

BRIEF SUMMARY OF ANTI-FRAGILITY

The principle of Antifragility outlined by Nicholas Taleb has huge learning value when it comes to understanding how can we as individuals and as businesses gain from disorder. Mahindra War room as it celebrates its Season 10 brings to you a new paradigm where looking at businesses through this lens, we believe, would add tremendous learning perspective to you as a team and also benefit the Mahindra Group Hugely. So happy reading , learning and leveraging.

Lesson 1: Fragile items break under stress, Antifragile items get better from it.

We all have come across boxes with the label 'Fragile' and 'Handle with Care' in our lives. There isn't really a word that describes things that are the opposite of fragile. We can probably think of 'robust' or 'durable' but that means it can resist shocks better than the fragile items, not *benefit* from them. Now we have a word for it - it is **Antifragile**. *Antifragile items get better, not worse, when put under pressure. An example of this is the fight of Hercules against Hydra - every time Hercules slices a head off the Hydra, 2 grow back. Hydra was antifragile.*

Lesson 2: An antifragile system is made of many fragile parts.

The process of evolution is antifragile. We have evolved from our ancestors based on genetic features and traits, which have helped us, survive and succeed. But every individual species is usually fragile. Every human being and animal can, and do die. Because the system uses life and death as indicators of success and failure, the evolution of species is antifragile. The success and failure of the parts gives important feedback for the system as a whole, and allows it to get better in chaotic circumstances. An example of this is the way human hands were built. They were not always built to handle tools so well. Through evolution it became apparent that the more advanced our hands got, the longer we could survive. Eventually, our generic code got morphed to include the incredibly refined hands we all have today.

Lesson 3: Antifragile systems build extra capacity when put under stress.

Those who exercise regularly know that the body grows and develops with exercise - this happens because when the muscle tissues are broken down, the failure is reported to the "system" causing it to improve to ensure future success. The body compensates for the shock, by building extra capacity to handle future shocks better! During sleep, the muscles are rebuilt, and they are now stronger than before.

How do Systems become Antifragile

Optionality

All Antifragile system build in the possibility of Asymmetric gain while minimizing the downside through building Optionality in their business models. For instance the Barbell investment strategy of investing 90% very safe stocks and 10% in very volatile stocks, the losses will be limited to 10% but the potential gains can be huge. Investors usually follow this and one of the biggest examples of this is Softbank CEO – Masayoshi Son who invested USD \$20 Mn. in 2000, in Alibaba. The current stake worth is \$53 Bn, a huge increase. You will be able to appreciate the Optionality that Mahindra's businesses have benefited from over the years. The purchase of Satyam was one such move that benefitted the group hugely. In Season 10 of MWR in some of the cases we encourage you to look for such solutions and propose them for adoption in Mahindra.

Overcompensation

Sometimes in business and also in life it is good to have a little redundancy. It helps to leverage unforeseen opportunities and safeguard against unforeseen difficulties. The human body overcompensates by having two kidneys when one would have sufficed. Similarly, you would in these cases experience that Mahindra has over the years built a global network of R & D, manufacturing capability and supply chain capability that can leverage unforeseen opportunities. We encourage you to look at such solutions, as the world of tomorrow is full of the unknown.

Layering

Having layers inside a system to reduce risk with every layer adding value. For example hierarchical structure in a company are put in with each layer reducing risk and adding value. Mahindra's multiple businesses have layering built into the system and we encourage you to think how can we do this better as we go forward.

Via Negativa

One of the most important properties of Antifragile systems is Via-negativa, which basically is adding more to the system by subtracting from it. For Mahindra pivoting in the Mom & Me space and the Mahindra two wheelers domain is an example of this where we removed something from our system to become Antifragile. Tell us more about how can we cut out the negative, what is something that we should not do for succeeding in tomorrow.

Transferability

Antifragile systems have the ability to transfer their DNA into all subsequent undertakings. Businesses similarly need to have transferability to thrive over the longer term. The Mahindra has been on the forefront of driving innovation and today has a hugely diversified portfolio of companies that carry the same ethos and acumen of the parent group. We would urge you to look for such opportunities, which could either be support or synergies from parent companies into subsequent newer entities.

Hormesis

The last property of Antifragile systems, which we want you to be conscious of, is Hormesis. This is a property through which small shocks are given to a system to increase the overall strength of a system. Vaccination is an example of this phenomenon, which makes humans stronger eventually. Mahindra has always reinvented itself time and again through these shocks. Small experiments, restructuring and today a host of blossoming startups are a peek into the future of things to come.

WHY DO WE NEED TO BE ANTIFRAGILE?

Interventionism

Processes and systems in the modern world, which makes people comfortable which in returns weakens them. Example – people using escalator instead of stairs and despite following lazy lifestyle not going to gym. Similarly businesses need to constantly be reinventing themselves to be able to be agile and responsive. Mahindra has constantly kept itself agile and as we look to the future changing trends like sustainable mobility, financial inclusion and changing consumer preferences are all being built into our strategy of being future ready.

Treadmill Effect

People acquire new item, feel more satisfied after initial boost, then rapidly revert to their baseline of well being is what the hedonistic treadmill refers to. On the consumer side business have to therefore innovate disruptively to capture consumer mindsets. We did this with the Scorpio and the XUV, did it in emerging areas like Solar, Finance and in Technology. We challenge ourselves to do it continuously and seek ideas from you to do the same.

Before we sign off you on this exciting venture take a moment to reflect on Mahindra's Credo.

Mahindra 's core Purpose?

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