

Smart entrepreneurs

They look to scale up with the right rules in mind

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As entrepreneurial firms transition from start-ups to becoming established corporations, the leadership style is often given as much credit as the product or service they offer. Entrepreneurs are often brash risk takers fighting odds and challenging conventions while corporate leaders are expected to be team builders assessing odds and finding a safe path. The transition is not an easy one and business history is full of various examples of those who made it and established their firms on a stable footing.

There is the dogged perseverance of Bill Gates establishing the dominance and reach of Microsoft, along with the mercurial idiosyncrasies of Steve Jobs whose style got him thrown out of his own company only to return to it with renewed vigour. Richard Branson who built the Virgin Group is a creative adventurer who thought big as is Elon Musk bringing an intense and controversial presence to SpaceX and Tesla.

Jeff Bezos, who built Amazon from his garage into a global enterprise and continues to lead it belongs to this successful group. His decentralised structure with small teams is said to be a contributing factor. His obsession with detail, measuring performance, and using metrics has helped the transition from being an entrepreneur to running a high performance corporation.

Uber's Travis Kalanick provided valuable lessons on what not to do. He started with an aggressive style suitable for a business that was a major disrupter in the taxi business. While rapidly growing the company, he was fighting everyone — the drivers about compensation structure and rules, taxi cab companies who saw him as a

rival undercutting them, governments who were restricting Uber's operations on grounds of security — and took many them to the courts. Finally, when word got out that the company's culture downplayed sexual harassment within and was using software to fool law-enforcement authorities, it became time for him to leave. His fighting culture would not work for a 12,000 employee company at about \$70 billion valuation and a new CEO was needed.

The most recent disaster case, of course, is Adam Neumann. He started We Co., which owns WeWork, the office leasing company. He is reputed to be charismatic and a very good salesman. Although he was really in the real estate business, he managed to convince even smart investors that his was really a technology company and was changing how people work. The company's valuation soared.

When the time for an IPO came, the truth started leaking out. Misleading information about operations, questionable corporate governance practices mixed up with an extravagant life style on company expense brought the valuation crashing. Neumann had to step aside. Quite often, the newcomers who take charge of these disaster cases have a tougher job — that of undoing the rot and building a new culture.

While entrepreneurs are a breed of their own, there is clearly nothing inherent in an entrepreneurial style to prevent the leadership becoming consistent with corporate respectability.

It is the free-wheeling dynamism of an entrepreneur that lets him or her believe that all rules and conventions can be overridden. The smart ones looking for long-term growth have the sense to understand which rules to break and which to keep.

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Why the frequent spikes in onion prices

It's not supply constraints but hoarding by middlemen that's to blame. They need to be reined in

A NARAYANAMOORTHY / P ALLI

Onions in India have been witnessing an upswing in their prices on a regular basis for quite a long time. The saga of price spike in onions is as old as three decades.

Way back in 1980, in an unprecedented manner onions went beyond the reach of the common man; the price hike revisited the country again after a decade in 1998 and again in 2010.

Within a span of three years, the price of onions skyrocketed to an all-time high of about ₹150/kg in some major cities of the country in 2013. Two years later during the month of August 2015, onion prices soared again.

This year too, onions have become dearer, leaving the consumers teary-eyed.

The wholesale price of onion in Asia's largest onion market, Lasalgaon in Maharashtra, increased to almost ₹40/kg, while the retail price soared to about ₹60/kg in metropolitan cities.

Last year's drought, delayed monsoon followed by excessive rain in major growing regions of Maharashtra and Karnataka, has been cited as the main reason for the price hike.

Every time onion price hikes revisit the country, economists and policymakers debate as to what triggers the periodic upswing.

Some have emphatically pointed out that the price spikes can be attributed to a large extent to fragmented supply chain.

While some others invariably hold the supply constraint as the causal factor for the price hike along with a complex interplay of several factors such as rising consumption, drought and flood induced crop failures in major growing regions, poor infrastructure and inefficient storage facilities.

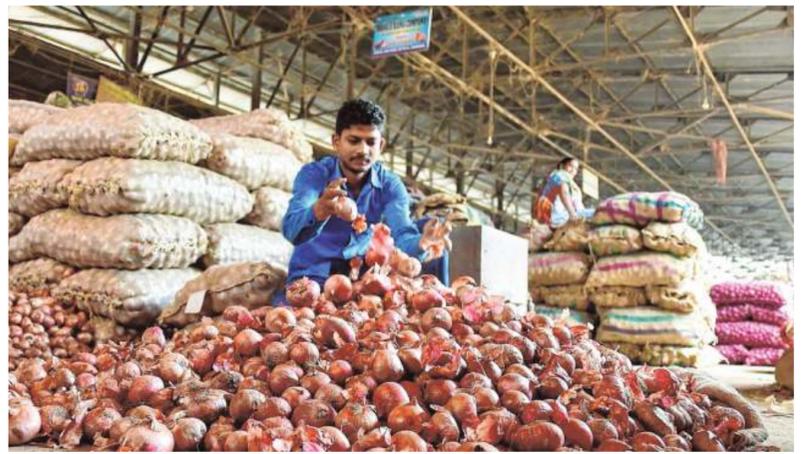
What is the real truth? Onions are staple diet for majority of the people in India. They consume approximately 15 million tonnes of onion per year, and shelling out ₹80-100 to buy a kg of onion will definitely pinch the common man. This begs the question: How can a culinary ingredient witness such a steep hike in a few months' time? Besides blaming the inadequate storage and transportation facilities and improper distribution system, policymakers invariably point out that such a stupendous price hike is only due to supply-demand constraints.

How can supply be held responsible for the price hike when data from the Ministry of Agriculture clearly show that the production of onion has surged from 2.5 million tonnes in 1980-81 to 22.43 million tonnes in 2016-17? Erratic monsoon can at the most lead to a 5-10 per cent shortfall in supply, but nowhere severe enough to warrant a quadrupling of prices within a span of few weeks.

What explains this paradox? Our analysis of data on market arrivals and prices of onion, culled from the National Horticulture Research and Development Foundation (NHRDF), reveals that the former is in no way related to the latter, which further suggests that supply has nothing to do with the abnormal price rise.

If not supply, what else is the driving factor behind the skyrocketing price of onion? Have the prices been inflated artificially? The Consortium of Indian Farmers Association (CIFA) and a study by Competition Commission of India (CCI) have pointed out that cartelisation and traders are jacking up the prices. Is this price rise related to hoarding dynamics?

In India, the onion trade is dictated by middlemen. A study by the National Council of Applied Economic Research (NCAER) reveals that farmers make a profit of just ₹5-8 per kg, with the whole-



The need of the hour is to discipline the trade by cracking down on the chain of middlemen

salers adding 10-15 per cent and retailers gaining the most with a mark-up of 20-25 per cent.

This being the ground reality, the price rise will neither get translated to more earnings to farmer, nor will it benefit the consumers.

What needs to be done?

Every time onion prices soar, the standard response of the government is the imposition of minimum export price (MEP) and resorting to imports. While such a policy can at the most be a temporary solution to evade the crisis, it deprives the farmers of whatever little benefits they get from onion exports.

What is required is a robust long-term solution that involves a bottom-up approach. Our analysis of market arrivals and wholesale/retail prices across the major markets of the country clearly points out that the annual seesawing of onion prices is primarily due to hoarding and not because of supply constraints.

Theoretically, such higher food prices should increase the profits of farmers. But are farmers bene-

fitting from such price rise? In reality, farmers miss out on this opportunity primarily because they cannot achieve sufficient economies of scale as they lack access to markets.

It is indeed the middlemen who seem to be the greatest beneficiaries as they continue to exploit the farmers in the event of a price rise as well as during a price fall.

The need of the hour is to discipline the trade by cracking down on the chain of middlemen, wholesalers, and pseudo farmers who eye windfall profits in the hoarding game, and enforcing stringent measures towards banning secret bidding of produce.

Market intervention is also an effective instrument in controlling prices in essential commodities like onion. Taking cue from the successful experience of Tamil Nadu, farmers' market or *rythu bazars* need to be implemented in all the States.

This is an effective mechanism of getting rid of the dominance of middlemen in agricultural trade. Contract farming is another ef-

fective measure of strengthening the distribution system. Under this system, farmers are allowed to make advance contracts under no compulsion with known buyers on the delivery of certain commodity at specified price, location and on the maturity of crop.

Since there is no compulsion for farmers to bring their produce to the market yard, they can directly sell the produce to even private players, food processing industries and retailers.

Besides, the country's onion farmers should look to replicate the on-farm storage structures built by farmers of Maharashtra, which do not require any cutting-edge technology.

Only such measures and transparent governance can save the country from the annual spikes in the prices of essential commodities like onions and tomatoes.

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5 THINGS to WATCH OUT for TODAY

- The government** appointed Insolvency Law Committee (ILC) will meet to deliberate on various proposed reforms to the existing Insolvency and Bankruptcy Code (IBC), including new concepts such as group insolvency. Indications are that the ILC will also discuss a new mechanism for resolution of stressed finance companies.
- Prime Minister** Narendra Modi is likely to address rallies in Thanesar, Haryana, and Dadri, in Uttar Pradesh. At a rally in Maharashtra on Sunday, Modi attacked the Congress and the NCP, saying that they were "politicising" the decision to scrap Article 370.
- The much** awaited Google Pixel 4 is likely to be launched at the Google hardware event. Google had teased consumers across the world with a possible triple-camera set-up and Soli, a motion-sensing radar technology for gesture-based navigation. There are also talks of newer Google nest devices at the event.
- US Democratic** presidential candidates will debate in Westerville, Ohio. Former Vice-President Joe Biden is expected to take the stage along with Elizabeth Warren, Bernie Sanders and nine other candidates for the fourth round of debates by the Democrats.
- India would** be looking to register its first win in the FIFA World Cup qualifiers when it takes on Bangladesh in a Group E second-round match at Saltlake Stadium, Kolkata. India put a gritty performance against an attacking Qatar, to hold the reigning Asian champions to a goalless draw and earn its first point in the qualifiers.

All you wanted to know about...



ASHWINI PHADNIS
SLATE

If you're planning to fly to Mumbai later this year, brace for even more congestion than you're used to. Mumbai airport, the second busiest in the country, will close its main runway — Runway 27 — from November 1 this year until March 28 next year for major restoration and re-carpeting work.

What is it? Airport runways are built to exacting, internationally mandated standards. But frequent landing and take-off of flights lead to wear and tear of runways. Natural weather phenomena like rain and sun also affect the runway surface.

Therefore, depending on the volume of traffic and the variety of aircraft, the runway needs to be "re-carpeted" every few years. How often this is done depends on how busy the airport is and the variety of aircraft that it handles.

Re-carpeting is essential for the safety of flights. All re-carpeting activities on runways are likely to lead to flights being rescheduled though they are not always cancelled or disrupted.

Airport runways at all times need to be of a specified strength or Load Classification Number (LCN), which is a system of classification of the supporting capacity of pavements without cracking or becoming permanently deformed. LCN varies from 60 for heavy aircraft like a Boeing 747 or Airbus A-380 to 15 for smaller Bombardier Q 400 aircraft.

The runway also needs to accommodate weight, length and safety margins for various varieties of aircraft. For example, an Airbus A-319 has a wing span of 34.1

meters and a wing area of 122.4 square meters while a Boeing 777-300 Extended Range aircraft has a wing span of 212.6 feet and a wing area of 4,605 square feet.

An airport like Mumbai which operates all these aircraft has to ensure that the runway is safe enough to ensure that the aircraft engines remain on the concrete area. Otherwise there is a risk of

foreign objects getting sucked into the aircraft which could lead to an accident.

Why is it important? Re-carpeting is important as it ensures that the runway is in

top condition to receive the aircraft. The process involves examining the runway for a variety of issues including whether the aircraft is having a smooth ride as it lands.

Load testing is usually done every four to five years to check the condition of the runway to see if there are undulations or if its weighing capacity is erratic in some places. If this is found to be so, emergency action is taken oth-

erwise re-carpeting is done in the normal course. Very often when an aircraft lands on the runway some amount of rubber from the tyres can peel off which can be a risk. Sometimes water too accumulates or the runway surface breaks which leaves stones lying around that could get sucked into the aircraft engine and become a safety issue.

Why should I care?

Re-carpeting of a runway normally sees operations at the airport being rescheduled. Normally airport operators set aside eight hours daily for re-carpeting work — one hour for preparing, six hours of work and another hour for currying. While this can delay flight schedules, it is important for the safety of operations.

The bottomline

The process could inconvenience flyers and push up ticket prices. But it is a small price to pay for flight safety.

A weekly column that puts the fun into learning

BusinessLine TWENTY YEARS AGO TODAY

OCTOBER 15, 1999

Relook at policy on MNC subsidiaries

The Government will review the policy of allowing foreign companies having existing joint ventures in India to set up wholly-owned subsidiaries. A clear-cut policy on this issue and unveiling of innovative methods of disinvestment are on the agenda, the Finance Minister, Mr. Yashwant Sinha, said. In a reference to the controversy over the Government's decision to permit multinational company Pfizer to set up a 100 per cent subsidiary, Mr. Sinha said that he was aware of the issues involved. "We will discuss the issue with trade and industry before reviewing and framing a clear-cut policy on this," he said.

Hyundai prices Accent at Rs 5.35 lakhs

Hyundai Motor India Ltd (HMIL) formally launched its mid-size car, the Hyundai Accent, and announced a price of ₹5.35 lakhs (ex-showroom Delhi) for the base model of the petrol version. The company is offering three variants on the petrol model — a base GLE variant without power steering, a GLE with power steering and the deluxe GLS. The power steering GLE and GLS variants would cost ₹5.60 lakhs and ₹5.85 lakhs respectively. The car will open for customer orders from October 21.

Microsoft plans shift to services

Microsoft Corp, the world's largest software company, will transform in the next decade from a traditional software firm selling products on CDs to a fee-based software service company, the Microsoft President, Mr. Steve Ballmer, has said. "Literally, if you go out 7 to 10 years from now, not only our business but every software business will have to remake itself into what I call a software service company," Mr. Ballmer told an information technology forum.

EASY

ACROSS

- Dizzying, whirling (11)
- Lustre (5)
- Spend, live through (7)
- Be copiously furnished with (7)
- At an oblique angle (5)
- Mechanical contrivance (6)
- Be present at (6)
- Silk strands for tooth-cleaning (5)
- Burdensome (7)
- Annoyance, vexation (7)
- Tobacco-pipe (5)
- Reflected, considered (11)

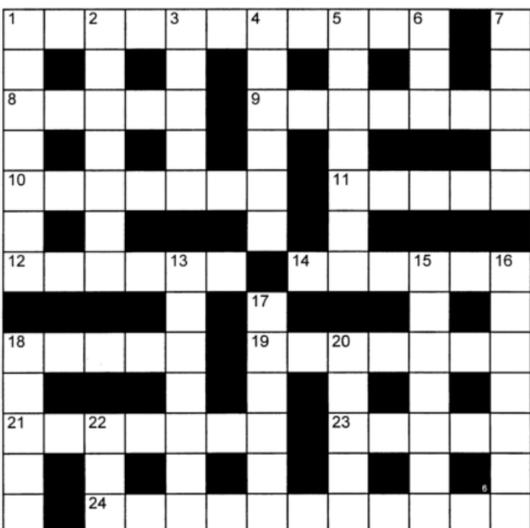
DOWN

- In sight (7)
- Pouring (7)
- Irrelevant, futile (5)
- Did laundry-work (6)
- Go on longer (7)
- Female (prefix) (3)
- Drinking-tube (5)
- Part of nose (7)
- One obsessed with 'I' (7)
- Wished for (7)
- Associate, drink together familiarly (6)
- True statements (5)
- Piece of live coal, wood (5)
- Tot up (3)

SOLUTION: BL Two-way Crossword 1465

ACROSS 01. Ground glass 08. Overtone 09. Swan 10. Grass 13. Yoke 16. Anon 17. Part 18. Noes 20. Stack 24. Ever 25. Anaconda 26. Apprentices
DOWN 02. Reed 03. Utter 04. Dunes 05. Essay 06. Mountain-dew 07. Intentional 11. Argus 12. Sauna 14. Oral 15. More 19. Scrap 21. Tenon 22. Cacti 23. Once

BL TWO-WAY CROSSWORD 1466



NOT SO EASY

ACROSS

- Dizzying, the way it gets over suiting (11)
- Polish at which one will excel (5)
- Go on longer with the Open University, water being troubled (7)
- Stiff hair may show one's resentment (7)
- Crooked way to put the question each way (5)
- Machine that turns a locomotive (6)
- Be there with an abstainer at the finish (6)
- Literary mill hereon used to clean teeth (5)
- Oppressive as the unit that turns sour (7)
- Vexation of cleaning-lady, fuddled with gin (7)
- A pipe must be the right one to be in the saloon (5)
- I'd be altered by the way one weighed it in the mind (11)

DOWN

- It can be seen one lives like this around Beachy Head (7)
- How to get grain in when it's bucketing down (7)
- To get a writer up within it is futile (5)
- Did something pressing to rid one of it (6)
- Go on longer, being the final one to be dismissed (7)
- The woman didn't quite make the hut in the garden (3)
- Last thing one desperate for a drink will clutch? (5)
- Air passage lost in Rumanian capital perhaps (7)
- He thinks too much of himself, so is to get resettled (7)
- Wished to changed side with communist (7)
- Note well hobo could drink companionably with one (6)
- Data fast assembled about Conservative leader (5)
- Glowing coal at the end of the last month (5)
- Put on a degree for the theologian (3)