

Interview

Understanding Harman



Dinesh C. Paliwal and a Harman speaker

EDITORS' NOTE Dinesh Paliwal has served as President and Chief Executive Officer of Harman International since July 2007. Founding chairman Sidney Harman asked him to also take over the role of Chairman in July 2008. Prior to joining Harman, he spent 22 years with ABB Group where he held the dual role of Group President and Chairman/CEO-ABB North America. He moved to Beijing, China in 1994 to establish ABB's operations in China and North Asia. He was then asked to relocate to the company's headquarters in Zurich, Switzerland. He was the youngest person and the first Asian ever to join the ABB Group Management Board. During the historic turnaround of ABB beginning in 2002, the company's board selected him to run the global Automation division, reporting directly to the Chairman. He earned a Masters degree in Engineering from the Indian Institute of Technology. He also earned a masters degree in Applied Science and Engineering and went on to earn a masters degree in Business Administration, both from Miami University (Ohio). Until he left ABB in 2007, he also served as Chairman of ABB India Ltd. He served for three years as Economic Advisor to the Governor of Guangdong Province, China. In 2010, he was named Metro New York Entrepreneur of the Year by Ernst & Young.

COMPANY BRIEF Harman International Industries, Inc. (www.harman.com) designs, manufactures, and markets a wide range of audio and infotainment solutions for the automotive, consumer, and professional markets—supported by 15 leading brands including AKG®, Harman Kardon®, Infinity®, JBL®, Lexicon®, and Mark Levinson®. More than 30 million automobiles on the road today are equipped with HARMAN audio and infotainment systems. The company has a workforce of about 12,000 people across the Americas, Europe, and Asia, and reported sales of \$3.6 billion for the 12 months ended March 31, 2011.

An Interview with Dinesh C. Paliwal,
Chairman, President, and Chief Executive Officer, Harman International Industries, Inc.

Given the global size and scale of Harman, is there an effective understanding and awareness of how this company has evolved?

I don't believe so, because for a long time, Harman has been run as a holding company with a series of acquisitions made over time, but they were left alone to operate as if they were independent companies. The company grew from home audio components, to professional equipment, to ultimately car audio and the new world of automotive electronics and infotainment.

Although the company was called Harman International we hardly had any presence outside of a few OECD countries. I have set the goal of making this company truly global and we now have significant presence not only in the U.S. and in Germany but in emerging markets such as China, Brazil, India, Hungary, Mexico, and Russia.

How broad is your target market in terms of your product offerings?

It's broad, because we're touching a lot of consumers. Our total available market is approximately \$20 billion. We currently serve about 80 percent of the luxury car market, including automakers such as Audi, BMW, Ferrari, Mercedes-Benz, Porsche, Toyota/Lexus, and many others. We equip about 60 percent of the world's cinemas and are called upon for large scale audio events such as the Olympics or World Cup, and venues such as Yankee Stadium and Shanghai Grand theater. Our legacy of excellence and innovation has earned us two Grammy awards and one Oscar. I'm very proud of these achievements.

How have you been so successful in not losing your innovation edge and how critical has that been to the strength of the brand?

I maintain a healthy paranoia about new technologies that might disrupt our business. To keep our edge, we have done a lot to nurture a culture of innovation with programs targeting every level of our organization.

Each quarter, we recognize a few employees with a Harman innovation award for breakthrough ideas. I have also set up a corporate technology group, which brings our top researchers from across the world together quarterly to brainstorm and prioritize the technologies we want to explore and invest in. At the board level, I established an Innovation Council to gain a broad perspective on global technology trends.

We have also been pushing for early identification and patent filing, and have built up a portfolio of over 3,500 active patents. Our customers

value this and have rewarded us with \$13 billion in new orders for their future car audio and infotainment solutions over the next five or six years.

How challenging is it to keep up with the ever-changing technology?

You have to be able to read future trends, anticipate your customer's emerging needs, and engineer the solutions before anybody else.

Clearly, there is a massive convergence happening among consumer devices in the office, at home, and in the car. Consumers no longer view their living room, workplace, and personal devices as separate domains. As devices become more portable and content is increasingly digital, connectivity is fast becoming a fundamental expectation and lifestyle requirement.

If you look at how we used to build infotainment systems just a few years ago, the thinking was that the car needed a massive hard drive. But the more content you stored on it, the slower it got, and the higher the chances of losing everything in one shot if the drive crashed. We've radically changed this approach: multimedia, navigation, and traffic information content is no longer stored in the car but hosted in the cloud and transmitted down to the vehicle or into the home and into handheld devices on demand in real time.

Does the financial community understand this brand?

This is not the same company we were five years ago. Most people don't know that we have transformed from an analog hardware company to an integrated, digital, and software driven products company. We are a transformative technology provider rather than a traditional auto parts manufacturer. Our systems for high-end German cars, for example, contain nearly 4 million lines of code written by Harman.

When this opportunity presented itself, what made you feel it was the right fit?

I had the benefit of excellent training and mentoring of 22 years in six countries with ABB to take on a challenge like Harman. However, I was leaving a \$30-plus billion company and Harman was one-tenth the size, so I was concerned if Harman would have the technology infrastructure, management talent, and vision for profitable growth.

I have been pleasantly surprised with the technology, and saw immense opportunity for brand building and brand proliferation.

It's been a great journey so far. With our global expansion and stronger innovation focus, we're well positioned to play a starring role on the stage, at home, and in the car for a long time to come. ●