

India and Tata

National Development and the Corporation

A fundamental characteristic of entrepreneurship is its capacity to generate employment, offer the promise of more income, and increase wealth. By doing so, it plays a pivotal part in providing individuals with a platform from where they can aspire to a life in which their potential is realized. Over time, much of the developed world has risen to the challenge of crafting just such a platform, and the business corporation as we know it today has been a critical component of this idea of advancement. For those of us in the developing world—in particular governments, businesses, and the people who drive them—the goal is clear: address inequities not in some sapless, trickle-down manner, but rather by creating economic spaces and providing resources to kindle a spirit of entrepreneurship that lifts people collectively.

Andy Warhol, the American artist, probably got it right when he said, “Being good in business is the most fascinating kind of art.... Making money is art and working is art, and good business is the best art.” If art it is, then it must be progressive business, fueled by a psychological optimism that a better universe is possible if we can bring our talents to bear on the task of overcoming the barriers in our path. This is particularly difficult to accomplish in countries such as India, where the burden of history and the inequities bred by tradition have conspired to leave large portions of the land mired in poverty. Corporations and business houses have a different role to play in India, one with more obligations and nuances attached, than in nations where economic well-being has already been achieved. The business community carries the responsibility to be socially responsive, to

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engender jobs and livelihoods, and to be more than profit-spewing monoliths answerable only to shareholders.

The struggles India faces are many, but the country has significant advantages, too. It is among the world's emerging economies, which together represent 80 percent of the global population. India is experiencing growth on a scale not seen previously. To accelerate this growth, we need to encourage business enterprise, and for that to happen we need to find a way to harness the entrepreneurial capability that resides within us, not quite dormant but certainly undervalued. An enterprising community is defined by an outward-looking attitude, by a willingness to explore new ideas as well as to accept exogenous influences. These qualities have been evident in Indian history throughout the centuries.

A HISTORY OF OPENNESS

Merchants from Mohenjodaro and Harappa were trading with Sumeria as early as 2300 BC. The world's first university was established in 700 BC at Takshila, where 60 subjects were taught to 10,500 students from across the world. On the east coast of southern India, so many Roman coins from the first century have been found that it seems the balance of trade during the period favored India. In 1498, Vasco da Gama noted that Calicut was already a thriving port city familiar to Arab and Chinese merchants. In 1608, an English captain named William Hawkins dropped anchor at Surat. Armed with 25,000 pieces of gold and a letter from King James I to Mughal emperor Jehangir, he travelled to Delhi and wrote in his tour report, "Nothing that England makes at this time is really desired by Indian merchants or officials."

Robert Clive, whose victory at Plassey in 1757 strengthened England's control of colonial India, was investigated by the British Parliament for personal enrichment during his years in the country. In his defense, Clive said, with feigned humility, "I walked through vaults which were thrown open to me alone, piled on either hand with gold and jewels! Mr Chairman, at this moment I stand astonished at my own moderation."¹ In more modern times we have the countless success stories of the 20 million-strong Indian diaspora—enterprising migrants who voyaged from the Hindi heartland to the West Indies, from Tamil Nadu to Sri Lanka and Malaysia, from Gujarat to Africa, from Kerala to West Asia, and from Sindh and Punjab to everywhere.

India is fortunate in that it was never cut off from global influences during its long history, unlike a few of her Asian neighbors. For several centuries between 1500 and 1800 AD, countries such as Japan, Korea, and China experienced complete isolation from the rest of the world. As late as the 1920s, India was ranked fourth in world trade, with a market share of 2.5 percent (it is less than 1 percent now). What followed was a downward spiral, the blame for which cannot be pinned entirely on the degradations of colonialism.

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of entrepreneurship and restlessness would not be suppressed. The liberalization of the Indian economy, a process that began in the 1980s under Indira Gandhi, has triggered the nation's release from a state of passivity. Indian businessmen are once again in a mood to do business with the world, and the world, in turn, is just as keen to do business with India. Up until the 1980s, it was impossible to find global consultants operating in India. Today, McKinsey's operation in India is among its more successful practices outside of the United States and Europe. Boston Consulting Group, A. T. Kearney, Accenture, and several others have also entrenched themselves in the country, serving clients hungry to cut costs, improve margins, and become competitive.

Entrepreneurial behavior is contagious; it produces a herd mentality, a bit like gold prospecting. It has been observed that knowledge industries emerge through "idea entrepreneurs," such as consultants, journalists, and scholars.² These entrepreneurs may not establish new organizations themselves, but they do create new ideas, new industry segments, or entirely new markets. Thus, some 25 years ago, Texas Instruments first set up a global R&D center in India, and several others have followed that lead. Today there are more than 100 global R&D centers in Bangalore alone.

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DEMOCRACY'S CHILDREN

One of India's enduring strengths is its democratic system. It is not the prettiest kind of democracy, nor does it have an automatic remedy for a multitude of ills, yet India has done an astonishing job of containing, in a continent-sized country,

the tensions of ethnic, religious, regional, social, and economic differences. These accomplishments, however, pale before the problems confronting us.

India's GDP growth during the last 15 years has, it is estimated, lifted about 250 million people from abject poverty. Despite this, its per capita GDP sits on the same level as that of the Ivory Coast and Lesotho. The renaissance of the Indian

economy has been driven by the deregulation of the organized sector, which operates in the larger urban centers. But the 800 million people of "Little India"—the 600,000 small towns and villages with a population of less than 50,000—remain in the clutches of a centralized and bureaucratic system.

The troubles plaguing the denizens of Little India are many. Here are some of them:

- Between 1980 and 2000, the per capita income of the Indian workforce that is dependent on agriculture was about flat.
- The urban per capita income in India was 2.3 times its rural per capita income in 1993-94. By 1999-2000, the ratio had widened to 2.8.
- One-third of India's 650 million rural habitants live in officially declared "non-electrified villages," one-third in "villages

with some electricity," and a further one-third in "villages with intermittent electricity."

- In spite of the existence of at least 2,000 programs for rural development, a survey of 400 villages in Karnataka state revealed that 40 percent of the villagers said that they had never heard of a single government program.³
- In 2007, the chairman of the country's National Commission for Enterprises in the Unorganized Sector stated that "three-fourths of India's population has indeed been bypassed by the high rate of economic growth."
- By the Indian government's own admission, there is a state of lawlessness in about 150-165 districts spread over 12-14 of the country's states.

In the 60 years since independence, the Indian nation has experimented with many approaches to spreading prosperity, but we need better results. It is time to liberate India by empowering people and promoting more local governance. That is the best way to spread prosperity to larger sections of our population because it will unleash the natural enterprise of our people.

- The World Bank has noted that it takes 425 to 1,165 days, depending on the state, to enforce a contract in Indian courts.

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THE DYNAMICS OF INDIAN ENTERPRISE

Enterprise is a creative and innovative response to the environment. David McClelland established the now widely accepted view that enterprise is promoted by a high-achievement orientation that can be promoted by enriching people's thinking and fantasy world with achievement language. Four factors influence entrepreneurship: the experiences of an individual; the traditions of the family and the society in which he lives; the support systems of finance, vocational training, and extension services; and a supporting and mentoring governmental policy framework.

In the 1960s, there was considerable interest in achieving rapid economic development through small enterprise all over the world. In India, the Small Industry Extension Training Institute was established, and it has done plenty of good work over the decades. But now there are multiple government agencies in India trying to do the same thing. These agencies have become bureaucratized and lethargic when what is needed is purposeful effort to promote enterprise in small towns and villages. This is a development that undermines the valuable gene of Indian enterprise, which has prospered through invasions, battles, and colonialism. This gene has required periodic refreshment but has never had to be resurrected. It is an asset that needs sustenance, not bureaucratic negation.

C. Rajagopalachari, one of independent India's founding fathers and an erudite statesman, wrote, "There have been a great many periods [in India] during which the people had neither central nor regional governments exercising effective authority. All these periods of what may be called a no-government condition could not possibly have been tided over but for the self-restraints imposed by our culture." The gene of enterprise prospered for centuries under a governmentless dispensation in which small communities managed their interests locally. In terms of governance, India has for the most part been a multiplicity of village communities.

A centralized bureaucratic setup was always a rarity in India and power was not embodied in the concept of the state. Leaders ruled by capturing the symbol-

ic seat of power and they extracted taxes rather than fundamentally changing the societies in their kingdom. As Charles Metcalfe observed in 1838, “The village communities seem to last when nothing else lasts. Dynasty after dynasty tumbles

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down; revolution succeeds revolution; Hindu, Pathan, Mughal, Maratha, Sikh, English are masters in turn, but the village communities remain the same.”⁵ Indian society always carried on, somewhat unmindful of who was ruling and collecting taxes.

Around the time of the Mughal emperor Aurangzeb, India was not an integrated market for goods and services but a conglomerate of regional markets.⁶ This was mainly due to three reasons: an underdeveloped road and river system, the danger of being looted while moving goods across the country, and the levy of a customs taxes at multiple points during the transit of goods. At the time of independence, in addition to colonial India there were more than 500 princely

states, the larger ones even having their own currency, stamps, and railways. In the words of one observer, some of these states were “sinks of reaction and incompetence and unrestrained autocratic power sometimes exercised by vicious and deranged individuals.”⁷ The integration of India is a staggering achievement that modern Indians have almost forgotten. Just 60 years ago we were not one country but 500, and 300 years back we were an agglomeration of multiple village communities.

CENTRALIZATION VERSUS DECENTRALIZATION

When the Indian constitution was being developed in the 1940s, there was considerable debate on the issue of centralization. The constitution ended up leaning toward centralization, which was an adaptation of Western principles to suit our situation, and for which the colonial-era system was already in place. In fiscal matters in particular, the effects of such a move were feared to be deleterious. Leaders such as K. Santhanam argued that centralization would make India’s states “beggars at the door of the Centre.” It turns out that he was right.

The constitution was amended in 1993, making it mandatory to elect village *panchayat* (council) leaders every five years, one-third of whom have to be women.

This means that some three million legislators are elected in India every five years, a gargantuan democratic feat unparalleled in the world. However, the village panchayats have little flexibility in raising funds, and that has kept the decentralization issue on the boil. The various public-utility schemes run by the government are not entirely useless, but corruption and inefficiency have taken a heavy toll and the situation looks unlikely to change in the foreseeable future.

The solution lies in making the most of the natural spirit of enterprise in India's people. Intuitively, this seems like a worthy approach, but despite legislation and public pronouncements to delegate power to the community, our system has found it difficult to do so. There is certainly a debate to be had on the fallouts of decentralization: Are the people capable? Can they take care of their self-interests? Will local "lords" spirit away public money? These are valid concerns, but by indulging excessively in them we miss the woods for the trees.

The intellectuals and bureaucrats of urban India are intrinsically interested in subjects like organized industry, foreign investment, and stock markets. Under these circumstances, Little India's economic growth gets relegated to the margins. Something has to give. To paraphrase John Maynard Keynes, I hope India does the rational thing here, since the alternatives have been tried and discarded.

THE TATA EXPERIENCE

A good example in this context would be the efforts of Tata BP Solar, a joint venture company that makes and markets solar panels. Apart from its green credentials, solar power in villages has three benefits: delivering access to electricity, generating direct employment (through installation and maintenance work and the collection of charges), and indirect employment (through fabrication shops, outlets to sell solar-powered devices, storage, transport, etc.). Tata BP Solar estimates that about 700 people could be employed for every megawatt (MW) of solar power produced. Even if only 5,000 MW were to come from solar power, the direct and indirect employment potential for Little India could be 3.5 million jobs.

Another example comes from the work that the community-initiatives cell of Tata Chemicals⁸ did in collaboration with the International Centre for Entrepreneurship and Career Development (ICECD), which has been recognized as a center of excellence by the United Nations. The ICECD project involved training over 10,000 people, who in turn developed the enterprise capabilities of thousands. The focus was to promote enterprise, particularly among women. Using the training imparted by ICECD to its staff, the Tata Chemicals cell conducted a sort of rural MBA program in the 42 villages around two of its main facilities in India. Among the lessons learned were that local government officials can become a threat to successful entrepreneurs; the role of societal traditions determines who can do what (in one place enterprise was perceived positively, in another caste became a constraining factor); and the need for a facilitating information center is crucial.

A similar example is an enterprise-promoting initiative in Bengal. The Tata Group partnered with *Anand Bazar Patrika*, the largest-selling Bengali newspaper in India, to get young people to undertake entrepreneurship projects. Called Nijer Paye Darao (stand on your own feet), the campaign, which got off the ground in December 2007, involves bimonthly publishing of editorial content that encourages entrepreneurship. The content includes articles about the Tata Group's endeavors, success stories of local entrepreneurs, advice on how to get started in business, and answers to questions from readers. Future plans include a contest in which budding entrepreneurs will be asked to submit their business ideas, which will be evaluated by a panel of experts. The best ideas will be supported with funding leads, and the people generating them will be given the opportunity to attend an entrepreneurship training program.

For evidence that the "other India" can make good on its promise, look no further than industrialized and urbanized India, a land in which the animal spirits of the private sector were unleashed. Economists Dani Rodrik and Arvind Subramanian explain this unleashing through certain elements, the most important being an attitudinal change on the part of the government and a shift to pro-business policies.⁹ Additionally, there was a change in mindset around 1980, after many decades of heavy-handed regulation, when an entrepreneurial spirit found the wings to soar.

FINDING THE RIGHT BALANCE

Entrepreneurship alone can never be enough in a nation like India; it has to walk hand in hand with a commitment to community and country. This demands a mindset that makes space for social responsibilities that are rendered as comprehensively as possible. A cogent example of how such a two-pronged approach—entrepreneurial success balanced by societal obligations—can be found in the way the Tata Group, one of India's biggest and most respected business conglomerates, has conducted itself.

If there is one attribute common to every Tata enterprise, it is the time, effort, and resources each of them devotes to the wide spectrum of initiatives that come under the canopy of social development. The Tata culture in this critical segment of the overall corporate social responsibility matrix springs from an ingrained sense of giving back to society. Since the earliest days of the group's history, the Tata tradition in community development has been defined by the values embedded in its core. It never was charity for its own sake or, as group founder Jamsetji Tata put it, "patchwork philanthropy."

Reinforcing the implicit beliefs the group brings to its mission of sustainable development is an explicit set of structures, embodied most notably by the Tata Council for Community Initiatives (TCCI). A centrally administered agency that helps Tata companies through specific processes, TCCI's charter embraces social development, environmental management, biodiversity restoration, and employee volunteering. This organization coordinates the varied and widespread communi-

ty development activities of the Tata companies. TCCI has, in collaboration with the United Nations Development Programme (India), crafted the Tata Index for Sustainable Human Development, a pioneering effort aimed at directing, measuring, and enhancing the community work that the Tata enterprises undertake.

No matter how elaborate, systems and processes cannot really capture the magnitude and dispersion of all that the Tata Group does in the field of community development. From health and education to livelihoods and women's and children's welfare, the community work being undertaken by Tata companies touches a multitude of Indians across the land. A different dimension of this social development doctrine shines through in the Tata

support and backing that enriches the country's cultural and sporting spheres. In the field of art, this support has played a critical part in preserving and promoting every component of India's cultural heritage. Tata backing of sports has unfolded in the form of academies for a variety of sporting disciplines and the sponsorship of talented individuals.

The bigger entities in the group, such as Tata Steel and Tata Chemicals, have in-house organizations dedicated to the task of social uplift:

- The Tata Chemicals Society for Rural Development (TCSRSD) was established in 1980 to promote community welfare in and around its facilities in western and central India. The society works to protect and nurture the rural populations in these areas and helps people achieve self-sufficiency in natural resource management, livelihood support, and the building of health and education infrastructure. Through TCSRSD, Tata Chemicals works to improve the quality of life of the people and communities around its operations, and to support sustainable development—a theme that is central to the company's corporate philosophy.
- The Tata Steel Rural Development Society (TSRDS), set up in 1979, is involved in various social development programs aimed at helping the rural communities living around Tata Steel's operational units in eastern India. Before the establishment of TSRDS, Tata Steel's community initiatives were conducted through its rural and community services division. However, the fundamental differences between the imperatives of rural and urban development prompted

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the company to reclassify its community initiatives programs under three units: Community Development and Social Welfare, TSRDS, and the Adivasi and Harijan Welfare Cell, now known as the Tribal Cultural Society.

- Tata Tea, Rallis, Voltas, Tata Power, Tata Consultancy Services, and Titan, along with a host of smaller Tata enterprises, devote considerable resources to community initiatives in spheres such as education, health, livelihoods, environment, tribal development, and women's and children's welfare. Much of this work happens while receiving little or no publicity.

A FIGHTING CHANCE FOR THE FUTURE

As Aristotle noted, even God cannot change the past, but the future is there to be made. That wisdom can be witnessed in today's India. Unlike the generations

before them, young Indians are no longer obsessed with the country's poverty but with its future. This gives us a fighting chance. India will never be a tiger because it is built in the mold of an elephant, therefore it will be persistent and enduring rather than flashy.

The sheer adventure and scale of India's economic growth, with social justice and entrepreneurship as its pillars, is staggering. There are beauty spots in this model and there are warts and moles, too. But this much is beyond doubt: no experiment of balancing growth, entrepreneurship, and social justice has been undertaken in human history by any country on such a large canvas. Over the coming decades,

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India has a real chance of reclaiming its place at the top table in the league of nations, a position she held for centuries but lost over the last few hundred years.

Business houses have a vital responsibility to fulfill if India is to make the transition from underachiever to high-flier. Are they up to the task? Integrity, fortitude, and an enduring commitment to country and community have marked the Tata Group's rise to prominence. These qualities have on occasion disadvantaged some Tata enterprises, but they have, in the long run, been the cornerstones of a business philosophy that has delivered success on a grand scale. Just as importantly, they

have helped the group secure the good will and trust of investors, governments, associates, and everyday folks.

An ethical and conciliatory approach to business underpins the expansion agenda the Tata Group has pursued in the 140 years of its existence. Putting people over profits and remaining rooted to the milieu that created it has benefited the Tata Group as much as those whose lives it has touched. The accumulation of wealth and glory by individuals is not in the Tata DNA. That's one reason why no Tata shows up on any of those ritual listings of India's richest people. This represents a unique business ethos, one in which 65.8 percent of the shares of Tata Sons, the holding company of the group, are controlled by trusts. These trusts, established by members of the Tata family, support a wide variety of causes, institutions, and individuals. What the Tata trusts do is separate from the earlier mentioned community-support initiatives of individual Tata companies.

Sustainable and socially conscious business practices are not a Tata preserve. There are many enterprises, in India and elsewhere, that put a premium on blending growth with a commitment to society. That's an attribute that won't count for much in an annual report, yet is invaluable in the development of a country and its people.

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