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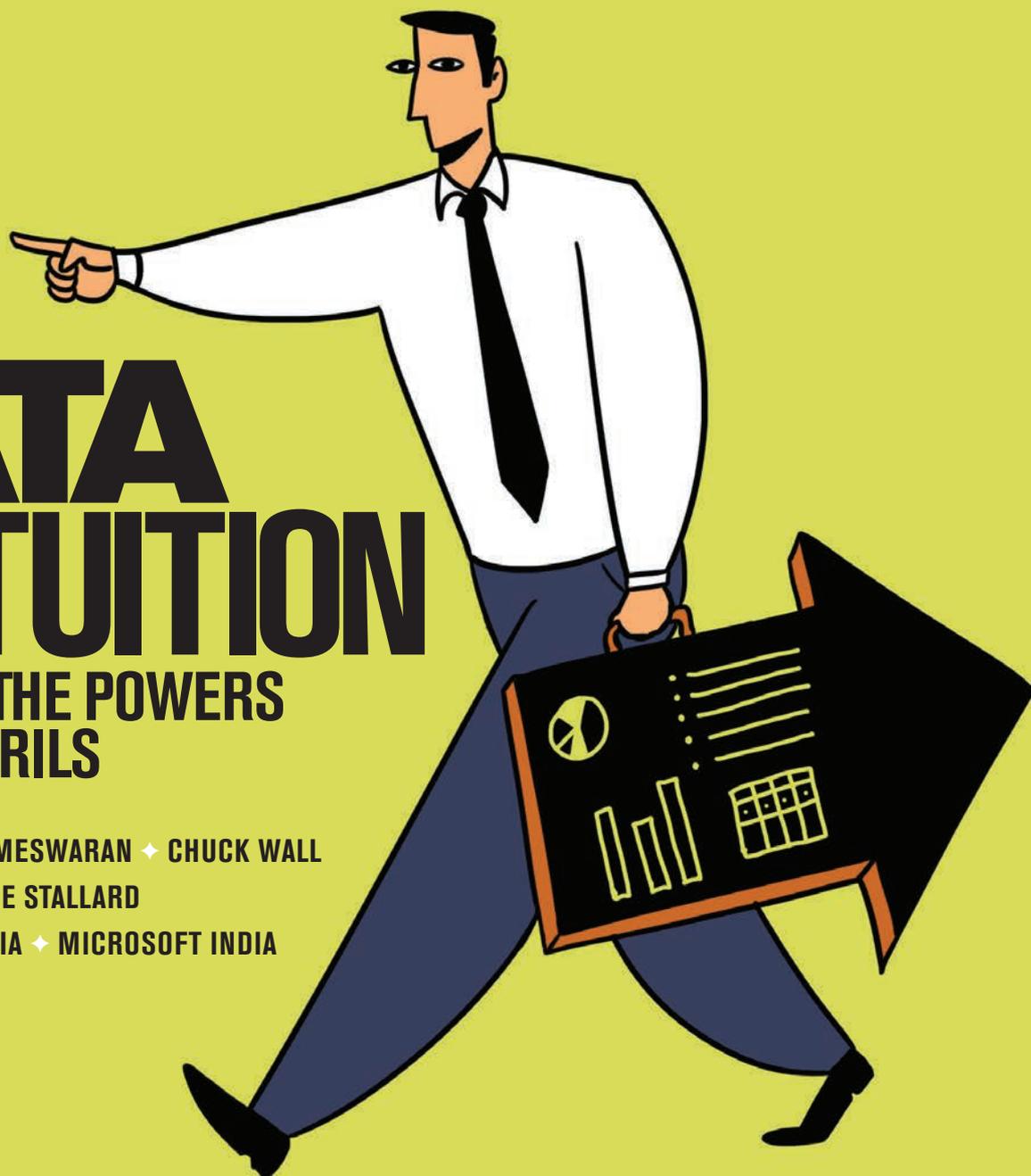


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DATA AND INTUITION

KNOW THE POWERS
AND PERILS

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DR. JAGDISH SHETH

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SCHOOL OF EMORY UNIVERSITY.

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“Affordability, accessibility the new platforms for academic entrepreneurship”

Dr Jagdish Sheth's has been a life strewn with unexpected twists and turns; a palpable pattern of unpredictability shaped his career too. He opted out of the family business in India, gained a Ph.D. in behavioral economics from the University of Pittsburgh, and took up teaching assignments at some of America's best universities. His autobiography The Accidental Scholar, aptly titled so, captures this remarkable journey.

In an exclusive interview with The Smart Manager, the prolific author talks about the treasure trove of opportunities that America offers, the evolving phenomenon of easternization of the world, and the need for business education to adopt a new paradigm. Anitha Moosath and Poornima Subramanian engage him in a chat.

In the preface to *The Accidental Scholar*, you have said that no nation on earth provides an opportunity to achieve one's potential as much as America does.

Could you explain the thought behind this observation?

Respect for every job, and equality across occupations are the hallmarks of American culture. The country has two ways of getting more potential out of you. It engages you in a game of survival, with absolutely no safety net; if you survive in that, you build a strong character, and this motivates you to find dignity in any job. One's profession serves as a great equalizer there, unlike in India where certain occupations are considered taboo. Also, if you are good, there is a strong merit system as opposed to a seniority system; if you perform well, they go out of their

way to speed up your progress, and this motivates others too. That is the way their society is organized, and that is their belief system. However, the system is unforgiving if you do not perform; it does not tolerate incompetency and lack of work ethic.

How would you rate the Indian scenario in this regard?

Firstly, more opportunities are coming up in India, and there is much scope for realization of the immense talent that is now available in Tier 2 and Tier 3 cities. An interesting example could be perhaps Bengaluru-based TutorVista that offers foreign students science and mathematics lessons online.

Secondly, the economic scenario has changed drastically with the reforms introduced in 1991. Nobody would

have imagined then that we could create 150 thousand millionaires in twenty years; this kind of unprecedented wealth accumulation at a relatively young age has never happened earlier.

Thirdly, there is enormous interest especially in the academic world to become a nation of not only knowledge dissemination, but also knowledge creation. The rise of China in the academic world too has made us aspirational. The race between China and India is quite healthy for us; it is like two great athletes in a marathon race.

In which aspects could India emulate the US?

The Rudyard Kipling saying—East is East, West is West and never the twain shall meet— does not hold relevance any longer. Easternization of the world is happening in a big way, across all fields. Hence the ultimate model of emulation would be a fusion of the East and the West.

The education system, for instance, should involve a fusion of the western as well as eastern approaches. We should see how relevant western education is, and how it can be contextualized for us. The western approach supports questioning, debating, and being interactive in the classroom; but a strong foundation has to be laid in order to come out with alternate perspectives, and engage in debates and discussions. I strongly believe that rote learning is absolutely necessary in early childhood. That is the time when you should just learn, and not question. The ultimate solution lies in a fusion of the East and the West, and that is what the Chinese are doing; the Japanese too have not fully adopted the American system, and Europeans still resist it.

Why do you consider entrepreneurship as a prerequisite for being a successful scholar?

If you are in the knowledge creation business in the academic world, then you are an entrepreneur in the following ways:

As an academic, you may make a discovery; but to test it, you will

have to raise money on your own because the institution will not do it for you. This is similar to entrepreneurs raising money by drafting proposals and business plans. Secondly, just hard work is not enough. You need to be good at networking too. Thirdly, academics should leverage their resources, including students and researchers, just as entrepreneurs would. Also, in the academic world, you become well-known not because you publish a paper, but when you offer lectures—when you are going out and selling yourself in some fashion like an entrepreneur does.

I have pointed out in *Chindia Rising* that if necessity is the mother of invention, affordability is the father of innovation. You need not have the best in class; it is good enough if you can reach the masses. Affordability and accessibility are the new platforms for academic innovation or academic entrepreneurship.

What is the premise of the Howard-Sheth theory of buyer behavior?

The first thing we did was to question the economic thinking that consumers make choices, and they arrive at their decisions rationally. The rational choice model says that consumers evaluate the pros and cons and then make a choice.

We questioned both these assumptions. We said that consumers do not make choices; they reduce choices.

They learn over a period of time, and the choices get reduced through habit formation that results from learning, reinforcement, and trial and error.

We built a model of ‘the psychology of simplification’—if the world is offering too many choices, we need to simplify it, especially in the case of products like toothpaste or shampoo

that we keep buying again and again. From the point of view of an economist, this could be bad, irrational, and emotive; but we feel that human beings are rational in reducing choices and it is good to emotively bond with a brand.

We held that satisfaction is a key



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factor, and that advertising, if it is just persuasion, would not work well. What works well would be reinforcement after one makes a choice, which is a totally different paradigm. It is a complicated theory that we designed, but it became foundational thinking.

As far as the Indian market is considered, 70% consumption is of unbranded products. So converting unbranded products into branded is a great opportunity. The notion of choice reduction may not happen for a while, but consumers will become loyal to the brands despite the variety. ‘Think local, act global’ is the next major opportunity for Indian brands. The diversity of local production and consumption is so vast in India; a local idea can be used to succeed globally. Dabur and Haldiram are good examples of homegrown brands that have become powerful abroad.

Also, a consumer growth economy is taking shape in India. Brand new markets are being created because of changes in the social scenario.

Do you feel that management education curriculum should evolve to suit changing trends and needs?

I think the MBA degree was designed strictly for engineers so that they understand the business vocabulary, but today’s MBAs are a diverse group of students. Hence there is a need to revamp our MBA curriculum. It should not be driven by regulation, but by accreditation. And accreditation must be a development process, not a compliance process.

Highly specialized MBAs will be the only ones that would survive. A university or a college should specialize in 2-3 subjects—like XLRI specializing in HR, or MICA in advertising and communication; you segment the market in such a way that you do not compete even. India allowed too many business schools to come up in the name of privatization, but many have been shut down now.

There is also the need to introduce a liberal arts-based business education spanning four years, two years

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comprising just liberal arts. To ensure that a manager does not become autocratic, and adopts a humanistic approach, it is necessary to teach him subjects such as literature and philosophy.

How would you envisage a business school of the future?

One is to ensure that there is a combination of both cognitive and clinical or experiential learning. It has to be modeled on medical education, which comprises two years of foundational knowledge and three years of dealing with patients.

The other major change should involve introducing MBA programs that specialize in subjects such as HR and strategy. In India, two developments are likely—you will get more skills-based education, as in the community colleges of America; also, a significant number of foreigners are going to arrive. The world's topmost universities are going to establish campuses here, which will have a huge impact on both growing the market and rationalizing inefficient, not-so-good institutions. Another major paradigm shift lies in competition from corporate universities, who would offer their own MBA programs.

A sense of intuition seems to have triumphed over reason and cognitive debate on many occasions in your life. What is the role intuition can play in a world of big data and analytics?

Interestingly, it plays a critical role. Most of the feedback you get on social media is from users talking about their experience; these comments are emotive, and not cognitive. This is a powerful paradigm and it is going to become mainstream. It is different from what we have studied, which is data, numbers, and crunching. There is a different way of analyzing and organizing Facebook posts or Twitter messages; they are like weak signals, which have to be codified to form an image. We will have

to put cognitive and rational thinking in the backburner for about a decade at least. It is always a cycle—you have a rational cycle, and then an emotional cycle. Right now, it is the world of emotions rising, which is why behavioral economics experts figure among Nobel Prize winners.



You have said that one's reputation rests on thought-provoking books, regardless of how many research papers one has published. What made you come to this conclusion?

I believe that you make your identity through books; for instance, Adam Smith is not known for the articles he wrote, but for *The Wealth of Nations*. And it is always better if it is just one author, and not many.

Thought-provoking books, unlike journal publications, offer you a lot of academic freedom. Also, empirical evidence does not seem to be as exciting to people as thinking, thought, and perspective. *Clients for Life* dealt with how to become a trusted adviser,

and *Chindia Rising* highlighted how India and China are learning to cooperate with each other when the world wants to divide them.

I like new paradigms. When I feel that existing knowledge lacks something, I try to create something different maybe through learning, thinking, and research—whether it is right or wrong, true or false. If it is not true, it is not necessarily false; it is then some other truth, which is a different way of thinking. ■

To ensure that a manager does not become autocratic, and adopts a humanistic approach, it is necessary to teach him subjects such as literature and philosophy.
