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DX 2021

Reliance: Modernising and digitising to the core

Twimbit DX Ranking 🏅 1

⚙️ **100%** Define	⚙️ **100%** Simplify	🚀 **100%** Innovate	🏅 **100%** Overall

Reliance
Industries Limited

Industry: Industrials

Revenue (FY20): USD 87,377.86 million

HQ: Mumbai, India

CEO: Mukesh Ambani

Purpose: Growth is life

Business model innovation:

From Oil & Chemicals to Digital & Retail

📋 **Outcome**

9% of the group's revenue, INR 58,264 Crore (USD7.96 billion), comes from the new telecom and digital business venture, Jio Platforms Limited. 30% of the group's combined revenues in FY2020, INR 2,04,536 Crore (USD27.95 billion), comes from retail and digital arms put together.

Key highlights

USD20 billion
fund raising from strategic technology investors like Google, Facebook, Qualcomm and private equity players like General Atlantic and KKR.
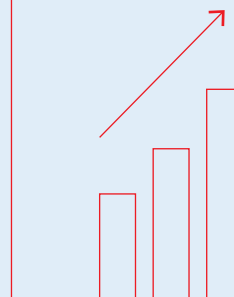
A two-fold differential in operating margins of the digital business (Jio platforms) **24% versus group operating margins of 11.4% in FY2020.**

Revenue contribution of the new retail (Reliance Retail) and digital (Jio Platform) arms have **gone up from less than 5% in FY2015 to c.30% in FY2020.**

11.4%

Introduction

Reliance Industries Limited is a leading Indian conglomerate established in 1973. Today, the firm's core business verticals, such as refinery, petrochemicals and Oil and Gas, which contributed 95% of its overall group revenues in FY2015, are slowly being disrupted by its retail and digital arms.

The company added the retail arm (Reliance Retail Limited) to diversify away from core industrials to consumer-facing businesses in 2006. Today, Reliance Retail contributes 23.1% of the company's overall revenues and is a key growth engine for the conglomerate.

Transformation

In 2017, Reliance Industries Chairman and CEO Mukesh Ambani said, "The foundation of the fourth industrial revolution is connectivity and data. Data is the new natural resource. We are at the beginning of an era where data is the new oil."

Since then, Jio has transformed the story and strategy of Reliance. The company has been on the path to pave the way for its expansion into new industry verticals beyond the traditional industrial businesses since 2006.

The company launched its retail arm, Reliance Retail Limited, in 2006 to forge entry into India's organised retail sector. It added the telecom arm a decade later in 2016. These moves have swiftly diversified the group's overall revenues from domination by its Industrials businesses (oil, refinery and petrochemicals) to new growth areas in retail and digital.

In FY2015, c.93% of the company's overall revenues came from the traditional core (Industrial's businesses), whereas in FY2020, c.30% came from the retail and digital arms.

> The foundation of the fourth industrial revolution is connectivity and data. Data is the new natural resource. We are at the beginning of an era where data is the new oil.

Mukesh Ambani
Reliance Industries Chairman and CEO

Jio Platforms is the company's flagship digital venture. The firm constituted Reliance Jio Infocomm Limited in 2007 and in 2019, created Reliance Jio Platforms Limited and transferred the Infocomm unit and its entire assets to this new holding company. Subsequently, the company raised roughly USD 20 billion from marquee and strategic investors like KKR, Mubadala, Google, Facebook, Intel, Qualcomm and others to re-capitalise the firm and make the new digital venture net debt-free.

Strategy

Part of the firm's transformation comes from its purpose to always look for new growth opportunities. The company realised the wide and empty space in retail in 2006 and ventured into that business. In 2007, Reliance started laying the foundations for its new telecom. Today, the Jio Platforms brand houses its digital businesses.

Jio Platforms has business interests in four key areas:

> Telecom and Broadband services

> Jio Apps

> Jio Money

> Jiomart
> (In partnership with Reliance Retail)

These four business units put together offer pan India telecom and broadband services, web and mobile apps spanning across categories like on-demand video (JioCinema), online music streaming (JioSaavn), messaging app (JioChat), video-conferencing platform (JioMeet), web browser (JioPages), file sharing app (JioSwitch), digital news app (JioNews), apartment security app (JioGate), cloud storage services (JioCloud), security app (JioSecurity), health app (JioHealthClub), Jio recharge commission earning app (Jio POS Lite) and many more.

Apart from that, the company has aggressively acquired or made strategic investments in young Indian startups. Some of the key acquisitions in the space include Haptik AI (AI-based conversational platform) for USD 100 million, Embibe (AI-based educational platform) for USD 180 million and other marquee investments across drone technology, mixed reality, door-to-door and delivery tech, among others.

New growth and performance

The new digital business contributed INR 58,264 crore (USD7.4 Billion) in revenues in FY2020 compared to almost zero revenues in FY2015. The retail arm, which includes the company's vast brick and mortar stores, AJIO (e-commerce) brand, and the recently launched grocery home delivery and e-commerce marketplace, Jiomart, among others, also contributed INR 1,46,272 (USD19.9 billion) crore in revenues and together constituted c.32% of the group's overall revenues.

The company's core business of refinery, petrochemicals and oil still contribute to a bulk of the company's revenues at INR 4,28,576 crore (USD58.5 billion) in FY2020 but is slowly being replaced by new growth engines of retail and Jio. The company plans to hive off its traditional O2C

business into a separate entity and onboard Saudi Aramco as a minority investor and strategic partner to expand the refinery business.

On a consolidated and absolute basis, group revenues have grown by 63% over a 5-year period ending FY2020. The group revenue CAGR is at 10%, while the retail arm for the same period has grown by 53% CAGR and Jio has gone from virtually zero to c.USD 8 billion in FY2020. Operating margins for the group have improved from 8% in FY2015 to c.11% in FY2020. The retail arm's operating margins have grown by two-fold from 2.4% in FY2015 to 5.6% in FY2020. The best performer is the digital vertical, delivering an impressive 24.7% margin or more than double the group's average margins in the same period.

Reliance DX Framework

Attributes	Score	Reliance
Clearly articulate purpose	100%	**Sense of purpose:** Reliance lives by the motto 'Growth Is Life'. The practice of having a central theme that galvanises the company's strategy and goals allow Reliance to have a clear line of communication with business stakeholders. **This practice also helps Reliance set the right stakeholder expectations.**
Sharp focus on outcomes and impact	100%	**Actionable growth plans:** Back in 2015, Mukesh Ambani first launched Jio in Beta for over 5-lakh individuals, 200,000 of whom were the company's employees. Since then, every public communication is a clear, actionable outcome towards the company's shift to digital. The company launched over 20 digital products and acquired some really popular startups across AI, Mixed Reality, Cloud, Ed-tech and E-commerce, among others. A clear value agenda with visible outcomes is a key DX driver. The value for Reliance Jio Platforms now stands at c.USD75 billion. The company has raised capital from global tech giants Google, Facebook, Intel, Qualcomm and more, and also global private equity giants.
Culture is the key	100%	**95%** CEO Approval **3.9** Glassdoor Ratings overall **76%** Recommend to a friend **Culture** is that unique set of behaviours, rituals, symbols, and experiences that collectively explain how you run things. Social consciousness, according to Ambani, should be central to an entrepreneur's journey and life. "You have to solve a problem that will actually help society. And that has to be the main objective of your business," he said, adding that financial returns must be secondary. "If you focus only on returns, chances are that you won't really become great," he said.

Reliance DX Framework

Pillar | **Simplify**   **Key question** | **How we operate?**

Attributes	Score	Reliance
Flat organisational design	100%	**Redesign for scale:** According to leading global HR industry analyst Josh Bersin, Reliance has adopted a Fractal model instead of the traditional Matrix structures to remove hierarchies and support the bottom of the pyramid's last line, its employees. This model enables the group to make decisions based on real-time data in its new digital and retail ventures. Flatten the organisation and adopt the simplest profit and loss (P&L) structure possible, reinforcing business objectives with clear, strong performance management and other mechanisms.
Treat talent scarcer than capital	100%	**Talent is crucial:** The new world of digital needs talent with uniquely differentiated skills than the compliance model most companies are dependent on. Reliance has announced initiatives like R-Radio for employee engagement and listening. It has also launched digital tools and content for managers and leaders on employee engagement. The company has also provided them with a communication playbook to enhance practical understanding of enhancing communication and empathy in teams. Reliance implements OKRs (Objectives and Key Results, a form of goals), agile team-based management, and continuous learning.
Fast decision-making	100%	**The fractal model** enabled in the company's Jio and Retail arms are with a fractal organisation model design. This model enables small teams to come up and take decisions quickly. Reliance designed a network-based operating model, where each small sales and service team operates independently. There are regional and country managers, but they get sales, support, hiring, and financial information in a real-time dashboard. If an employee or local manager needs information on product shipment or features, they can just go online, bypass the entire hierarchy, and interact with a real-time operations centre.

Reliance DX Framework

Pillar | **Innovate**   **Key question** | **How we grow?**

Attributes	Score	Reliance
Explore ecosystems	100%	Reliance has onboarded Google, Intel, Qualcomm and Facebook as strategic investors and partners on the Jio Platforms bet. These partnerships come with the intention to leverage their tech know-how and the firm's experience of scaling up to create new value. Reliance partnered with Facebook and WhatsApp to integrate Jiomart and enable commerce and transactions on Jiomart through the messaging app. "Jio Mart, which is our retail service, has the aspiration of serving tens of millions of small shopkeepers in India, who are the bedrock of employment...Jio brings digital connectivity, WhatsApp now with WhatsApp Pay brings digital interactivity, and the ability to move to close transactions and create value, and Jio Mart brings the unmatched online and offline retail opportunity, that gives our small shops which exist in villages and small towns in India, a chance to digitise and be at par with anybody else in the world." - Mukesh Ambani
Driven by tech	100%	Under the Jio brand, Reliance launched multiple new digital products and services. Jiomeet (Video conferencing), JioCinema (OTT), Jiosaavn (Music streaming) and over 15 apps make up the Jio digital apps ecosystem. Apart from that, the company has ambitions to create a nationwide broadband network to deliver high-speed internet connectivity to the remote corners of India. Technology is at the heart of Reliance and its transformation story. The company believes in building the learning infrastructure and in-house tech solutions to solve problems rather than outsourcing from third-party vendors.
Accelerate organisation learning	100%	Learning at Reliance starts from the top. Mukesh Ambani leads from the front on this pillar. Ambani subscribes to courses on AI, Blockchain and cloud through online platforms like Coursera. This sets the tone for learning what you don't know before seeking help or asking others to do it in the organisation. Some key programs run by RIL: 1. **Career acceleration program:** CAP is one of the flagship cadre development programmes for middle-level managers. It provides these individuals with multi-faceted learning, development and mentorship opportunities. The program grooms them for senior-level leadership roles. 2. **Step-up programme:** This highly focused programme introduced in 2015 aims to prepare high-potential employees to be skill-ready for their transition into next level leadership roles in the organisation. 3. **Spectrum:** Spectrum is a week-long initiative aimed at strengthening the learning culture at Reliance. The initiative draws participation from thousands of employees, who engage in a plethora of learning activities, where one could learn anything right from how to play the flute to beating pollution.

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