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A SPENTA MULTIMEDIA PUBLICATION

CIRCULAR ECONOMY

RETHINKING VALUE CREATION

Dr Julia Binder and
Dr Manuel Braun

AIMA
ALL INDIA MANAGEMENT ASSOCIATION

GLOBAL ADVANCED MANAGEMENT PROGRAMME

Expanding Markets by Leveraging Emerging Technologies

10-16 November, 2024
Silicon Valley, USA

Programme Director

Solomon Darwin
Executive Director, Garwood Center Corporate Innovation, Haas School of Business, University of California, Berkeley

Programme Objectives

- Identify opportunities for profitable growth.
- Respond and adapt to the challenges in the changing landscape due to rapid global economic trends.
- Examine the latest concepts, ideas and tools to help them align their business practices with global economic developments and conditions.
- Learn to build sustainable and innovative business models.

Programme Framework

- Class Room Lectures and Interactions
- Keynotes by Silicon Valley Startups and CEOs
- Visits to and interaction with the top management teams of some of the iconic and innovative companies like Nvidia, Cisco, IBM Research, Wells Fargo Bank, Standard Chartered Bank, PayPal, Fujitsu Open Innovation Gateway, Chevron Corporation, Pacific Gas and Electric Company (PG&E), Calpine Corporation, Dupont Innovation Centre, UC Berkeley Campus amongst others.

Participation Fee

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Inaugural Discount: USD 1000 per participant for registrations received 60 days prior to the dates of the programme.

Early Bird Discount: USD 500 per participant for registrations received 30 days prior to the date of the programme.

- GST: 18% or as applicable on the date of fee payment will be charged on the participation fee.
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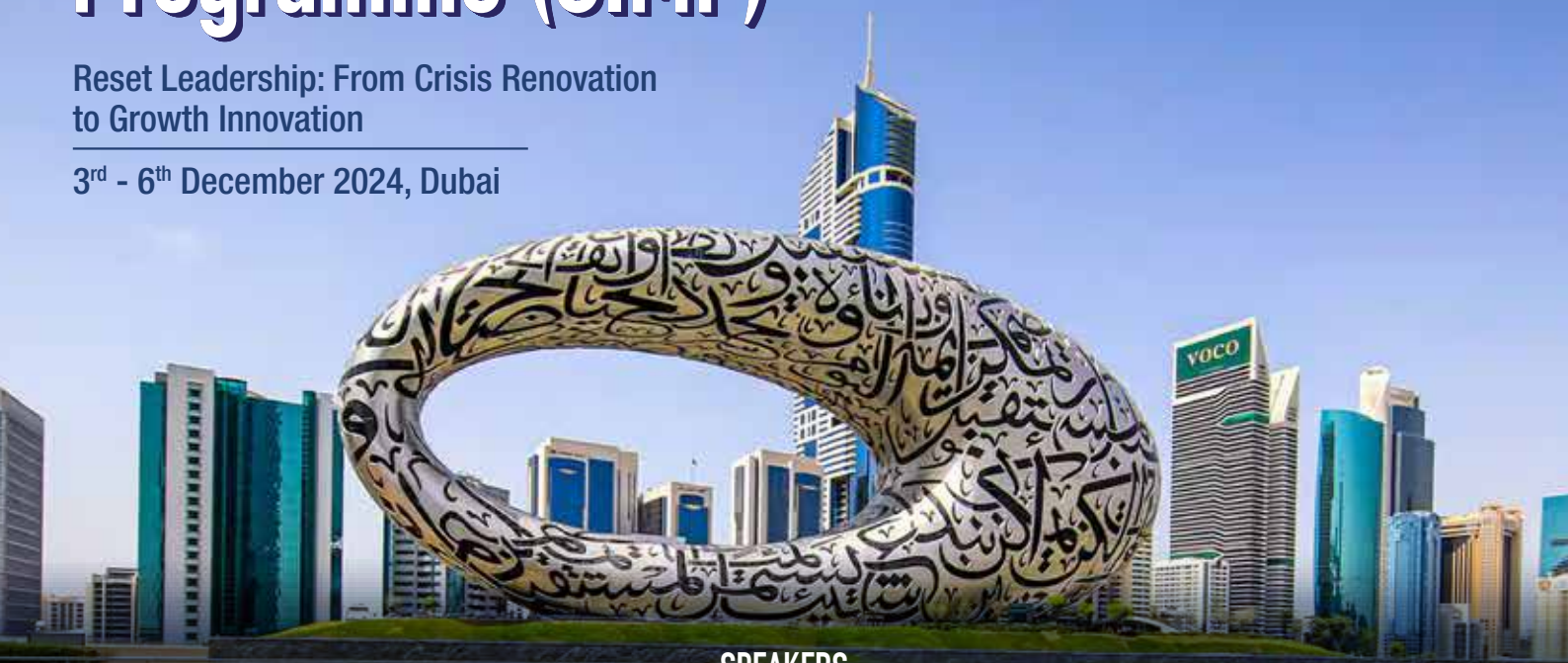

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PRESIDENT'S MESSAGE

Accelerating sustainability: Adopting circular business model

Nikhil Sawhney is President, AIMA & Vice Chairman and Managing Director of Triveni Turbine Limited, and a Director of Triveni Engineering.

Growth has been the supreme pursuit in the modern economy and growth has made many countries extremely rich, sophisticated and powerful. Growth is the measure of national potency and pride.

However, growth demands ever more energy and materials and puts tremendous stress on health and environment. During the past decade, the concerns about running out of resources, suffering pollution, and diseases caused by excessive consumption have graduated to a panic about change of climate itself, which threatens the very existence of humanity on the earth. Alarmed public and politicians are beginning to demand a growth that is less hungry for energy and materials and loads the planet with less waste.

Incentives and pressures are beginning to mount for a more sustainable economy. There are potentially huge rewards for doing more with less. The opportunities for circular business models that reduce and reuse everything are growing.

A lot can be learned from the business models that preceded the arrival of plentiful synthetic materials and cost-busting global trade. In those days of relative shortages, there was a big emphasis on making everything last and recycle its parts and materials thereafter. Durability was a greater virtue than disposability. Businesses and consumers calculated the lifecycle costs and benefits of everything and not just the acquisition cost. Repair and maintenance was fundamental to most products, and retrieval and repurposing ecosystems were built in every industry to keep things in use in some form. Disposal was seen as a loss.

The disposability business model that resulted from the synthetics and cheap sourcing revolutions uprooted those models and ecosystems. As the world strives to escape climate change, there is a need to work again on business models that reuse and repurpose energy, land, water, minerals, forests, and even synthetics.

Energy and minerals circularity has become particularly urgent as a digitalized world running on synthetic intelligence demands ever increasing amounts of energy generation, critical minerals and plastic. The convenience of buying and delivery inherent in the digital economy is also driving up casual consumption. As the pendulum swings back to restrained production and consumption, huge fortune-making opportunities are emerging for circular business models.

Circularity needs to be designed into the products, product support, innovations, supply chains, logistics and technology. Everything must be oriented towards product durability, disassembly, repair and repurposing.

Product repairability and incremental upgradability is fundamental to a circular

business model. Assembling products for disassembly and providing tools to customers and third-party maintenance providers is essential to extend product life. It is also profitable as repairs and maintenance yield profits on a product for longer. This is particularly true of high-value consumer durables and industrial and infrastructure assets, where sensors and software can enable continuously monitoring of the performance and timely repair or replacement of the vulnerable parts and assemblies.

A shortcut to circularity is the leasing business model. Instead of outright sale of things other than consumables, enterprises could lease and buyback to stretch their revenues

Designing products for modularity and incremental upgrades also goes a long way in prolonging income from each sold item. With public and legal pressure to look clean and green, companies need to allow options for piecemeal upgrades. It not only increases revenue potential of each innovation but it also reduces the cost and pressure of bringing out real and sham innovations all the time.

In industries that use natural minerals and materials, turning waste into byproducts is quite profitable. For example, in the course of sugar production, the producers also make alcohol, agro polymers, biofuels, animal feed etc. Steel industry is quite circular, as its reuses a lot of steel scrap to make new steel. There is a multi-trillion dollar opportunity in developing viable technologies and business models for recycling plastic usefully and cleanly.

Digitalised commerce can be helpful in reviving the retrieval and resale of waste and refurbished things. Buyback and resale platforms can create a thriving market for continued ownership and use of products. The 'classified ads' portals could use functional and reputational upgrades. Simultaneously, circular logistics infrastructure and supply chains need to be enhanced to collect and deliver used things at a massive scale.

A shortcut to circularity is the leasing business model. Instead of outright sale of things other than consumables, enterprises could lease and buyback to stretch their revenues from products and to generate profits from eventual recycling or repurposing of the product.

However, the costs of transition to circular business models could be significant and the complexities in compliance could increase. Government incentives and regulations will have a key role in fostering circular business models. IM

The opinion expressed is personal.

EDITOR'S NOTE

Dear Readers,

Circular economy, in simple terms, is a system in which products and materials are kept in circulation through processes like reuse, refurbishment, repurposing, recycling, etc. Envisioned with the idea of slowing down climate change, circular economy has the potential to protect our environment as well as improve social justice.

It is no more a secret that the resources available on Earth are not enough for the growing population and its ever-increasing demands. The reuse and recycling of resources in a circular economy can ensure habit and landscape conservation, reduce greenhouse gas emissions, and the overall fall in energy consumption can mitigate climate change risks. So, when the advantages of adopting a circular economy far outweigh its disadvantages, what is stopping all companies from doing so? Is it policy paralysis, regulatory challenges, or just the sheer lack of will of our leaders? Can a developing country like India work towards adopting a circular economy and become a shining example for the word to follow?

As Dr Julia Binder and Dr Manuel Braun, co-authors, *The Circular Business Revolution*, write in the cover story of this issue, "In this era of rapid global change, Indian businesses have a unique opportunity to lead by example and push technology-enabled solutions for the circular economy, setting new standards of environmental stewardship and ethical responsibility."

Perhaps, the biggest incentive for companies to adopt the circular business model would be to know that 'the world will be a better place with them in it'.

Do write in with your views to **imeditorial@spentamultimedia.com**

Maneck Davar

Maneck Davar

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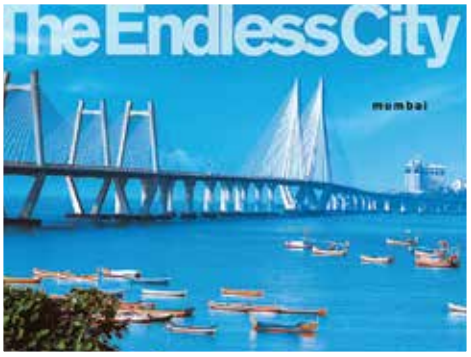








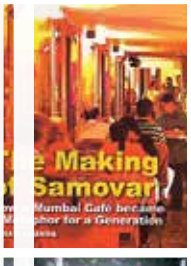



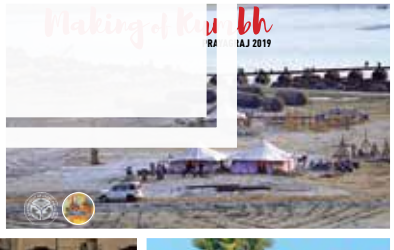


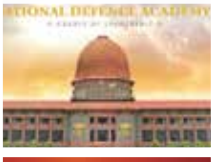


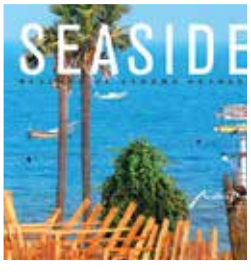

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BUSINESS BEYOND PROFIT

Dinesh Bhogale

Rethinking value creation

The circular economy mindset offers a robust framework for achieving sustainability along with business goals.

✦ DR JULIA BINDER AND DR MANUEL BRAUN, CO-AUTHORS, *THE CIRCULAR BUSINESS REVOLUTION*

Why and how is the world better off because your company is in it? This question, posed by Paul Polman and Andrew Winston, challenges business leaders to think beyond profit and consider the broader impact their companies can have on society and the environment. In today's dynamic business environment, companies must shift away from purely profit-driven models and embrace sustainability as a core value, with a business and operating model that contributes positively to the planet, enables long-term economic success, strengthens resilience of the value chain, and builds deep customer relationships.

Embracing the circular economy mindset and transitioning to a circular business model offers a robust framework for achieving this, presenting opportunities for businesses to thrive.

Understanding the signals for change

Most companies today operate within a linear model—extracting resources, producing goods, and generating waste. While this approach has driven economic success, it has also led to significant environmental challenges such as resource depletion, pollution, and climate change: the 'triple planetary crisis' we face as a society. Business leaders are increasingly aware that their current operations will face disruptions over the next decade due to changing regulations, consumer demands, and environmental constraints. Nature risk is becoming business risk.

Recognising the limitations of the linear system and the urgent need for transformation is crucial. Traditional models are becoming unsustainable, and companies must adapt to remain competitive and relevant. This shift requires rethinking value creation, focusing on sustainable practices, and preparing for a future where business success is intertwined with environmental stewardship.

Envisioning a circular and regenerative future

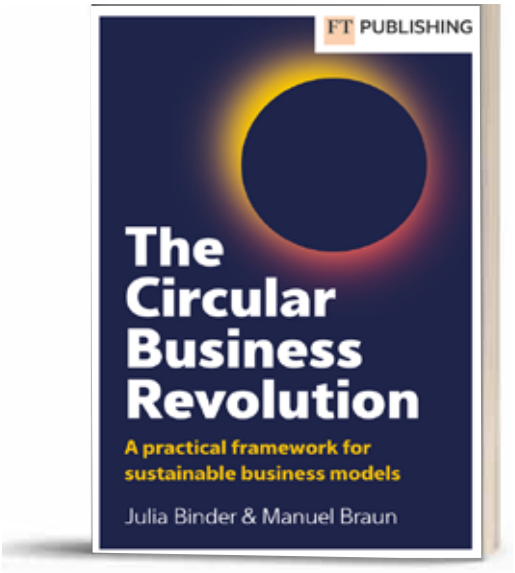
Crafting a circular and regenerative vision is not just about setting targets; it is about envisioning a future where your company thrives while positively impacting the planet. This vision acts as your guiding north star, blending environmental ambitions like achieving Net-Zero emissions and embracing circularity with business goals such as growth, resilience, customer value, and innovation. It is a dynamic journey that requires commitment, collaboration, and a readiness to challenge norms. By

defining this compelling vision, you position your company as a leader in the circular economy, driving transformative change and setting new industry standards.

Envisioning a circular and regenerative future is not just about sustainability; it is about seizing opportunities to lead in a rapidly evolving global landscape

In a circular and regenerative future, your business operates within a closed-loop system where products are designed for durability, reuse, and recyclability. Waste is minimised, and resources are regenerated or repurposed, creating continuous value. For example, innovations like product-as-a-service models or regenerative sourcing not only reduce environmental impact but also enhance efficiency and adaptability. Your business optimises for resource productivity. You make clear design choices that enable circular resource flows.

Envisioning a circular and regenerative future is not just about sustainability; it is about seizing opportunities to lead in a rapidly evolving global landscape. It positions your company at the forefront of positive change, where economic prosperity and environmental stewardship drive lasting impact. Through ambitious goals, strategic alignment, and new partnerships, your company can chart a path



toward a resilient, innovative, and sustainable future.

Bridging the gap: Circular business model innovation

Transitioning from the unsustainable status quo to a circular economy requires innovative business models that align with sustainability principles and provide tangible economic benefits. Building economically viable, circular business models can be the driving force of

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the transformation. Here are five key business model archetypes that can help your company thrive in a circular and regenerative future:

1. **Optimise resource use:** Business models that optimise resource use focus on greening operations and integrating secondary, decarbonised, or bio-based materials. These models lead to cost savings, increased resilience, improved reputation, and superior product positioning. For example, Interface, a global leader in modular flooring, integrates recycled materials into their carpet tiles and employs energy-efficient processes, significantly reducing its environmental footprint and enhancing brand reputation.
2. **Capitalise regeneration and restoration:** These business models integrate regenerative production principles at their core, often involving practices like agroforestry and soil health initiatives. They aim to restore and regenerate natural ecosystems, aligning with land restoration efforts and emerging credit schemes. For instance, Dr. Bronner's, known for its organic personal care products, sources materials from regenerative organic farms, supporting soil health and biodiversity while creating a resilient supply chain.
3. **Valorise waste:** Models that valorise waste focus on extracting value from resources that would otherwise go to waste and efficiently utilizing by-products. They create secondary marketplaces for the exchange of secondary raw materials. A case in point is FREITAG, which creates bags and accessories from discarded truck tarps, turning waste into durable, stylish products and promoting a circular economy.
4. **Monetise extended product life:** These business models revolve around providing maintenance, repair services, and product upgrades. They focus on refurbishing or reselling products, guiding them through multiple sales cycles and developing take-back and reuse ecosystems. Consider the well-known sustainability leader Patagonia, which encourages customers to trade in used gear and buy refurbished items through its WornWear program, extending product lifecycles and reducing waste.
5. **Servitise products:** This archetype emphasises the transition from product ownership to access, offering services

Define clear, measurable environmental goals. These might include achieving Net-Zero emissions, transitioning to 100 per cent renewable energy, or implementing closed-loop systems for product life cycles

based on usage or outcome-performance rates. It results in increased utilization, improved unit economics, and prioritises quality and repairability. An interesting example is Swapfiets, which offers bicycles as a service in urban areas, providing maintenance and repairs for a monthly fee, ensuring efficient use and high-quality transportation options.

Practical steps for preparing your company for the circular economy

Transitioning towards a circular business requires 10 practical steps that integrate sustainability into everyday operations:

1. **Reflecting on your purpose:** Start by revisiting your company's mission and values. Consider how they can evolve to encompass a broader commitment to sustainability and positive impact. Your purpose should inspire and guide your entire organisation.
2. **Integrating your circularity vision into strategy:** Embed your vision into your business strategy, ensuring it guides decision-making at all levels. Align your operational goals, performance metrics, and incentives with your vision for a circular and regenerative future.
3. **Engaging your team:** Involve employees at all levels in the visioning process and build an internal circularity community. The teams' insights and buy-in are crucial for creating a vision that resonates throughout the company. Host workshops, brainstorming sessions, and discussions to gather diverse perspectives.
4. **Assessing impact:** Conduct comprehensive assessments to understand current environmental and social impacts, across the full product life cycles. Identify areas for improvement. Define clear, measurable environmental goals. These might include achieving Net-Zero emissions, transitioning to 100 per cent renewable energy, or implementing closed-

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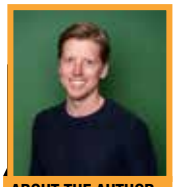
loop systems for product life cycles.

5. **Monitoring progress:** Implement systems to monitor and report progress toward sustainability goals. Regularly communicate environmental and social performance to stakeholders to maintain transparency and accountability.
6. **Innovating business models:** Explore and adopt circular business models that optimise resource use, regenerate natural systems, and extend product life cycles. Examples include transitioning to renewable materials and offering product-as-a-service solutions.
7. **Investing in digital technologies:** Invest in digital technologies that support circularity, such as digital passports for supply chain transparency, remote monitoring to extend product lifecycles, or advanced data analytics to improve customer engagement. Technology can be a critical enabler for circular transitions.
8. **Building circular ecosystems:** Foster a culture of sustainability and collaboration within the organisation and build external partnerships. Build a solution ecosystem, which involves partnerships along your supply chain to deliver your offerings. Invest resources in enabling ecosystems that help you to co-shape framework conditions and leverage support networks.
9. **Enabling circularity 'by design':** Design decisions influence a significant part of products' environmental impact over their lifetime and are a key enabler. Re-evaluate product design and material choices, but also service design components for enhanced customer value.
10. **Innovating continuously:** Stay agile and open to new ideas, and push the boundaries of the circular solutions. Innovation is key to maintaining momentum and adapting to changing circumstances. Encourage a culture of experimentation and learning within your organisation.

Conclusion

The transition to a circular economy marks a pivotal moment for Indian businesses, offering more than just economic benefits. By transcending profit-driven models and adopting sustainable practices, companies can forge resilience, drive innovation, enhance customer value and generate enduring value for society and the environment alike. This journey demands visionary leadership, grounded in practical steps and a steadfast commitment to ongoing improvement. In this era of rapid global change, Indian businesses have a unique opportunity to lead by example and push technology-enabled solutions for the circular economy, setting new standards of environmental stewardship and ethical responsibility. By following the ten steps for preparing your company for the circular economy you can chart a course towards a resilient, innovative, and sustainable future. IM



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Dr Manuel Braun is Director, Systemiq. Dr Braun is also co-author, *The Circular Business Revolution.*

Jessica Pryce-Jones, author, Intuition at Work: Using Your Gut Feelings to Get Ahead, opines that intuition helps people to better assess risks, solve problems more effectively, and make better decisions.

MYTH BUSTER

The hidden superpower

No one needs a reminder that today's working world is tough. Uncertainty, complexity, and lack of clarity are all made tougher with time-pressure and constant new demands. Organisations everywhere have been searching for additional management tools that will help leaders rise above these ambiguous and difficult conditions. And in particular, tools that will ensure everyone makes good decisions often on little or opaque information while actively avoiding bad ones. There is a strategy and resource to do that which is so often ignored: intuition. Intuition's importance is evidenced by research that shows 69 out of 70 CEOs, when asked, said, they use it all the time.

Intuition is needed now more than ever because empirical data also shows that it helps people to:

- Assess and judge risks more accurately,
- Problem-solve more effectively, and
- Deliver better and more strategic decisions.

If you think about it, these are the core activities of anyone in a management or executive role. So, why is it so seldom mentioned in global leadership literature? It is partly because few leaders talk about its importance. That is for two reasons: either they feel that gut feelings are not appropriate or they would rather hide their secret sauce. No one is going to share a superpower if it is going to increase a potential rival's personal competitive advantage.

And then there are the myths to also overcome.

MYTH 1: You've got it or you haven't.

Intuition is a bit like mathematics. Not everyone is going to solve Fermat's last theorem, but everyone can add two plus two and then build from there. In my experience, anyone can improve their intuition by recognising their highly individual cues. Those cues include what comes to mind, your gut and heart response, level of energy, sense of attraction, aversion, attention, or alignment. You just need to tune into your physical and mental responses to a situation particularly

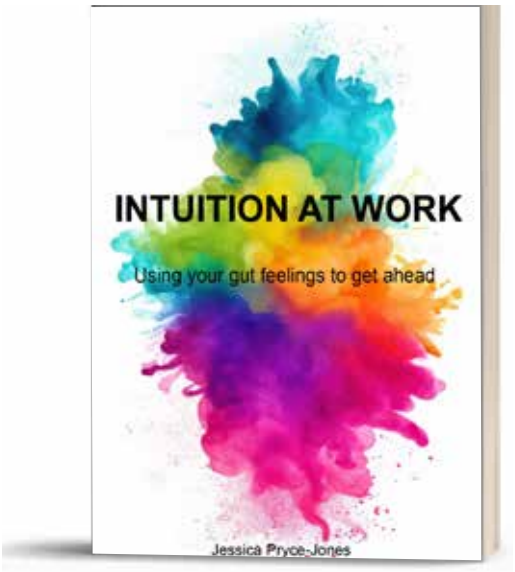
if you are hesitating between 'go' or 'no go'. Investigate any niggle or repeated feeling of doubt because' essentially that is telling you that something is off. But is it? Checking out the small things and being right build a sense of trust in your process and an ability to extend your practice.

Myth 2: It is hard to distinguish intuition from other thought processes.

If you are aware of your intuitive cues you will be much less likely to confuse intuition with creative thought, idle speculation, wishful thinking, ego, projections, and general internal brain chatter. Intuition, most often, is a small quiet feeling or sense of knowing whether something is right or wrong. There are no judgments attached to it and little emotion. And this sense will simply keep coming back to you. If you have ever gone against your intuition and hired the wrong person, you know just what I mean: you would have had the thought not to do it several times before you signed their contract. It probably wouldn't have been loud or shouty, you just knew that you shouldn't proceed.

Both intuition and bias have similar processes; they are shortcuts to thinking and allow you swift access to answers. And both may result in the same sense of clarity and confidence

It is true that it is harder to recognise intuition in HALT circumstances—when you are hungry, angry, lonely, or tired. If you are under pressure to decide in any of those moments, walk away from your decision. Literally. Meditate, exercise, cook, play an instrument, or do anything that does not involve a screen. Then try something like flipping a mental coin and seeing not which side it lands on but which one you would like it to land on while it is in the air. That is your intuition at work.



Myth 3: Intuition is just bias.

Both intuition and bias have similar processes; they are shortcuts to thinking and allow you swift access to answers. And both may result in the same sense of clarity and confidence. But there are some important differences. Bias usually entails a preconceived notion or prejudicial way of deciding. You know that it is bias if you are cherry-picking data, discounting contrary evidence, and searching to confirm a point of view you are unwilling to change. But biased thinking should also dissipate when challenged with logic and rigour: just seeing that there are other possible answers usually helps someone see things differently.

One way around bias is to use principles and parameters, for example 'three of us have to agree' and 'we can afford to experiment up to $10,000'. If you've used both and you then keep having the thought, "this makes me feel unsure," then you should probably check it out; it is much more likely to be your intuition.

MYTH
BUSTER

If you still really cannot tell, sleep on it because incubation often gives us answers. And try asking two or three other people what they think. Diversity in your thinking process always adds additional perspectives.

Myth 4: Intuition is unscientific and risky.

When I started my journey to understand more about intuition, I read literally hundreds of published papers. There is plenty of research and evidence around it in the fields of psychology, neurology, philosophy, biology, consciousness, and cognition. This list shows you what a complex topic it is and how it crosses into so many domains.

But that it is a very real process was demonstrated back in the '90s with Antonio Damasio's classic Iowa gambling task experiment. Volunteers had to select cards from rigged decks. After only 10 cards, as participants pondered riskier choices, galvanic skin responses showed that their palms started to sweat. But it took on average 40 cards to articulate their intuition about the decks and 80 cards to be certain. This experiment clearly showed what so many people know. First, your body can detect information much faster than you can consciously process it. And second, the best intuitions are accurate and productive.

When people think their intuition has let them down, what I have noticed is that it was not intuition in the first place. It was more often guesswork, self-deception, wishful thinking, stress, or emotional pressure. When you feel fresh and clear-minded you're far more likely to hear your intuition for what it is. When you are tired and overwhelmed that's hard.

Myth 5: Intuition is always right.

Nothing in life is always right. That includes those lovingly worked spreadsheets packed with multiple variables—and intuition is no different. To get the best results you need to apply your intuition to your analyses and analyse your intuitions or at least get data to back them up. It does not matter which comes first but without this joint approach you are only using half a process. And you need feedback. You will hone your accuracy if you start to record your intuitions and see where you were right or wrong. As Bill Gates said, when asked about his use of intuition on CNN, "I'm often wrong but my batting record is good enough that I keep swinging every time the ball is thrown." And his success speaks for itself. IM

Dinesh Bhogale

✦ DR DEBASHISH SENGUPTA, UNIVERSITY OF PORTSMOUTH, LONDON (UK)

The higher education 'Reset'

Let me start by asking you a question—do you agree that knowledge is power? To understand this better let us look at the some of the famous brand stories. Have you ever wondered what brands like Nokia, Sony, Google, Microsoft have in common? Well! undoubtedly, they are great brands, but they also had their own share of big slips and misses. Nokia despite being a global market leader at one point of time in terms of mobile handsets, missed the smartphone bus and much later when they tried to board the same, it was perhaps too late. Sony, an electronics global leader, at a time basking on their success hesitated to go Digital, and hence missed the digital first mover opportunity. On the other hand, Samsung Electronics Company an OEM at that time, used to supply electronic parts to companies like Sony, Toshiba, Hitachi, took the digital leap and captured the crown that once adorned Sony. Google has become pretty much synonym to search. They had every kind of technology at their disposal, global presence and a high brand equity, yet it took someone like Mark Zuckerberg to create a product like Facebook from a university dorm room! Not to forget that the erstwhile CEO of Microsoft Steve Balmer had once publicly mocked the $500 iPhone and dismissed it as a costly phone with limited use that no one will buy. Instead, he bet his money on Microsoft's Windows operating system phones and claimed them to the future of smartphones. What happened later is a no-brainer, while iPhones climbed the pinnacle of success, the windows phones crashed into oblivion. There are many more examples such as these. Did Nokia, Sony, Google, or Microsoft not have the necessary knowledge? All of them had abundant knowledge; however, they all made an error in reading the future and what competencies would they need to create products, applications and solutions that will effectively solve the problems of the future.

Francis Bacon (1597) had once famously stated, "Knowledge itself is power." This was true at a time when mere possession of knowledge was a position of power, since knowledge was rare, difficult to acquire and proliferate. But in the age of artificial intelligence, AI-driven search engines and chatbots, knowledge is no more a rarity. Knowledge is abundant, ubiquitous, and easily available. In the modern world, mere knowledge has ceased to be power. Application of Knowledge at the right time, at the right place and for the right purpose is the real

power. As Dale Carnegie was once quoted as saying, "Knowledge isn't power until it is applied."

Unfortunately, in the global higher education sector, this reframing has not occurred universally. While a handful of institutions have realised this, others are still believing what Francis Bacon had said in the 16th century. Creating graduates packed and armed with lots of knowledge is not enough. They are not going to find their footing in the real-world. We need to create graduates who know how to apply the knowledge they have gained, to solve the real-world problems, using innovative context-realistic approaches. And therefore, the focus must shift from knowledge-driven higher education to competency-driven higher education. Universities need to focus their energies and the window of opportunity that they have with the learners, before they step-out in the real world, to develop their skills and shape their attitudes, rather than merely giving them 'knowledge-injections'.

Prioritising skills over knowledge and attitude over academic adequacy are the new rules of the future of work

AI-driven future of work and future of skills

The world is standing on the brink of an AI-driven revolution that is transforming the future of work. International Monetary Fund latest study estimates nearly 60 per cent of the jobs being exposed to AI in the developed economies, while in the emerging and less developed economies this exposure could be from 40 per cent to 26 per cent. Workers without AI-related skills would significantly increase the risk to their employment. AI-driven smart economy would be driven by workers who possess critical higher-order skills and AI-related skills in the respective vocational and professional areas.

Prioritising skills over knowledge and attitude over academic adequacy are the new rules of the future of work. In the age of artificial intelligence, machine learning, automation, and robots, only those graduates who have skills, not just any skill but the ones that will be valued in the future, and an attitude to continuously reinvent themselves and keep learning, will survive and can have a career worthy of their imagination. The universities need to keep a singular-minded focus on the future of skills and map all their courses and modules to the same. The future of skills is driven by the future of work. In my article published in *Indian Management* in April 2022, titled 'The Future of Skills', I had developed a methodology to map six top global studies 'future of skills', to develop a comprehensive list of 15 skills that will be needed in the future.

This argument may be confused with the employability dialogue that we have been having for decades. But this is not another case of employability. This has gone much beyond that. We are not just talking about skills for getting a job, we are talking about skills for the future, the ones that will be valued in the future where AI and robots will be competing with humans for jobs. Amazon has recently deployed over 750,000 robots across its operations worldwide that are powered by AI. Other companies are following suit, and it will not be long before many jobs will be lost to robots and AI. In such a world, only those graduates will be valued who have the skills to navigate the future of work.

The Higher Education (HE) reset

Where does all this leave the higher educator sector then, what do universities need to do so that they can develop graduates who are future-ready? There is a need for a 360-degree reset in that must transform four important tenets of higher education- Learning-Teaching Framework, Assessment Framework, Design Framework, and the Culture Framework.

Fig: The four dimensions of the Higher Education Reset

Learning-Teaching Framework

The teaching-learning framework in higher education had been developed to serve the knowledge-based service economy. This needs a complete rejig with focus shifting to AI-driven smart economy that does not consider mere knowledge to be the currency for excellence.

- **Knowledge-driven to learning-driven**
  The conventional approach to teaching is teacher-centric where the 'learned' teacher determines what needs to be taught (or in other words the knowledge that needs to be imparted), then develops/chooses a pedagogical approach to impart that knowledge. It will not be incorrect to say that this has been heavily dependent on lectures that are 'delivered'. This is then topped-up with knowledge testing exams that test the memorised knowledge. Such an approach is archaic and has no relevance in developing graduates for the AI-driven smart economy.

  The Backward Design principle, developed by Grant Wiggins and Jay McTighe, turns the conventional wisdom on its head. Backward design is a powerful approach in planning learning experiences and hence is focused on the learners, rather than on the teacher focused. Using backward design principle, we begin with the final learning goal of a course or a module. Once we have determined that, then we determine the assessments that will evidence the learning goal. Hence, it is an assessment of learning and not of the memorised knowledge. Finally, we determine the learning activities that will guide learners towards the desired outcome.

- **Passive to active**
  Someone rightly said, "Amazon delivers, Netflix delivers, but learning can never be delivered." Learners can no longer be treated as passive and silent recipients of knowledge; instead, they become an active participant and an engaged contributor in the learning process. Active-blended learning is hands-on and practical that develops skills. Learners learn to apply knowledge to solve real problems and learn to be innovative. Each learning activity is designed keeping the final learning goal in mind and therefore learning activities are connected in a way that they flow from one to another.

  Active-blended learning emphasises on what the students does over what the teacher does, and hence the contact hours between the students and the teacher is spent in synchronous activities and challenges, in which students engage actively, rather than being passive listeners. The time that students spend outside of the contact hours also comprise of the total learning hours and students would normally spend them in doing mini-projects, planning for their next set of activities and visualising the real problems. My colleague Dr. Don Samuel has designed different mechanisms of active blended learning which provide real-world tasks for the students. The realistic nature of the tasks fosters authentic assessment, which, would help students integrate quickly into industry upon graduation. Some of the mechanisms include gamifications, simulations, critical thinking debates, audio/

video productions, posters and other written artefacts. These type of active blended learning techniques are not only enjoyable but provide a means by which knowledge is acquired intrinsically and then demonstrated extrinsically. Essentially, the attempt is to prepare students for the world of work where they can cultivate a growth mindset in resolving challenges and the unknowns. Don has also brought gamification to the university's induction week. He has tailored the famous Jeopardy game in the form of an integration activity for our new incoming students. Essentially, each standard Jeopardy round contains categories which introduces the students to UK life and to our style of learning at the London Campus. Students would be required to peruse study packs and then play the game which simulates the American TV version. In this way, the students have fun while simultaneously being inducted using gamification.

- **Teacher-focused to learner-focused**
  The active-blended learning approach puts the learner in the centre. The synchronous hours or the contact hours that learner spends with the teacher are designed as workshops and are populated with learning activities that require the learner to be actively involved. The asynchronous hours or the effort hours that learner spends outside the contact hours are designed towards self-directed learning. Learning is not restricted to the learning place (classroom), instead spread in the entire learning space (classroom and beyond).

- **Lock to block**
  In the conventional system the learner studies 5-6 subjects at a time, with whom they are 'locked' for a semester or a term. Block teaching on the other hand arranges all the subjects in a logical sequence and the learner focuses on one subject at a time. Hence, instead of a student studying 4 subjects over a period 16-20 weeks, they learn one subject for 3-6 weeks before moving-on to the next subject. Block teaching is an intensive model of teaching that allows them to be focused, instead of their attention, energies and efforts being divided and distracted.

- **The fracture of the lecture**
  Most of the higher education teaching in universities and institutions of higher learning still relies heavily on lectures. Most lecturers find ways to embellish their lectures with cases or role play activities. So, while lectures form the broad fabric of teaching, it is interspersed with few activities that attempt to break the monotony and encourage analysis and thinking. In the new transformed teaching environment, varied learning activities that encourage collaboration, practice, production, and investigation form the basic fabric of teaching and learning, that is very rarely interspersed with brief lectures. This fuels critical thinking and higher order thinking skills with ample opportunity to

employ new and creative learning strategies and allow experimentation.

- **Learners as co-creators of learning**
  This may shock the traditional academic, but the modern future-focused universities allow co-creation of the learning by the learners themselves. This no way diminishes the expertise or importance of the teacher in the learning space, instead learners become contributors and have their say into what they learn and how they learn as well. This makes learning more inclusive and democratic, while inspiring learners, ignites their passion and makes them engaged in the learning process. We have developed various mechanism to capture the 'Student Voice' before, during and after every block to ensure that this co-creation is real and an on-going activity.

Many universities struggled to deal with the onslaught of ChatGPT as traditional plagiarism software were unable to detect whether a work was actually done by an AI chatbot or by a human

- **Truly civic**
  Learning needs to extend beyond classrooms. The reimagining and repurposing HE must visualise the learning environment that includes local communities (councils, residents, entrepreneurs and secondary schools and colleges), alumni and industry (local, regional and global). A critical aspect though is that all this should be done very genuinely and not in garb of opportunism or formality. Civic nature must not only be integrated into the learning process, but such relationships must be symbiotic. The local communities, alumni and industry must be enriched by such relationships.

Assessment framework

Most universities are still following the age-old assessments that are dominated by 2-3 hour written exams, writing a 2000-word essay or a report based on a static case study, viva-voce etc. Most of these assessments are outdated and have little to do with assuring that learning has occurred. They are focused on memorising and regurgitating the facts and therefore are not effective measures of learning. Written exams (no matter how innovative we try to make them) are mostly test of memorised knowledge. A knowledge test is no way relevant when all that we should be trying to do is to evidence that students have learnt, and they have the skills to navigate the complex world of work.

Assessments such as reports and essays have fallen prey to AI tools like ChatGPT. Many universities struggled to deal with the onslaught of ChatGPT as traditional plagiarism software were unable to detect whether a work was actually done by an AI chatbot or by a human. Finding academic integrity at risk, most universities resorted to a knee-jerk reaction of going back to traditional written exams. But a poor solution does not solve a problem, it worsens it.

- **Authentic assessments**
  Assessments need to be authentic, connected to what happens in the real world and develop competence in students to solve the real-world problems. As an example, in one of my recent modules, the report (as a part of their final module assessment) that students have to write has been linked to

a live project (and not to some case study-based questions) that students will do with a UK-based startup during the period when they study that module. Hence the students write the report based on actual work that they do and no ChatGPT in the world can possibly write it.

- **Human intelligence (HI) over artificial intelligence (AI)**
  Having said that, at our university in London, we do not see ChatGPT as a threat. Instead, we see it as an ally and we all can do the same provided we know how we can guide our students towards using it in the right way and not in the way that harms their intellect and integrity. One of my colleagues Dr. Murat Ayhan, a senior academic in construction project management, has demonstrated how HI (human intelligence) can override AI (artificial intelligence) and assessments can be made more authentic and at the same time AI can be made an ally. The initial assessment that Murat Ayhan inherited entailed a written report based on a real-world project case. In its current form, as the assessment is grounded in a real-world scenario, it inherently demonstrates authenticity and industry focus. However, the report format may raise concerns about the potential unethical use of AI, as AI-generated prompts could be employed to complete the task. Instead of prohibiting utilisation of AI, a better strategy could be promoting the utilisation of AI. Therefore, he has endeavoured to introduce an engaging, enjoyable, and AI-promoting approach to the assessment.

  The assessment comprises two parts: 1) The Project Management Report and 2) The Project Portfolio. In essence, students will address eight different tasks and provide reports on each.

  Here is how he proposes to adapt it:
  1) In parallel to the students completing the assessment tasks individually, AI will undertake the tasks weekly throughout the module.
  2) The lecturer present AI's findings for each task during the weekly online sessions (lasting 30 minutes to 1 hour) for class discussion. The students will not know that the work is generated by the AI (AI is a

Design thinking principles also need to be applied to the design of the learning space. The traditional theatre classroom with the grandiosity of the Victorian era is a thing of the past

hidden partner) until a certain progress in the report.
3) Students will be encouraged to critique AI's work, fostering critical thinking and analysis.
4) The lecturer will lead the discussions, concluding and supplementing them, as necessary.
5) To replace the original report, students will compose an evaluation of AI's report, highlighting both its strengths and weaknesses. This shift not only acknowledges the limitations in directing AI to produce the report but also serves as a scaffold for their learning.

This approach aims to maintain the authenticity and industry relevance of the assessment while also addressing potential ethical considerations surrounding AI utilisation by promoting the utilisation of AI.

- **Alignment**
  A constructive alignment between learning outcomes, learning activities and the assessments is must to ensure that assessments are evidencing what we intended students to learn from a course or a module. Assessment should be 'of' learning and assessments should be 'for' learning. In other words, the assessments must be themselves become an opportunity for the students to learn, as much it tests what and how they have learned.

Design Framework

Bringing design principles in HE means has three important ramifications- a) design thinking in teaching; b) design of the learning space; and c) digital by design.

Design thinking in teaching applying the principles of design thinking in conceptualising, design and testing the learning activities and methods in an iterative loop that allows experimentation of learning strategies and innovation. This makes learning design nimble and agile, instead of being fixed, rigid and static.

Design thinking principles also need to be applied to the design of the learning space. The traditional theatre classroom with the grandiosity of the Victorian era is a thing of the past. Learning space need to have a supple design that is flexible to the needs of the learners and are easily adaptable to different learning strategies employed during the process of learning. When I talk of the learning space it does not include only classrooms, but also the collaborative space available to learners outside the classroom.

Finally, design thinking extends to how digital technologies and architecture is blended in the learning space. We need to remember that learners who are coming to the universities are highly digital fluent and adept. Digital by design therefore not only facilitates but elevates the learning experience of the learners to a whole new level.

Culture Framework

Embeddedness of a non-hierarchical, non-political, and non-threatening culture is at the heart of reimagining and repurposing higher education (HE) in the AI-driven future of work. The role of leadership is significant in this regard. Leaders need to be highly competent people themselves, highly secure about their own competence and selfless in the way they approach leading the team. Selfish, incompetent leaders who are continuously trying to save their own positions within the organisations cannot lead universities to the future. A strong emphasis on 'one team' culture, removing leader boards within organisation that trigger a dysfunctional race to be number one, while keeping excellence and innovation at the heart of everything that we do, and academics remaining lifelong learners themselves and not falling in the mental trap of

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considering themselves 'learned' are elements of such a culture. The Academic Director at the London campus, Professor Mark E Allinson, believes collaborative, one-team curriculum design and continuous professional development in learning, teaching and assessment to be key to success for innovation in the HE sector. "Not only has our brand new team undertaken training and development in active blended learning together; we have used development sessions to co-create frameworks, templates and teaching activity ideas together. After this co-development, we have extended it to co-teaching thus enabling a continuous (and crucially non-competitive) feedback loop."

Crafting future-ready, meaningful careers

One of the worst assumptions that we academics make about our potential graduates whom we encounter inside the classrooms is that they must be mirror images of ourselves. But the fact remains that most of them are not aiming to become academics, instead trying to prepare themselves for a corporate or an entrepreneurial career. The Manpower Group's Talent Shortage Survey finds that 77 per cent of the employers globally report difficulty in filling posts. What does this mean? This indicates towards the mismatch between the world of academia and the industry. Industry is expecting graduates to be critical thinkers, problem-solvers, resilient, adaptable, reliable, creative, enterprising, independent thinkers and work-ready. However, most employers find that graduates are not having the right attitude, do not possess transferable skills and lack possessing the vital workplace skills.

If universities wish to stand a chance of crafting meaningful career opportunities for their graduates and make them future ready for a world that is powered by artificial intelligence and automation, then it will need to them to take big bold steps towards triggering the 'HE Reset' towards an irreversible transformation. This will not be easy for established universities and higher education institutions who have high inertia against this change. But for that matter, any change is full of challenges and would need to be driven from the top and powered from below. Remember this change is a question of survival and relevance in the AI-driven future.

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Dinesh Bhogale

Generative AI represents a paradigm shift in how businesses innovate, create, and interact with customers.

✦ DR ABHISHEK NARAIN SINGH, IMT NAGPUR

The age of 'GenAI'

Artificial intelligence (AI) has become a cornerstone of modern business strategies, revolutionising industries with its ability to analyse data, automate processes, and make predictions. One of the most promising advancements within AI is Generative AI (GenAI), which goes beyond conventional AI capabilities by generating new content, designs, or solutions. GenAI encompasses a subset of AI techniques focused on generating new content, images, text, synthetic data, or even entire scenarios. The debate around the capabilities of GenAI got heated with the launch of an early demo of ChatGPT by OpenAI on November 30, 2022. Unlike traditional AI models that rely on vast datasets for learning and inference, Generative AI models, such as Generative Adversarial Networks (GANs) or Variational Autoencoders (VAEs), learn to create new data instances by understanding the underlying patterns and structures in the input data. This capability opens up a myriad of possibilities for businesses seeking innovation and creativity in their operations. GenAI uses advanced machine learning techniques to generate new and original content. According to Bloomberg Intelligence, the GenAI market was worth USD 40 billion, which is expected to grow to USD 1.3 trillion by 2032.

Concerns have been raised about job losses, privacy, and data security issues, biases and data-driven discriminations, ethical implications, and regulatory challenges associated with GenAI usage. Like any other paradigm shift in technology, organisations are also weighing the pros and cons of entering the GenAI game. Following are some areas where GenAI can provide business value to organisations:

- **Creative content generation:** GenAI can revolutionise content creation in industries such as marketing, advertising, and entertainment. By analysing existing content and user preferences, GenAI can generate personalised advertisements, logos, artwork, compose music , etc. This not only saves time and resources but also enhances customer engagement by delivering highly relevant and captivating content.
- **Product design and development:** In sectors like fashion, automotive, or consumer electronics, GenAI facilitates rapid prototyping and product customisation. Designers can use Generative AI algorithms to explore a vast design space, generating innovative product concepts based on user input or market trends. Additionally, GenAI enables the optimisation of product features by simulating real-world scenarios and predicting performance outcomes, leading to more robust and user-centric designs.
- **Virtual try-on and simulation:** E-commerce platforms are leveraging GenAI to enhance the virtual shopping experience through virtual try-on solutions. By generating realistic renderings of products on digital avatars or within the user's environment, customers can visualise how clothing, accessories, or furniture items would look in real life before making a purchase. Moreover, GenAI enables simulation-based training for complex tasks such as surgery, flight simulation, or disaster response, providing a safe and cost-effective way to train professionals in high-risk environments.
- **Natural language processing (NLP) and conversational AI:** GenAI has significant implications for NLP applications, including language translation, sentiment analysis, and chatbots. By generating human-like responses and understanding context, conversational AI powered by Generative models can provide more engaging and personalised interactions with customers. Moreover, in content creation and storytelling, GenAI can assist writers by generating plot outlines, dialogue, or even entire narratives based on specific themes or genres.

- **Healthcare and drug discovery:** In the healthcare industry, GenAI holds immense potential for drug discovery, medical imaging, and personalised medicine. Generative models can analyse vast amounts of biological data to identify potential drug candidates, simulate molecular structures, or predict drug interactions. Additionally, in medical imaging, GenAI enhances diagnostic accuracy by generating high-resolution images from low-quality scans, aiding clinicians in early detection and treatment planning.
- **Design automation and optimisation:** GenAI can automate and optime design processes across diverse industries, including architecture, urban planning, and engineering. By analysing parameters such as structural integrity, energy efficiency, and aesthetic preferences, Generative models can generate design alternatives that meet specific criteria and constraints. This accelerates the design iteration process, reduces costs, and enables the creation of innovative and sustainable solutions.
- **Personalised learning and education:** In the field of education, GenAI can personalise learning experiences by generating customised educational content, adaptive assessments, and interactive simulations. By analysing students' learning styles, preferences, and performance data, Generative models can create tailored lesson plans, instructional materials, and tutoring systems that cater to individual needs. This promotes student engagement, enhances knowledge retention, and fosters lifelong learning.
- **Supply chain resilience and risk management:** In an increasingly interconnected and volatile global economy, GenAI helps organisations build resilient supply chains and mitigate supply chain risks. By analysing historical data, market trends, and external factors such as natural disasters or geopolitical events, Generative models can generate predictive models for demand forecasting, inventory optimisation, and supplier selection. This enables companies to streamline operations, reduce costs, and respond effectively to disruptions, ensuring business continuity and customer satisfaction.
- **Human resources and talent management:** GenAI transforms HR processes by automating recruitment, talent acquisition, and workforce management tasks. By analysing job descriptions, resumes, and candidate profiles, Generative models can match candidates to job roles, assess skills and competencies, and conduct virtual interviews or assessments. Moreover, GenAI facilitates employee engagement and retention through personalised career development plans, feedback mechanisms, and performance incentives, leading to a more productive and motivated workforce.

According to a poll conducted by Gartner in September 2023 consisting of 1,419 business executives and leaders, 10 per cent of respondents said they had implemented generative AI solutions in production, while 45 per cent said they are still in the pilot

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stage of the technology. The majority of the executives believe that the GenAI provides more benefits than the risks it poses. If we look at various business functions, 47 per cent of investments are going to customer-facing functions like sales, marketing, and customer service, whereas 30 per cent of investment is into IT-related functions like software development, coding, designing, testing, and other operations. Other key functions seeing GenAI investments include HR and legal services.

Let us take a look at some of the applications of GenAI across industries:

- Retail and e-commerce: Personalised recommendations, virtual try-on, and dynamic pricing.
- Media, gaming, and entertainment: Procedural content generation, character design, and immersive storytelling.
- Finance and trading: Risk assessment, fraud detection, and algorithmic trading.
- Manufacturing and supply chain: Predictive maintenance, demand forecasting, and supply chain optimisation.
- Agriculture and environmental monitoring: Crop optimisation, climate modeling, and ecosystem analysis.

Generative AI represents a paradigm shift in how businesses innovate, create, and interact with customers. It offers a wide range of business opportunities and applications across various sectors, from design automation and personalised learning to cybersecurity and supply chain management. By harnessing the power of GenAI, organisations can drive innovation, optimise operations, and create value in an increasingly competitive and dynamic business landscape. By utilising the strength of Generative models, businesses can unlock new opportunities for growth, differentiation, and efficiency across various domains. However, it is essential to address ethical considerations and regulatory challenges associated with GenAI adoption to ensure the responsible and sustainable use of AI technologies for society's benefit. Furthermore, with great potential comes ethical considerations regarding data privacy, bias mitigation, and the responsible use of AI technologies. As businesses continue to embrace GenAI, it is imperative to adopt a holistic approach that balances innovation with ethical and societal values, ensuring a sustainable and inclusive future for AI-driven business ecosystems. A recent study conducted by the International Labour Organisation (ILO) suggests that the application of GenAI will impact clerical jobs and automating functions more in high-income countries compared to low-income countries. The research suggests that the new technology is more likely to complement the job rather than take it away from people, and that's a good news. IM

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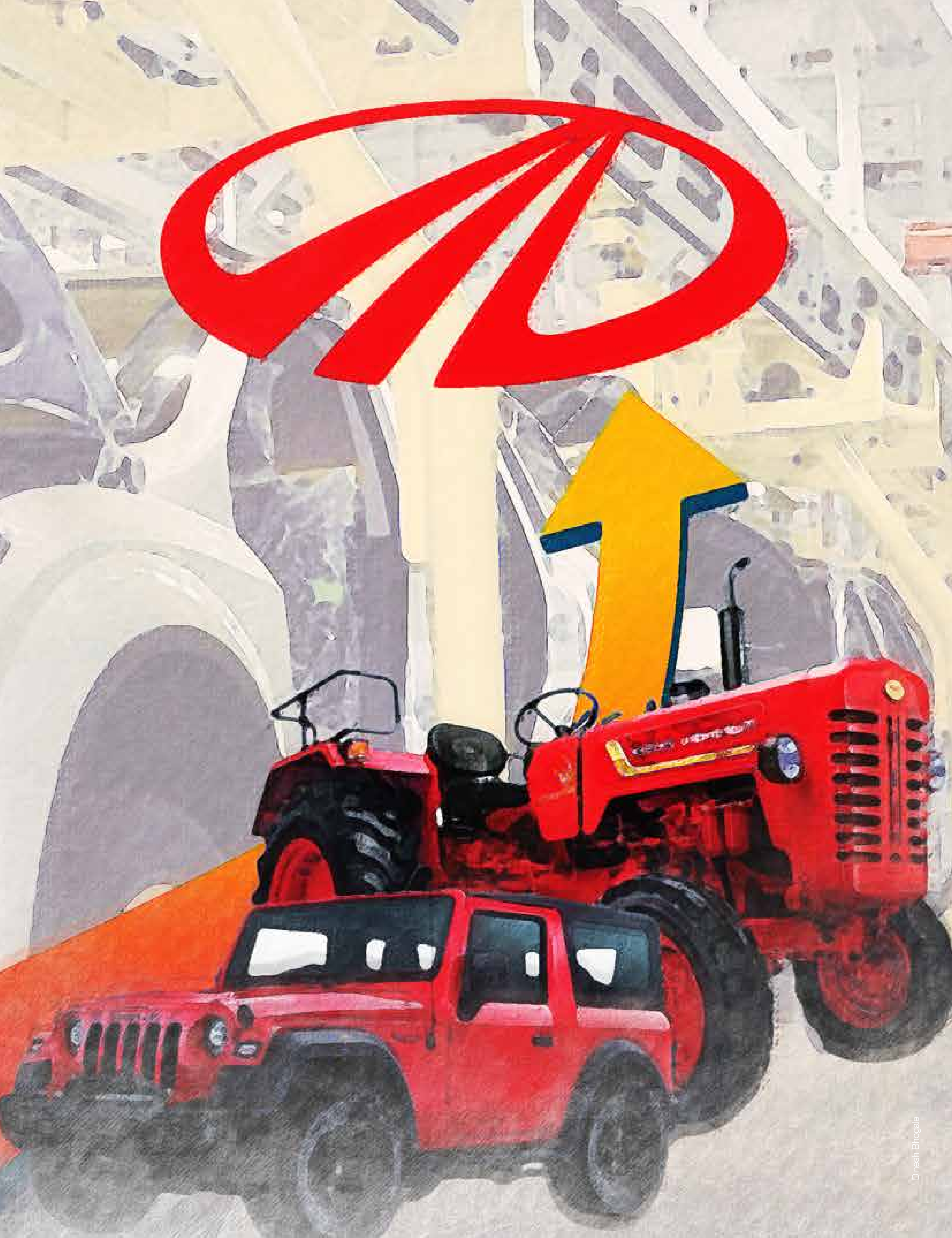

Dinesh Bhogale

From manufacturing farm equipment to a possessing a diverse range of products and services — automobiles, agriculture, hospitality, finance, etc. — Mahindra Group's 'Rise' over the years has been nothing short of phenomenal.

STRATEGY

✦ RICK WILLIAMS, AUTHOR, *CREATE THE FUTURE*

'Rise': Mahindra's purpose

The fast pace at which we live and work today is driving both incremental and radical change in business and is becoming the new normal. Some organisations are keeping up, but many getting left behind. It is no longer a question of when or whether it is a good idea to transform organisations in preparation for the future; it is now an urgent question of how to transform.

"Why am I doing this?" drove the search for Mahindra's unifying identity as a global company.

The Mahindra Group was founded in 1945 as a steel trading company and shortly became the Willy's Jeep manufacturer in India. Growing to scale in India required a unifying identity and purpose that resonated with the values of Mahindra's Indian customers and employees. As the company's international operations became more important, a different statement of purpose was needed.

Here is the story of Mahindra's search for its identity and takeaways I believe you will find helpful.

Purpose

In his book *Deep Purpose,* Harvard Business School Professor Ranjay Gulati examines purpose as a core requirement for success. Gulati looks at the values an organisation's leaders and employees bring to their job and the values customers associate with the company and its products. The challenge is getting past an often superficial "mission statement" to the fundamental question of, "Why am I doing this?" Gulati's thesis is that discovering, articulating, and executing on your company's purpose is the key to high performance.

Anand Mahindra, Chair of the Mahindra Group, was interviewed by Ranjay Gulati for his book and for a podcast introducing the book. Ivey Publishing has a case study about Mahindra's search for a brand.

[PQ: Discovering, articulating, and executing on your company's purpose is the key to high performance.]

Indians are second to none

India was torn by civil strife and division after its independence. For decades, most farming was at a subsistence level. In the 1990s, about 65 per cent of Mahindra's revenues

came from manufacturing farm equipment and automotive products. Mahindra made farm equipment, but the systems supporting mechanised farming were limited. Most Indian farmers could not mechanise to increase production and feed the growing population.

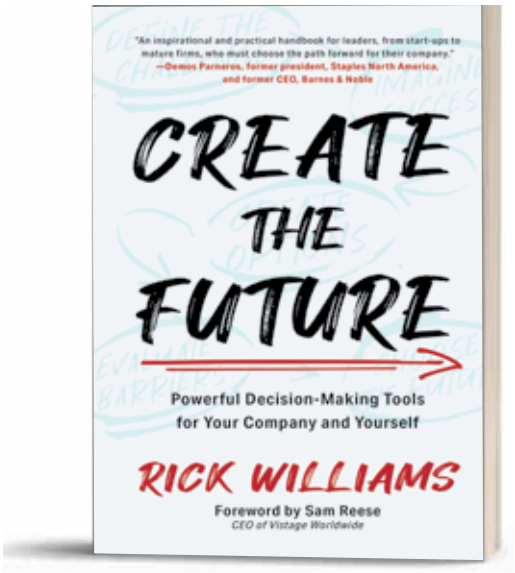
In 1999, Anand Mahindra was Managing Director of the company his grandfather founded. He described Indian culture as having an "inferiority complex" about feeding themselves, improving themselves, and being a country. Anand and other company leaders looked for a statement of purpose that was relevant to the company and meaningful to its employees.

"Indians are second to none" became the Mahindra purpose statement. An Indian company is saying that it can produce world-class products and services. Every Mahindra employee heard that they were 2nd to none, and their work at Mahindra brought that vision into reality for the company and for themselves.

By 2011, Mahindra was a major international company with revenues of over US$16 billion with 180,000 employees in 100 countries. It was a major manufacturer of farm machinery and utility vehicles and was also active in aerospace, finance, and insurance. "Indians are 2nd to none" was no longer an appropriate unifying purpose for a diverse international company.

Rise

Working with outside consultants who interviewed customers, employees, and suppliers, Mahindra's board asked, "Why am I doing this?" The board took time to learn and consider the existing values of the company's staff. They wanted to find shared values and a purpose for the company that was meaningful to the Mahindra community of leaders, staff, and customers globally.



The board chose "Rise" as the company's statement of purpose. They believed that the concept of 'Rise' expressed the values and aspirations of Mahindra's stakeholders.

"We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of stakeholders and communities across the world to enable them to 'Rise'," they said.

The board approved a 'Rise' manifesto with three themes: accept no limitations; alternative thinking; and drive positive change.

Anand Mahindra believes that 'Rise'—the company's purpose statement—connects the staff's work with their understanding of who they are and who they want to be as individuals. An employee is not simply doing a job but "doing a job that impacts people's lives and helps other people to Rise."
[PQ: An employee is not simply doing a job but "doing a job that impacts people's lives and helps other people to Rise.]

Creating value from purpose

Mahindra's board of directors hired

consultants and chose 'Rise' as a branding statement. If that were all that happened, the board-driven exercise would not change much for the company and its stakeholders. Creating value from the concept of Rise was a separate and difficult challenge.

Another consideration was the shared values customers associated with the Mahindra brand—reliability, trustworthiness, warmth, and caring. Inculcating 'Rise' values across diverse and autonomous business units would be done while retaining the positive attributes customers attached to the brand. Using the 'Rise' values statement to make Mahindra into a more successful and valuable company would be a complex initiative.

The values of accepting no limitations, alternative thinking, and driving change in the 'Rise' manifesto were also a set of cultural values matching the needs of a decentralised organisation and management structure

Mahindra grew its global presence by acquisitions, joint ventures, and geographic expansion of its core business units. The Mahindra brand was not consistently used by companies in the Mahindra Group. They operated with significant autonomy and their 'Mahindra identity' ranged from highly visible to none.

The choice of 'Rise' as the expression of purpose forced the board to make a second decision, "Who are we? Who are we as a business?" The options included:

1. Drive the Mahindra branding across all businesses within the Mahindra Group, and encourage 'Rise' values across all Mahindra companies.
2. Pursue a hybrid branding strategy with a few core businesses operated with strong Mahindra branding while other businesses under the Mahindra umbrella have no brand affiliation with Mahindra.
3. Mahindra Group would operate a collection of 'brands'. 'Rise' would be the values statement for the Mahindra Group, but the operating companies would make their own decisions about branding and values.

The Mahindra board chose 'Rise' as their purpose statement. The challenge for the board was what to do next.

[PQ: The challenge for the board was what to do next.]

The Mahindra board believed that 'Rise' could be more than a mission statement. The values of accepting no limitations, alternative thinking, and driving change in the 'Rise' manifesto were also a set of cultural values matching the needs of a decentralised organisation and management structure. Introducing Rise encouraged leaders throughout the organisation, over time, to take more ownership of their area of responsibility. Rise reinforced Anand's goal to delegate more decision-making responsibility. "I don't want people saying they are carrying out Anand's orders. That's not 'Rise'. They have to 'Rise' first, and they have to believe what they say."

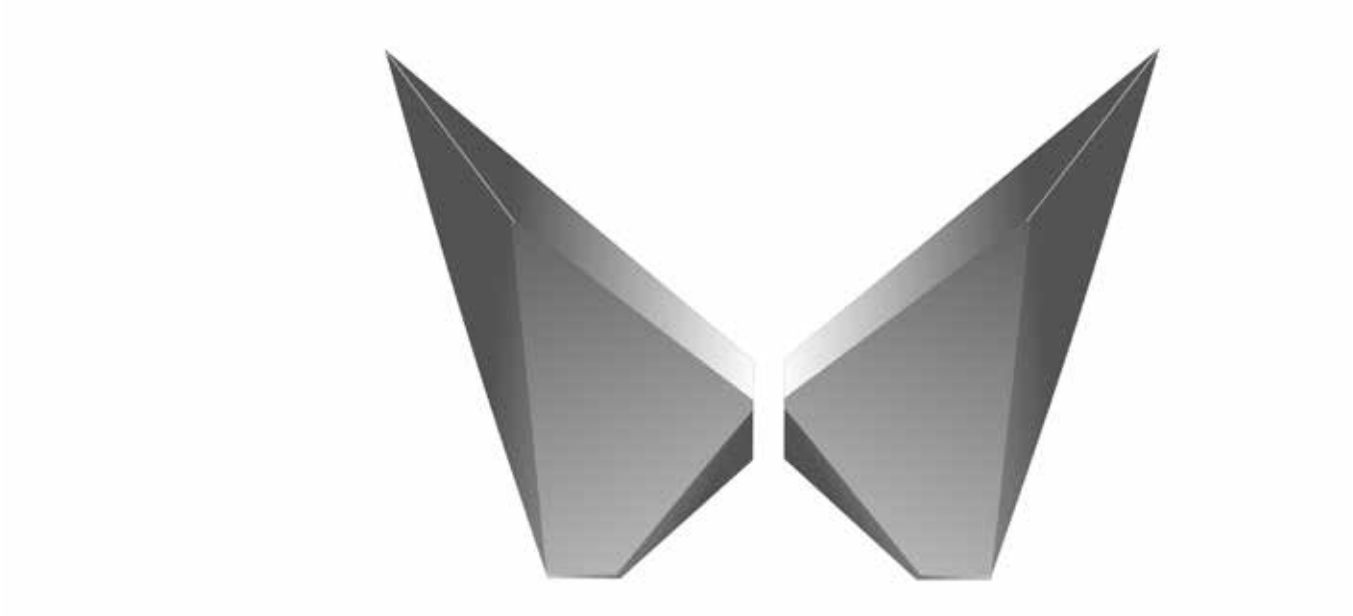
In Prof. Gulati's podcast, Anand said that he did not try to quantify the results of 'Rise'. He wanted 'Rise' to be the "story" that people tell about the company. He wanted Rise to become the way his leadership team and the staff communicate the company's value proposition.

Mahindra's profits more than doubled in the seven years following Rise's introduction. Anand Mahindra believes the autonomy and energy flowing from 'Rise' was a significant contributor to the company's success.

Key takeaways

Mahindra is a large international company with complex business operations. If you are a smaller company or even a regional non-profit organization, you might believe the steps Mahindra's board took to find their company's purpose are not relevant to your organisation.

I find the Mahindra story remarkable



because it is a large global organisation. Yes, they hired the best outside consultants and had staff and resources to ask, discover, and learn—luxuries less available smaller companies. Finding the purpose of your company and expressing that purpose in your leadership of the organisation is essential for high performance whether you are captain of your soccer club, running a family business, or board chair of Bank of America.

When the Mahindra board asked, "Why am I doing this?" they acted with courage and foresight. A leader of a smaller and less complex company usually has a less daunting challenge when asking that question.

The steps Anand Mahindra took to find a purpose for the company and to express that purpose through the company's operations are guiding principles for leaders of organisations large and small, for-profit and non-profit, and public agencies.

1. Ask, "Who are we? Who are we as an organisation?" Have a realistic understanding of your organisation's purpose and its value proposition for its "customers."
2. Ask, "Why am I doing this?" Verbalise your organisation's core values. Shared values understood by your staff bring purpose to the work they do.
3. Match your competitive strategy and your business model to your purpose — your value proposition and your values.
4. Match your company's organisational structure, decision-making, and culture to your purpose.

Executive summary

Mahindra grew from an India-based farm equipment manufacturer to a global products and services company drawing strength from a clear concept of its purpose. 'Rise'— to drive positive change — was the purpose that resonated with its leadership, employees, and customers and became the foundation of Mahindra's global success! IM

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Dinesh Bhogale

Deciphering the role of artificial intelligence in financial services.

DR DEBASISH SUR, PRAMIT SUR, AND PRIYANGSHU GANGULY

Next-gen finance

Artificial intelligence (AI), with roots stretching back over half a century, has seen its potential skyrocket in recent years, leading to a surge in practical applications across various sectors, including finance. AI tools offer significant advantages, enabling the automation of routine tasks and enhancing analytical capabilities far beyond traditional methods. As AI reshapes the sector, it brings the potential for significant progress but also introduces risks that need careful management. This article highlights the concept of AI, its genesis, and its applications in the financial services industry. It also identifies the benefits and risks of AI to the financial services sector.

Concept and genesis of AI

The term 'Artificial intelligence' was coined by John McCarthy, an eminent computer and cognitive scientist at Stanford University, USA. He defines AI as the most striking characteristic of a machine to mimic a natural person in thinking the way a natural person does, and making a rational and the best choice from among the available alternatives aimed at achieving a specific goal. According to the Financial Stability Board (FSB), Basel, Switzerland, AI may be defined as a collection of theories and algorithms that empower computer systems to execute tasks traditionally requiring human intelligence, such as visual perception, voice recognition, and contextual text interpretation. In numerous cases, AI not only replicates human skills but also enhances them, expanding the capabilities of machines beyond what was previously thought possible. The majority of contemporary AI applications fall within the realm of machine learning. In this fascinating field, computers draw conclusions through statistical analysis of data, continually refining their accuracy as they process increasing amounts of information. This self-improving process ensures that the algorithm becomes smarter

and more efficient over time, unlocking ever-greater potential. AI is not a recent innovation. Its academic origins trace back to the 1950s. Yet, its prevalence has soared in recent years, propelled by three fundamental factors: the exponential expansion of digital data, improved and affordable data storage and computational capabilities, and remarkable progress in algorithms. These advancements have unleashed the complete potential of AI, resulting in its broad adoption not just within the financial sector but across the entire economy. Consequently, AI's impact and utilisation are rapidly expanding, revolutionising industries and reshaping human civilisation. AI development varies widely across regions, with North America leading in private investment at around $67.2 billion. Asia follows closely, though not matching North America's level. Meanwhile, Europe trails behind with investments totalling less than $5 billion. This gap is partly due to the dominance of Asian and US tech giants, which have the infrastructure and data resources to drive AI progress. These companies not only use AI extensively in their operations but also lead the global market in AI applications like image recognition and natural language processing. Consequently, their significant investments and advanced capabilities have placed them at the forefront of the global AI landscape (Larson et. al., 2024).

AI applications in the financial services industry

AI has a myriad of applications throughout the financial sector, spanning the entire value chain from back-office operations to middle-office functions and front-office services. In the back-office, AI can streamline and automate routine tasks, enhancing efficiency and accuracy. Middle-office functions benefit from AI through improved risk management and data analysis, while in the front-office, AI can elevate customer interactions and experiences. One of the prominent front-office applications of AI is in enhancing customer experience, such as through biometric authentication, which provides a seamless and secure way for customers

to access their accounts. Middle-office applications include using AI to analyse new data sources for selecting investments or determining risk premiums, optimising decision-making processes. AI can also revolutionise back-office operations by automating repetitive tasks, reducing errors, and improving productivity. Additionally, integrating AI with other cutting-edge technologies, like distributed ledger technology and smart contracts, can further expand its potential applications. For instance, smart contracts can automate complex financial transactions, while distributed ledger technology can enhance transparency and security in financial dealings. So, AI's versatility and capability to integrate with other advanced technologies can drive significant improvements and transformations across all areas of the financial sector, enhancing customer experience, optimising processes, and increasing overall efficiency.

The financial sector leverages AI in various impactful ways. In fact, AI is revolutionising the financial sector by automating customer interactions, tailoring services to individual needs, bolstering fraud detection, refining credit scoring, and simplifying regulatory compliance. Let us narrate these issues in the following paragraphs:

- **Chatbots and virtual assistants:** These AI-driven tools assist users in resolving common queries, providing product recommendations, and facilitating transactions like transferring funds or opening accounts. By automating communication channels, financial institutions ensure round-the-clock availability and collect data from user interactions automatically.
- **Personalisation of products and services:** Financial institutions leverage customer data to provide a tailored user experience that goes beyond typical banking services. For instance, they can send account balance alerts when geolocation data indicate that customers are shopping.
- **Combating money laundering and fraud prevention:** AI's capacity to analyse extensive datasets and incorporate new information sources enhances the detection of anomalies and patterns that might go unnoticed. This improves accuracy in fraud detection and anti-money laundering (AML) controls, reduces false positives, and minimises customer inconvenience.
- **Credit assessment:** Advanced analytical capabilities enhance credit assessments and speed up loan origination processes. Incorporating unstructured data broadens the range of eligible customers, helping new financial institutions or those entering new markets with limited information.
- **Ensuring regulatory compliance:** The sophisticated analytical capabilities of AI tools streamline compliance with regulatory requirements, including risk management and reporting obligations, while also improving the monitoring of regulatory changes.

Authorities can harness the power of AI to bolster operational efficiency and achieve substantial cost savings. Consequently, numerous central banks are embarking on the journey of integrating AI into a myriad of functions, encompassing micro prudential and macro prudential supervision, information management, forecasting, and fraud detection. For example, the Federal Reserve in the United States is spearheading the development of AI tools tailored for scrutinising reports on suspicious transactions, while the Bank

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AI aids in monitoring and ensuring compliance with regulatory requirements by analysing transactions and identifying potential breaches

of England has successfully implemented AI-driven prototypes for data validation. Moreover, the Reserve Bank of Australia adeptly utilises advanced AI techniques to forecast price movements within the dynamic real estate market, while the Bank of Canada harnesses the power of AI to pre-empt potential liquidity challenges within financial institutions. At the Deutsche Bundesbank in Germany, a cutting-edge AI tool has been developed to categorise banknotes into fit and unfit for circulation. Additionally, statisticians are diligently exploring the possibilities of leveraging AI to enhance the quality control procedures for micro-databases. Meanwhile, economists are concurrently assessing the potential of these techniques to enhance macroeconomic analysis models and optimise indicator selection methodologies. Thus, AI is becoming a valuable asset for central banks, aiding in supervision, data management, predictive analysis, and operational tasks, thereby improving efficiency and reducing costs.

Benefits and risks of AI applications

AI has revolutionised the financial services industry, providing a plethora of benefits that bolster efficiency, precision, and customer satisfaction. Let us outline some of the key benefits.

1. AI algorithms have the ability to process and analyse vast amounts of data at a speed far beyond human capabilities. This allows financial institutions to gain valuable insights that support more informed decision-making. These insights are crucial for various functions such as investment decisions, risk assessment, and market predictions, leading to more strategic and effective outcomes.
2. AI-powered chatbots and virtual assistants provide round-the-clock support, efficiently handling inquiries and offering personalised financial advice, which boosts customer satisfaction and retention..
3. AI systems can identify unusual patterns and behaviours indicative of fraudulent activity. As machine learning models evolve, their accuracy improves, making fraud detection more reliable and effectively reducing financial losses.
4. Automating routine tasks like data entry, compliance checks, and reporting frees up human resources for more strategic activities. This streamlines processes and reduces operational costs.
5. AI can analyse individual customer data to customise financial products and services to meet specific needs. This personalisation enhances customer engagement and boosts sales of financial products.
6. AI improves risk management by delivering more accurate risk assessments and forecasts. This enables financial institutions to effectively mitigate risks and make more informed decisions about lending and investments.
7. AI aids in monitoring and ensuring compliance with regulatory requirements by analysing transactions and identifying potential breaches. This minimises the risk of regulatory fines and strengthens overall compliance management.

Overall, the integration of AI in the financial services industry leads to smarter, faster, and more efficient operations, creating a competitive edge for institutions that leverage these technologies effectively.

AI offers numerous benefits, yet it is essential to recognise the risks associated with it. Chief among these are the biases inherent in AI-generated outcomes and the opacity surrounding algorithmic decision-making processes.

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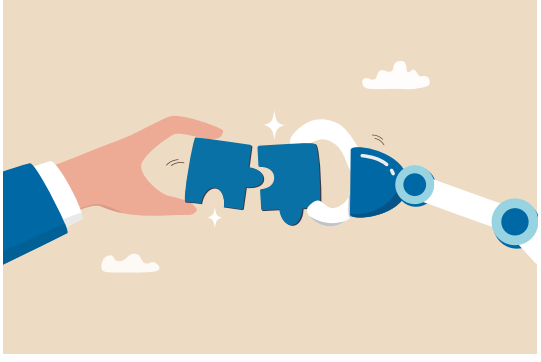
1. Algorithms operate by identifying patterns to forecast results. However, they may sometimes detect spurious correlations, leading to skewed outcomes. The significance of bias varies depending on the context. For example, a biased translation tool poses different challenges than biased loan approval systems. Understanding the roots of bias is crucial.
2. Bias can stem from the data utilised or the method of algorithmic training. Algorithms require extensive, unbiased data to ensure equitable representation. Biased training data can perpetuate unfairness, impacting decisions such as hiring or loan approvals.
3. Moreover, bias can emanate from algorithm design or learning mechanisms. Issues like data labeling or algorithmic evolution can introduce unintended biases. For instance, a chatbot had to be removed due to learning inappropriate language from users. Algorithms' complexity often obscures decision-making processes, which is particularly problematic for critical functions like credit scoring, necessitating clear explanations of decisions.
4. Efforts are underway to enhance algorithmic transparency, but significant challenges persist. This is crucial, especially for regulatory compliance and risk assessment, where understanding decision-making processes is paramount.
5. Creating AI tools requires extensive data and substantial resources, which can result in market dominance by a handful of major players, potentially stifling competition. Mandates for accessing third-party data, as outlined in regulations like the new Payment Services Directive (PSD2), could help alleviate this concern.
6. Relying heavily on AI tools and infrastructure from a few tech giants can heighten operational risks for financial institutions and introduce systemic risk. Moreover, widespread use of AI algorithms in credit provision or financial asset trading may induce herding behaviour and procyclical effects. Whether these risks materialise hinges on the consistency of data and training methodologies adopted by financial institutions.
7. The substantial data needs of AI raise privacy concerns and the potential for financial institutions to utilise data without customers' complete awareness. Additionally, questions emerge regarding liability in the event of losses stemming from AI techniques—whether the responsibility rests with the financial institution or the algorithm provider.



Concluding remarks

While AI holds immense potential, acknowledging and addressing its limitations is essential to ensure fairness and comprehensibility in its applications. Despite not all firms being fully prepared, artificial intelligence is swiftly emerging as a paramount business focus within the financial services sector, encompassing asset management, banking, insurance, and beyond. Throughout the industry, there is a pervasive recognition of AI's strategic significance, prompting companies to allocate substantial investments and resources to the domain in their pursuit of maintaining or attaining a competitive edge in the market. IM

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