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'MIND', YOUR BUSINESS

**COGNITIVE SCIENCE
FOR BRANDING**



COGNITIVE EASE TO THE RESCUE
Sandeep Dayal

GLOBAL ADVANCED MANAGEMENT PROGRAMME

Reviving Growth Through Open Innovation Strategies

26 June - 02 July, 2022
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

Delegate Fee per participant: INR equivalent of USD 9750 per participant

Early Bird Discount: USD 500 per participant available for registrations received along with participation fee by 15 April, 2022.

- GST: 18% or as applicable on the date of fee payment will be charged on the participation fee.
- AIMA GSTIN No. 07AAATA1644A1ZH AIMA PAN No.: AAATA 1644 A
- Online registration available, please visit www.aima.in

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Programme Director:
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actioning responsibilities

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This programme is of 3 months duration having 30 Instructional Hours with a few session exclusively conducted in workshop format.

The industry professionals, entrepreneurs, consultants, govt. officials, faculty members as well as B-Schools, Engineering and other HEI's Students (currently pursuing as well as pass outs) working or aspiring to work in the area of corporate social responsibility will find this programme immensely valuable.

The sessions will be offered during weekends in online live (Synchronous) mode.

Duration - 3 months programme. You may register online. The batch is starting from March - April, 2022 onwards.

For further details, please contact:

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COVER STORY
**COGNITIVE SCIENCE: COMPREHENDING
THE CUSTOMER'S MIND BETTER**

COVER STORY

COGNITIVE EASE TO THE RESCUE

Brands as keys for unlocking your fantasies and memories.

- ANNA ELIATAMBY

MYTH BUSTER

THE TRUTH ABOUT INNOVATION

Great leaders emerge victorious when transforming valued community members into innovation champions.

- DR DAVID CUTLER

YOUR'S CYRUSLY

LEADERSHIP 101

Strong leaders and sound leadership are rare commodities in today's world.

- CYRUS MR GONDA

MANAGEMENT

SHE SHAPES TOMORROW

Women and ESG—how they can change the investment landscape?

- JESSICA ROBINSON

SUSTAINABILITY

STEPPING INTO TOMORROW

Sustainable practices today will make the world a better place to live tomorrow. But are we ready to walk that path?

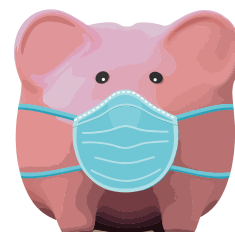
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FINANCE

RISING ABOVE

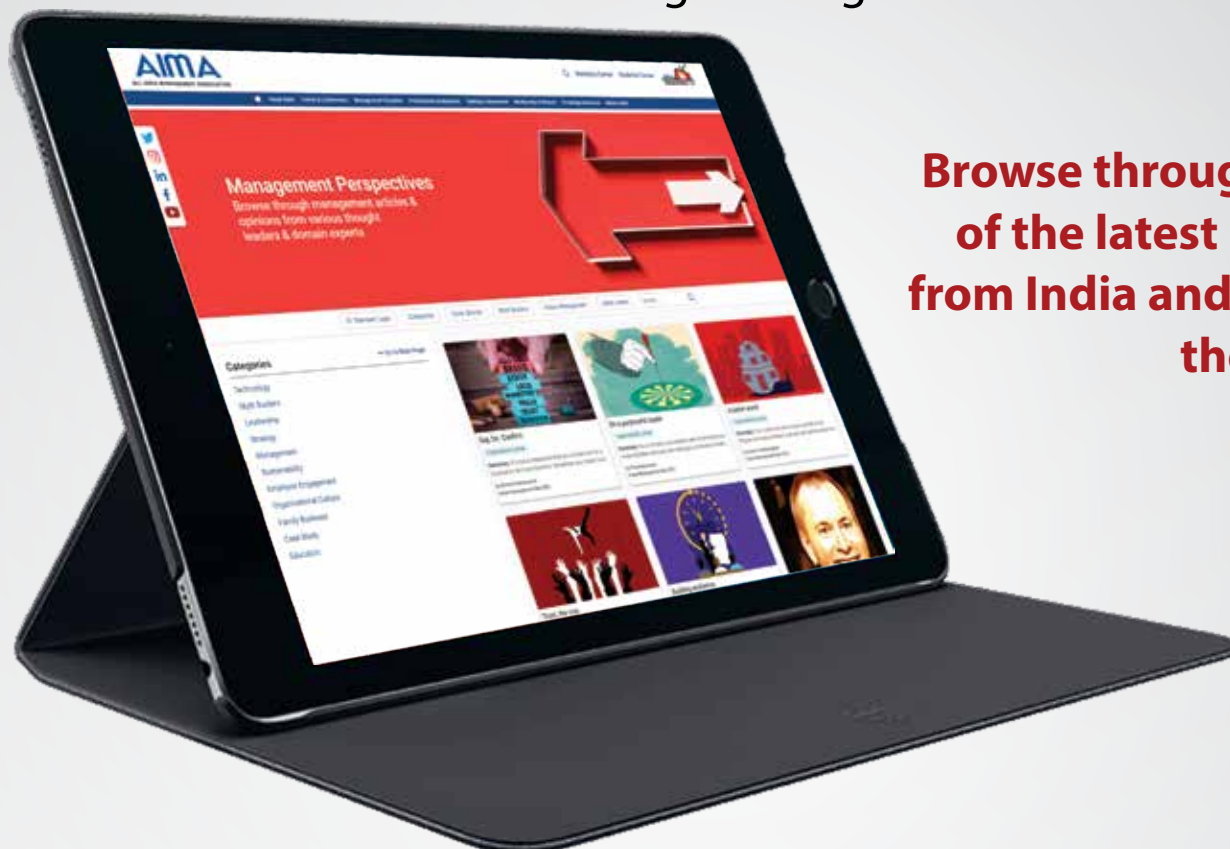
A synoptic view of the Covid-19 pandemic-induced challenges.

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The inception

C K Ranganathan is President, AIMA and Chairman & Managing Director, Cavinkare Pvt Ltd.

Marketers are increasingly hiring scientists to study consumer brains and provide educated pointers for targeting and persuading consumers, both individually and collectively.

Digital proliferation has multiplied communication and engagement channels for marketers, but the digital culture has also resulted in individual-level segmentation and a significant narrowing of brand identity and appeal.

Too many brands vie for attention in the digital realm and the majority of the brands trigger no recognition or recall. Marketers must find new ways to wake up consumer brains to their brands and to remember and endorse those.

The extreme disaggregation of consumers requires marketers to go to extremes of science and target the brains of the consumer instead of their self-declared preferences or even their final buying behaviour. Surveys and tracking by themselves are not enough to know the customer.

Notwithstanding the claims of rationality and wisdom, all consumers are driven by impulses that are triggered by feelings and suggestions. Typically, the brain takes a short-cut to decisions and rationalizes those afterwards, for self or social approval.

Armed with science, marketers can refine common observations and replace guesswork with more definitive knowledge. Combining the research on brain and body responses with behaviour data mining, marketers can identify when each target consumer is ready for buying which kind of product, and tailor messages and content according to their current emotional, physical

and social needs. This extreme intimacy can assure that a consumer readily recognizes, likes, buys and promotes the marketer's brand.

The key to marketing and branding in the age of segment of one is to get inside the head of the consumer. Marketers are increasingly hiring scientists to study consumer brains and provide educated pointers for targeting and persuading consumers, both individually and collectively. The competitive advantage is in identifying thoughts and impulses at the source and designing value proposition for the subconscious mind.

Much is made of the privacy concerns in cognitive marketing. Though few openly approve of intrusive marketing, most of the consumers love it when brands seem to understand them and cater to their very private thoughts and needs. They do not mind trading their privacy for attention so long as they are not reminded that they are being studied and experimented on and watched and followed everywhere.

Still, the industry can help itself by removing voodoo from the wider perception of cognitive or direct-to-brain marketing. It must establish clear and transparent standards for studying consumers' brains and bodies. The way to avoid a social or regulatory backlash is to make it normal to study consumers in labs and to tap their hormones, genes, fears and desires to get them to purchase and promote brands.

In any case, marketers need to go beyond intelligence gathering about what makes the consumers tick, and convert the scientific intelligence into artful strategies. They need to blend brain studies with behaviour data and

Brain science can be particularly useful for marketers in creating pricing strategies. Consumers become comfortable with particular packs and prices and any changes in those can upset them.

common sense understanding of behaviour to make their approach more precise and potent.

While it is basic to pamper the consumer's ego, cognitive science and data tracking can

help marketers target consumers by age, gender and the current state of mind. For example, a teenager is likely to be very receptive to brands associated with excitement, group activity and non-conformity while being very active on social media.

Marketers could learn to target the subconscious from what others' have figured out in the open lab of society. For example,

they can learn from politicians to trigger potential consumers' most intense emotions, such as euphoria and fear, by promising prestige or emphasizing threats. They can learn from activists to appeal to the conscience by using images and models associated with minorities—racial, religious, sexual, or physical. They can learn from social media stars and switch from using pretty models or human babies to cute kittens and puppies to trigger positive emotions.

Brain science can be particularly useful for marketers in creating pricing strategies. Consumers become comfortable with particular packs and prices and any changes in those can upset them. To prevent a price shock, marketers can keep the familiar sticker price and pack size while reducing the content.

Alternately, they can break up a familiar bundle into the main part and accessories while holding the price of the main part and selling the accessories separately as add-ons.

Images, shapes, colours, smells, sounds etc play a vital role in subconscious buying decisions. The sensory perceptions trigger feelings and cravings for buying or consumption. The choice of smells, colours and textures is particularly vital for nudging consumers towards beauty and food brands. The subliminal messaging of colours, shapes and exhaust sound is critical for high-end automobiles. While social observations have taken marketers some way in targeting the subconscious, brain science significantly raises the hitting accuracy.

Marketers themselves understand these dynamics subconsciously, but they need scientific studies and data to verify and support their intuition. In hyper-competitive markets, brands live or die by knowing the consumers' minds better than they know themselves.^{IM}

The opinion expressed is personal.

EDITOR'S NOTE

Dear Readers,

Most dictionaries define the mind as, 'the part of a person that enables them to think, feel, and in general, be aware of things'. In other words, it is the mind that helps us make decisions, be it as involuntary as breathing or as thought-through and contemplative as buying that dream phone or car. When it comes to marketing and branding, is it possible to train customers' mind to create a bias towards your brand, and how does one go about it? Yes, it is, and cognitive science holds the key here.

Cognitive science is the study of mind and intelligence and finds applications in many disciplines including philosophy, neuroscience, and even artificial intelligence. Building cognitive biases towards brands, can convey your message more effectively to your customers, thereby making your brand more likeable to them while also creating more potential customers. Sandeep Dayal, a marketing and strategy leader and author of the book, *Branding Between the Ears*, writes in the cover story of this issue that, "cognitive brands' are keys to unlocking our cherished past experiences or harboured fantasies. Thus, every great brand becomes not only the product and its benefits, but also inseparably the aura of those memories and aspirations"

The human brain keeps a record of many of the experiences that it liked and the many others that it did not, and this works as a catalyst while making choices in the future. Thus building happy memories around your brand or creating a brand message that is bound to trigger happy memories in your customers' minds will automatically create a liking for your brand. And cognitive science is a systematic approach to make this happen.

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

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Democratising marketing through humour

PM Modi's Mann Ki Baat Customer Relationship Management



ABOUT THE AUTHOR

Prof Rajesh K Pillania, MDI, Gurgaon.



ABOUT THE AUTHOR

Prof Jagdish Sheth, Emory University.

Let me share an interesting incident that you might be already aware of.

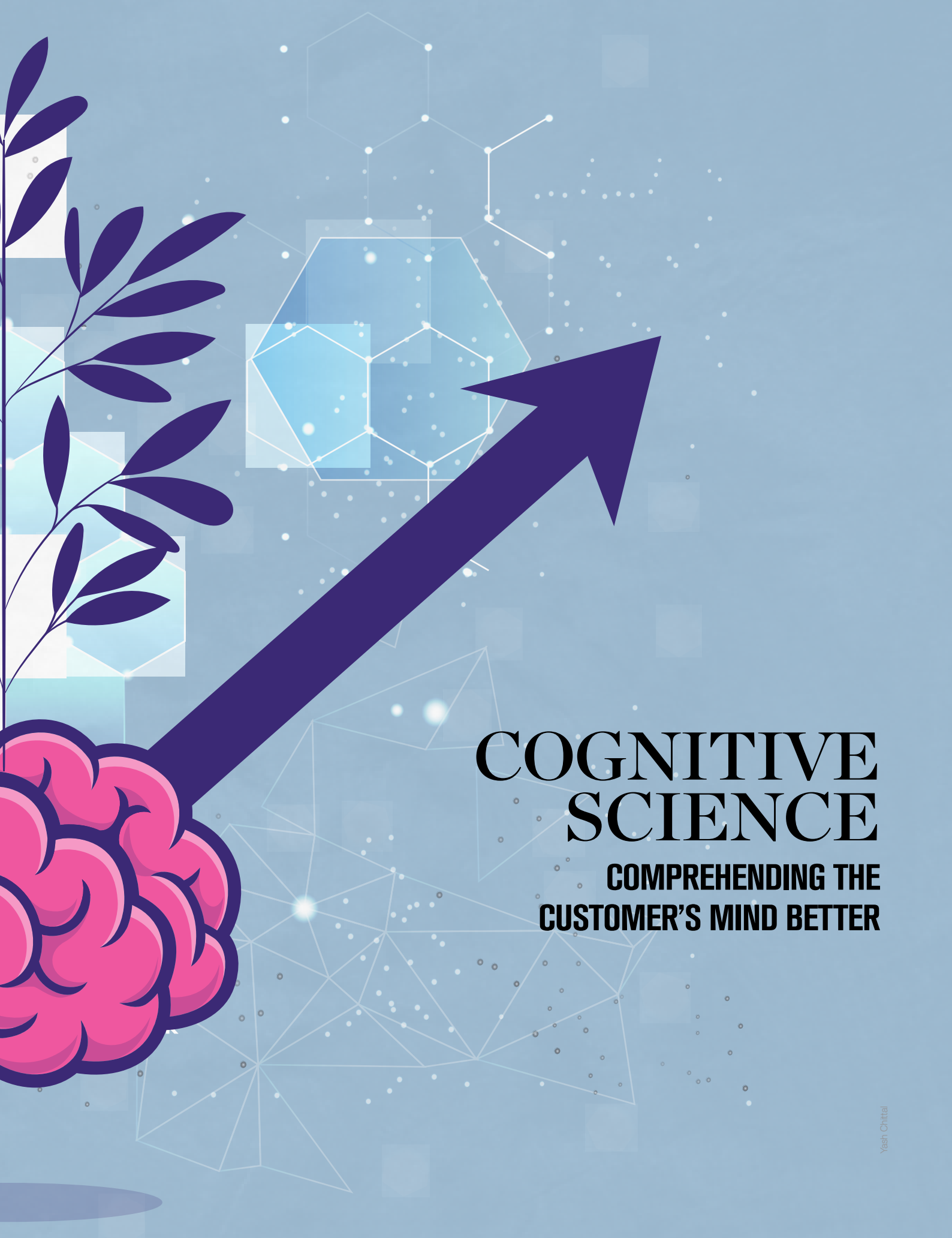
There is this interesting example of Prime Minister Modi's monthly radio show titled 'Mann ki Baat'. Through this, he is able to connect to masses even in remote areas and shares his ideas and gets ideas from the listeners every month. This is a unique way to stay connected and maintain a relationship with the countrymen who are the customers who voted him to power.

You should find innovative ways like this to stay connected and maintain customer relations for retaining customers. I hope I have made it clear to you.



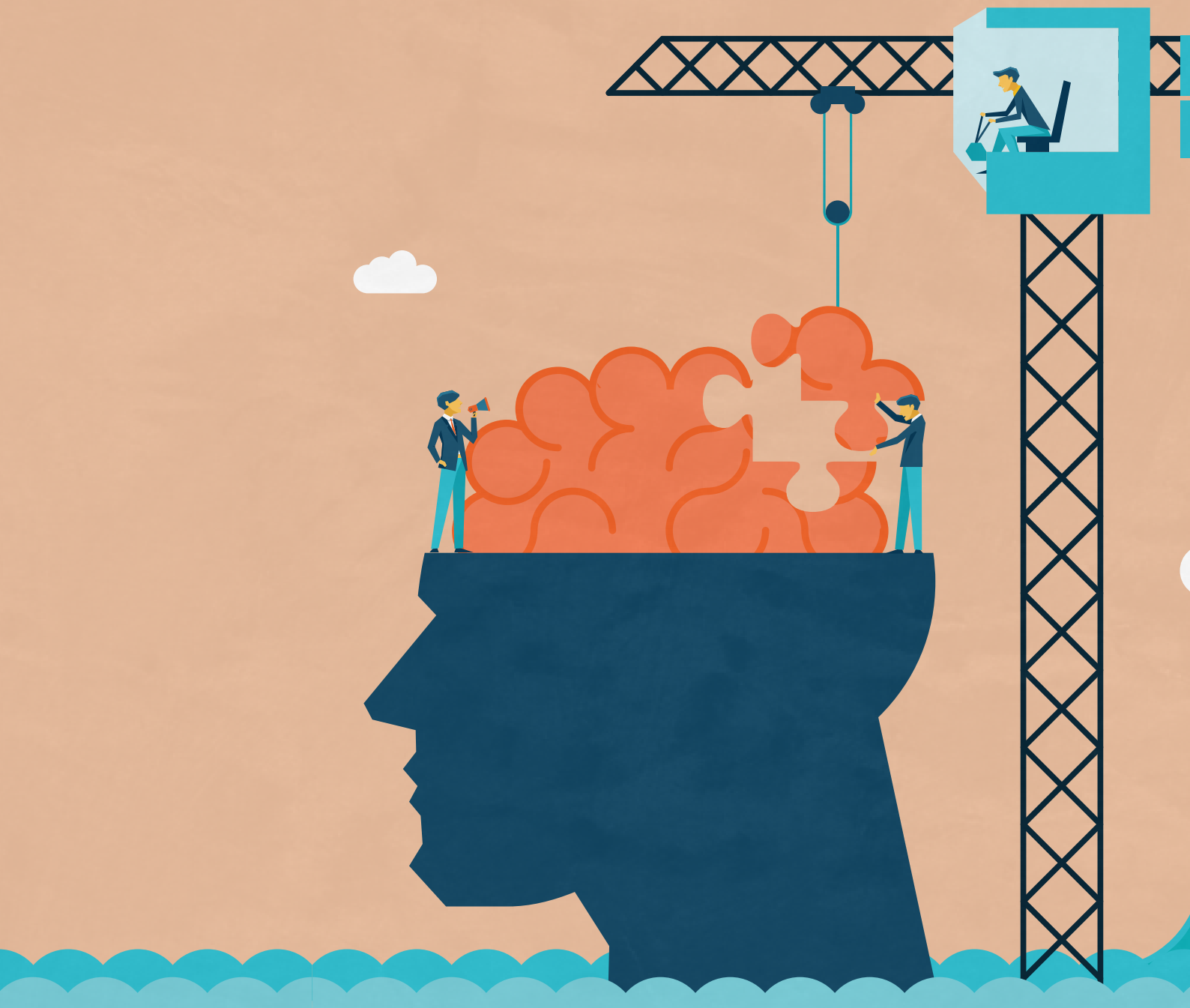
Marketing Guru





COGNITIVE SCIENCE

**COMPREHENDING THE
CUSTOMER'S MIND BETTER**



Cognitive ease to the rescue

Marketers can leverage the power of cognitive biases for designing, positioning, and/or repositioning their brands.

♦ SANDEEP DAYAL, AUTHOR, *BRANDING BETWEEN THE EARS*

‘A’ grade. After the tests were over, we would be indescribably relieved and ready to celebrate. We would pour a bottle of Old Monk rum into a large bucket (otherwise used for bathing) and make a punch with orange juice and lemon and transport ourselves into a state of happiness.

Now, whenever I see a bottle of Old Monk, it stirs up those memories of wonderful times with some of my closest friends. The brand is not just about the unique spicy flavour of the rum, but the entire experience associated with how we consumed it—and for me it stands for those special moments of friendship that I enjoyed as a young college student.

So, now, years later, when I see Old Monk, sitting in between some of the world’s finest rums on the shelves of Binny’s in Chicago, it makes so much sense to me to pass right by them and turn to my old favourite. There is this rule in my brain that says- “Old Monk – the best!” But what other rules are there? After all, I have consumed so many different brands in my life.

In my book, *Right Between the Ears*, I argue for a new definition of brands positing, which I have dubbed- ‘cognitive brands’ are actually keys to unlocking our cherished past experiences or harboured fantasies. Thus, every great brand becomes not only the product and its benefits, but also inseparably the aura of those memories and aspirations.

How brand choices are made

We are learning that most brand choices are made instinctively, without much thought. Scientists have discovered that 95 per cent of all choices we make are instantaneous, requiring little or no deliberation. Daniel Kahneman, the famous Princeton psychologist who won a Nobel Prize for his work on the Prospect Theory, calls this the brain’s System 1 process.

System 1 choices are made quickly and effortlessly by comparing them with our past experiences. Some call that gut feeling. This revelation may be painful for marketers schooled

I don’t think that India’s beloved rum, Old Monk, would win any blind taste tests against the fine rums from Barbados and Jamaica. And yet, for many of us, it is the rum that is alive with rich memories of the days when we were younger and carefree.

Many years ago, when I was an engineering student at Birla Institute of Technology and Science in Pilani, I was among the many minions that suffered through two gruelling test series every semester. It used to feel like the exams were designed to make everyone fail, and then, whosoever failed the least scored an

to believe otherwise. They were told that consumers first rationally evaluate competitive product differences, then that process triggers certain feeling within them and finally, they make a choice through a combination of functional and emotional factors. Kahneman's discoveries imply that the game of choice is over within microseconds, long before that train of thought leaves the station.

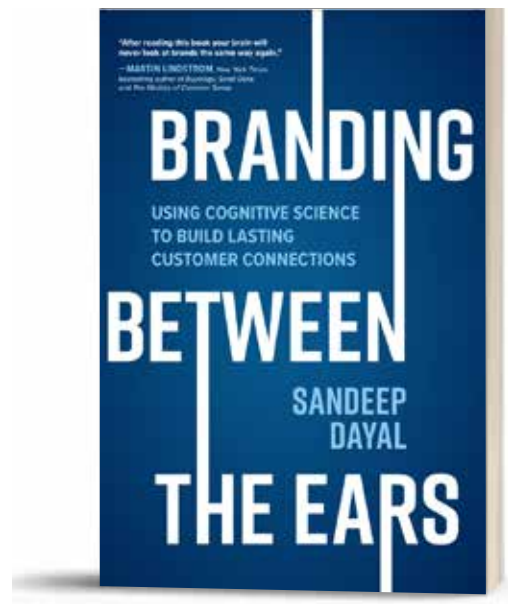
Here's what happens. Throughout our lives we go through a range of experiences and our brain sits there not only choosing, but also watching and learning. It knows which experiences it liked and disliked or which ones worked out well and which ones did not. Those learnings come in handy when in the future similar (not necessarily identical) choices must be made.

These rules are of the variety, 'keep things simple' or 'be happy with what you have'. These two specific rules, which many believe adhere to, are respectively referred to as the 'Occam's Razor bias' and 'loss-aversion bias'. Behavioural economists call learnings like these 'cognitive biases' because in certain circumstances they result in us making sub-optimal decisions.

But most of the time, in other situations, these rules serve us well and we use them extensively to make instant choices. They are thus part of our cognitive wisdom or belief system gleaned from a lifetime of experiences. These beliefs are hard to change. Marketers are well advised to go with the flow and design their brand positioning around these beliefs and not against them.

Thus, when a brand like Staples, which sells office supplies, comes and tells us that it is the big red 'easy button', we get it. They are the simple and snap answer, the Occam's Razor solution, to office supplies. It certainly beats doing a comparative spreadsheet on the tax and delivery fee adjusted prices of hanging file folders.

Scientists have discovered that 95 per cent of all choices we make are instantaneous, requiring little or no deliberation.



Building brands around beliefs and biases

So, what kind of beliefs and biases should marketers build their brands around? Simple! Use the following four vectors of what is called 'cognitive ease' in designing your brand message:

- 1. Make your brand feel familiar:** Brands that are aligned to things that we know well, feel familiar, and thus preferable. ACT II became the leading popcorn brand by claiming its microwaved kernels were just like their movie theatre cousin. Everybody already knows and loves that experience, don't they? So, by anchoring their product to the familiar theatre experience, ConAgra used the well-known Anchoring Bias to make their product a superstar.
- 2. Make your brand feel true:** When a brand feels authentic to us, we prefer it. RxBar, an energy bar, used what I called the Transparency Effect to make its breakfast bar feel exactly that. Look at the label for their Chocolate Sea Salt bar, for instance. It



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says right there - 3 Egg Whites, 6 Almonds, 4 Cashews, 2 Dates and ... 'No B.S.' In this age of know what you eat, doesn't that tiny list tell you all there is to know about what's in there? That is why the company went from the kitchen counter of a fledgling entrepreneur to a \$600 million sale to Kellogg's in just four years!

3. **Make your brand feel good to me:**

Brands that make you feel good about the choices you make, in turn, come to be preferred by you. Call it positive reinforcement if you will. Economists give this type of a cognitive bias the term Choice Supportive Bias. When Humira, Abbvie's \$20 billion blockbuster drug for rheumatoid arthritis, was first launched, it took care to emphasise not what the drug could do (despite being a miracle drug), but what the physician could do with it in its line "Look

What You Can Do with Humira!" After all it was more important to support the great choice the doctor was making by prescribing Humira.

4. **Make your brand the easy choice:**

Making decisions is stressful. So, this brand strategy is not about arguing that your brand is convenient, which you can do, say, by having a faster product or easier (one-click) buying process. Rather, it is about taking the stress out of choice. StitchFix recognised that for many people figuring out what kind of clothes they will look good in is anxiety laden. So, using a combination of an AI model and actual humans, they pick the clothes that will look great on you. You will get a new box of fashions at a frequency and style that suits you and if you don't like it, send it back. Why sweat it? StichFix is the favoured Occams Razor choice.

Luckily, psychologists and behavioural economists have already catalogued well over a hundred cognitive biases that are commonly seen in populations across the world. That treasure trove is a good place for brand marketers to go and try on ideas for size when designing or repositioning brands. After all, why reinvent the wheel.

In closing, I note that brands are not just built around beliefs and biases of the past. About 5 per cent of the time, we use a process of deliberation to make choices where we use spreadsheets to look at the cost benefits and logic to evaluate the pros and cons of choices. This is particularly the case when we face choices that are new and cannot be resolved with past learnings. It is also true when we face high risk decisions where the cost of a small mistake could be high. In those instances, marketers must work with consumers to help them view their choices carefully and form new learnings. ■



ABOUT THE AUTHOR

Sandeep Dayal is a marketing and strategy leader. He is author, *Branding Between the Ears: Using Cognitive Science to Build Lasting Consumer Connections*.



The act of innovation is both essential to success and largely misunderstood. Dr David Cutler, founder and CEO, The Puzzler Company, a Yamaha Master Educator, a Distinguished Professor at University of South Carolina, a member of the Liberty Fellowship and Aspen Global Leadership Network, and author of *The Game of Innovation*, offers an insightful glimpse into who is responsible for driving change and how to best achieve it.

**MYTH
BUSTER**

The truth about innovation

MYTH 1: Innovators are born, not made

Many people mistakenly believe innovators are born, not made. It is as if the heavens above opened up to decree, “Thou shalt be a brilliant innovator!” (And the rest of you? You are destined to a life of average, predictable normalcy. . .).

Every human being possesses the potential to dream big and collaborate creatively. True, some are more naturally inclined to question existing models and imagine alternatives. They have a knack for spotting opportunities where others find only obstacles.

But this aptitude is accessible to anyone. Strategies can be taught. Approaches can be learned. Like reading fluency or playing an instrument, excellence requires technique and practice. Over time, skilled inventors amass an ever-expanding toolbox of tricks to help them generate the remarkable.

Innovation is not just about genetic wiring. Everybody—including you and your team—has the capacity to cultivate this invaluable skill.

MYTH 2: Those who fail to innovate are closed-minded

Frustrated by the sloth-like pace of change that afflicts so many organisations, forward-looking colleagues often assume that lack of progress

stems from close-minded resistance. Those who fail to innovate must be inflexible opponents, little more than stubborn obstructionists responsible for their own mediocrity (and probably, ultimate demise). Because all it takes, this line of reasoning presupposes, is a willingness to try. Just jump in, and poof, the magic happens!

Certainly, there are instances of prickly stakeholders who stonewall any degree of change, no matter how small or necessary. These self-appointed defenders of the status quo are on a quest to thwart evolution at all costs.

But most employees are persuadable. Front row observers to an unpredictable world, they are well aware of the need for growth. They care about organisational success, and are committed to keeping it relevant and sustainable, at least theoretically. Under the right conditions, the vast majority of workers can be willingly transformed into an active army of change agents. The culprit here is not obstinance. Rather, it is a lack of skills, permission, authority, guidance, leadership. To turbo-charge an innovation train, it is necessary to optimise the culture and conditions.

MYTH 3: We are not in the innovation business

Some organisations value breakthrough progress above all else. The whole point is to achieve

game-changing disruption, radical reimagination, extreme differentiation, and then, do it all over again.

But many communities have a different calling. Their identity involves preserving history, maintaining excellence, embracing best practices. Focused on quality control and continuity, the future looks a lot like the past.

That is unfortunate. We live in a world that looks unfavourably upon those who fail to adapt. Factors like new competition, ground-breaking technology, shifting values, and ever-evolving trends ensure that no business, no industry, can be sustained without constant modification. Those who fail to meet the challenge head on are punished decisively with diminished relevance, or even extinction. Nobody is exempt.

Even healthy organisations benefit from creative, entrepreneurial cultures. Non-profits exist to address societal challenges while serving the common good. For profits, strive to break through the clutter while offering fresh value to clients. Many job titles describe a creative problem-to-be-solved: teacher, marketer, fund

raiser. In all these cases, extraordinary problem-solving is key to increasing impact and success.

It is difficult to imagine any successful organisation today that is not squarely in the innovation business. Those falling short need to get there soon or face the consequences.

Myth 4: We don't have enough money to innovate

Deep pockets of behemoths like Google and Apple allow them the luxury to fund constant experimentation. But us? We simply don't have the capital. A pervasive

belief argues that innovation is expensive, out of reach to those with limited resources.

The opposite may be true. There is often an inverse correlation between money and creativity.

It is difficult to imagine any successful organisation today that is not squarely in the innovation business. Those falling short need to get there soon or face the consequences.



Wealthy practices come to believe that throwing money at any problem is the indisputable remedy. “We need more customers; let’s spend more on advertising!” Yet obvious approaches—no matter how well-funded—are unlikely to adequately prevail over today’s complex problems, let alone catalyse remarkable results.

Cash-strapped teams, on the other hand, have no choice but to explore low-cost, high-imagination guerilla tactics. As a result, they are more likely to invent radical, buzz-worthy solutions. In fact, if success proves elusive with your current level of funding, consider how the dilemma might be solved with, say, 50 or 75 per cent less.

A lack of resources can be a blessing. Forcing uncommon exploration, it offers a potent key to breakthrough invention.

MYTH 5: Great leaders design innovative solutions

Organisations often hire leaders with the express purpose of driving change. So it is understandable why many come to believe these professionals are responsible for generating big ideas.

But this belief is flawed on multiple levels. For starters, it is unlikely that the boss—or any individual for that matter—will single-handedly invent all the best remedies. Furthermore, it turns out people don’t like being told what to do.



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Particularly when proposals are different from what they have always done before. Regardless of merit, top-down mandates are notoriously met with deep scepticism and resistance.

Here is some advice for leaders, and it may sound counter-intuitive: Don't be the idea person. That's not the gig.

Instead, focus energy on setting the narrative. Design and facilitate carefully orchestrated processes—I call them 'innovation GAMES'—likely to unearth cutting-edge proposals.

Determine which questions will be asked, in what order, for how long.

Come time to problem-solve, however, give power to the people, the creative geniuses across your community. Empower stakeholders to collaborate closely, dream big, and deliver the extraordinary.

The best GAMES are built in such a way that no solution is predetermined, yet promising outcomes are almost guaranteed. Better yet,

the experience is likely to cultivate healthy institutional buy-in and pride.

Great leaders are not mad scientists. Rather, they emerge victorious when transforming valued community members into engaged, proactive, innovation champions.

Speaker, author, consultant, and facilitator David Cutler is known for leading immersive "innovation GAMES." These powerful, team-based experiences have empowered business, arts, and education communities from around the globe to solve creative challenges while becoming better collaborators. In addition to being founder and CEO of The Puzzler Company, he is also an award-winning, multi-genre musician and Yamaha Master Educator. Cutler is a Distinguished Professor at the University of South Carolina, where he teaches innovation and entrepreneurship, and a member of the Liberty Fellowship and Aspen Global Leadership Network. **IM**



Leadership 101

Leadership is like gravity. You know it is there, you know it exists, but how do you define it? - Jamie Williams

The resource most in short supply of, in the corporate world (and indeed, in the world, at large, as well), today, is a steady supply of strong leaders and sound leadership.

'Leadership' is a critical term which needs to be clearly understood so that organisations of the future are able to withstand the extremely volatile, competitive, and uncertain business space. As global markets tend to be cyclic in nature, the organisation which the leader heads should be capable of withstanding all market conditions and the organisation should also be perceived in the wide spectrum of its customer base as vibrant and sensitive to evolving and ever-changing needs, at the same time, keeping the flames of the founder's philosophy alive at all times.



Have a close look at the two pictures below.

Now answer, which of these two pictures do you think depicts the image of a glorious leader? Did you select the silhouette image of the dashing man waving a sharp sword, sitting astride his horse? That man is an actor playing the role of a knight from a bygone era in a fictional film. That same man has also played the role of a murderer and a thief in other films.

He is an illusion. But unfortunately, a popular illusion, as far as the subject of leadership is concerned.

The image on the right is that of a truly successful corporate leader and a business hero. This simple, but smart, cultured, decent man with the clean-shaven look, sporting scholarly spectacles, and with well-combed hair; the one who looks like everyone's idea of a favourite, kindly uncle, is Lee Iacocca, ranked among the best American CEOs of all time. Through the force and power of his mercurial and inspiring leadership, Iacocca almost single-handedly brought about the turnaround of a dying, gigantic brand called Chrysler. (He is also the author of a brilliant book titled '*Where Have All The Leaders Gone?*')

What exactly is it that Iacocca did to establish his reputation as one of the best corporate leaders ever? He conceptualised, drove, and cemented a series of apparently small changes and tweaks in the organisational setting and environment,



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The visions of leadership with which we are furnished and fed with today are exaggerated, historical, and Hollywood and Bollywood inspired versions of heroes.

both through personal example as well as by initiating a culture of robust brand leadership through inculcating the right vision and values, demonstrating courage and valour, ultimately paving the path to Chrysler's victory in a highly competitive marketplace.

Unfortunately, the typical picture of a heroic leader which we carry in our mind would be that of a dashing warrior brandishing a sword and seated atop a charging horse. Or possibly, for the more contemporary-minded, the picture of leadership would be one of a man in a mask and a cape, swinging from skyscraper to skyscraper as he effortlessly wraps up entire gangs of evil-doers.

And it is this distorted picture that has done a lot of damage to the discipline of corporate leadership. In some primal, prehistoric part

of our brain, this is still the image we carry of what we expect a leader to be like; an Emperor Ashoka, or Alexander the Great, or Napoleon Bonaparte, or King Arthur; or Superman, or Batman, or perhaps, even Spiderman.

Somehow most of us tend to associate leadership only with dashing action, not with contemplative thought and sound decision-making.

The visions of leadership with which we are furnished and fed with today are exaggerated, historical, and Hollywood and Bollywood inspired versions of heroes. And it is these visions with which we are fed so often, and which we have digested so readily, which have distorted our picture of reality.

For the world in which we live and work, the less glamorous and dashing (yet far more effective and productive) leader, the one who converts scarce resources into innovative



ABOUT THE AUTHOR

Cyrus MR Gonda is a thought leader, best-selling author, and a leading trainer in the areas of customer experience, communication, leadership, and selling skills.

products and services of high quality, satisfying and hopefully even delighting customers, generating reasonable, and more importantly, sustainable profits, creating meaningful jobs and careers, earning the admiration and loyalty of all stakeholders, and achieving all of this ethically without attempting to 'bend the system' is the leader towards which most of us should aspire becoming in our corporate careers.

And no better example of this brand of leader than J.R.D. can be found as an inspiration to us all.

We are today attuned through a barrage of media coverage to view the cult of 'celebrity CEO' and the 'big brand' that he represents as being larger-than-life; meant to subdue and overawe, rather than to motivate and inspire.

But such need not be the case.

In fact, the most sustainable and rock-solid organisations are the ones which are led by leaders who are humble, who have a large heart and a razor-sharp mind to match it, and who view themselves not as celebrities to be glorified and idolised, but as men with an important job to do and who focus on that job and do it well.

The most dangerous leadership myth is that leaders are born—that there is a genetic factor to leadership. That is nonsense; in fact the opposite is true. Leaders are made rather than born. - Warren Bennis (leadership guru)

So wake up. You, too, can be a leader. Develop your leadership skills and take up a leadership position. The world needs you. **IM**

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She shapes tomorrow

Sustainability. Corporate responsibility. Business purpose. Social responsibility. Call it what you like; competent boards can no longer afford to put ESG—environment, social, and corporate governance—issues on the back burner.

Not long ago, these subjects—ranging from freak weather events to demands for a higher minimum wage and the diversity of board members—were widely considered to have no place on a board agenda. Now, however, directors ignore them at their peril.

The concept of ESG (environmental, social and governance) and sustainable investing has been around a while, but it has taken time for it to enter into mainstream discussions. That moment has arrived now. ESG is all the rage in both the institutional and retail investment worlds, with more and more investors looking at how we can use our investment decisions to bring about positive change in the world.

The good news is that this mainstreaming of sustainable investing is increasingly welcomed with open arms. That said, we still have miles to travel and challenges to overcome—particularly when it comes to fully activating retail investors. However, as we look ahead, one of the most

significant and exciting trends points to the role that women are playing in driving ESG and sustainable investing forward. Female investors are potentially the game changers in the field and are driving whole-scale change in the investment landscape.

Sustainable investing defined

Sustainable investing is a discipline that considers environmental, social, and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

Various other terms, such as responsible or impact investing, even ethical investing, are often used. While there are nuanced differences, it is fair to say that the commonality is to achieve positive change, invariably with a social or environmental dimension.

Most big investors now believe sustainable investing is good risk management, leveraging the practice to help manage risk in uncertain times. Just take a look at what has happened since the COVID pandemic swept the world in 2020. Initially, many sustainable investors held their collective breath, collectively fearful of what it would mean for its impressive growth. But the worse did not happen—in fact, it turns out that companies and funds that manage sustainability risks better also manage other risks better. These

companies and funds tended to outperform their peers through the fallout of the pandemic.

Why are women the potential frontrunners?

Increasingly, women are creating, controlling, and influencing a huge amount of wealth. As investors, women's proportion of private wealth is growing, with this trend set to continue at speed. At the same time, many women care about where their money is invested.

It is true; we have overwhelming evidence that women are highly motivated to think about impact and non-financial returns in their investment and financial decisions. Research surveys from across the world consistently report this finding. For example, research from Moxie Future found that 83 per cent of the women surveyed care about where their money is invested and 69 per cent of women feel a sense of urgency to invest sustainably.

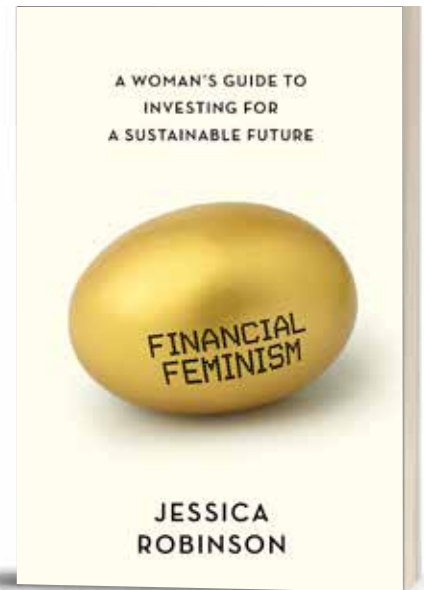
Unleashing the power of financial feminism

This is where financial feminism comes in to play. Of course, financial feminism is about the financial equality of women, reflecting the harsh reality that many women face huge financial gaps in comparison

to men—from the pay gap (where women earn less than men) to the investing gap (where women are simply not investing as much as men, resulting in a financial shortfall in later life).

But financial feminism is not just about women earning and investing on a par with men. Rather, if we recognise how women are engaging with ESG and sustainable investing, financial feminism also represents the opportunity for women to use their financial power to build the kind of world that they want to live in. Sustainable investing presents them with a lever of change and one that

The financial industry has not done a great job at connecting with its female clients. Many women report feeling disengaged from personal finance, less confident about managing money, and often patronised or talked down to by financial advisors.



women across the globe are seeking to use as they become increasingly financially empowered.

For proponents, understanding these emerging investment needs of female investors is critical to moving capital at scale towards sustainable companies and assets. As women increasingly own more of the world's private wealth, the potential for sustainable investing's trajectory is massive. What we need to do now is determine what action must be taken to support women on their ESG and sustainable investment journey.

So with this momentum, what is holding women back?

Unfortunately, the financial industry has not done a great job at connecting with its female clients. Many women report feeling disengaged from personal finance, less confident about managing money, and often patronised or talked down to by financial advisors. In part, we need to encourage more women to work in the industry itself. Better gender balance is critical because diversity of thought, experience, and action are

With women now owning over a third of the world's private wealth, their direction of travel has the potential to completely reconfigure the investment industry.

core components of what the financial services industry needs to be fit for the future. This includes being more closely aligned with the needs of female clients such as offering more ESG products and services.

We should also consider how we communicate with women about investing, given that many hold the self-perception that 'investing is not for them'. This is no surprise when you look at the way that both the industry and mainstream media communicate with women about money. Research indicates that we often portray women as excessive spenders, in need of guidance to help them save and restrict. Perhaps, knowing that many women want to consider the impact of investments, we should reflect this in our media and advertising.

Looking ahead

One good thing to come out of the pandemic is that many women are more focused on their financial futures. For example, a survey on

women and money¹ from UBS found that 63 per cent of women felt that COVID has affected how they think about money, and they're more likely to discuss issues such as financial reviews and investing with their spouses and children. In a study by Fidelity Investments², 67 per cent of women interviewed said they were more engaged in managing their money and have expanded their efforts to help shore up their finances.

Reflecting on this trend, and with women now owning over a third of the world's private wealth, their direction of travel has the potential to completely reconfigure the investment industry. For female investors, through driving capital towards the companies and sectors they want to succeed, as active, sustainable investors, women are asserting their view on what the world should look like—cleaner, fairer, equitable, and sustainable. **IM**

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ABOUT THE AUTHOR

Jessica Robinson is an expert on sustainable finance and responsible investing. She is author, *Financial Feminism: A Woman's Guide to Investing for a Sustainable Future*.



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Covid-19 pandemic has shown us that we can live with a lot less than what we are currently consuming. All we need to do is get into this habit.

♦ KRISHAN KALRA, CLIMATE PROJECT FOUNDATION INDIA

SUSTAINABILITY

Stepping into tomorrow

Notwithstanding the dreaded, unpredictable, and spiralling Covid-19 pandemic—which has already played havoc and continues to inflict tragic loss of lives and livelihoods—India continues to march forward on almost all fronts and gives us some reason to celebrate the dawn of 2022. One can see many path-breaking happenings in all facets of life. Let me start with the corporate and industrial world, where joint efforts of the government and private sector have resulted in admirable progress.

The first thing that comes to my mind is the government's decision to finally make a start on the much delayed and extremely challenging task of making semi-conductors, the little chips that are at the very core of several, crucial industries like automobiles, consumer durables, mobile phones, IT industry... anything that uses electronics! The ₹76,000 crore sanctioned for the sector under PLI scheme is bound to give it a kick start and garner private investment in the range of ₹3 to ₹4 lakh crore. It is a very high tech, difficult, and costly venture, but we just cannot stay away from it any longer. This crucial field—once the monopoly of Intel and other such

American companies is currently dominated by China, and we cannot continue to depend on that source.

Secondly, the announcement by Arcelor Mittal Nippon Steel, the world's two largest steel makers, to jointly put up a 24 million ton mega steel plant in Odisha is another great news. The fact that this plant will use green technology and produce high value added special steels is the icing on the cake. Such a large plant will generate thousands of new jobs. It is also bound to contribute significantly to, arguably, the two biggest challenges the world faces today - climate change and social inequality. Add to this the expansion plans of Sajan Jindal targeting 18 MTPA in Karnataka and already having another 10 MTPA in Maharashtra, Tata Steel at around 20 MT... our capacity is now well over 100 MTPA that makes us second largest in the world. Even though China's 1.2 BTPA dwarfs us but our progress is quite impressive. Same story with Cement - capacity over 400 MTPA. Interestingly, in both these vital sectors, private sector has an overwhelmingly dominant share. Both semi-conductors and the proposed AM/NS mega steel project are huge steps towards 'Atma Nirbhar Bharat'.

Another area that has shown admirable progress is Renewable Energy. Egged on by our bold pledge, at the 2015 Paris Climate

services. Hospitals saw a decline in planned surgeries and regular health check programs.

Work from home led to 'remote working' from all parts of the country, and it is good to learn that tier 2 cities like Bhubaneswar, Kochi, Chandigarh, etc. are now commanding salaries almost at par with those in the metros—this is good for (a) reducing inequality; (b) lesser migration; and (c) in the long run, improving quality of life in smaller towns.

Another significant gain was the boom seen in the start-ups arena. Many of these quickly became unicorns. We have witnessed brilliant new start-ups emerging regularly, attracting huge funds from all over the world, and some of them growing really big. Many of these are engaged in 'socially oriented ventures' like organic and hydroponic farming, water and energy conservation, commercially viable water desalination, solutions for stubble burning pollution issue, and many others.

As some scientists have opined, after the present Omicron peaks, the dreaded Covid-19 pandemic could be on its way out. Naturally, everyone is looking forward to getting back to some sort of normalcy in their lives and work. Most of us are hoping that the so called 'New Normal' will free us from all restrictions on travel, socialising, work, shopping, entertainment, cultural events, sports, et al and we will once again get back to business as usual. Sadly, it is not going to be so. We seem to be missing out on one of the crucial factors that has brought us face to face with the cursed infection and no one is sure if that will disappear with the universal vaccination drive. Sir David Attenborough, world renowned environmentalist has beautifully explained the relationship between the pandemic and the other much debated subject of 'Climate Change'. In an engaging short video he puts it down to the phenomenon of 'the human race encroaching upon the space meant for animals, birds, reptiles, insects, and other species'. Man's seemingly insatiable appetite



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for more seems to be at the root of all this. His documentary *A Life On Our Planet* has jolted the world into realising that our planet is dying by our hands and set everyone thinking how to slow down and stop this suicidal act of humanity. My own take from the film is 'we must learn to live with less'. For a start, we need to look at our own homes. Most of us have become impulsive buyers without ever thinking whether we need the stuff? Happily the corporate world seems to have learnt a lot in this department. With COVID came the concept of WFH and lot of companies have discovered the merits of this. People work flexi hours, they save time spent on commuting, and they don't have to dress up for office, they can help with household work, and spend more time with the family...there is seemingly no downside to this. Our drive to increase capacity of renewable energy - already amongst the fastest in the world - will continue. At the same time our agriculture has to transform too. We can't carry on with the hugely inefficient irrigation systems and water guzzling crops which we don't even need. Environmental degradation and lack of inclusivity—the two biggest challenges before the world—will most likely be addressed by the corporate world as they move on with life in the post-pandemic era. Our New Normal will and should lead us to a better world; and 2022 will be just the beginning! 



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Rising above

The Covid-19 pandemic has thrown tremendous challenges at Indian corporates, resulting in certain intricacies in their various fronts. Our article highlights these complexities and proposes some measures to tackle them.

The world has been facing an unprecedented challenge due to the outbreak of Covid-19 pandemic, since the last two years. The pandemic has posed grave threats to countries in terms of health and safety as well as the lockdowns that brought, and are still bringing, social and economic life to a standstill. It can be compared to the Great Depression of 1929; but the fact remains that the Great Depression did not affect production units, whereas in case of the Covid-19 pandemic, a lot of these have either been suspended or have downsized their operations. On an average, 85 per cent of the business operations are done through physical purchasing cycles which have been potentially disrupted during this pandemic period. India is no exception, with various economic indicators disclosing a rise in unemployment to unprecedented levels along with a drastic fall in real GDP growth to a record low level of -24.4 per cent in the first quarter of the financial year 2020-21. This huge loss of job and income has

resulted in a major drop in aggregate demand in India. So, the Indian economy has been hit hard by the Covid-19 pandemic-driven global crisis. Ever since the country-wide Covid-19 lockdown was implemented, on March 25, 2020, India has not been able to all the curbs imposed as a result of the lockdown.

Under the present circumstances, the intricacies leading to uncertainty of the company's capability to generate operating earnings as well as the possibility of failing to meet contractual obligations have resulted in significant changes in the profile of corporate business and financial risks. The business risks emanated from economy-, industry-, and company-related factors are translated into economy risk, industry risk, and company risk. Inflation has gone up significantly. As per the reports published by the National Statistical Office (NSO) under the Ministry of Statistics and Programme Implementation, Government of India, the average annual retail inflation rate (as reflected in the Consumer Price Index) in February, 2020 as compared to February, 2019 was 3.6 per cent which stepped up to 4.2 per cent, 4.9 per cent, 5.7 per cent, 6.3 per cent, 6.93 per cent, 7.34 per cent, 7.27 per cent, and 7.61 per cent in March, April, May, June, July, August, September, and October, 2020 respectively. Similarly, the wholesale price-based

inflation between April, 2021 and April, 2020 was 10.49 per cent whereas those between May, 2021 and May, 2020; between June, 2021 and June, 2020; and between July, 2021 and July, 2020; they were 12.94 per cent, 12.07 per cent and 11.16 per cent respectively. It was the 12.54 per cent in October, 2021 which spiked to a record high of 14.23 per cent in November, 2021. A wide fluctuation in the foreign exchange rates in this abnormal situation has also been observed. There have been noticeable changes in the framework of restrictive regulations. The Government of India, Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and even the Institute of Chartered Accountants of India (ICAI) have taken some initiatives to recast their rules and regulations. The RBI issued certain regulatory measures in the wake of the disruptions on account of the pandemic in order to provide relaxation of repayment pressure, enhanced access to working capital by liberalising the debt serving burden,

and ensure the continuity of viable businesses. However, these measures were implemented for a short period of time from March 1, 2020 to August 31, 2020.

As per the recommendations of the Kamath Committee, the RBI also specified five financial ratios, such as total outside liabilities to adjusted tangible net worth ratio, total debt to EBITDA ratio, current ratio, debt service coverage ratio and average debt service coverage ratio and sector-specific thresholds for resolution of COVID-related stressed assets in 26 sectors including auto components, aviation and tourism. RBI issued December 4, 2020 the Statement on Developmental and Regulatory Policies for improving liquidity support to targeted sectors of the economy with linkages to other sectors, conserving capital among banks and NBFCs through regulatory initiatives, strengthening supervision through the audit function, facilitating external trade by improving ease of doing business for exporters, upgrading



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Due to wide dispersion of foreign exchange rates and interest rates, acceleration in the financial risk associated with the Indian corporate sector has been noticed in the present day situation.

payment system services etc. RBI also eased lending and restructuring norms for all stakeholders, especially for MSMEs to tackle the second wave of the pandemic.

Similarly, SEBI has issued from time-to-time certain circulars/guidelines relating to the relaxations from compliance with certain provisions of the SEBI guidelines. Some

noticeable ones are the circulars relating to relaxation from default recognition due to restructuring of debt issued on August 31, 2020, the circulars associated with relaxation with respect to validity of SEBI observations, and revision in issue size issued on September 29, 2020, the different circulars in connection with relaxation in timelines for compliance with regulatory requirements issued on October 1, 2020, December 1, 2020, December 31, 2020, April 29, 2021, the guidelines for investment advisors issued on September 23, 2021 etc.

ICAI has also identified the possible impact of the pandemic and made relevant modifications in the different

accounting standards resulting in notable changes in inventory measurement, impairment of non-financial assets, different issues such as impairment losses, fair value measurement and hedge accounting associated with financial instruments, leases, revenue from contracts with customers, going concern assessment, borrowing costs, presentation of financial statements, interim financial reporting etc.

So due to significant changes in economic environment gleaned from the pandemic, the economy risk associated with the corporate sector in India has stepped up noticeably. Similarly, factors affecting the industry have also changed rapidly with the passage of time, leading to considerable hike in the degree of industry risk associated with the companies in this adverse situation. The company-specific factors, such as cost structure, asset structure,

efficiency of employees, skill of workers etc, which directly influence company risk have also been adversely affected in this abnormal phase. Moreover, company risk is indirectly affected by certain economy-specific factors and industry-specific factors. Thus, increase in both economy risk and industry risk coupled with negative impact on company-specific factors has resulted in an upward trend in company risk in the Indian corporate sector. More specifically, the increase in weaknesses on the company's different fronts, such as instability in cost behaviour pattern, dispersion of revenue generating capacity, variability in short term obligation meeting capability leading to cost structure risk (CSR), capital productivity risk (CPR), and liquidity risk (LR) is responsible for increase in company risk. A tremendous volatility in the costs of materials, labour, and other inputs used in running business wheel leading to a hike in CSR in the Indian corporates has been observed during the pandemic period.

Similarly, a swelling in instability in revenue generating capability of the corporates resulting in an escalation in their CPR has been noticed during this adverse situation. The LR in the Indian corporates is not an exception. Drastic fall in demand, erratic behaviour of the curves representing costs of inputs as well as price of output, massive fluctuation in revenue generating capability, all have resulted in a surge in instability in companies' short term obligation meeting capability. A clear upward trend in the LR has, therefore, been evident in the Indian corporate sector during this abnormal period. So, all the components of company risk, industry risk, and economy risk have stepped up significantly leading to a remarkable rising trend in the business risk associated with the Indian corporates in the present day situation.

Financial risk, which emanates from the financing decision of the company, is influenced by not only the sources used for the creation of the pool of funds but also the volatility in foreign exchange rates as well as interest rates. Thus,



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Appropriate measures should be taken by both the Central and State governments for improving such vital economic indicators which would ultimately help in bringing back the consumer confidence.



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due to wide dispersion of foreign exchange rates and interest rates, acceleration in the financial risk associated with the Indian corporate sector has been noticed in the present day situation. Moreover, the high-high blend of business and financial risks culminating into the multiplicative impact on the risk profile of the Indian corporate sector has been observed during the Covid-19 era.

Concluding remarks

One of the major contributory factors for massive fall in aggregate demand in the Indian economy during pandemic is the mammoth decline in consumer confidence, which has ultimately enhanced instability on all fronts of the corporates leading to considerable growth in different components of risk. Though a significant drop in COVID cases has been observed in the last few weeks in India, the level of consumer confidence has not improved as the general economic condition has continued to remain grim as per the report of the survey conducted by the RBI in May, 2021 (published on June 4, 2021). As per this survey report, the Future Expectations Index (FEI) measuring consumers' perception of the economy in May, 2021 has been 96.4 while it was 97.9 in May, 2020. In fact, an FEI score below 100 indicates the consumers' pessimism. Thus, consumers were pessimistic in May, 2020. The FEI has returned to optimistic territory in July, 2021, but the consumer confidence has not been able to reach a satisfactory level.

The values of FEI in India in July, 2021, September, 2021, and November, 2021 have been 103.98, 107, and 109.6 respectively which are far below the average FEI (ascertained by taking 55 observations) for the period December, 2010 to November, 2021 (118.6). It is also to be noted that in March, 2019 (i.e. just before outbreak of the Covid-19 pandemic)

the FEI in India was 133.4. Weak confidence has been attributed to the consumer sentiments on general economic situation, employment scenario, price levels, and household incomes. So, appropriate measures should be taken by both the Central and State governments for improving such vital economic indicators which would ultimately help in bringing back the consumer confidence. Similarly, for exercising control over company-specific factors of business risk in the present day situation, the corporates should put emphasis on the adoption of suitable strategies. The corporates should redesign their cost structure to bring stability in cost behaviour pattern and to control CSR. Similarly, CPR should be minimized by adopting pertinent measures to mitigate volatility in revenue generating capability and LR should be controlled by making necessary changes in working capital policy. In order to exercise control over financial risk in this adverse situation, the Central Government should look into the matter relating to fluctuations in foreign exchange rates as well as interest rates to maintain stability as much as possible and at the same time the corporates should redesign their capital structure in such a way as to minimise the possibility of failing to meet contractual obligation and bring stability in income available to owners' equity, which will ultimately resist in amplifying the degree of financial risk associated with the corporates. ■

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