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Innovating business models

Serving non-traditional markets through innovation is success too

In the business world, success often has traditional measures such as revenues, profitability and share prices. While businesses do need to make money to be self-sustaining and create wealth for the owners, success can have other indicators too. Sometimes, success needs to be seen through lenses beyond profit maximisation. Serving non-traditional markets or consumers with limited means or significant unmet needs through innovation, is also a success. Three powerful business models in diverse areas which have redefined success are the Aravind Eye Care System, the Tata Nano and the Acumen Fund.

Aravind, a non-profit enterprise, is committed to the eradication of needless blindness in India. Started in Madurai, it has now spread, not only in India, but other developing countries. By focussing on the work flow and designing the surgical procedures in an assembly line fashion, Aravind has dramatically improved 'throughput'. All its staff members have access to the latest technology and computer-aided networks to ensure that all facilities are ready not only in time but also with seamless flow, again contributing to the efficiency of its entire surgical line.

Aravind has also used a 'Robin Hood' kind of model of serving the poor patients by generating surpluses from its paying customers. While it does not differentiate among patients, it offers various ancillary services like private rooms, air conditioning and other frills to those who are willing to pay for it. This allows it to subsidise the services for its poorer patients. More than half of its surgeries are free! And it still delivers an impressive financial performance. Last year, Aravind had a top line of close to \$20 million with an operating cost of \$10 million. Its standardisation and innovation of processes, underpinned by a strong organisational culture of caring for the patient, and its larger social commitment has made it the icon it is.

Acumen Fund, a non-profit organisation founded by Jacqueline Novogratz, has also been inspiring. The organisation believes that the principles of capitalism can be applied to solve some of society's most difficult problems. Novogratz has brought the discipline of private equity in creating value for investors through focussed execution to

the business of serving the poor through the Fund.

Acumen invests equity and debt financing into organisations (usually for profit), providing products and services for the poor. No service or product is provided free – this ensures that the quality of the product or service is high and is valued by the customers. However, the returns may not be as attractive as pure capitalism and the gestation periods may be longer. Yet, it makes healthy money, even as its funding practices build sustainable organisations, recycling its capital to serve even more. This form of financing, innovative in its credit risk assessment and disbursement, is good business but also socially responsible.

The Tata Nano story is familiar to most of us. Tata Motors recently launched the Tata Nano at the unbelievable ex-factory price close to Rs100,000. Motivated by the purpose of providing safe and affordable transport to a large number of people, who currently use two-wheelers for transport in India, Ratan Tata has not only kept a promise but has also redefined the automobile industry. The idea was audacious but delivering the promise has been innovation at its best. And most of all, it has convinced us yet again that we can dream. And deliver.

Dr. Reddy's Laboratories (DRL) too has defined the purpose of its business around affordability and innovation. The high cost of many medicines puts them out of reach of the millions who need them. DRL's generics business, supported by its pharmaceutical services and active ingredients business, provides high quality, lower-cost alternatives to expensive drugs, bringing hope and health to many. On the other hand, through innovation in science, technology and processes, its proprietary products businesses work at providing solutions to some of the unmet medical needs that the world is struggling with.

All these models reflect some common threads. They address a significant unmet need in society; are breakthrough innovations in their cost structures or product offering and are financially viable. Combined with the power of a meaningful purpose and the passion of people behind them, they have truly defined what success for an enterprise is. ♦