk to you about how you are entering the world at large post your cocoon at a time when you are seeing a dramatic change in the world order.

I remember when I passed out, we were on a cusp of a very significant change, which was in 1982-83. It takes me back to something which I am putting down into 3 broad categories. The first one of these categories is what I call Megatrend I, which I lived through, post being born, for the first 20-25 years of my life, and this trend started even before I was born, post-World War II. It was a trend known as a battle between Capitalism, with Marxism and Socialism. You saw the world, post-World War II, effectively divide itself into America vs the Soviet Union. And the development of the Soviet Union was extremely enticing. Most of East Europe went with Soviet Union, either by choice or by force. Many parts of the world, including emerging economies like India, were captivated by the charm of a planned socialist economy. When India gained independence in 1947, we moved down the path of Socialism, effectively making Russia or what was then known as Soviet Union, as our role model. The planned economy, the development, of an order which was left of center, was the fashion of the day. Through my childhood I have seen many of these events including, what is from my point of view, the famous bank nationalization of 1969. And

through the late '60s and '70s, India actually galloped even stronger down this path of Socialism. So this first Megatrend which lasted for about 30 to 35 years, post-World War, roughly about 1980-85, is a period of what was the whole charm of left of center Marxism and Socialism as the model. But towards the last part, that is, late '70s and early '80s, this model began to show significant cracks. You saw the Chinese development in the late '70s and early '80s move away from the traditional Communist model to what is popularly known as State Capitalism. You saw India in 1985 begin to make the first turn away from the traditional Soviet model. The Soviet Union itself broke in 1989, thanks to Perestroika by Mikhail Gorbachev and you saw the beginning of a new world order from around the mid '80s.

That took us to what I call Megatrend II. It was a trend which dramatically changed lives of many parts of the world, including India. It was a world which became more liberal, much more open, it was pro-globalization, anti-protectionism, and a liberal social and economic order post '80s became the rule of the day. We in Bangalore and India have been huge beneficiaries of this changed world order post 1985. I still remember in the early '80s, when I came to Bangalore, it was a little village. The mega city which Bangalore has become is because of the megatrend change or Megatrend II between 1980s till 2015. The entire software services industry, the pharma industry, the research industry, and economic and social liberalism, which has been the bedrock of India's development over the last 30-35 years, is really part of a global megatrend, which I call Megatrend II.

Friends, I was the beneficiary of it. I passed out of the second best college called Bajaj, the best of course we have discussed! This was in 1982-83. A lot of us in our generation have been beneficiaries of this changed world order, and we happened to be in India at the right place at the right time. The benefit of free markets, opening up of Indian capital markets and financial markets, opening up of global

trade, global investment, anti-protectionism, free speech - ability to say what you want - was characterized as the opening up of the second trend and the last 30-35 years gave us that huge opportunity.

Friends, 2016 is possibly a turning point of this Megatrend II. We can debate whether this is a temporary phase or something significantly different as you embark upon your careers. 2016 saw first move which was anti-globalization and effectively saying we want protection through Brexit in June 2016. We now have a United States which is saying we want to be protectionist, we want to move away from a shared global order. We are ready to share the global order as long as we get the first bite. The rest matter only after that. There is an increase in terms of the mind-sets of people towards populism. You have seen the growth and development of many countries going through different paths. The big question is, we have a French election, which way it goes, Europe also moves away from free trade and free markets. Russia is also seeing some change under the current President Putin which is extremely populist and dictatorial. We have seen China on the other hand, which is at phenomenal growth, begin to slow down, but a strong leadership wanting to move towards effectively protectionism and populism, as the basis of its growth. And when this world order is changing, the fashion catches the wind everywhere. I genuinely believe that this is the time when we in India need to stand up and say we believe in free markets, we believe that protection is bad for the world, we are ready to keep India open, we are ready to take on whatever it takes, because for India free markets, free trade, development over populism, is what has worked for the last 30-35 years. However, India will be in the crosscurrents of the global winds and changing times including within our county. And the question friends as you go out there into this new world is, you would see potential challenges coming out of these crosscurrents, which are very different from the favourable crosscurrents some of us got when we passed out 30-35

years ago. Be ready for this change. It is here that the resilience of this generation, and leaders from institutions like yours who need to stand up and defend what you believe is right. And I genuinely would advise that civil and economic liberty, globalization, free markets, and anti-protectionism should be the basis of our future, and take on the world when you see currents which are different from that, and it is a huge challenge. Friends, I hope you can rise to that challenge. Any of these megatrends normally last for 30 to 35 years. And I genuinely hope that 2016 changes are noise and not the beginning of a major megatrend we are on the verge of. And we all need to try and make sure that this is not a 30-year event but a passing phase in the lives of many of us.

I try and go back to when I passed out and think about what worked for us in addition to the fact that the megatrend winds were in our favour. I try and analyze my own career when I embarked upon it, effectively into 5 major categories – the 5 Cs. The first one of the Cs, which I think is extremely powerful for me, is the C of character. And what is character? Across your journey friends, you will find many an opportunity to do what is effectively a short cut. But you need to ask yourself and ask within you, *is it right or is it wrong?* And if you get an answer within you that it is wrong, have the character to stand up and say: *I will not do it!* And I can tell you it has helped me commercially. Many points of time in my career I have had a situation where I had to take a call taking a decision Yes or No. And whenever I have taken a decision, on the basis of what I was told by myself to me, that's what held me in very good stead. Stand up, be counted and value your character because that will really tell you what to do and what not to do. You have your parents here, and they have given you values, stand up to that, add the workplace because you will always find somebody at the workplace telling you: *do it differently if you want to grow faster.* Don't make the choices

between short cut growth vs sustainable careers and character is what will get you there.

The second, and this is important friends, this is what I call conviction. If you are convinced about something, go ahead and do it, but be counted again. I have had situations including in many of my business situations where the line between conviction and foolhardiness was very, very thin. You took a decision based on conviction. But if it turned out to be foolhardy, the price of foolhardiness was very high. And I had sleepless nights but I stood up and thought and took the call: *No, this is not foolhardiness, I am convinced about this* and I did it. Always question yourself between conviction and foolhardiness before being sure it is conviction.

Third: commitment. Every single day after I passed out from college, I have enjoyed going to work. For me it is pleasure. Therefore, this thing about work and fun being two separate things is not true. I enjoy my work, never have I felt in the last 30-plus years in my life that I don't feel like going to work. I wake up in the morning and I am ready to go to work. It comes out of a sense of passion and enjoyment which you can call differently as commitment. If you want to really progress friends, enjoy what you do and believe that true commitment comes out of passion and enjoyment in your work.

Four: especially in today's time: creativity. You learn many things at business school, you have many ideas, you have many things that you carry from history, mix all that together, and find out creative solutions outside the box, and dare to be different because growth and opportunity are not a straight line. You must have the courage to stand up and say *I want to do it this way*, however stupid it may look. Never worry about what others tell you. Look at yourself in the mirror and ask the question: *I feel this is exciting, this is how I must do it*, go ahead and do it. It is always better to be considered stupid and even be ready to fail because the learning out of that creativity will significantly benefit you in the future. I very often tell my HR

team, and my business team that if you get an entrepreneur who has failed and wants to come back to the job market that's the best person to get. Go out and hire such people because their leaning is more than anybody who has gone down the path of straight and narrow. Choose creative people who are bold enough to think differently and that's what I genuinely care for. Kotak would not have been here in our history, if we had gone down straight and narrow. I go back to our history, we were ready to be different at a time when the public sector banking was 97% of India's financial system. We got into an area which was bill discounting, a very simple area, and it was an area which private sector could legally and legitimately do. Nobody had thought of doing it in the private sector. Not even as a bank. Everyone thought this is something only banks can do. We went out, I had a friend whose father was a lawyer, I asked him *is there anything which stops us from doing bill discounting in the private sector?* He said *there is no law that stops you.* In fact, the RBI reports encourage development of the bill market. And we were ready to be creative and started this business in a very small manner, 31 years ago friends, and I am happy to report back to you that little aperture of creativity has effectively created for us a company which was 3 people when I started to 46000 employees today and a return for shareholders, since most of you are business school graduates, of 40% per annum compounded for over 30 years. And I virtually did it straight out of business school. I was fortunate to take that risk and I actually invited some of my friends to invest alongside with me and some of them have still held on to the shares. It was small amounts of money, people who put in 1 lakh of rupees with our company in 1985 - it is worth about 1400 crores today. And that is because we were fortunate to take that little different call: bill discounting - why should it be done only by banks? Why can't private sector do it? And we started with sizes of 1 lakh, 2 lakhs and 50000 rupees, friends. And it has become the basis of where we are today. Therefore dare

to be different, test yourself, be creative and the results can be phenomenal.

And last, the 5th C friends, is capability. And I don't have to tell an IIMB graduate about that. It is assumed you have it. But friends, capability is primarily about execution as well. If you are capable, but don't focus on committed execution, your capability is wasted. Use your capability to the hilt and stretch your rubber band as much as you can. And don't worry about the rubber band breaking. What you have learnt at IIMB has made your rubber band very strong and you can keep on stretching it and test the limits of your capability. Just go ahead and do it!

Friends, I am not here going to talk to you about stuff which you are hearing all the time. Artificial Intelligence, Robotics, all those things are here upon us. You have huge opportunities, but very tough and challenging times because this is a much more individual-driven world where every neighbour of yours is looking for your lunch. What you have to do is: eat your lunch quickly and make sure you have dinner by 5 pm - okay? And think bold, think aggressive, but keep your values - ok? Extremely important. And I will end with that statement, a statement which is stuck in my mind, it was told to me very recently, it is not in my 5 Cs, but it is the 6th C. And this particular line goes like this: 'Culture eats strategy for breakfast every single day'. With that friends, wish you all the very best, and a great journey ahead. Thank you very much friends.