Indore Management Journal

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The Indore Management Journal is published by the Indian Institute of Management, Indore, in the belief that management scholars and social scientists should integrate disciplines in an attempt to understand the complexities of contemporary management challenges.

We also believe that both researchers and practitioners can contribute by translating understanding into action, by linking theory and practice. These would enhance the relevance and thought in various related fields taking us a little outside traditional fields of management, such as sustainable development. We would like to draw special attention to our openness to such thinking as well as approaches.

This could entail working within one's area or crossing disciplinary boundaries. As an international journal, we also invite manuscripts from all countries. We welcome, too, proposals for special issues from potential guest editors. These should include how the topic or theme fits in with the Indore Management Journal's objectives. The descriptions of manuscripts (or the manuscripts themselves), along with author details should be submitted with the proposal.

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Editorial

This is the first issue of Indore Management Journal. Strictly speaking though, there has been a hiatus of one year in the publication of IIM Indore – earlier it was known as IMPACT and was published from July 2006 to December 2007. Late in the year 2008, a number of changes with respect to the Editor, policy and editorial teams came into being.

To all our subscribers therefore, I would like to say welcome to a "new avatar". What is new? The fact that we are expanding our horizons to include, apart from management related issues, challenges and research; a view of the changing world in terms of culture, environment and society which is changing faster than ever before. Indeed, Management cannot be divorced from these as they are inter-related. They also require management thinkers and practitioners to work together towards resolving issues if we are to lead business change or even just lead businesses in this century. The last year was turbulent for businesses all over the world; it saw unprecedented recession and a slow down of the economy. If ever, this is the time to re-look at our infrastructure, our preparedness for such events.

The first issue begins with The Dalai Lama's message to management scholars. Our first article advocates competence in managing interdependencies of ecological intelligence for today's leaders; redefining of leadership in the era of KPO's – a necessary definition for India's upcoming managers. Development and culture as empowering tools have been discussed in the viewpoint's section.

The case study dwells on an Indian venture, which became a corporation and the story of its journey over two decades. A story that could help us understand the logistics evolution in a family business. A young member of the Agrawal family took the initiative to turn this venture into an organization.

Youth is our focus, we are conscious of the fact that they are India's future. A conference especially held with the aim of provoking thought and for comprehending the challenges faced by various thinkers and entrepreneurs – Shekhar Gupta, Madhava Menon and Vijay Mahajan expound on the issues important from their perspectives.

Again, keeping our focus in mind, we encourage doctoral students to participate in the journal's activities – the book review of a classic text in Organizational Behaviour has been undertaken by Kumar Kunal Kamal, a Fellowship Programme participant.

This issue invites debate on the role of ecology in management education. The other challenge we believe is for family businesses in India – growing and sustaining in the new economy is not easy. Thus the journal envisages future issues, which encourage new avenues of thought.

We look forward to interaction with our readers in terms of suggestions, articles, book reviews and management cases.

Abha Chatterjee

Universal Peace and Compassion:

The Dalai Lama's Visit to IIM Indore

On June 10, 2009, the Chairman Board of Governors, IIM Indore, Mr. L. N. Jhunjhunwala, introduced the Dalai Lama to the participants:

"At a symposium held at Delhi University in 1995, I was struck by the contrast of two great men – Amartya Sen and the Dalai Lama, and I realized how well their differences complemented each other. My interest now well and truly caught, I persuaded Swami Atmapriyanandaji and Shri Rajeev Mehrotra to solicit the Dalai Lama to come and address the students of the Indian Institute of Management, Indore. Imagine my surprise and my delight when I received news that the invitation had not just been accepted, but that definite plans had been made for his arrival.

Following his arrival at the institute, the national anthem of both Tibet and India were played after which we welcomed His Holiness and invited him to the podium to speak.

I am quite certain that I shall never forget the day that IIM Indore was so greatly honored by the visit of the Dalai Lama. My personal impression of him was of a man who even under the most adverse of circumstances, continues to be cheerful and tries to bring happiness to all those around him. This alone elevates him from an ordinary mortal, to a man of greatness, which I believe, says it all"
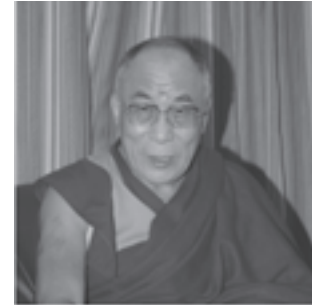
Dedicated to management scholars:

"I am pleased and honored to be here with you. The twenty first century is going to be fundamentally different from the twentieth. As young people you have an opportunity to contribute to universal peace, therefore, when I received the invitation to come to IIM Indore and talk to you, I thought it would be a good opportunity to share some of my thoughts on love, compassion and peace. But please, don't elevate me to the position of God. There is nothing special or extraordinary about me and I am certainly not an avatar of Buddha. I am as human as you are, not some sort of miracle man with healing power and I have come here to talk to you as one human being to another. Let me tell you a little about myself. I lost my country when I was four years old and I lost my freedom at the age of 16. In the last fifty years, the only news I receive about Tibet seems to be bad news and the people of Tibet trust me and look to me to set

things right. They expect great things of me, which makes my responsibility a heavy burden to shoulder. We live in a period of great crisis, a period of troubling world developments. It is not possible to find peace in ourselves without security and harmony between peoples. I am pleased that in certain ways, India practices this school of thought on a day-to-day basis.

India has a great history of religious tolerance. It has been practicing ahimsa for the last 2000 years. It has inspired leaders in countries such as the United States of America and Africa to put ahimsa into practice. The World is witnessing unnecessary conflicts that more often than not, end in war.

The new century needs compassion, love and understanding more than ever before. But, then again, most people think ahimsa is the opposite of physical violence and while that is true, I believe exploiting a person or abusing a person verbally and mentally are also dangerous forms of violence. Which is exactly why ahimsa needs to be put into urgent practice, because ahimsa is a form of compassion.

Compassion is in our minds. It is based on attitudes and values. It is ingrained in our very being. If animals and birds can show compassion how much more should we extend it to our fellow beings? In order to show compassion to others, you need to show compassion to yourself first. If you cannot love yourself, you will not be able to relate to people close to you – let alone your enemies – in compassion.

Using words like "I", "me" or "mine", are often signs of individuals wrapped up in themselves to pay attention to the suffering of others. People like these are much too self-centered to appreciate the value of simple courtesies and have little or no capacity to appreciate truth. Tibetans have nothing to hide because we believe in truth and honesty. Perhaps China needs to realise, that in order to maintain prosperity, a little interdependency might actually be a good thing. And to cement such relationships, truth and trust are two vital ingredients.

I believe that is how animals instinctively recognize when someone is trustworthy. If you show them true affection, they respond in a like manner, but if your motives are based on anything other than genuine affection, they either snap and snarl at you, or ignore you completely. Since human beings need to socialise, they cannot afford to harbour grudges or be self-centered.

Buddha taught his disciples several seemingly contradictory philosophies regarding matters like these. He didn't teach them to confuse his students and neither was he confused about them himself. The reason behind this was the simple fact that since each person was, and continues to be, different from the other - different approaches would be needed to communicate with people of diverse religions.

The young men and women of today have forgotten these simple truths. They are threatened by each other's differences and see that as an excuse to be competitive to the point of idiocy. There is too much

jealousy. We need to develop a global attitude of compassion; we need to develop a mind of peace. Throughout centuries, society has been shaped by the attitudes we hold in life just as surely as society itself influences our attitude toward life. The attitudes we hold trickle down to create ripples, in our family, our society and our country. They affect the country in more ways than we know.

Let us take India and China as two examples. These two countries play an important role in the global context. While economically China maybe strong, with 1.4 billion people it still continues to face problems – like every other country. In India, though, democracy is the order of the day, rule of law exists, there is transparency in the governing structure and there is freedom of speech and press – perhaps a little too much at times – but nonetheless, it exists.

Take Pakistan for instance. Pakistan and India acquired freedom at the same time. Pakistan is a quite a small country when compared to India, it is characterized by a single religion and has strict laws that are supposed to be adhered to. Technically, it should be easier to govern Pakistan than India. India on the other hand, has people of different races, culture, religions and castes and by all rights should be floundering in chaos; instead, it strides forward in the spirit of harmony towards all.

India has inspired nations to follow ahimsa, simply by being what it is. A greater emphasis on ahimsa, truth, love and compassion will strengthen India's democracy and its economic growth. I believe in this great nation of India, the young men and women will rise to form a new day that will dawn with the bright hope of love for all.

MANAGING COMPLEX INTERDEPENDENCIES :
ECOLOGICAL INTELLIGENCE:
A CRITICAL COMPETENCY FOR 21st CENTURY LEADERS *

Mary McBride and Ramnath Narayanswamy

Abstract

Managing complex interdependencies is a critical challenge because of the complex times we live in. It requires developing in leaders another type of intelligence, an ecological intelligence, which differs from either managerial or emotional intelligence and can inform both. 'Ecological Intelligence', enables the understanding of complex, interdependent systems operating across space and time. It combines ancient wisdom with modern understanding and it can guide leaders who would attempt to manage living systems and provide public good. The leaders of the Coca-Cola Company require such intelligence as they enter the business of water in India.

Keywords: Ecological Intelligence, Business of Living Systems, Public Goods, Life Support Systems, Coca-Cola.

Executive Summary

This paper makes a strong case in favor of developing ecological intelligence. It is critical for managers when it comes to dealing with the business of living systems for the distribution and trade of public goods. Unfortunately, the current structure of management education has little to offer as far as ecological intelligence is concerned. As a result, today's managers are incapable of understanding the living systems that they seek to manage. This understanding is absolutely essential for sustaining such systems. The experience of Coca-Cola in India highlights a similar experience.

The paper makes an attempt to explain ecological intelligence in the managerial context. Ecological intelligence is distinct from scientific intelligence. While scientific intelligence is concerned with managing business, ecological intelligence attempts to engage rather than manage life. So, even if scientific intelligence can teach the means of conquering nature it cannot enable managers or leaders to rebalance the life support system. Here lies the significance of ecological intelligence.

The notion of ecological intelligence is not new. It is an ancient technique of understanding what cannot be completely known otherwise. It signals warnings. The twenty first century is threatened by the dangers of disruptive climate factors, global dimming and resource depletion.

Under such circumstances "managing" alone is not enough. Cooperation across borders is necessary for handling these difficulties. In earlier times, people looked up to their leaders because they believed that the leaders had in them the ability to continue creation. Even today, the CEOs assert that their principal job is to "create a future". This, however, is only possible with the help of ecological intelligence.

Ecological intelligence calls for a transition from mere management to stewardship. In fact, the paper asserts that stewardship has to be revisited in a way so that it can subsume management practice within it. This stewardship will become of crucial importance in cases where the private sector is engaged with the trade and distribution of public goods. In entering the business of water as managers rather than stewards of a critical resource, Coca-Cola went beyond the limits of the known mapped by the theory and practice of management.

Water is a vital resource because it is impossible to sustain life without it. Unfortunately, the human right to water is increasingly challenged by the economic uses of water for agriculture and industry. For companies like Coca-Cola, water is a critical resource input that must be managed if the company is to continue to prosper. But for the community from which that resource is extracted water is more than a critical resource, it is a vital one. Thus, any endeavor to manage water will bring them into the eternal business of water, the business of sustaining life, and its disputes. To be in the business of water therefore requires an active collaboration with life, a commitment to continuing the creation well beyond the limits of what leaders have been taught to include in their responsibility set. Ecological intelligence alone can enable managers to cope up with such complex interdependencies.

Ecological Intelligence : A Critical Competency For 21st Century Leaders Introduction

As leaders attempt to manage living systems to deliver public good, they must be educated in a way that will enable them to understand these systems. Ecological intelligence is critical to understanding living systems. The experience of Coca-Cola in India is not unique except in its particulars. It will recur if we do not more ably equip leaders for the businesses they are intent on entering, the business of living systems.

All the economies of the world as well as its people depend on the ability of our leaders to understand living systems as well as they have been trained to understand how to manage mechanical flows. But few leaders have been trained to take on responsibility for the life support systems of our planet. More must be.

The idea of the world as a mechanical clockwork system of separate parts has, long ago given way to the idea of a world that defies a mechanical model. A new language and a new theory are emerging, but we have not yet fully incorporated these into leadership development.

While ecological intelligence is developed in ecologists and to some degree in software engineers and mathematical modelers, it is not emphasized as a part of leadership development except in societies the modern world often thinks of as primitive. As a consequence, our leaders are unprepared to take on the task of managing what may prove to be within our ability to understand but perhaps beyond our capacity to "manage". They confuse the art of sustaining a living system with the science of managing a business.

Thus, the leaders of companies like Coca-Cola take on challenges for which they are simply not well ill equipped. They are clearly well trained and able managers and strategists. But, the theory and practice of management, while necessary is not sufficient for the challenge of managing a critical element in the web of life, water. That will require ecological intelligence.

Ecological intelligence is not encouraged or enabled with current management theory or method. It is not something that we attempt to provide our business leaders with. But it will be required to balance the emphasis that management theory and practice places on prediction and control.

Today's leaders increasingly engage a world seemingly beyond the capacity of management thinking to control. This world is marked by a prevailing and interdependent pattern of life support systems at risk and is everywhere in decline.

Water is only one element of that pattern of life in decline. It is a living system on which we depend, a living system in dynamic interaction with other living systems that affect climate and the very conditions necessary for life. The business of water cannot be conceived as a business like any other.

As our leaders diversify into the business of managing living systems, we must learn how to equip them for a mission that affects us all. This paper suggests that we do not yet know how to do that. We do not know how to educate emerging leaders to manage with ecological intelligence, or perhaps we have simply forgotten.

Understanding Ecological Intelligence In The Context Of The Managed World

Humankind has a vast reserve of ecological intelligence, but this intelligence was largely

undervalued in the quest for an enlightenment that enabled humankind to predict and control rather than propitiate and collaborate. It could not provide a framework for economic growth based on extraction of what came to be known as resources. Instead, it encouraged collaborating with the forces of life rather than controlling what we selected to call Nature.

Ecological thinking required an understanding of wise use and what has been called the genius of place. It understood the elements of earth, water, fire and air to be ever in dynamic interplay with the North, East, South and West of our shared world. It recognized mind in matter and attempted to engage rather than manage life. Its philosophy of practice emphasized respect and reverence orchestrated in ritual.

But it could not deliver what humankind sought, a way to control creation, to leash it to human will. And it spawned a class of privileged priests who proved to be costly and ineffective in predicting and controlling the elemental energies they professed to understand.

It was scientific intelligence, not ecological intelligence that provided the framework for the agricultural and industrial revolutions that harnessed Nature to the plow and pulley of humankind. Science did not recognize mind in matter as much as explore the possibility of mind over matter. It did not attempt to engage life but rather to manage it.

Such intelligence provided extraordinary value to our species worldwide. It provoked a science of management with theory and practice that enabled the production of necessary goods and the creation of wealth. It created a new world of possibilities that were previously quite literally unthinkable.

But for all its benefits, it also exacted a cost. This cost was borne by the living systems upon which we depend. And this cost is now beginning to be measured and felt by all of us as parts of those living systems.

Scientific intelligence and its handmaiden management with its language, theory, and method allowed humankind to "conquer Nature", the explicit aim of the scientific revolution. But it will not enable us to renew and restore what we have conquered and exhausted. It will not enable us to rebalance our life support system, Earth.

For that, we will need to rebalance head and heart, will and reverence, management thinking with ecological understanding. Rebalancing is necessary in natural cycles. Revolutions in thought

and practice, like revolutions in climate, essentially destabilize. The world they tear apart must eventually be rebalanced.

This paper proposes such a rebalancing by encouraging today's leaders and those who develop them to become familiar with and practiced in the art of ecological intelligence. A similar proposal came from Daniel Goleman when he called for rebalancing the management of results with the art of relationship. His appeal for leadership training that would recapture the importance of emotional intelligence has had a significant impact on the education of leaders. It is our hope that the idea of ecological intelligence might similarly impact practice by encouraging inquiry and imagination.

Ecological Intelligence And The Limits Of The Managerial Mindset

The idea of emotional intelligence was not new. It was an old, even ancient idea that had lost currency and potency. It lost value as the world it nurtured and cultivated was transformed into an economic engine powered by interlinking parts. The emphasis in this world was not on cultivation of resources and relationships, but rather on hands on control of a powerful vehicle of change with a management gearshift. Business schools did not teach leaders to cultivate, but rather to command as they led the command and controlled the economies of the last century.

The idea of ecological intelligence is also not new. It too is an ancient way of mapping the world and of knowing what we cannot fully know. It lost currency when it failed to satisfy the mapmakers of a century determined to chart a world, which could be known and navigated by instruments, a world subject to the control of humankind. It indicated on those maps places uncharted and warned, "*Here there be monsters*".

One such monster is water, the monster encountered by Coca-Cola, but is only one of many. The biosphere, the matrix of life processes on which we all depend, is in trouble. We are now sailing into territory not only uncharted, but also potentially not chartable. Advising navigators or leaders to take care and to suspect their instruments is no more fashionable today. But, it is more critical.

Maps drawn of a known world and the instruments we have come to rely on to navigate it will get us only so far now before we face other monsters, like disruptive climate factors, global dimming and resource depletion that defies our ability to manage. The new world emerging will challenge our ability to command nature to our will and require cooperation across boundaries.

In this world, dynamic flows of interdependent and interrelated elements require that we balance what we think we know with what we cannot know. In this world, we will again be required to cultivate our relationships with each other and the natural world on which we all depend for life as evidenced recently and tragically in Louisiana.

And so, we must now advise that leaders do evidence care and help them look below the surface of old maps at older maps, ancient wisdom, and antique sounding language which might serve to inform action. Our ancestors understood much about the world as a complex living system and prepared their leaders to engage it as such. Not all or even many of these so-called primitive people believed that complex interdependencies were "manageable", although most believed that these could be safeguarded and stewarded.

Our ancestors believed that it was the responsibility of leaders to help continue the creation. Even today CEOs routinely specify that their job is to "create a future". But we may not be able to create that future without reframing our relationship with the world to include older ideas of stewardship and even co-creation. While each has had its moment in management theory neither has exerted much real influence on leadership development or practice.

We propose that the leaders of Coca-Cola would have been enabled by an education that encouraged them to explore these ideas and provide some questions to help that exploration at the end of this paper.

Mapping The New World: From Management To Stewardship

Current language, theory, methods and approaches can only take us so much farther before we exhaust their limits and the limits of our shared world. They have served an important purpose. They have enabled humankind to start and successfully manage an industrial and even post industrial revolution. And they have successfully enabled humankind to circumnavigate the world and create a global trading system of significant import.

But the new world will not be charted by the management mapmakers of the industrial revolution. The leaders of this new world will need to chart its realities and these realities include limits, not only limits to growth, but also to the extension of the idea of management.

The metaphor of management will not enable humankind to navigate the new world of global public goods where critical resources are traded across borders by private actors for strategic advantage. Every framing idea must eventually give way to a bigger picture. We are rapidly approaching the limits to management as an all-embracing frame for leadership action. We

suggest that it is time to revisit the idea of stewardship and to explore its potential as a framing metaphor, which might subsume management practice within it.

The word management itself conjures theory, method and an approach. It is an important idea and a popular one. As an idea, management provided a framing construct that enabled a revolution in the way work was done and in the way our world was organized. But it is a limited idea. It derives from the Latin word *maneggiare* and literally means to lay hands on a horse. Management enabled horsepower to move from the field to the four-lane highway, but it is unlikely to be a powerful enough metaphor for a future that will require over 9 billion people to share one limited life support system traveling through space.

It has already failed to be sufficient to organize the best efforts of so called talent or creative capital, which has proven resistant to the heavy hand of management. Creative talent has historically preferred the idea of being self-organizing and has wrestled with the idea of being managed. Artists bristle at the idea and poets are not keen on it.

But complex living systems are particularly unreceptive to being managed and experiments with their management have provided many examples of the limits of the managerial framework. India is rich in such examples. The Green Revolution in India as elsewhere delivered very little for the cost it exacted from life and left a legacy of dashed expectations among the rural poor. This legacy has had powerful implications that continue to influence politics in India and provide political leaders with a cautionary tale. Hydroelectric power, to date, has not provided more water for India's poor, but has severed them from land and often from hope. Genetically modified organisms promise to feed the hungry, but offer little by way of assurances that Indian farmers can "manage" the consequences of the decision to depart from age old cultivation practices and a heritage of robust seed stock.

Efforts at water management in India suffer the consequence of inadequate regulatory mechanisms, shortsighted subsidies and poor pricing schemes that do not reflect its true value and fail to calculate the cost of its mismanagement. South Indian states like Tamil Nadu, Kerala and Andhra Pradesh have come to blows on the subject of sharing river waters critical to farmers who pull out a bare living from these thirsty lands.

But it is not only in India that our collective efforts to manage what we like to call Nature have had limited success. They have enabled agriculture, animal husbandry and forest and fisheries management. But Nature is, like management, only another human idea, another framing construct.

What we call Nature is not a passive system of resources and recreation. Rather it is a complex and interdependent system on which all of life depends. It acts upon us as we act upon it. And that is a daunting idea and arguably ought to be a humbling one for leaders who aspire to manage the resources provided by that complex life support system.

Educating leaders in the stewardship of living systems will become only more crucial as private sector actors diversify their businesses to include the provision of a public good dependent on living systems. Those who educate and prepare leaders for this mission must inquire as to how to prepare them for the weighty responsibility of stewardship.

Had the leaders of Coca-Cola been educated about India's history as an experiment in the management of living systems and the political, social, cultural and even moral consequences of these experiments they might have been better prepared. However, only if they had been trained to think of themselves as stewards of the public good equipped with management tools, but informed by ecological intelligence and the wisdom of intimate knowledge of place eked out over time, would they really have been better equipped to enter the business of water, the matrix of life.

In entering the business of water as managers rather than stewards of a critical resource, Coca-Cola went beyond the limits of the known mapped by the theory and practice of management. Its leaders were and are unprepared to manage living systems, to manage life. They have not been sufficiently educated to execute this responsibility.

The Business Of Water: The Matrix Of Life

The business of water is the business of supporting life on this planet in enough variety and number to assure its continuance. Before water was imagined as a potential commodity for trade, it was recognized as a giver and sustainer of life. References to water as a source and sanctuary for life may be found in all spiritual traditions.

In the case of India, the spiritual significance of water is everywhere apparent. It is exemplified in the Ganges, the sacred river, and in the Ganesh Festivals in which the elephant god is immersed in the rivers of life.

But the significance of water as spiritual and cultural referent is not confined to India. It is everywhere to be found in our shared world and is as ancient as the waters of Babylon. Everywhere symbol systems and ritual practice point to water as the Source, the giver of life, and that which will ferry it away. Ancient wisdom confirms the findings of modern science. Water is

the matrix of life.

What we call water is a banana shaped molecule, a compound of elements of hydrogen and oxygen formulated on the periodic table as H_2O. It enables life on this planet and as such is a common property resource. Its grossest manifestation is apparent in rivers, lakes and aquifers, but it is also to be found in space and in our bodies. It is indeed such stuff as stars are made of and influenced not only by earthly events but by events in space.

Water is a resource so vital to human communities and to the conditions necessary for life that the United Nations has declared that human communities have a right to water. But a declared right is different from a protected one and the human right to water is increasingly challenged by the human uses of water for agriculture and industry.

Companies also demand and require a right to the water necessary for their products and processes. For companies like Coca-Cola water is a critical resource input that must be managed if the company is to continue to prosper. But for the community from which that resource is extracted water is more than a critical resource, it is a vital one.

For these communities, water is a force of Nature. In the preface to his biography of water, Phillip Ball refers to water as a force for social change and notes that it is a precious resource and must be treasured, nurtured and wisely used. If we do not do so, we risk deprivation, disease, environmental degradation, conflict and death. As Ball's research documents, the life and death of ancient and modern cities and civilizations rises and falls with water.

We are ourselves composed largely of water. But so is Coke. Our survival and the survival of the Coca-Cola Company depend upon it and is some cases contest for it.

The Coca-cola Challenge: A Framework For The Future

Coca-Cola, at this time, evidences no interest in attempting to manage water as the matrix of life or in managing its spiritual power. But any attempt to manage water will bring them directly and indirectly into the timeless business of water, the business of sustaining life, and its disputes.

To be in the business of water therefore requires an active collaboration with life, a commitment to continuing the creation well beyond the limits of what leaders have been taught to include in their responsibility set. Well beyond the limits of the known world of management.

It requires more than the artful hire of chemists, engineers and so called water experts. It

requires an understanding of hydrological systems and cycles, of the life sustaining properties of water and of the risks of entering a business that will tolerate few mistakes.

It would require leaders who understood the interdependent dynamics of chemical compounds, some Astrophysics, Biology and Cultural Anthropology. Such things are not impossible to teach. Most so-called primitive tribes consider them to be a prerequisite for leadership and undertake ritual, walkabout and initiation ceremonies to impart them to new leaders. But few business schools offer such training.

As Coca-Cola copes with the past and present challenges encountered in India, we believe it would be wise to also focus future forward on the business of water and what it will require of leaders. We have prepared some questions, which we believe can encourage the development of ecological intelligence and can enable its practice.

Developing Ecological Intelligence:
10 Questions To Guide Practice

We suggest that the following questions be used to encourage deep reflection and meaningful exchange and propose as a methodology, a guided and facilitated inquiry process, to be used regularly and routinely as part of leadership development and strategy formulation. Finally, as with all such questions, we suggest that the answers that they provide and the questions they provoke be valued and used to guide leadership practice throughout the company.

QUESTIONS

- How are we preparing leaders for the weighty responsibility of a business where not only profits, but life itself could be put at risk?
- Are our instruments sufficient? Can tools like SWOT charts, for example, be made to capture the complexity of an entry into a business such as water?
- Can we imagine and undertake a course of training that would encourage ecological intelligence?
- Do our leaders fully understand the responsibility of managing a compound element like water, so vital to our shared life support system and so intricately interwoven into the physical, material, economic, social and spiritual lives of a world community?
- Do we imagine that the business of water in India can be understood as separate from the business of water worldwide, separate from the business of life itself? If so, why?
- Do we imagine ourselves to be managers, stewards or co-creators?

- ✎ What is our role as private actors in the provision of critical public goods?
- ✎ How do we collaborate with and learn from and with actors in government and civil society?
- ✎ How do we assure integrity of intention and action through routine shifts in leadership and the changing demands of markets?
- ✎ How do we predict and measure a return on investment to shareholders that assures their interest as stakeholders in a common future that requires balancing profitability with the needs of the living systems of the planet to secure and sustain its people?

We also suggest that after actively and fully engaging these questions, the Coca-Cola Company should consider the wisdom of entering the business of life and begins to prepare its leaders fully to live the questions in practice.

This inquiry process will not supply certainty of action, but may re-acquaint the leadership with ideas of stewardship that has been so far under emphasized in result oriented leadership training. Framing constructs like stewardship and service are guides that can enable ecological intelligence to act in the world to effect management practice.

We recommend that these questions be amended, added to and acted on. We believe that when coupled with other methods they can and should guide the development and practice of ecological intelligence.

Conclusion And Recommendations: The Business Of Life And The Public Role Of The Private Sector

Historically, humankind has troubled over questions as to which actors and institutions hold responsibility for providing for the public good. Today, the role of enterprise in defining, securing, monitoring and measuring public good is much debated as the case of Coca-Cola water and India demonstrates.

As we begin to concern ourselves with questions of global public good, we can expect that this debate will intensify and grow more urgent as will calls for participation in this process and for transparency. We can also expect that civil society will come to question management as a framing construct for the business of life and will increasingly require from enterprise a commitment of stewardship informed by a comprehensive understanding of the living systems on which we depend.

We have proposed in this paper that the challenges facing the Coca-Cola Company will become commonplace in the future and suggested that the development of ecological intelligence is a

necessary competency for 21st Century leadership. We should also note that as individuals, most of us, lack this intelligence. We are unable even to grasp the complexity of the bio-system of our own bodies.

Therefore we cannot expect that either our leaders or their organizations are more competent in understanding living systems. They are not encouraged to be. Our accounting systems encourage externalization of the complexity of the natural world, our organizations discount its value and our economy construes the natural world as a low cost provider of commodities for sale.

Leaders attempting to create a future are not enabled by ideas from the past that do not help understand their relationship with life. Leaders of companies like Coca-Cola are trained to optimize gain and to create advantage. They are effective and able strategists. We need only to look at the steady precision of product diversification from water-based products to water as product to see strategic intent in action.

But our short exploration of Coca-Cola and the business of water are meant to illustrate that strategic intent effectively managed and executed, while necessary, is not sufficient when that intent involves access to and provision of resources necessary for public good. Managing the public good always requires management of complex interdependencies. Managing a critical resource vital to life also requires a commitment to life, to its stewardship and sustenance.

Today's leaders have not been educated or encouraged to make such a commitment. Tomorrow's leaders will not be able to escape it.

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Leadership in a Knowledge Economy*

Kamal K Jain

Leadership is in great demand. Leaders are in short supply. The reason 'Leadership', is in such great demand is because it is the key driving force behind the success of any individual, society, organization or country. Leaders are in short supply because it requires courage and character, belief in the core values, compelling modesty and commitment to a cause – something that does not come for free and something that can't be bought in any shopping mall.

Leadership is not a static phenomenon. As societies move towards knowledge economy, there is going to be a paradigm shift in the skills and qualities necessary to be a successful leader. A leader has to recognize that in a knowledge economy, it is knowledge that gives him a competitive advantage. Nevertheless, he also needs to remember that the shelf life of knowledge is slowly declining. One may have a competitive advantage by virtue of his knowledge, but it may not be sustainable. If you cling to old knowledge, anybody can pull the carpet out from under your feet, no matter how firmly you plant your feet. The technology in this knowledge economy can make an expert out of a layman. With a good quality 'all features included' camcorder, anyone can produce a quality video. 'You Tube' took advantage of this opportunity and became successful overnight.

It is obvious then, that success in businesses in future will revolve around new ideas – ideas that also have the added advantage of being incremental and serendipitous. A leader in this scenario begins by asking these sorts of questions: " How can we provide a hotel room to customers at Rs 9?" "How can we provide cardiac care to patients at a price that is 30% less than the cost of such operations in countries like the US?" "How can we provide a small car to people at a price of Rs 1 Lakh?" For a leader in this situation the issue of competing with others becomes extraneous, insignificant and irrelevant. He believes in being a rule maker rather than a rule taker.

As success in business moves around new ideas, people become a critical factor for its success. It then becomes a leadership issue rather than a management issue. Rose Perot was quoted as saying (and quite rightly), "People cannot be managed - only inventories can be managed." People need to be led. In order to get people to join him on the journey towards new ideas, he becomes a member of the team, he engages them, nurtures and develops them, and he leads them and is willing to be led.

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As leadership takes center stage in the businesses of tomorrow, it is imperative for future leaders to know what is right leadership and what is flawed leadership. To a society or an economy, there is no greater threat than the danger of flawed leadership. When flawed leadership takes over, you have dictators like Hitler, Stalin, Mao and cases like Enron, World Com and recent ones like Satyam. If you apply any management test, Satyam had everything in place. It had a bold, well-defined vision, a mission and a value statement.

For the record, it reads, " Business Transformation Together". It speaks of "Execution: Ordinary people, doing extraordinary things","Demystifying business challenges" is one of its other claims. Management was able to inspire the troops to rally around that vision, they were able to attract some of the best and brightest people in the world. They were able to create a fast paced, highly innovative and entrepreneurial culture. It had independent directors who were prominent figures in their respective fields. But alas, it lost out on the basic foundation of good leadership – values and ethics.

In this age of media activism any compromise with values and ethics is discovered, sooner than later. It will not be out of place to mention that most people do not want to be successful; they just want to appear successful. While a person may get what he wants, he may find it difficult to keep it.

The business landscape is changing. Economic, political and complex social transformations are demanding change from the business leaders at a faster rate than ever before. The changing cultural and ethnic makeup of our societies and the changing political / social environment in the context of the new globalised economy are undeniable factors that leaders need to address today. The business world, long characterized by stability, autocracy and strictly bound processes would have to become more change embracing in today's ever changing landscape.

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Development Without Culture*

Anmol Vellani

Prologue

Not long after joining an international grant-making foundation, I was invited to a meeting at its headquarters in New York. I had been told that the purpose of the meeting was to discuss aspects of the foundation's culture programme, but I had no idea how I was expected to contribute to the discussion.

Desperately wanting to clarify my role, I approached the Chair of the meeting[1], ten minutes before it was scheduled to begin.

"Is there anything in particular that you would like me to talk about?" I asked him. "Just tell us why culture is valuable," was his breezy reply.

I was stunned. This was the last question that I had expected to be asked. Here was a foundation that had supported cultural institutions and initiatives in South Asia for a decade. It had an even longer history of grant making in the arts in the USA. Would any foundation, after years of working in community development, ask itself why community development is valuable?

My astonishment quickly gave way to confusion as I began to consider why culture is valuable. The more I thought about the question, the more it seemed to resist any but the most paradoxical answer.

Soon it was my turn to speak. I saw curiosity and expectation on the many faces that turned to look in my direction. I was forced to inject a long pause into the proceedings – not for dramatic effect, but only to buy time for an idea, any idea, to stir in my mind. Then, all of a sudden, I understood why the question had so baffled me.

"Culture cannot be ascribed a value," I began. "On the contrary, it is the limiting point of our ascription of value and meaning…"

[1] The meeting was chaired by the late Dr John Gerhart, to whose memory I dedicate this paper.

Development's View of Culture

Today I am better able to appreciate why a foundation – one that primarily supports developmental work – might ask itself about the value of culture, even when it has been active in the field for many years. Behind the question lurks the foundation's persistent uneasiness about being involved in the field of culture. How does it justify supporting cultural work in societies struggling with grinding poverty, malnutrition, illiteracy, inequality and injustice? The apparent lack of integration between its culture programme and other areas of grant making becomes another source of anxiety. And how would the foundation defend itself against the charge that culture and development are not just unrelated but incompatible areas of work? Is culture not a barrier to development?

Beyond the presumed incompatibility of developmental and cultural activity is a deeper problem, unarticulated and little understood. It is that the *concept* of culture is incompatible with development discourse, or at least with the terms in which it has been conducted until very recently. Understanding the nature of this tension might help to throw light on a number of questions, including why foundations are reluctant to enter the culture field; why such culture programmes as do exist within foundations, form a parallel stream of activity, isolated from other grant making; and why culture appears on the developmental agenda in an instrumental role instead of becoming an integral part of development thinking.

Development thinking has focused on the external world – the social, political, economic, cultural and natural environment – and how it impinges on human well - being. Its primary preoccupation has been with the outer changes that need to be effected (rather than the possible link between inner change and outer change) to improve the quality of human life. Naturally it has also been concerned to weigh initiatives that would alter the conditions of life for the better against the costs of bringing about desirable changes, such as whether those changes would weaken the social fabric, result in environmental degradation, or narrow the prospects for future generations in some other way.

Within the limits of this discourse, one is confined to thinking about culture as a feature of the world that human beings inhabit. Conceiving of culture as an *object*, it becomes legitimate to look upon it as a good, like health or education, or as an evil, like corruption or child labour. It also seems apt to appraise culture, as one might the state of the economy, and ask whether it can be 'improved' to facilitate development. One could then consider strategies to suppress or strengthen aspects of the cultural environment, depending on whether they hinder or promote development goals.

This discourse, in other words, does not assume culture to have its own inner dynamic that might have a bearing on development thinking or strategy. Rather culture is viewed from the outside, as a relatively fixed domain to be confronted, evaluated and acted upon from within a developmental frame of reference. Culture can be admitted into this frame of reference only as a feature of the environment that one might want either to overcome or utilize to ensure the success of development programmes.

Because it is seen as part of an inhibiting or facilitating environment, culture plays no role in determining the nature of development strategies or initiatives. As an object, however, culture finds a place on the developmental agenda in two ways. Firstly, it is acknowledged to have instrumental value. Cultural expression is used by development agencies to spread literacy, for example, or to communicate health or environment programmes. As a medium of communication, it is accepted as having a role in contributing to social change, building constituencies, raising consciousness, and even helping to overcome cultural resistance to development ideas. Secondly, development agencies might be involved with cultural expression as an offshoot of their interest in sustainable livelihoods. Under this rubric, support mostly goes out for projects that enhance the income-generating potential of crafted or performed forms of cultural expression in rural and tribal communities. The main thrust of such projects is to give these forms access to wider markets.

These 'development' programmes sidestep vital issues of culture. The first sees no harm in altering the content of traditional cultural forms to reflect development messages, the second one, in treating these merely as products to be bought and sold. Both ignore the fact that rural and tribal communities attach specific meanings to their forms of expression – meanings that derive from the local context in which, and purpose for which they are presented or produced. In the case of the crafts, for instance, it is not just the materials, colours or motifs that are used; even the very process of creation might have ritual or symbolic significance. As prevailing but ever fickle market tastes and preferences increasingly dictate the nature of the craft product as well as the mode of its production, cultural agents are being reduced to contract labourers. They are being alienated from their act of creation and its result, which is emptied of cultural meaning to serve a milieu entirely unrelated to their own. It is not surprising that such projects – rooted in the development concern with sustaining or altering external conditions for the sake of human well being, – should disregard this intimate relationship between culture and meaning.

Culture's Critique of Development

Within development discourse, I have suggested, there is nothing obviously wrong or illogical about asking if culture has value. Nor, therefore, would it seem unreasonable to ask whether

culture has more or less value than, say, education or health. How often has one heard the lack of philanthropic or developmental attention to culture defended on the ground that it falls low on any scale of priorities? But culture, as I argue below, belongs in a different category, and cannot be placed on the same scale as education or health for the purpose of comparison.

To begin with, there is something exceedingly odd about regarding culture as an object or state of affairs. One can speak sensibly about good or bad health or education, but not about good or bad culture. It is not culture itself but the expressions of culture that can be assessed in different ways – as good or bad, meaningful or trite, influential or insignificant, and so on. Indeed the assumption that culture and development are opposed rests on equating culture with cultural expression. After all, it is only cultural habits of perceiving, thinking and acting that could possibly overturn the best-laid development plans.

But to equate culture with cultural expression is to lose sight of the fact that the locus of culture is not the external world, but the transaction between the self and the world. Culture – unlike food, shelter, education or health – cannot be given a value because it sets the limits to our ascription and production of meaning and value in the world, and to the changes in our world that we are able to tolerate. We do not pursue culture as we pursue happiness; rather culture determines the boundaries of what we might regard as a life worth pursuing.

At the same time, culture should not be seen as a framework or foundation that determines or fixes human habits of perception, action or response. This would make it difficult to account for cultural change. One should instead think of culture as a bubble, which has the elasticity to accommodate a certain range of ways of seeing and doing, differences in tastes and preferences, and even rival conceptions of the meaningful or worthwhile. It can allow considerable room for negotiation and manoeuvre with respect to competing interests and contested positions. It also has the elasticity to absorb and be transformed by alien influences without losing its identity. But like a bubble, culture also has a bursting point, beyond which lies all that it is unable to contemplate, tolerate or digest [2].

Culture, therefore, is the limiting point of what we might countenance as worthwhile, meaningful or acceptable. It limits our ascription and production of meaning in the world. It limits, for example, whether we are able to ascribe meaning or value to a historical artifact, whether we discover or understand it to have some significance to our lives. It limits as well the range of possible meanings we are able to assign to that artifact. Culture also limits the array of meanings that we could assign to a ritual practice in which we participate. Within those limits, the

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[2] I am indebted to Mr George Jose for the bubble analogy, which he had heard Prof Dipankar Gupta use in a lecture to critique theories of cultural determinism.

meaning we assign to that practice may change, without implying that our culture has changed. On the other hand, a change in the significance of a ritual practice may well be a sign that the limiting point of our culture has expanded or contracted.

Culture also sets limits to the acceptance of fresh meanings that might be produced by the invention of a new cultural form, or by the introduction of new elements in an existing one. The new intervention might be rejected, but if it is tolerated or accepted, it would be because either (1) it is compatible with the given universe of significance in our culture, or (2) it has altered the cultural limits of meaning ascription and production. At one level, a community witnesses cultural change when new meanings are introduced and accepted. At a deeper level, it changes when the limits of meaning ascription and production have been redrawn.[3]

It would be fair to argue that development discourse, as I have characterized it, is associated with an older model of development. Top - down, remote-controlled development has been out of fashion for some time. The idea that workable solutions to the problems of poverty and underdevelopment can be thrashed out in the boardrooms or by the staff of development agencies has few if any takers today. Nor does anyone believe that following the route to development taken by the advanced, industrialized countries is feasible or sustainable. And it is only very rarely that development breakthroughs and insights from one disadvantaged context have been transplanted to another with any degree of success.

The weakening hold of prescriptive notions of development promises to bring culture to the forefront of developmental thinking. For some time now, development programmes have been concerned with empowering groups that suffer social or economic privation. Development-as-empowerment appears to shift the discourse from initiating change in the best interest of the disadvantaged to enabling the disadvantaged to play a growing role in determining what change is in their best interest and how best to achieve it. Two reasons can be adduced in favour of handing over greater control to weaker groups to address their own problems and situation of disadvantage. Firstly, people who experience a problem, and best understand the local conditions in which it obtains, are the most reliable source of ideas and strategies to address it. Secondly, one empowers people or communities to enable them to decide what matters to them, what priorities or goals to set, indeed even to decide what *counts* as a problem.

[3] For contrasting views, see Milton Singer's survey of anthropological interpretations of culture in *The Concept of Culture*, International Encyclopedia of the Social Sciences 3 (New York: Macmillan and Free Press, 1968) p. 527-43. For a more recent account, see John Monaghan and Peter Just's *Social & Cultural Anthropology: A Very Short Introduction* (Oxford, 2000) Chapter 2. Culture has been defined, for example, as the domain of the most elevated human values (Matthew Arnold); a complex whole of shared patterns of learned belief, knowledge and behaviour (Edward Tylor); rules of conduct (Claude Levi-Strauss); standards for perceiving, responding and acting (Ward H. Goodenough); and the organizing principle of human experience (Renato Rosaldo). More recent views of culture have denied that it is an integrated whole or refers to an underlying pattern.

If empowerment is about enabling people to take greater control over their lives and their future, culture must occupy a central place in development thinking and strategy. Culture is expressed in many ways – in the food people eat, the rituals in which they participate, the stories they tell, the myths to which they adhere, for example. Cultural expression reflects and reinforces deeply held values and beliefs, providing people with a secure basis for taking decisions about the future of their communities and social and economic lives, but it does more than that. Referring specifically to the arts, Joan Erdman has written:

> (T)he arts embody culture in a distinctive manner incorporating myth and history… It is in the arts, in cultural performance, that a civilization reconsiders its values, teaches them to its young, restores them to immediacy, and accepts changes in their significance or importance. [4]

It is in and through the arts, one might add, that a community views its past, speaks about what matters to it in the present, and envisions its future. The arts occupy a special place within a community, the place from which social critique can emanate, and received wisdom and values interrogated. If the cultural superstructure of a people is under peril, they can no longer feel certain about their identity and place in the world. They are then profoundly disempowered, rendered incapable of taking control of their lives.

This has the obvious implication that projects to empower a particular group must go hand-in-hand with efforts to sustain if not strengthen cultural expression's role in grounding that group's self-understanding, sense of purpose, and capacity for self-examination. But does it not also have the dismaying implication that decisions regarding the future of that community would be circumscribed by the range of possible values, norms, perceptions and beliefs that might be prevalent in the culture? Not really. A culture, as I have suggested, has the elasticity to accommodate new ideas, perceptions and knowledge within certain limits. It also has the ability to redefine those limits. Only a self-assured culture, however, can retain this elasticity, producing new meanings and remaining open to external influences. This, again, underscores why it makes little sense to divorce programmes that aim to strengthen people's participation in the development process, or legitimize local knowledge and decision-making, from parallel work that addresses issues of cultural dynamism and vitality.

Why have donor agencies and NGOs overlooked this close connection between culture and empowerment? Part of the answer lies in the concept of empowerment that dominates development thinking. Echoing the emphasis given to external changes in development's older

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[4] *Arts Patronage in India: Methods, Motives and Markets,* edited by Joan L. Erdman (Manohar, 1992) p. 13.

discourse, empowerment has been understood to mean 'democratizing the ownership of productive assets, capacities and opportunities'[5] and sharing decision-making powers with the dispossessed or marginalized in matters that directly impinge on their lives. Perhaps it is assumed that empowerment in this sense (which gives the disadvantaged a greater *say* in matters affecting their lives) would lead to empowerment in the sense in which I defined it above (which *enables* people to take control of their lives). But would a change in power relations necessarily be enabling, in the sense implied, for weaker groups? And does it not remain an open question whether the shared power would be exercised responsibly to promote the common interest[6], or the acquired power used to achieve the purpose for which it is intended?

This exteriorized concept of empowerment, apart from banishing culture from the development fold, runs up against familiar reservations about the exercise of power at the grassroots: that it easily falls prey to indefensible caste-based, feudal or patriarchal values and prejudices. Unfortunately, though, the development sector is likely to welcome this observation as supportive of its perspective on culture as a hindrance to progress, rather than read it as criticism damaging to its perspective on empowerment.

Properly understood, however, cultural expression is an ally of development rather than a means to it or, worse, an obstacle to it. The arts make it possible to stimulate development from within cultural contexts, and integrate processes of development with processes of cultural change. The arts, I have said, provide communities with a handle to examine and critique established values, beliefs and perceptions. It is the place from which authority and its prescribed meanings are often contested, and the limit point of a culture tested, stretched and reworked.

The residue of earlier thinking has prevented the development world from embracing empowerment in its fullest sense, and from acknowledging its intimate relationship to culture. To be empowered is to be able to take decisions based on an awareness of the link between material change and cultural change. But it is more than that. Taking decisions about your material future, very often, requires taking decisions about your cultural future. A fully empowered community, therefore, is one that is able to ask itself questions like: To what extent do we want our cultural values to determine what we might be willing to countenance as desirable material change? What cultural changes are we willing to tolerate to improve our material circumstances?

People are empowered not when they can take decisions about their future based on their own

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[5] As articulated by Michael Edwards & Gita Sen in *NGOs, social change and the transformation of human relationships: a 21st-century civic agenda,* (Third World Quarterly, Vol. 21, No. 4, 2000) p. 609.

[6] Ibid. p. 609

cultural values and priorities, but when their culture, and their relationship to it, has become for them a subject about which they can take decisions. People are not empowered unless they can appreciate *how their culture works through them*. To be a victim of one's culture is to be as disempowered as to be alienated from it.

Epilogue

I began this paper by recounting an incident that took place early in my tenure with an international foundation. I had then been confronted with a provocative question: why is culture valuable? Later in my term with the same foundation, a colleague told me a story that provided the answer, although I failed to connect the dots at the time. This is what she said:

"I've been making a lot of field trips lately and met many people who want to know what our foundation does in India. So I tell them about our work in reproductive health, women's empowerment, human rights and social justice and so on. But it's frustrating because mostly I find them listening to me with polite inattention. Sometimes, though, I remember to mention – and I must confess it's usually an afterthought – that the vitality of cultural expression, especially the arts, is also an important concern for the foundation. And I've been struck by the reaction this produces. Suddenly I find them all ears. They lean forward or sit up and they say, almost with amazement: "You mean you're interested in *us*? You mean it matters to you who we *are*?"

Author's Profile

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Management Case

Gati Limited: Evolution of a
Third Party Logistics Organization

N. Ravichandran

Our proposal to the customer is value for money. We provide multiple options to our customers and facilitate them to choose what they wants based on price and performance. We handle 1.5 million packages in a month across 29 states in India. Each shipment has an assured delivery date. Gati is probably the only company in the world, which prints the promised delivery date on the docket. We are aware of the transportation needs, we understand the geography of India, and we have developed excellent connectivity across the country thus enabling us to provide unparalleled service to our customers.

Mahendra K Agarwal, MD, GATI

Gati started operations in 1989 as a door-to-door cargo company. A division of Transport Corporation of India (TCI), it was the result of Agarwal's conscious decision after he returned from the United States with a degree in management. Agarwal wanted to be in the transport business, even though it was considered to be one for those with modest education. TCI, which was Agarwal's family business, had half a dozen operating manufacturing units. When he joined TCI in 1980, it was one of the top three transport companies in India. His aim was to rebuild an otherwise successful TCI based on systems and processes and manage it professionally to meet implicit and explicit consumer needs.

Based on customer's feedback and interaction, Agarwal felt that, apart from moving cargo, TCI could do something different, which customers would value and appreciate. There were several options: either tie up with UPS or hive off from TCI and set out on its own with a separate brand equity.

Thus Gati was introduced in the market as a door-to-door cargo company with commitment on delivery and money back guarantee.

The first experiment of this new business model (overnight delivery) was conducted between Madras and Madurai. It, however, did not succeed because the volume was inadequate and the sector was short. This did not discourage Agarwal. Deep in his mind, he felt that may be the experiment had failed but not the concept.

Agarwal was very keen on making a second attempt. He had extensive discussions internally on the nature of the company, policy and procedures, infrastructure, etc. After detailed planning for six months Gati was launched in 1989 in four stations: Hyderabad, Madras, Bangalore, and Hosur.

To give an Indian name to the operations, several Sanskrit-based names were short - listed. Finally, the name Gati was selected to reflect and represent speed with direction.

Agarwal was aware that Gati was a late entrant to the generic cargo business. To make progress, the business needed to be conducted with a different perspective. Gati was willing to wait to generate surplus from the business. Agarwal chose time bound, point to point delivery, premium priced cargo management service. With this offering, Gati introduced the concept of express cargo in the Indian context.

In the beginning (1989) it was difficult to get premium rate for such service. There was not enough traffic on all routes. Only a few routes attracted good traffic. Agarwal's determination kept the company going. He gave more priority to timely delivery (to ensure customer satisfaction) than the cost of delivery reflected by vehicle underutilization. Often, vehicles were dispatched with low or moderate capacity. It took roughly four years to stabilize the differentiated express cargo business from simple cargo business.

Agarwal says:

"Gati was started in 1989 as a division of TCI. It became a separate company after a period of six years (1994). In 1994, TCI was a Rs. 200 crore company and Gati was doing Rs. 18 crore. I opted for transport business to satisfy my ambition and desire to do something different from normal and routine. Transport business was considered to be a routine business with no scope for value addition. I wanted to revolutionize this business by offering value added services with highest quality. My aim was to be a pioneering leader and business entity in this segment. We wanted to redefine service in this business and stay ahead of competition. That has been the focus of Gati."

There were several challenges in establishing this business. The first one was to manage a service channel whether there was enough traffic (load) or otherwise. When the load was low, keeping vehicles plying required tremendous business commitment to customer service levels promised.

Gati operated its business with a group of front-end entrepreneurial delivery set-up. Members of this set-up were known as Gati Associates (GAs). This concept was new. There was no

familiarity and no benchmarks. There were also issues related to who would finance the vehicles owned by GA. What should be the appropriate compensation/revenue for GA?

Finally Agarwal decided to encourage unemployed graduates with entrepreneurship qualities as GA. A Gati associate bought no capital to the business but only commitment and enthusiasm. He was trained and motivated by Gati. He was assured a net revenue of Rs. 8000 a month (in 1994). A financial arrangement ensured over a period of time, GAs owned the vehicles they have been using on behalf of Gati.

The next challenge was to get customers. Several advertisements were released. Gati announced a money back guarantee scheme when delivery promises were not met. Gati took payment from corporate clients only after producing proof of delivery. Though a genuine service orientation to customers, and commitment to excellence in execution (by investing on people and infrastructure), Gati got a foothold in the market. Gati also invested substantial resources in customer relationship marketing through regular customer meets and customer carnivals. This was a new strategy to the industry and resulted in creating a unique market for Gati.

Between 1994 and 1998, competition slowly emerged. Several retail courier operators cloned the Gati model. The unique product offering by Gati became a commodity. Therefore, premium pricing was no more feasible. There was erosion in the market share (up to 60 per cent). Competitors started recruiting Gati employees.

In 1994, Gati introduced desk-to-desk service to meet the price sensitive customer market. Desk to desk cargo was placed between regular transportation and premium cargo. Premium cargo was next day delivery. Desk to desk was delivered within four days. Soon desk to desk business started growing at the expense of premium (this was realized by Gati management only in 2000). Consequently in 2001, the desk - to - desk segment was merged with the premium segment.

In the words of VP (Finance):

"When Gati was formed Agarwal was TCI's MD. He, being an entrepreneur with innovative mind, identified a market segment in transportation business (desk to desk cargo: this is a service in which the parcel is picked up from the customer's location and delivered at the desired location within a stipulated time) with premium pricing. The delivery time commitment took precedence over truck utilization and hence the cost of service delivery. This was core to Gati.

Between 1998 and 2001, Gati expanded rapidly in business and revenue. It had grown to

operating in 10 regions in 2001 from 2 in 1994. Courier business had already become operational. International operation to SAARC countries was in place. Shipping business, earlier handled by TCI, became a part of Gati. TCI Highways was taken over by Gati. By 2001, Gati was using several modes or a combination of modes to give customers a choice on service (product, volume, and time) at an appropriate price.

In October 1994, Gati formally separated from TCI. All business relationships were redefined. Formal legal separation took place in April 1996 (through a de-merger process).

Originally Gati targeted packets up to 40 kg. only. Therefore, it was named as Gati Small Cargo Services (1993). A rebranding exercise was done with inputs from the Nexus Equity Advertising Group and Gati was established as a small cargo specialist and renamed as Gati Cargo Management Services. This was later renamed as Gati Corporation and finally Gati Ltd. (For a detailed description of product and services offered by Gati see Appendix 1.)"

Gati Business Model

Several innovative methods characterized the way in which Gati approached its business. For example, customers were billed only after the proof of delivery was made available to them. From the beginning Gati never operated the transport vehicles on its own. It developed a set of business partners called Gati Associates to handle the physical logistics operations. The compensation plan was designed to provide a win-win situation for both Gati and Gati Associates.

Based on the volume of traffic and the origin and destination information, Gati systematically developed relationships with airlines and railways to use their cargo capacity to deliver products and services. Gati had a long-term contract on cargo capacity with Indian Airlines and other airlines on the first flight from specific origin to destination for a fixed price no matter what the actual traffic was. This enabled Gati to deliver priority and courier bookings with remarkable ease and accuracy. The commitment to Indian Airlines on account of this contract was Rs. 1.5 crore/month.

Explaining the strategic intent in such an alliance, Agarwal said:

"Both Gati and IA see tremendous potential from this alliance as domestic air cargo movement is estimated at 550 tonnes/day of which IA carries approximately 300 tonnes. Private operators carry approximately 150 tonnes a day. Research shows that about 100 tonnes a day are as yet untapped for movement by air. This market is expected to grow by leaps and bounds with most manufacturers looking for faster movement to contain inventory cost. Besides two other players

in the industry, Gati also has clearance from the Director General of Civil Aviation for flying its own cargo aircraft but we have taken a conscious decision to go ahead in our contract with IA as we feel that, with self-owned operation, the fleet would be limited to 2 - 5 aircraft while IA's fleet of 58 aircraft provides a very wide reach to suit the needs of all kinds of customers. There is certainly a lot of merit in this strategy as Gati services 550 locations through 150 branches spread all over with one waybill. With this alliance the users of express services can certainly look forward to the best "wheels" and "wings" in India."

Contract with Railways

Based on detailed analysis, Gati found that it was economically viable to use the railway network to move its cargo. After prolonged negotiation with Indian Railways. Gati signed a three-year. The contract was motivated by Gati's ability to service three different market segments with greater efficiency: some air cargo (urgent on time to deliver, but bulky), some surface cargo (both retail and major accounts) and transport market (price sensitive segment).

The railway contract was not without risks. Each train cost Gati Rs. 10 lakh. It required moving one train every week, which was possible only when 30 mt/day of cargo was mobilized. The expected revenue from a trainload was Rs. 18 lakh. The best route was Delhi-Madras. Prejudices from railways prevented its operations. The Bombay-Calcutta route was operational for six months. The Delhi-Bombay route was not received well as the distance was not large enough to shift prime customers to the rail mode.

Movement through the railway network could not be sustained because even in the best route (Bombay - Calcutta), there was no return load. The contract stipulated a fixed payment to railways. Collection did not match with the commitment. Non-availability of load delayed shipments and delivery commitments could not be met, leading to reduced traffic. Some in Gati argued the railways business failed because Gati never sold the product or a service but inadvertently started selling the mode (rail) of transport. Customers were unwilling to pay a premium price for what was perceived by them as slow mode of transport.

Before Gati undertook organization-restructuring railways was managed as a project. After restructuring there was no clarity as who was responsible for what of this product. This further led to lower collection and non-profitable operations. Eventually, Gati abandoned the initiative. There was a feeling of unease among senior executives that a potentially good project was not well managed and a great business opportunity was lost.

HR in Gati

Gati believed in long-term employee relationship. Organizational commitment, win-win situation, multiskilling of employees, and long-term employment were the key ingredients of human relations function. Attitude was given more importance in employee recruitment than qualification and expertise.

- ✍ On every possible occasion, Agarwal made it explicit that Gati was a caring organization. Wherever possible, food was cooked and served to employees in all Gati offices. While the informal set and atmosphere worked well for quite some time, major reforms were initiated between 2000 and 2003 to enhance competitiveness of Gati in the changing business environment.

- ✍ Agarwal himself personally met the family members of an employee in case he/she lost life in a (major) road accident. This was systematically followed up. Today (2005), where Agarwal cannot visit the family of the victim, a senior employee of the company is deputed.

- ✍ Most of the Gati employees (until 1994) were inherited from TCI. There was a need to enhance their competency level. Management graduates and engineers were recruited from the campuses and placed in executive or managerial cadre. To keep a check on the number of employees, a performance-based separation scheme was implemented. The separated employees were given option, opportunity, and financial support to work for Gati as entrepreneurs.

- ✍ The gender mix in Gati was skewed towards males. Very few women worked for Gati. To bring an element of improvement in social behaviour within Gati (in terms of spoken language, manners, etc.) women employees were inducted as management and graduate trainees (this initiative was based on the hope and assumption that, in the presence of women, male employees would tend to be more gentle!). The entry-level qualification was increased from school pass (higher secondary qualified) to graduation.

- ✍ Recruitment was need based. Advertisements, using manpower consultants, and visiting campuses were the modes of recruitment. Understanding of the service industry, ability to sell a product, innovativeness, business knowledge and exposure to functional areas of business, softer skills (like communication and sensitivity), and ability to work in a team were the range of skills sought in a fresh recruit.

- ✍ Every new entrant went through a seven-day induction course, at a place other than his/her place of posting. Standard training modules on marketing, customer orientation, and service quality were routinely offered. Several executives were nominated for management courses in reputed Indian educational institutions.

- ✍ The performance appraisal system was changed from the managing director reviewing

the performance with every regional manager to a broadbased open appraisal system. Two broadbased review committees did the appraisal. A central review committee and a regional review committee reviewed the performance of every manager along with the managing director in an open environment.

? Welfare measures included financial support on a need basis. All employees and family including parents were covered through insurance policies. For staff, all statutory requirements were provided. Remuneration and perks for senior executives were comparable with the best in the industry.

Reorganization in 2003

During 2001-2003, Gati undertook a major organization restructuring exercise. This was motivated by several business reasons.

Before reorganization, Gati's operations were divided into 10 regions. Each region was like an independent business unit and was managed by a regional manager. The regional manager was incharge of all activities related to the management of the region. This created a vast pool of generalists in the company. Because of increased and intense competition, Gati needed to sharply focus on marketing and delivery. For example, the regional head could spend only a limited amount of time with his clients because of his other responsibilities of managing the region.

The monitoring (business) mechanism was at the regional level. While at best regional performance could be monitored and possibly corrected, it left several gaps in understanding how a product or service was doing across the country. At best it was possible to discuss the performance variation of product and services across the regions. It was not possible to develop a holistic view of the product and service and enhance performance or modify the features.

Gati had evolved on employee trust. Most senior managers were groomed by Agarwal. They all had joined at the operating level and had moved up to assume larger responsibilities as the business expanded. There was a lack of formal systems approach and professional orientation.

Agarwal was of the opinion that, given the size of Gati and growing business compulsions, marketing and services could no more be bundled. A need to focus sharper on these activities with specialized manpower was articulated within the organization.

In the revised organization structure, marketing and services (operations) were vertically separated across the company. Services like information technology, finance, and HR, which

were used by every product in Gati, became corporate functions. In the new set-up, there were five zones: north, south, east, west, and central. They were primarily marketing offices. They looked after all marketing aspects of all products in a zone. Services and the associated infrastructure were renamed as divisions. The division heads were responsible for operational efficiency and service reliability. Both divisional heads and zonal heads were expected to work as internal customers. The service heads looked after all Gati products. (See Exhibits 4 and 5 for the revised organization structure and the value chain concept.)

The number of branches was rationalized to 62 from 180. The new operating units were called express centres (EC). Smaller branches (of the old system) were converted to depots. Each EC was a hub for several depots. Operation, sales, and financial accounting were administered at the EC level. In essence, the reorganization aimed to convert Gati from a resource based, activity-oriented organization to market focused, process oriented commercial entity.

The consequences of restructuring were deep and felt across the organization. Some of the most important issues are captured here.

- ✎ Earlier, Gati was a corporate office driven organization. Now every division and zone was expected to set its targets (in consultation with the corporate office). The zones should manage their funds. The zones can resolve structural issues, modify procedures, refund customer (claim) settlement, and damages. Virtually they are independent subject to broad policy issues.

- ✎ Earlier divisions were based on geographical delivery. Now they are based on activity and its intensity. The old system was driven by close supervision. The new system is driven by performance measures and empowerment. Responsibilities have been redefined and refocused, and reporting relationships have changed.

The revised organization structure was implemented with great zeal and enthusiasm. Speaking on the challenges, VP (HRD) said:

"There were two types of challenges in implementing the revised structure. The internal challenges were our inability to change and transform. We thought we had the ability. But, it was a wrong perception. Separating marketing and operations itself has created a big turmoil in the organization. It took several months to clarify who should do the billing and who should do the collection. Employees simply refused to touch work, which they felt, were not their responsibility, and operations suffered. Accounts receivable went up to Rs. 34 crore (close to 10 per cent of the turnover).

Reorganization reduced the visible power of middle management and seemingly restricted the span of control of top management. Employee morale was low. There was no assessment on the competency profile of the employees. There were new jobs. Employees were randomly assigned to new slots. Many fitments were sub-optimal. Several employees left Gati. For six months the entire organization was in turmoil. The focus on business was diluted. There was a fear that the company might drift from its main course.

Reactions among management varied. Top management was driving the change. It was positive and enthusiastic on the revised structure. But, occasionally, there were apprehensions related to successful implementation of the revised structure and realizing the benefit of the change."

Reacting to the revised set-up, one senior manager said:

"Earlier we ran business based on individuals. Now we are becoming system oriented. What happens when the system fails? In the revised organization of work there are still several grey areas. In the focused environment, accountability is diluted. Earlier, there was a single comprehensive performance measure. Today, my performance is influenced and affected by several others in Gati."

According to the Manager (South Zone):

Earlier I had comprehensive powers. Now my powers and responsibilities are curtailed. Earlier I can design a product based on a customer's requirement and deliver it. Today, I need the support of services to do it. Why this unnecessary complication? Service and sales are internally split. But for the customer, sales person is responsible for service as well. How to resolve this conflict in perception?

There should be one person to lead. You cannot have two independent streams of authority. The present structure would work only when the professional maturity of the individuals are high.

Earlier, I used to make instantaneous decisions. For example, if I have enough material I would organize a truck immediately to satisfy customer requirement and meet delivery commitment. Now, I need to depend on service. Similarly, client settlement would also involve several steps and several people and their judgment.

Gati Online Initiative

The Gati online project was conceptualized in 2000. The objective was to develop a web-enabled information technology platform to support operations. Before this initiative Gati had developed a software and implemented it on FoxPro. It was based on the latest information technology. Over a period of time, better and safe technology had evolved and Gati wanted to take advantage of it.

There was another problem: the software was operational at the local offices in a decentralized mode. It was not possible to establish centralized control on data and operational features. Decentralized operation allowed the front-end employees at branches to offer differentiated pricing. However, because of lack of control and data integrity in the system, financial benefits did not accrue to Gati. Some pilferage was possible. The new software was expected to plug these holes.

The option of using readily available software was considered. Based on the peculiarities of operations and after carefully evaluating several vendors, Gati decided to develop a customized solution itself.

Gati engaged the services of a reputed IT company to develop a software. This company had very little experience in developing customized solutions, even though it was a well-known computer training organization. Gati wanted a software, which would track all activities from receiving a document until settlement of accounts related to the document. The company envisaged the project as an extension of Oracle Financials. Its idea was to customize Oracle Financials to Gati requirements. As an extension it planned to capture the operational aspects. The company spent about nine months in understanding Oracle Financials from this perspective. However, Agarwal and others realized that this approach was unlikely to meet the requirements of Gati and was not in tune with what Gati wanted. Consequently, the contract with the company was terminated. Gati had lost about a year in initiating activities related to developing its own software.

Agarwal and V.T. Pawar who was in charge of the Gati online project engaged Satyam on the software development project. Satyam broadly understood the requirements and started negotiating the project details. Agarwal was keen to have the job completed in 15 months. Satyam, however, needed at least 24 months. After prolonged negotiations and substantially modifying the system requirements and reporting formats, June 2002 was fixed as the target date for completion of the project, which was named Gati@web. The project comprised three different components: GEMS (Gati Enterprise Management System), Oracle Financials, and

Oracle CRM. GEMS was the main application, which was to be custom built covering all activities of Gati. This in turn was to be interfaced with Oracle Financials for financial reporting and CRM for the contact centres.

For Satyam, this project was the first of its kind. The project envisaged about 2000 man months' effort. The project was monitored from day one (March 2001). Ten months passed by and in January 2002, Satyam reported that the project was too big and could not be delivered by June 2002. Left with no alternative, Gati settled for reduced scope of the application; Satyam was to make this available by June 2003. However, the change in time frame resulted in a price increase of around 42 per cent to Gati. Satyam met the new target date successfully. In the opinion of Pawar, what was planned as a 15-month project was extended to 27 months with substantial reduction in scope.

A detailed systems study was done. Based on data elements, process mapping was done. The user groups validated this regularly. Software development was in small units or modules. As and when a module was ready it was tested individually for logic and with user groups and the Gati IT team for operational clarity and consistency. The units corresponded to loading, unloading, goods delivery and generation of proof of delivery, etc. There were more than 1000 modules and units. The units, when developed, were not based on a public system requirement document. This document was getting evolved between the user, the implementation team, and Satyam and, therefore, there was no single scope document for the system.

The project envisaged about 2000 man months of work. It had a budget of Rs. 3.5 crore which was subsequently revised to Rs. 5 crore. For Satyam this was moderate revenue. For a comparable project its billing would have been US$ 10 million. It agreed to do this project at this price because of the relationship between Agarwal and the CEO of Satyam. Besides, this was the first project of this kind for Satyam.

Project implementation progressed as planned. Gati and Satyam worked as one team. Both Gati functionaries and IT personnel were involved in the design and testing of the entire application product and the interfaces. In order to ensure that this web-based project became a reality, wide area networks of 120+ locations were set up including IP phones between various locations. Also a fully redundant data centre was created at the head office in Secunderabad. Every employee in Gati was trained on the new system. In addition, a computer based training module was created for the benefit of users.

All the modules were tested. The project team had planned the system for about 300 concurrent (simultaneous) users. The software performed as expected on all test conditions.

The system went live on July 3, 2003. As soon as the system went live it crashed. There was a complete system failure. Nothing worked.

According to VT Pawar:

"We were shocked. We did not know what went wrong. We have heard of ERP implementation failure. This one was utter failure. Nothing worked. We had created so much hype about this software; it was impossible to imagine its failure. We contacted technical experts, executives in charge of project implementation, software experts, and hardware consultants to figure out what went wrong."

Since there was no back up, operations came to a grinding halt. Based on a wide range of consultations, Gati took the all-important decision to go ahead with implementation.

Immediately on deciding to go ahead, a recovery plan was put in place within a day by the project team in consultation with senior members of the organization. It was decided to retain the new system for some activities and continue with Foxpro for other activities for a short term. Part of the operations (like generating some documents) was manual.

A detailed study led to the following conclusions for the system crash. The number of concurrent users was much more than what was planned. Actually it was 600 plus users as against a plan of 300. Satyam had no prior exposure in designing and developing such a huge on line transaction processing (OLTP) system. It had underestimated the size of the server required for such an application. This created a problem on response time. Another cause was the program coding which was seen as non-optimal to handle so many concurrent users in an OLTP system.

The recovery team quickly upgraded the hardware and did a lot of fine-tuning of the software code. By September 2003 the system stabilized and the new system was in place and fully functional. While the recovery operation was technical, management and implementation of the recovery required encouragement, motivation, and a spirit to fight back.

Responding to a query whether the crash could have been avoided if the implementation was on a phased manner region-wise, Pawar said:

"We wanted to have a big bang implementation on day one (July 3, 2003) at the national level. Therefore, regional or phased implementation was out of consideration. There was also a possibility of running the operations parallel for a while and then switching over to the new

system. We avoided this strategy to resist the tendency to stay with the old system. Since we tested the program logic at every stage, we were confident of its implementation. We grossly went wrong in estimating the number of simultaneous concurrent users in the system."

Gati's IT department took over the entire software from Satyam in August 2003 to fine tune and complete the work according to the original scope. The IT department employed 70 people across the country in two different categories. The first set consisted of employees in the field who supported day-to-day operations (internal customer support engineers). Their prime job was system upkeep, installing software, ensure network connectivity, training, etc. The second set of employees in the head office included software developers, database administrators, and system and network administrators.

GEMS generated a summary report of all transactions carried out during the 24-hour cycle at more than 300 Gati locations. This summary report known as DBR (daily business report) is very exhaustive and provides insight into business generated, collection, outstanding, arrival and delivery service levels, customer calls, etc. All these information is available for the day, for the month, and actuals vs. budget wherever applicable. This information is available for various products of Gati and importantly this can be viewed by a specific location or zone or on an all-India basis. DBR is one of the reports from a stack of more than 200 transactional and MIS reports available in GEMS catering to the needs of both frontline and senior management.

Oracle Financials and Oracle CRM were was success from the time they were launched. Oracle Financials was used for balance sheet purposes, and the contact centre modules of CRM were used at various call centres of Gati. CRM was used for capturing the interaction with customers and automatically escalating any issue not resolved within the pre-defined timeframe to various levels up to the managing director.

Barcode scanners are used to support operations. Since Gati billed customers based on proof of delivery (POD), PODs are scanned and stored in the database. Customers can view the PODs online.

To illustrate the change in the working style as a consequence of this new network and online information system, G.S. Ravi Kumar, IT chief, gave a few examples.

When a customer calls, our front-end staff can give complete history about the shipment, revenue, accounts receivable, service quality, and any complaints. Gati would be able to tailor its response to individual customer requirements. Thus the power of customized decision-making is transferred to the front-end.

Online information can be used to improve efficiency in planning. Earlier, the return truckload was filled based on availability. Today the system has information on cargo available at destination. Accordingly, dispatch planning can be made more systematic and meaningful.

Online information enabled sharing vital tracking information to customers via e-mail/SMS. Also it enabled Gati to implement e billing for its contractual customers.

Should there be a delay in a truck arrival or departure the earlier system had no way of tracking the cascading effect on the distribution network. Because of the new system not only the effect can be tracked but a contingency plan can also be generated, evaluated, and implemented. It is now routine to do route planning, route mapping, and material traffic planning.

In 2003, tracking was at the docket level. In near future, Gati would move to package level tracking which would provide more consumer confidence and a better tracking on the system.

Customer Service at Gati

The entire customer service, complaint monitoring and resolution, and service quality initiatives are handled from the corporate office in Secunderabad. This is coordinated by a senior executive, who defined his job as follows:

"My job in customer service is to be proactive in handling a potential deviation and take necessary corrective actions arising out of the deviations, and to ensure that similar deviations do not occur in future."

Leveraging technology for information, i.e. providing service and relevant information with the objective of keeping the customer focused on his core business.

Gati operated call centres on 24 x 7 basis to receive, respond, and monitor customer complaints. For the first time in this industry a toll free number was made available to customers. The customer service team has about 100 people located at nine call centres all over the country. Monitoring of the service quality was being done in Secunderabad. If for some reason a customer complaint was not resolved in reasonable time it is usually escalated to the next level for possible resolution.

Every complaint is captured in a database to evolve a better understanding of the patterns of complaints, what is Gati's response in the resolution of the complaints, and time taken to resolve it. The nature of complaints is analysed to form a basis for preventive actions and systemic

improvements.

A customer service executive says:

"Managing customer expectation is the key to our success in this business. For example, when we know a vehicle is delayed owing to traffic conditions, we anticipate the impact of this delay on our service delivery and alert the customer on the impending delay so that he can activate his contingency plan. Often we accept consignments with a requirement of cash on delivery. We alert the receiver to keep adequate cash ready and update him on the status of the consignment. This improves customer satisfaction, shortens the delivery cycle time...a win-win situation for all concerned."

Continuing on managing customer expectations the head of service quality said:

"We are in a business where direct value addition by our activities to our customer looks apparently marginal. But, the consequences of delayed or late delivery to the consumer may be significant. As a third party logistics company we must be sensitive to this and do everything possible to meet the promise. That is the reason why a customer is buying our expertise and willing to pay for our services. Our elaborate monitoring systems are meant to facilitate this process."

Every vehicle is monitored by the elaborate computer communication system. Should there be a delay counter-actions are implemented and in the eventuality of real delay customer and concerned departments are routinely altered for possible remedial measures. The technology network is considered to be superior in the industry. Customer survey is done once a quarter to identify status and improvement areas.

At the aggregate level Gati recorded 90 per cent punctuality on arrival. Two-thirds of shipments due for noon delivery were actually delivered. Seventy per cent of the shipments met time target on a day-to-day basis.

Transformation from Suvidha to Zipp

In 2000, Gati launched Suvidha, a premium cargo (courier) product, to be managed and operated by the same team, which was in-charge of the cargo business. For various reasons, attention on Suvidha was not adequate. Consequently, delivery performance suffered and hence ability to sell the product was poor. Suvidha was started as an extension of business cargo, which essentially meant movement of documents. Unfortunately, the delivery team did not pay equal

attention to small cargo, small documents, and small parcels. Gati never took advantage of midnight flights to deliver documents the next day. This was primarily because Gati as an organization was used to the mindset of moving shipments one day after they were booked. Consequently, delivery promises could not be kept. Competition was intense and delivery before 10.30 a.m. next day was increasingly difficult. For Gati, courier service was an extension of its cargo business. For customers, it was a prime way of moving documents. Also, alternative vendors were available for customers.

Gati offered Suvidha to realize higher revenue. Gati had developed a good customer base and an excellent logistic infrastructure and was fulfilling a specific felt need. Connecting the infrastructure with specific industry need was also logical. Initially Suvidha was a reasonable success. However, because of lack of focused attention on Suvidha, the product was losing market share.

Gati was one of the first companies to use 2 kg. and 5 kg. boxes to capture the retail courier market. This product was offered at a fixed price. This also did not take off and died a natural death. Marketing and operations blamed each other.

Gati decided in 2004 to revamp the courier business and take it forward with a strong brand image. In order to operationalize this idea, professionals from the courier industry were hired. Suvidha was reorganized on several dimensions. First the name was changed to Zipp as it was felt that Suvidha was a generic name used by banks, railways, etc. Suvidha did not have a good brand recall. Zipp was considered to be contemporary and a tune with Gati. The next area of reorganization was to create a separate team, which would be responsible for delivery from end to end. This meant a separate marketing team, focused operational team, and dedicated customer care and monitoring team.

Some of the activities related to Zipp such as pick up, sorting, and delivery were outsourced. Zipp was to use the Gati network wherever it was appropriate and operate on its own network whenever necessary for purposes of speed. For example, Zipp products would be in a separate bag. They would be handled separately at the airport itself to reduce transit time. To a large extent, the Zipp team was different. There was to be a core market team responsible for product positioning, pricing, and promotion. As of now, the express centre managers would handle Zipp as well.

Commenting on the performance of Suvidha, the incharge of Zipp said:

"Somehow Gati was not able to focus and deliver small [courier] packets even though our track

record is excellent on cargo business. Blue Dart is able to deliver this product with enviable accuracy. Interestingly, Blue Dart has not been able to replicate our success in cargo business. We [Blue Dart and Gati] have similar infrastructure, market conditions, and other resources. It appears both organizations have developed their own mindsets in handling respective businesses. Operationally, it should not make any difference to handle these businesses given the infrastructure and system. In every advanced country multiple products are handled using the same infrastructure with exceptional efficiency. Maybe Indian organizations (especially Gati) need to develop that maturity."

As Zipp is a reorganized version of Suvidha (which was withdrawn) certain apprehensions were envisaged in acquiring new customers. Gati planned to respond to this with a two- pronged strategy:

- ✍   Extensive market research to understand what new features may add value to the product from the consumer point of view.

- ✍   To add volume, Gati was planning to target a range of new customers and hoped, based on the positive market feedback and image, to get back the traditional Gati customers.

The product extensions of Zipp specifically targeted three major segments: education (students), pharma companies, and e-commerce business community.

For the academic community, the product offering would include responding to mass mailing of prospectus and applications related to course admission. Specialized collection boxes of Gati would enable students to return application forms to academic institutions. This was expected to be a big business opportunity in the near future.

To the pharma industry, product offerings would include cold chain boxes to carry medical samples, blood samples, and vaccines, which needed to be kept in a controlled environment. When introduced Gati would be the first company to tap this market. This is perceived to be a difficult and challenging market segment.

Moving further on the value chain Gati planned to sell envelopes and boxes at very discounted price. Drop boxes across the country would facilitate collection and simplify the operational processes. Customers are expected to use these envelopes to send materials across the country. Zipp team is working closely with e - commerce community team to identify their needs, and convert them to business opportunities.

Investment in the Zipp project is expected to be higher because of technical equipment and new and dedicated team members. The business is expected to generate surplus from the second year. In order to contain cost, outsourcing of collection, delivery, and movement is being actively considered.

Zipp is expected to generate about 10 per cent of Gati's business in the next 2-3 years. The gross margin is expected to be 50 per cent with a profit margin of 15 per cent. Summing up the Zipp plan, the business manager said:

Because of Suvidha history, response within Gati for Zipp is somewhat subdued. The enthusiasm of the team would be visible when the project is making an impact. We have reengineered our customers, network, people and process. New market segments e.g. mass mailing, have been identified. The network itself is a major challenge. There is clear risk involved in this business. For all practical purposes this is not a redesigned product. It is a new business itself.

Gati Brand

Traditionally Gati has been operating with a philosophy of one product suitable for all markets. Often the market reach and presence is moderated by the product scope and utility. According to Manoj Agarwal, Head Corporate Communications and Marketing:

"The first step towards building a brand for Gati would be to design products based on consumer expectation and market gap. Several companies need distribution help in a particular geographical area. Gati should explore possible opportunities and launch product(s), which would suit specific sets or group of customers. Therefore, the key to marketing is a single generic product with multiple variations to suit different market segments.

The communication strategy at Gati is based on building relationship with customers. Gati wants to position itself as an organization, which can collaborate and work on holistic solutions to meet customers, logistic needs:

To create such an image a series of social events would be planned with customer. It could be an invitation for a regional cultural festival (like the Navratri in Gujarat); it can be moonlight dinner, a movie in a theatre exclusively for Gati business associates and customers. In all these meetings there would be no mention of business. It is expected that such experience would provide a warm and cordial beginning when the sales team visits the customer to solicit business. It is hoped such a preparation would create a conducive climate for positive business decisions. This would be the basis on which the Gati brand would be built."

Mr. Arthur's Action Plan

In order to globalize Gati, Agarwal has been exploring business opportunities in South East Asia, Middle East, and other countries. He was keen to recruit expertise to upgrade Gati operations in India. One such find was Arthur Simon Bertie who joined Gati in 2001. Bertie had worked for Federal Express before joining Gati. As chief business chain officer, customer service, logistics, domestic, and international operations reported to him.

Speaking on the business priority areas for Gati, Bertie said:

The number one priority for Gati is customer relationship. We must provide a solution to all customer requirements (express cargo and courier). Based on our relationship we need to broaden our customer base, excel in service quality, and deepen the existing relationship to increase revenue and profitability.

There is tremendous scope to revamp infrastructure [which meant network rationalization]. This is the foundation to Gati's cost advantage. The purpose is to increase productivity in material handling by automation. Attention to details and accuracy in what is being done is another area of opportunity. The scope of cost reduction is at least 1:7. Gati uses only 65 per cent of the capacity of vehicles deployed. There is scope to rationalize branches, modify and restructure routes.

Gati has a great business opportunity in packaging. The packaging industry in the country is in primitive stage. The margins in this business are good. Packaging is a natural extension of transportation. The recent experiments on Alphonso mango export and the Jaipur experiment on art pieces are encouraging. Spare part management, bulk handling, and reverse logistics are future business areas.

Gati has a great role to play in goods movement in SAARC countries. When free trade zone is in place, material would seamlessly move from Sri Lanka, Malaysia, Thailand, Hong Kong, US, and Europe. We can imagine a situation where we bring material to Bombay or Madras from Dubai and take it to Thailand via Colombo or otherwise.

There would be a reverse material flow as well. Creating and managing warehouses would provide an opportunity to move from mere transport to logistics. Therefore, we are building several ultra modern warehouses. Up to Rs. 100 crore would be invested in building 45 warehouses in the next three years. We expect this investment as a basis for future business. There is a dedicated team within Gati, which implements this project.

Conclusion

Gati got into express cargo business because it was an unexplored territory. The business was financially viable and attractive. In view of very little or no competition, efficiency of operation was least tested. Product variety and proliferation were the key to growth. Competition was contained by several choices (on price performance) to customers. Gati got into express cargo business with the vision of "Service first, cost next". The reorganization was in response to increased competition. The next stage was improving the systems. As of 2005, Gati is in a consolidation phase on complete solutions and international operations. This is the time to strengthen systems, recruit talent, professionalize activities, evolve sound management practices, promote resource productivity, empower people, launch aggressive marketing, etc.

The logistics business in India is expected to grow steadily as an offshoot of 7 per cent projected GDP growth. Gati has competition in every product/market segment but none as a whole. How should Gati protect itself from possible encroachment by competition?

Zipp is not moving. What can be done to revive this? Employees are waiting to see some improvement in Zipp, but when? To succeed, Zipp, needs transformation to a process orientation. What would take it to become a process based organization?

Gati online ERP (called GEMS) is working well and has stabilized. What should Gati do with this software? Should it be sold to an IT firm or should Gati start a consulting agency to implement this ERP in other courier companies?

Gati's experience in international operations in Singapore is quite encouraging. There is a similar opportunity for small cargo business in the Middle East and Europe. The fact that Gati has multimodal transport operations is an advantage. All these would ensure a solid basis to grow both nationally and internationally. The key issue is how fast this growth should be? What would accelerate this growth?

What are the internal (structure, people, system performance appraisal) requirements to move from an activity-oriented organization to a solution provider (logistics, 3PL, etc.)?

The greatest strength of Gati is its ability to experiment, willingness to face failures, and resilience to overcome them. These are typically the characteristics of an entrepreneur-driven organization. When and how Gati should graduate to a leadership managed entity?

Gati's business model has changed from partnership to investment oriented. What are the risks

in the new model? What are the advantages?

Gati cares for its employees. It emotionally supports them. What should it do to attract talent and retain them? What kind of compensation would be desirable? How to make Gati a most enjoyable workplace?

Exhibit 1: Total Income
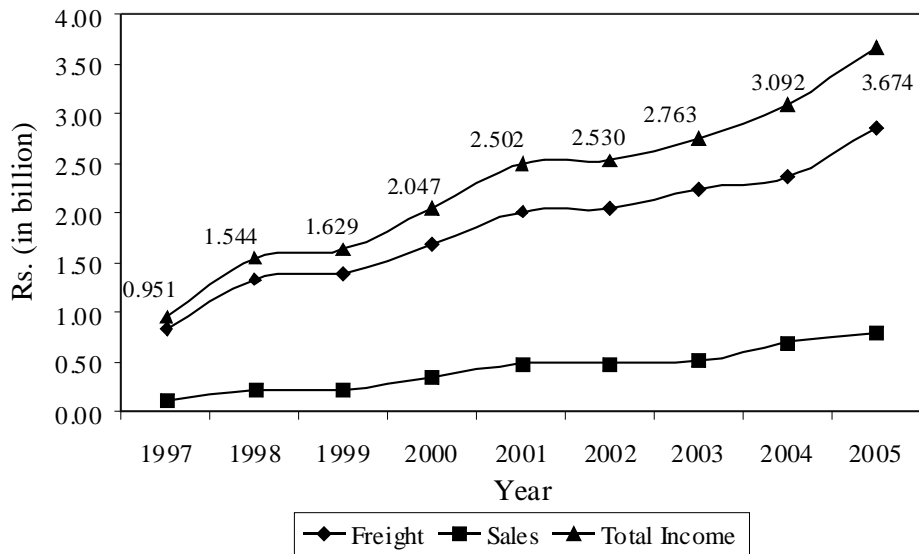
Exhibit 2: Profit after Tax
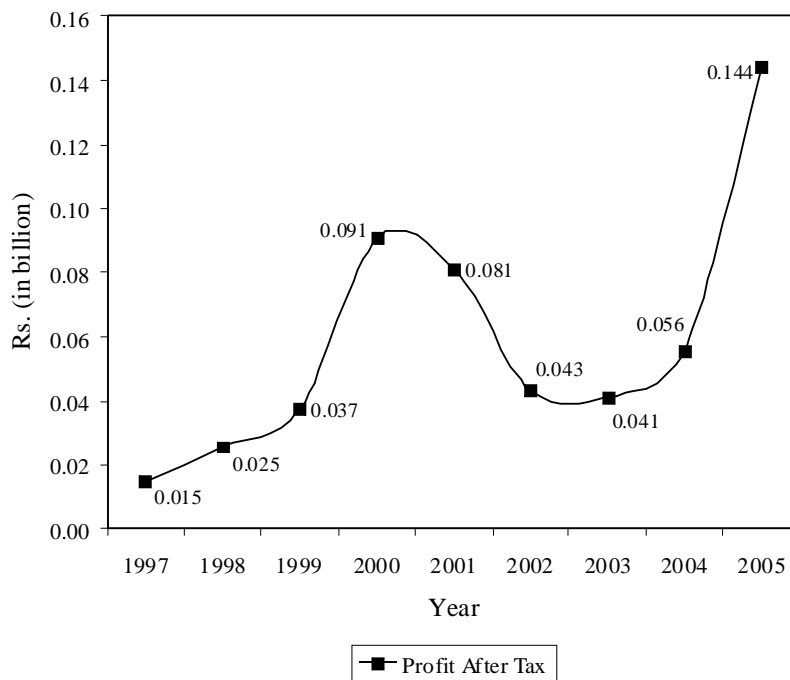
Exhibit 3: Total Expenditure
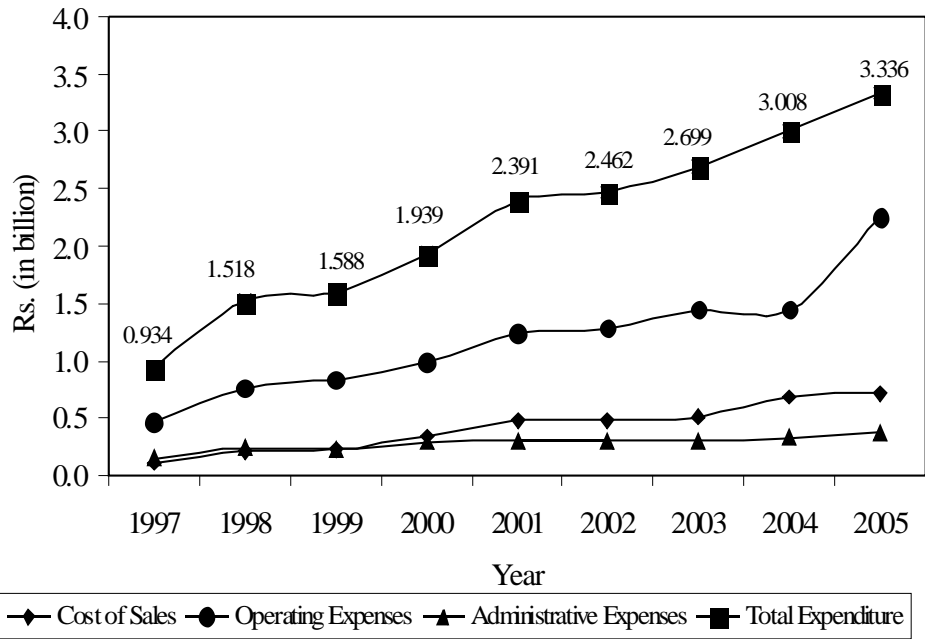
Exhibit 4: Gati Organization - 2004
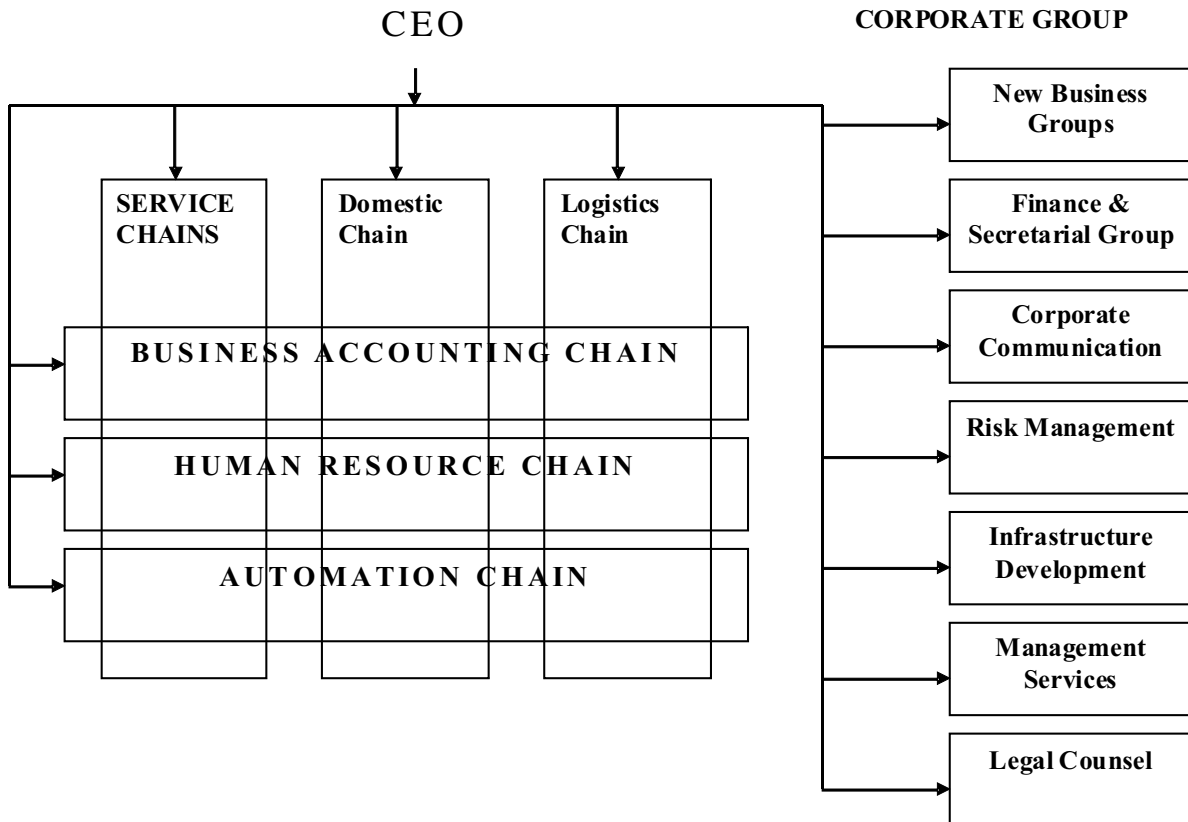
Exhibit 5: Gati Value Chain

```
                          ┌─────────────────────────────┐
                          │          Customers          │
                          └─────────────────────────────┘
                            ↕      ↕       ↕       ↕

 ┌─────┐   ┌──────────────────────────────────────────────┐
 │ S   │   │                    Finance                    │            ┌──────────┐
 │ u   │   │ ──────────────────────────────────────────── │            │          │
 │ p   │   │            IT & Technology Management          │   ⇒       │ Margins  │
 │ p   │   │ ──────────────────────────────────────────── │            │          │
 │ o   │   │           HRD & Knowledge Management            │          └──────────┘
 │ r   │   │ ──────────────────────────────────────────── │
 │ t   │   │  Sales &   │ Inbound   │ Operations │ Outbound │
 │     │   │  Marketing │ Logistics │            │ Logistics│
 │ P   │   │            │ Customer  │            │          │
 │ r   │   │            │ Service   │            │          │
 │ o   │   │            │           │            │          │
 │ c   │   └──────────────────────────────────────────────┘
 │ e   │
 │ s   │
 │ s   │
 │ e   │
 │ s   │
 └─────┘          ┌──────────────────────────────┐
                  │    KEY BUSINESS PROCESS       │
                  └──────────────────────────────┘
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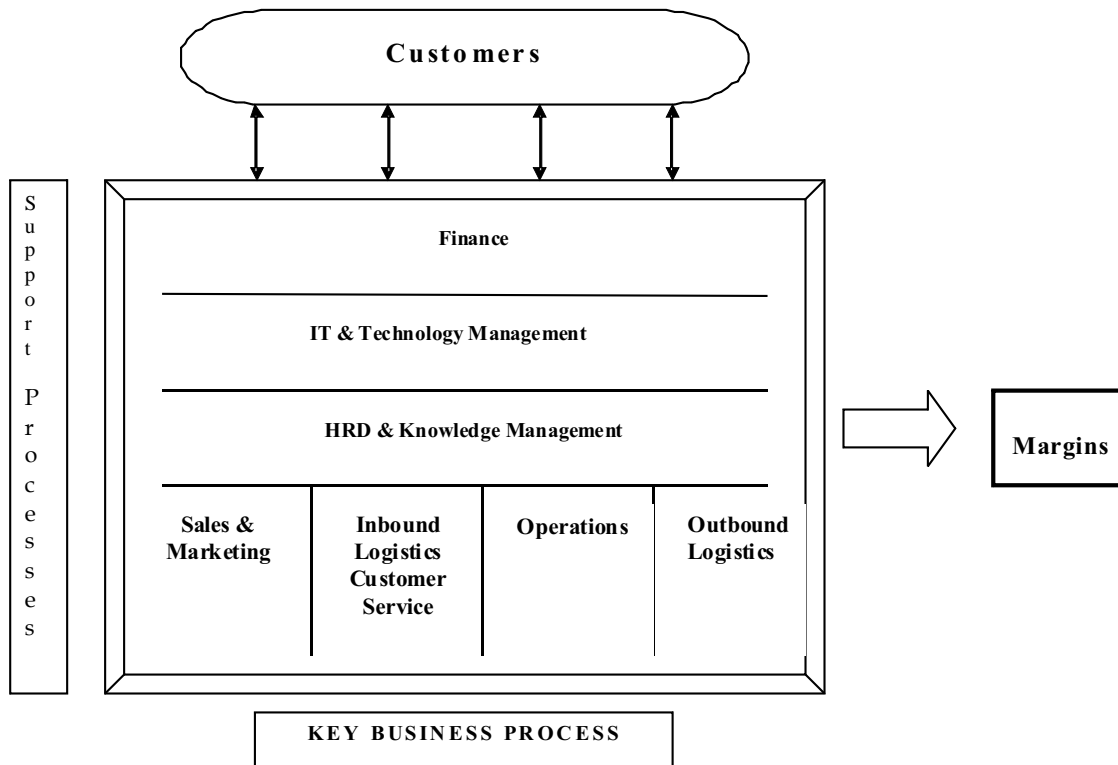
Exhibit 6: Gati Objectives

1.   To meet customer requirements.

        Quality of services at competitive value
        Analyse customer needs and find solutions to satisfy them
        Provide timely and correct information and avoid surprises
        Prompt resolution of compliances and create an environment of mutual respect

2.   Provide timely and accurate MIS of business, costs, and profits and help continuous improvement in performance.

3.   Achieve operational efficiency by correct operational balances with the help of uniform, accurate, and timely information.

4.   Control revenue leakages and costs and improve profitability.

5.   Centralized information, which is consistent throughout the organization.

Exhibit 7: Flow Process Chart

```
                              ┌──────────────────┐         ┌──────────────────┐
                              │  Pick-up Call    │────────▶│  Registration    │
                              │  Registration    │         │  Details         │
                              └──────────────────┘         └──────────────────┘
                                       │
                                       ▼
                              ┌──────────────────┐         ┌──────────────────┐
                              │  Start Pick Up   │◀────────│  Pick-up         │
                              └──────────────────┘         │  Information     │
                                       │                   └──────────────────┘
                                       ▼
                                  ◇ Paid          Yes   ┌──────────┐
         ┌──────────┐             ◇  Dock ? ◇─────────▶ │ Collect  │
         │   GA     │              ◇                    │ Money    │
         └──────────┘                │ No               └──────────┘
                                     ▼◀──────────────────────┘
                              ┌──────────────────┐
                              │   Issue Dock     │
                              └──────────────────┘
                                       │
                                       ▼
                              ┌──────────────────┐
                              │ Loading of Material│
                              │ into GA's Vehicle │
                              └──────────────────┘
                                   │        │
                    ┌──────────────┘        └──────────────┐
                    ▼                                       ▼
          ┌──────────────────┐              ┌──────────────────────┐
          │  Unloading       │              │ Handover of Collected│
          │  of Material     │              │ Cash/Cheque to A/c   │
          └──────────────────┘              └──────────────────────┘
                    │
                    ▼
          ┌──────────────────┐    ┌──────────┐    ┌──────────────────┐
          │  Stacking        │───▶│ Update   │───▶│ Updated DEPS     │
          │ Destination wise │    │ DEPS     │    └──────────────────┘
          └──────────────────┘    └──────────┘
                    │
     ┌──────────────┐
     │Controlling OU│
     └──────────────┘
                    ▼
          ┌──────────────────────┐            ┌──────────────────┐
          │ Loading Material to  │───────────▶│ Trip Document    │
          │ Vehicle              │            └──────────────────┘
          └──────────────────────┘
                    │
                    ▼
          ┌──────────────────────┐            ┌──────────────────┐
          │ Trip Challan         │───────────▶│ Trip Challan     │
          │ Preparation          │            └──────────────────┘
          └──────────────────────┘
                    │
                    ▼
          ┌──────────────────────┐            ┌──────────────────┐
          │ Vehicle Departure    │            │ Departure        │
          └──────────────────────┘            │ Information       │
                    │                         └──────────────────┘
                    ▼
          ┌──────────────────────┐
          │ Unloading of Material│
          └──────────────────────┘
                    │
                    ▼
          ┌──────────────────────────┐
          │Stacking Destination/Route│
          │ wise                     │
          └──────────────────────────┘
                    │
     ┌──────────┐
     │ STC / ATC│
     └──────────┘
                    ▼
          ┌──────────────────────────┐        ┌──────────────────┐
          │ Loading of Material into │───────▶│ Trip Document    │
          │ Vehicle                  │        └──────────────────┘
          └──────────────────────────┘
                    │
                    ▼
          ┌──────────────────────────┐        ┌──────────────────┐
          │ Vehicle Departure        │───────▶│ Departure        │
          └──────────────────────────┘        │ Information       │
                    │         Pre-alerts      └──────────────────┘
                    ▼
          ┌──────────────────────────┐
          │ Destination Transit      │
          │ Centers                  │                  **Continued…**
          └──────────────────────────┘
```

Appendix 1: Gati Products, Services, and Resources

Gati Express

Gati Express is a leader in retail express cargo with special treatment of time-sensitive and high value cargo. Some of the salient features of this service include:

- ✍ Door pick-up and door delivery
- ✍ Physical proof of delivery
- ✍ Weather-proof containerized movement
- ✍ One-time lock for tamper proof transit

Gati Priority

Gati in alliance with Indian Airlines provides an undisputed advantage in cargo deliveries on priority basis across the country. Gati offers a unique moneyback guarantee for any delayed delivery of cargo under this service. Service features include:

- ✍ Service through assured space in 34 designated sectors through 15 air operation centres
- ✍ 24x7 service centres at major air transit centres
- ✍ Multimodal connectivity to enable fastest transit for non-airport locations
- ✍ Containers and pallets offered for bulk cargo

Gati Zipp

Gati provides Zipp as a courier service for time sensitive small documents and non-documents. Zipp documents and non-documents are delivered across the country in 24 to 48 hours depending upon the location. Moreover the deliveries are made by 11 am. Suvidha offers customized 2kg and 5kg boxes for high value shipments, with provision for insurance on such shipments and options for accepting cash or draft on deliveries.

Gati Logistics

Gati, with a decade of pioneering leadership in logistics solutions provides with a robust platform to integrate physical transportation and distribution network. Services under Gati Logistics include the following:

Transportation Management

Designing customized transportation solutions for reliable and cost optimization through multimodal integrated distribution system. This includes inbound and outbound transportation, assured space in Indian Airlines flights, refrigerated trucks, etc.

Distribution Management

Gati applies the "hub and spoke model" to provide flexible, made-to-order solutions to help consignments reach the remotest corners of the country. This includes route planning and other ancillary activities.

Warehousing and Inventory Management

The web enabled warehouse management software, a first in India, provides functionality and flexibility to manage warehouse operations in a most efficient manner.

- ✍   Ready to use warehouses at strategic locations
- ✍   Visibility of stock at multiple locations
- ✍   Reservations and backorder prioritization
- ✍   MIS report generation

Call Centre Services

Gati has set up ten call centres at various strategic locations. Each call centre is backed by automated call distribution (ACD) technology and a well trained dedicated workforce. Gati also provides a toll free number facility.

Round the Clock Parts Bank Management

Gati manages critical parts movement. It offers 24x365 access with the advantage of shared infrastructure on both space and cost.

Financial Services

Gati ensures delivery against cash/DD/cheque. In addition, Gati offers invoicing, billing, banking assistance, and payment collection against delivery as per individual customer requirements.

Infrastructure

GATI plans to invest $100 million in to mechatronic state-of-the-art warehouses. Gati plans to have warehouse area around 2 million square feet by 2009.

Reach

Gati covers 594 of 602 districts in India. It has a global presence through its international divisions.

Land Fleet

Gati uses closed trucks of various sizes for transportation and distribution. Gati has more than

2000 vehicles at its disposal. Gati also has containers and refrigerated trucks to meet specific requirements.

Marine Fleet

Gati has a fleet of four vessels of 1100, 2000, 4000 and 9379 DWT. All of these are twin decker for dry cargo shipment. Two vessels exclusively service the Andaman and Nicobar Islands. The rest are used in international trade to South East Asia, China, Dubai, Australia, etc.

Warehouses

Gati has warehouses in Mumbai (Kalamboli and Vikhroli), Chennai, Bangalore, Ahmedabad, Delhi, Kolkata, and Lucknow. Over and above these, Gati has more than 200 storage locations across India.

Tie-Ups

Gati has an exclusive tie-up with Indian Airlines for providing assured space in all its flights. Gati Millennium parcel express, a co-enterprise of Gati and Indian Railways, gives Gati the benefit to carry shipments throughout the country.

Equipment

Gati's warehouses are equipped with fork lifts, hydraulic pallet trucks, hand trollies, drum trollies, taper rollers, and Suraksha bags for higher security to deliver better quality service.

Gati International

Gati International provides a single window solution for global cargo movement and distribution needs of the customer.

Gati Coast to Coast

To spread its network to the islands, Gati started coast to coast services. Gati Coast to Coast provides the most economical mode of transportation and one of the best multi-modal services.

Sunday/Holiday Delivery

The Sunday/holiday delivery is a special service from Gati, through which it offers the choice of having the cargo delivered at extra cost even on Sunday or any holiday.

Appendix 2: Interview with Mr. M.K. Agarwal, Managing Director

International Operations: We are the biggest network in the country. It makes tremendous sense to be in the international business. What moves within country also moves out and vice versa. Goods do not move only within metros.

Experience with Indian Airlines: When we wanted to partner with Indian Airlines in 1996, it wanted a commitment of 300 MT on specified routes. This was big risk. If we had not taken the risk, we would not have been a pioneer in air cargo business.

Opinion on Business: Every business at the beginning may not be profitable. The lack of surplus should make us to work hard and be smart. This would enable us to align the organization (business) priorities with customer requirements.

I never managed the company from a marketing perspective. I believe in delivering good services which meet customer requirements. To some extent, I was involved in marketing services.

On people and their care: I am in the service industry. I travel 15 days a month. In the service industry if you are not people oriented you cannot survive. I learned from my father that right attitude is more important than right education. Education can be imparted but not attitude.

On Failures: When we signed the contract with Indian Airlines in 1996, we lost heavily for six months. I started a newspaper business in Hyderabad. It was a failure. I lost Rs. 4.5 crore in 18 months. The railway experiment was a failure. But none of these discouraged me. Each experiment gave me tremendous learning. I learned the value of partnership and the need for balance of power in partnership.

Speed in Decision Making: I used to believe making quick decisions is important. Often they turned out to be decisions in haste. Today I am more matured in my approach to business decisions.

Business Model: In partnership business also you commit resources. In manufacturing you create capacity and wait for the market to respond. There is always a risk in any investment. We were not building warehouses on our own. Customers used to ask for this facility. We saw a merit in this investment and hence the decision.

Customer service: Gold is priority hence first flight. Silver is subsequent flight and hence less priority. Noon delivery is more expensive than evening delivery (only two-thirds of the price). The customer needs to decide what he wants and what price he is willing to pay.

Restructuring: Restructuring gave us focus on marketing and operations. We have also formed a business chain group to monitor the business as a whole. This is a 15-member team consisting of five service heads, five (marketing heads) domestic heads, and three major product heads.

Celebration: We celebrate Gati foundation day on November 14. We award best performing zones and divisions. We also have a national conference lasting 2-3 days every quarter for business leaders and twice a year for shared services. Besides, every functional team conducts an internal seminar and workshop in their areas. On January 26 every year, families of Gati go on an annual picnic.

Zipp: I am reconciled to the idea of splitting the cargo and courier business. Because they were not isolated earlier (maybe) they did not perform well. The day Gati uses the same infrastructure

(people, process, technology) to drive a range of products we can pride ourselves as a process-oriented organization. Maybe we are not ready for it as of now (2005). So the most sensible thing would be to separate them now and manage them effectively. Subsequently, they can be brought under the same umbrella.

Core of Gati: Our core is not marketing. It is our ability to provide service delivery.

Competition: International players are in this country with deep pocket and good technology. They are determined to be in this market. Some big business houses have also started logistics operation.

Compliance: We are very strict on regulations and compliances. Our vehicles are usually not inspected because of our reputation. The seal on the vehicle is opened only at the destination (99 per cent)

Market and Industry: The pie is becoming bigger. We have several unreliable estimates. Express business is estimated to be worth Rs.1000 crore. The growth rate is 25 per cent (four times the GDP growth).

Business Mix: The main business is express. Zipp, trucking solution, international are all about 5 per cent of our revenue. Logistics is about 10 per cent. In the next five years, we expect the situation to be completely different. All business segments would dramatically increase in size. However, priority (express cargo) would dominate Gati business.

Gati USP: We are the only company which gives assured delivery. If we do not meet customer expectation within dimensions of service quality and promise, money is returned. Repeated failures do not undermine the resolve to succeed.

Author's Profile

N. Ravichandran
Prof. N. Ravichandran has shared his expertise in the areas of general management, business process reengineering, information technology as a source of advantage, competitive strategy, supply chain management, logistics, operations management and strategic sourcing for companies both in India and abroad. He is on leave from Indian Institute of Management Ahmedabad, where he is a faculty since 1980. At present he is the Director of Indian Institute of Management Indore.

Case Analysis 1

G.R. Chandrashekhar

This case traces the evolution of GATI over a period of two decades since its inception. In doing so it highlights the various phases of transition it went through from a venture to a corporation. The first period of consideration could be between 1989 and 1994. This was a period in which GATI was part of Transport Corporation of India (TCI). GATI was sheltered by a few factors in its early years. It started as a division of TCI and would likely have had support of seed capital, offices and other common resources from its parent organization. The parent company was a family business of the founder Mr. Agarwal that would have helped in setting up a direction for the new venture. A sheltered new venture has the advantage of testing markets, perfecting a business idea and developing an appropriate business model.

GATI seems to have used its early sheltered period in testing its new idea at first in Tamil Nadu and subsequently in the rest of South India. It refined its business along the lines of door-to-door and later desk-to-desk cargo delivery. The use of GATI Associates as a front-end delivery mechanism was a new business model, which allowed GATI to keep its logistics cost to a minimum.

GATI faced serious competition from 1994 onwards, a period in which it became an independent entity. The concept pioneered by it was attracting other retail courier operators. Hence this period probably marked an end of the strategic window of opportunity, which GATI had created and enjoyed. GATI's business model was based on leveraging existing networks and resources rather than owning every resource. This is exemplified by the alliances it entered into with Indian Airlines and Indian Railways. These alliances gave it a nation wide reach and service different types of customers – premium, desk-to-desk, and regular transportation.

GATI had grown with business opportunities during its first decade of existence and had not quite made the transition from a growing venture to a firm with established systems and processes. Its growth was marked by risky bets and innovation in business model. Some of its bets did not quite come off like the experiment with Indian Railways. However, the founder's passion and drive to succeed saw GATI through trying times and emerge as a progressive venture.

The lack of an appropriate structure, systems and processes affected GATI's transition from a progressive venture to an established organization. This probably resulted in a reorganization of GATI during 2001 – 2003. The earlier organization did not sharply focus either on marketing or delivery, nationwide product / service monitoring was rather cumbersome, branches had

proliferated on regional basis, and planning was a top-down activity with the corporate office doing the planning.

The revised organization structure providing activity based divisions autonomy for planning and implementation, was implemented with zeal and enthusiasm. However, the organization was not ready for this change implemented at a fairly rapid pace and hence there was a period of confusion and turmoil within GATI post the reorganization.

This case highlights, among other aspects, one of the classical issues of transitioning from an entrepreneurial entity to a corporation. Some of the questions that would interest entrepreneurs and managers alike in this context would be -- How does a venture make this transition? What are some internal and external triggers, which an entrepreneur should be wary of? How does one effect a change of culture in a venture?

There maybe no ready-made solutions for the above questions, however some viewpoints could make it an interesting process of discovery. It is well known, and also found in this case, that the passion of an entrepreneur becomes critical in tiding over crucial phases of new venture creation and evolution. A new venture is unlikely to have a well-defined structure, systems and processes since it is busy identifying opportunities and customers for survival and growth. Hence in the early growth phase of a venture, planning and control is likely to be centralized, largely founder driven, and aimed at achieving the business idea of the founder.

Once a venture finds its moorings in terms of finding the right business idea and develops a workable business model, like GATI did, there would come a time when the founder has to step back and allow the venture to grow from that point in time. The process of stepping back from regular activity does not imply relinquishing control of the venture or divesting stake in the venture. It implies developing a second line of leadership, making the venture more systems oriented at least in terms of having a periodic planning and budgeting cycle, and empowering the second line of leadership to develop the business further in terms of new product / geographic additions. This would be the first stage of making a venture more professional in terms of processes and involvement in decision making of senior members of the venture.

It is not very clear from the case, however Mr. Agarwal may not have consciously attempted to make GATI professional in the sense described above during the period 1989 – 2001. Had he done so, GATI would have been more streamlined in its operations and the reorganization carried out during the period 2001 – 2003 may not have been required. The other advantage of making a venture more professional is that is sets a cultural tone for subsequent evolution. A professional organization with clear growth processes and responsibilities outlined, sets the

tone for all concerned to adapt their behavior accordingly. The fact that GATI struggled to implement its reorganization plan is an indication that this cultural tone was probably not set by its founder.

Not all ventures have growth objectives; ventures planned to sustain a lifestyle of an entrepreneur may not attempt to be professional organizations. However, any venture planning to be a sustainable corporation has to go through phases of becoming professional through involvement of more senior members in decision-making and developing a goal oriented organization.

Author's Profile

G. R. Chandrashekhar

The author is currently a faculty of Strategic Management at Indian Institute of Management Indore. The author has worked for little more than a decade in the industry and holds expertise in business development and consulting in India, Middle East, Europe and USA.

Case Analysis 2

Prashant Salwan

Mr. Agarwal set up Gati to increase the value chain of Cargo Company by incorporating intangible resources like branding and data management and human resources management in its business model. And so Gati began as a door-to-door cargo company committed to delivery with the invoice being presented to customers only after the cargo had reached the destination. Gati's product was time bound, point-to-point premium price cargo management service.

In 1998, other courier operators cloned what was Gati's strong point. The product, which was a niche product, became a commodity. Premium pricing was not feasible and the Gati's market share was eroded by 60%. The biggest problem Mr. Agarwal faced was of employees leaving Gati to join the competitors.

Gati faces competition in every product and market segment but not as a whole. The question is how should Gati protect itself from possible encroachment by competition?

In the case of Gati, the problem was not in the idea but in the implementation of the idea. When Mr. Agarwal implemented the growth strategy of Gati, he did not take into account forces such as future competition. This lapse in initial strategy formulation made the company lose out on developing and sustaining competition advantage by not concentrating on functional level competencies building and creating barriers of entry in the industry through developing people, HR policies, infrastructure developments, contracts and so forth.

Gati started as a premium courier company and it should concentrate on the same as a focused customer company. This focus, coupled with entrepreneurship DNA, will help in creating value for customers through products and service offerings. Gati should also very carefully calculate the value chain of each product and try to work on the bundling of competencies in delivering the products profitably to customers. Gati has a good mix of capabilities and opportunities in the market. It should harness its resources as well as upgrade the people skills. The competitive hedges Gati can create vis-a-vis its competitors would help capitalizing opportunities faster than others. Create a brand name. Develop and retain personnel.

Gati should have its business model as follows:

Revenue source	:	Service through quality and creating value as per customer segmentsand relationship (supply chain and customer) and GA.
Cost drives	:	Labour, ERP, and organization

Investment size   : Asset light company, more of entrepreneurship approach by harnessing customer and organization knowledge. Build GA funds with assured returns.

Critical success factors   : Smooth timely delivery, analyzing the external environment trends and developing your internal strengths accordingly. Create relationships thus creating barriers for entry for competitors.

                              The business model affinity diagram constitutes of four components, strategic choices, value network, create value and capture value. Gati can do as follows in all the attributes of business model.

Strategic choices:

Customers   : Domestic and global SAARC.
(target market m Scope)

Value preposition   : Customized as per customer segments

Capabilities/Competencies: Develop process, implement ERP, (leverage ERP advantage for Gati associates); this will help in creating entry barriers. Data management department and innovation in product launches.

Revenue/Pricing   : As per customers value model and competitive strategy and branding.

Competitors   : Many, branded and non-branded.

Output (Offerings)   : Differentiated through customers groups and prices

Strategy   : Growth using organic and inorganic ways by creating more wedge in offerings through investment in functional level strategies and entrepreneurship.

Create Value:

Resources/Assets   : Financial soundness, organization setup, process, ERP, data mining, fleet of vehicles and GA.

Process/Activities : Well defined authority and responsibility origination structure.

Value networks:

Supplies : Contract based, GA and origination owned supplies.

Customer information : Collection through own networks, market reports and data analytics.

Customer relationships : Value producer with enchasing capabilities.

Product /service flows : Through own and GA on contract and relationship based , both domestically and abroad markets.

Capture value:

Cost : Best cost through management of cost leadership coupled with focus and differentiation strategies.

Financial aspects : Gati should develop an asset light model were in capital assets are minimized and GA and knowledge management and relationship works more.

Profit : Coupled with cost leadership, focus, differentiation and asset light model coupled with relationship orientation (GA, suppliers and customers) profit will definitely increase and create competitive wedge between the competitors and Gati.

Author's Profile

Prashant Salwan
The author is a faculty of Strategy and International Business at Indian Institute of Management Indore. He has designed and delivered company specific executive programs in the area of strategy, international business and general management programs for multinational corporations.

INDIAN INSTITUTE OF MANAGEMENT INDORE
MANAGEMENT EDUCATION PROGRAMME (MEP 2009)

October 26, 2009 – January 16, 2010

Indian Institute of Management Indore is launching a 12-week intensive programme on management for:

- Middle level managers of large organizations
- Executives of fast growing organizations
- Entrepreneurs and owner-managers
- Officers from Public service organizations
- Managers from NGOs and Public trusts

This programme will greatly benefit those who have not gone through a formal programme in management or have done so long ago, but have good practical experience.

Programme objectives:

- To provide an exposure to the economic and business environment
- To enable participants to learn various management tools and techniques
- To help participants integrate various functional areas of management and develop an integrated perspective
- To enhance competencies to formulate and execute business strategies
- To develop managerial and leadership skills
- To provide an international exposure on world class management practices

Study tour:

As part of the programme the participants will undertake study tour abroad to develop an insight into international perspective on management practices

Fee :

Rs. 4, 00, 000/- (Fee includes boarding, lodging, course materials, access to library, computer center, other facilities on campus and study tour.)

Certification:

Participants will receive a certificate of participation on successful completion of the programme.

Last date of the submission of application forms: October 16, 2009

Application forms can be downloaded from www.iimidr.ac.in

For further details contact:

S. K. Ghosh

MEP 2009 Co-ordinator

E-mail: mep2009@iimidr.ac.in

Phone: 0731 4228523, Fax: 0731 4228751

National Youth Conference 09
Indian Institute of Management, Indore
National Youth Day Celebration 2009
January 12-14, 2009, Venue: Seminar Hall

Day: January 12th

Inauguration

Keynote Speaker:

Mr. Shekhar Gupta
Editor in Chief, Indian Express

Vision of India: A Perspective from Swami Vivekananda's Works

Mr. K.M. Padmanabhan
Director, Prerana Educational Media Pvt. Ltd., Chennai

Panel Discussion – I

Sustainable Development

Day: January 13th

Microelectronics and its Impact on Humanity

Professor L .K .Maheshwari,
Vice Chancellor, BITS Pilani

Rural Marketing Opportunities and Challenges

Professor S. Neelamegham
President, NIILM Centre for Management Studies, New Delhi

Panel Discussion – 2

Issues in Governance

Panel Discussion – 3

Internal Security

Safe India: An Action Agenda

Shri D.R. Kaarthikeyan
Advisor: Law-Human Rights-Corporate Affairs; Former Director, CBI and Director General, NHRC, New Delhi.

Col. R. Hariharan
Retd. Military Intelligence Officer and Strategic Security Analyst

Day: January 14th

Inclusive Growth: Role of Space Technology

Dr. A.D. Dharma
Deputy Director, ISRO, Bangalore

Panel Discussion – 4

Rebalancing Gender Growth

Inclusive Growth: Challenges in Health

Dr. Ravi Kannan
Director, Cachar Cancer Hospital & Research Centre, Assam

Dr. Mohan Rajapurkar
Medical Director, Muljibhai Patel Urological Hospital, Nadiad

Responsible Citizenship and Good Governance

Professor N.R. Madhava Menon
Member, Commission of Centre State Relations, New Delhi

Inclusive Growth - Micro Finance : Challenges and Opportunities

Mr. Vijay Mahajan
Chief Executive Officer, BASIX India

Ms. Anupama Joshi
Vice President, IFMR Trust

Finale: Young Leaders Contest

Concluding Session

Mr. Sanjay Dubey, Secretary (Home), Government of Madhya Pradesh - Chief Guest

Inclusive Growth : Role of Young Indians

Mr. M.S. Pillai,
Founder & Principal Director, Sadhana Centre for Management & Leadership Development (SCMLD), Pune

Perspectives

National Youth Conference 09

An Overview

To commemorate the 146th birth anniversary of Swami Vivekananda, IIM Indore organised a National Youth Conference from January 12-14, 2009. The goal was to sensitise the young men and women of India to issues of national concern and to identify the role that the youth must play to take India forward in its march towards being counted among the best.

Mr. Shekhar Gupta's keynote address dealt with the heartening changes he has witnessed because of the involvement of today's youth in politics and society. He applauded the fact that the youth of India have shown concern about the future rather than complaining about the past.

An important issue discussed during the conference was micro-finance and its contribution to inclusive growth. Speaking on the topic, Mr. Vijay Mahajan, the Chairman and Founder of BASIX India, explained various micro-finance models as well as different lending methods to the participants and encouraged them to develop an interest in this innovative way of banking.

Prof. N. R. Madhava Menon addressed issues such as the challenges India is facing today and how responsible citizenship can help the country overcome them. He talked about the role of the Constitution and the functioning of good governance in which youth could play a great part.

Other speakers threw light upon the teachings of Swami Vivekananda and illustrated the pertinence of his teachings with regard to the situations present in India. The National Youth Conference is being seen as an annual event on campus and promises to influence youth to view things from completely new perspectives.

Bharat Transformation

Shekhar Gupta

Thank you, all for being here. I would like to extend my compliments to the director concerning the marvelous achievements of your institute in this short span of eleven years. For an institution, eleven years is very young, and for a fledgling institute to have come so far in such a short time – well, that speaks for itself. In my talk with the director, I was impressed with the vision he has for the Indian Institute of Management, Indore, and am pleased to know that he has teachers and students who are willing and able to stand by him and transform this vision into a reality.

Keeping this in mind, I would especially like to commend the teachers for their dedication to the institute and more importantly, to the students. In these days of instant gratification and materialistic pleasures, it is heartwarming to be around teachers who impart knowledge and challenge a student to think for himself/herself and do so for the sheer joy of teaching. It is a great pity that people have not realized that 'teaching' per se is the actual "fountain of youth". Teachers are forever young in spirit because they are always connected to the vitality of new ideas and schools of thought that young people come up with.

On National Youth Day, we pay our tributes to the youth of this nation and also to those who contribute to the empowerment and the transformation of young minds.

The youth of a nation, any nation, are the ones with the power to effect change. In a country like ours, where almost 65% of the population is below the age of 30, society, politics and culture can be transformed by the power of the youth. The power of this kind of change is both a tremendous opportunity and a subtle danger. It has the potential to change the way we live, the way we think and the way we are, however, it will take a skillful touch to tap this potential, without bruising the sensibilities of the youth.

Almost any discussion about the future of India will include a session on the demographic dividend. This term is used to describe the rise in the rate of economic growth in direct proportions to the rising number of the working professionals between the ages of 15 to 64. According to India's economist, Kaushik Basu, India had a dependency ratio of 0.6 and a population of 1080 million in 2004 of which 672 million were between the ages of 15 and 64. The remaining 480 million were the dependent population. It has been predicted that due to the declining fertility rate, India's dependency ratio will come down to around 0.4 by 2030 and the average age of a person will be 29. This translates into huge benefits and a rise in the average savings rate.

Unfortunately only 13% of our population is enrolling in higher education – one of the lowest percentages in Asia. As more young people join the workforce with skills inappropriate to the demands of economy, the challenges increase and tension levels rise. Nandan Nilekani suggests that India's young population in the north be equipped with skills to participate in growth via effective policies in education and health. The northern states are ones with some of the worst social indicators and messed up politics. In this analysis, Nandan Nilekani states that if we do not get this right, it will have the potential to cause immense political and social upheaval. Even in the face of such a gloomy picture, I prefer to remain optimistic about the future of our nation, both culturally and politically – though of course the latter might cause people to look at me askance or with pity for my deranged mind!

The elections held in Kashmir went a long way in justifying my decision to remain optimistic. In 2002 the turnout of voters was only 43% but this year saw an unprecedented rise of 19% bringing the overall figure to 62%. The additional growth of 19% seems to have come from the youth of Kashmir – first time voters in fact! In spite of the militancy and the troubled way of life in Kashmir, these young people chose to be more concerned about the promise of a future, than be weighed down by the bitterness of the past. All the political parties in India encourage people to vote for them by showing them clouded visions of the future through the glasses of a murky past. Why is it that the intellect of the people of India is frequently taken for granted? Why do politicians suppose that today's generation is even dimly interested in a past that holds no relevance to the present? Thomas Friedman had a remarkable talent for one-liners that cut through to the heart of the matter with the delicacy of a scalpel. In one of his books, as he speaks of the young people in Bangalore, he remarks that, "The weight of their dreams was more than the weight of their memories, and on an imaginary balance, the way the scales tipped would show what track they were on." If the memories weigh more than your dreams, and if your memories are ones of problems and hurt, then you don't just try and settle your scores with the past, you try and settle them with the people who caused them. Furthermore, if things can't be resolved amicably, we immediately call for blood and then settle it in a way so that those people are six feet underground.

After the Bombay attacks, I was flooded with calls from media persons from all over, wanting to discuss the situation. Hamid Mir, a well-known Pakistani anchor called and interrogated me during a live telecast. Had I seen Ajmal Amir Kasab's interrogation report? Was I aware that Kasab had issued a statement saying he killed those people because of what had been done to the Muslims in Gujarat? He went on and on for quite a while, becoming progressively quite rude in the process. I tried discussing the situation with him, but apparently the only thing he was interested in was ratings and the sound of his own voice. After he switched off, I realized anew how susceptible the minds of the young are. They can be deceived and set on the wrong track,

only when they have no stake in the present and no interest in the future. The Middle East and certain parts of India have a lot to answer for, not just because they themselves are intolerant, but also because they bring up future generations to think, act and live exactly like them. The strange thing is, they are eager to portray a progressive appearance and be just like the west, but they choose not to be democratic in their thoughts. Change is almost an unknown word over there, perhaps because it isn't put into practice all that much.

I laud Omar Abdullah, recently elected Chief Minister of Kashmir. His father, Farooq Abdullah, would I have no doubts, prefer to be Chief Minister himself, but even he recognizes the wisdom his son has shown. The young want to be led by their own kind, and they know instinctively when someone genuinely has the makings of a leader whom they can all admire and respect. When Omar Abdullah stood in front of the parliament and declared, "I am a Muslim and an Indian", his party members told him to forget about becoming Chief Minister because after that statement it wasn't going to happen. Much they knew about it. In less than six months time, this dedicated, charming, idealistic 38 year old young man showed all the unbelievers that change was possible – even in war torn Kashmir.

President Barack Obama's dramatic victory was based on the promise of hope for a better future. So, it wasn't a surprise that over 66% of those who voted for Obama were under 30. The one common thread that connects countries across the world is the desire of the young to look forward to, and to look to the idea of a better future. The flip side to this, as journalist Fareed Zakaria puts it, are "a bunch of restless young men looking for trouble", who spell bad news for any country. He uses this logic to provide a fascinating insight into the extremism prevalent in the Middle Eastern countries. He argues that globalization has caught these countries at a very bad demographic moment. Its societies are going through a massive youth bulge considering more than 75% of the population there is under the age of 30. Unlike India, where there is freedom of speech and movement (too much at times) and the angry youth of our country can demonstrate their displeasure by revolting and taking to the streets, countries like the U.A.E., for example have no such outlet valve. When the young people there get angry, they stay angry and it festers inside them till the time the wrongs done to them are blown all out of proportion and they are consumed by their own anger.

A youth bulge precedes any sort of revolution in any country, and more often than not it is the youth who incite and lead a revolt. The power of youth - shamefully misused.

So, which way do we go now? There is no question. Democracy and sustained economic growth have ensured that the winds of change accelerate in the right direction. But there is still a lot to be done. Fundamental to that effort is the creation of opportunity and the evolution of thought.

Which is why, it is such a pleasure for me to be here at IIM Indore, the youngest IIM until the one in Shillong was started. This is a place where I see opportunity welcomed, and change embraced with open arms. The drivers of change will always be the young, because it is they who take risks and aren't afraid of adventure, who possess the passion and the sheer daring to try new things. I encourage the young people to choose to go against the flow, to soar to new heights and most of all to grow up exploring your full potential.

Author's Profile

Shekhar Gupta

The author is the Editor-in-Chief of the daily 'The Indian Express'. As a reporter and editor he has covered some of the major investigative and public affair issues in Indian Journalism. He was awarded the Padma Vibhushan for the year 2009 for his contribution in the field of journalism.

Responsible Citizenship and Good Governance

N. R. Madhava Menon

Challenges Today

What are the challenges that India is facing today? What can responsible citizens do to help the country overcome those challenges? What are the institutional mechanisms available to organize citizen action towards realizing the constitutional goals? I propose to address these questions from the perspective of the Indian Constitution that, we, the people of India have adopted, enacted and given to ourselves sixty years ago on 26th November 1949.

Challenges are many and varied. Some of our own making and some imposed on us by external forces and developments. Among those of our making are, corruption, religious fundamentalism, social exclusion, discrimination and inequality, violence and disregard of rule of law. There may be other challenges too, big and small, which plague our nation and society in different ways and degrees. Whatever be the causes for these problems, the cumulative effect has been the weakening of the constitutional goals of –

"Justice, social, economic and political;
Liberty of thought, expression, belief, faith and worship;
Equality of Status and of opportunity;
Fraternity assuring the dignity of the individual
And the unity and integrity of the Nation"

Role of the Constitution

Having committed ourselves to democracy, rule of law and human rights for organizing governance and addressing the aspirations of the people, the legitimate ways for resolving the problems have to be found within the framework of the Indian Constitution. The Constitution is not just a law or an instrument of governance. It is a social and moral document embodying the manifesto or vision of one billion Indians, diverse in several respects but united in terms of the social contract to build a Sovereign, Socialist, Secular and Democratic Republic. The philosophy of the constitution, its role in reconstructing Indian society and the relative roles and responsibilities of citizens and the State are inadequately understood by those in charge of governance and the people for whom the system is designed. The first step towards addressing the challenges we face today is to re-visit the original social contract and the preambulary promises made to form the Republic and look at the design of governance critically. Constitutionalism is imperative for democratic governance in a plural society under a federal

polity. The impact of the freedom movement is not felt by the present generation of Indians and they need to be educated about the elements of the contract and the responsibilities it imposes on them if they were to feel national identity and be involved in nation building activities. This is what I call education for responsible citizenship.

Citizenship

What makes a person a citizen? What is the concept of citizenship and what does it imply? Why is citizenship important for good governance in a democracy? What are the rights and duties in relation to citizenship under the Indian Constitution? What happens if citizens behave irresponsibly against the basic premises and values of the Constitution? Can citizenship education help restore the balance between State and civil society thus, establishing good governance?

To constitute a State, a community of people, citizens as well as aliens, is necessary. The term "citizenship" is used to describe the state of being permanent inhabitants of a State whose rights and duties vis-à-vis the state and community are different from those of persons who are not citizens (aliens). In other words, citizenship defines membership of a political community called state. It is a status under law, which has several privileges and advantages. Some of the guaranteed fundamental rights are enjoyable only by citizens (E.g. Articles 15, 16, 19, 29 and 30). Again, citizens alone have the right to hold high political offices in the state or exercise franchise or contest in political elections. Citizenship also carries several obligations some of which are declared Fundamental Duties (Article 51 A) under the Constitution. It is a question of owing allegiance to the state, its integrity and its constitution.

Prior to the adoption of the Constitution, there was no concept of citizenship. Residents of India were British subjects. Others in princely states were subjects of respective rulers who were 'protected' by the British, a status not far different from that of slaves.

Nationality and citizenship are sometimes used as interchangeable terms though they are conceptually distinguishable. While citizenship defines relationship between an individual and the State, nationality is used to describe the status of a person internationally. All nationals are not necessarily citizens. We have Indian nationals who are foreign citizens. International law uses the status of nationality; municipal law deals with citizenship.

At the time of the partition of the country, some people were living in India, some nationals were abroad and some others came from Pakistan. The problem of citizenship was resolved by its conferment through three different ways normally by domicile, by migration and by registration.

Article 5 explains citizenship by domicile. It says that at the time of Commencement of the Constitution, every person who was living in the territory of India, was born in Indian, had one parent who was born in India, or who must have been ordinarily resident in India for not less than five years immediately preceding the commencement of the Constitution would be a citizen of India. "Domicile" is residence coupled with intention to live permanently at one place. There is no concept of state-wise domicile within the territory of India. Everyone is a domicile of India. Though the Constitution of India is federal and recognizes dual polity of Union and States, it does not recognize dual citizenship (like USA). Supreme Court rejected the notion of state domicile. (Pradeep Jain V. Union of India, AIR 1984 S.C. 1420).

Articles 6 and 7 deal with citizenship by migration; migration here refers to migration between 1st March 1947 and 26th January 1950. It does not extend to migration after that date which would be covered by the Citizenship Act, 1955. Article 8 deals with the right of citizenship of persons of Indian origin, residing outside undivided India at the commencement of the Constitution. They could register themselves as citizens of India by making an application to the Consular Representative of India. Article 9 declares that a person who has voluntarily acquired the citizenship of a foreign state shall not be deemed to be a citizen of India.

Citizenship of India after the commencement of the Constitution is a matter dealt with under the Citizenship Act, 1955. The Act recognizes the following modes of acquiring Indian citizenship:

(a) Citizenship by birth - As the law stands today (Section 3 of Citizenship Act) a person born in India shall be a citizen of India by birth if at the time of his birth both his parents are citizens of India or one of whose parents is a citizen of India and the other is not an <u>illegal migrant</u>.

(b) Citizenship by descent (Section 4) - A person born outside India on or after 1950 shall be a citizen of India by descent if, at the time of his birth, either of his parents is a citizen of India.

(c) Citizenship by registration (Section 5) - The Government of India has unrestricted power under Section 14 of the Citizenship Act to refuse citizenship without assigning any reasons whatsoever and a foreign national has no legal right to claim Indian citizenship. He cannot claim equal rights under Article 14 with that of the Indian nationals (AIR 1996 S.C. 1234; AIR 1997 Mad 366)

(d) Citizenship by naturalization (Section 6) - It is the act by which rights of citizenship are conferred by a state upon a person who was before an alien to that state.

(e) Citizenship by incorporation of territory (Section 7).

Citizenship of persons of Indian origin who had come to Assam before 1st January 1966 is determined under Section 6-A introduced after the Assam Accord of 1985.

Dual citizenship to "Persons of Indian Origin" residing in Sixteen Countries was accommodated by the Citizenship (Amendment) Act, 2003. As per its provisions, the PIOs who seek dual citizenship would be allowed free movement without visas and be able to own properties, build or invest directly in projects in the country. However, they will not have any political rights, will not be allowed to vote or run for office or take jobs in defense services.

A company or a corporation cannot be a citizen of India, and therefore can not claim such of the fundamental rights as have been conferred upon the citizens only (AIR 1963 S.C. 1811). A company may have nationality, which is determined, by the place of its incorporation. This decision did result in some anomalies. So long as individuals are carrying on their business individually, Article 19(1) (g) protects them, but, as soon as they associate and register themselves as a company, they are denied that protection. However, the fundamental rights of the shareholders as citizens are not lost when they associate to form a company (R.C. Cooper V. Union of India AIR 1970 S.C. 564).

Responsible Citizenry

A responsible citizen is one who consciously participates in the common destiny with fellow citizens respecting the dignity of each individual and the unity of the Nation. He is one who is prepared to limit his personal interests, if needed, in the larger interest of the community. He must voluntarily abide by the Constitutional duties and agree to obey the law and legal processes in his relations with the State and other citizens.

If we disregard the rule of law when it suits us, how can we complain when somebody else disobeys laws that hurt our interests? One can look at strikes and boycotts by lawyers, doctors, teachers and service providers and ask oneself, whether it is justifiable for responsible citizens - particularly in the professional world, to resort to such practices whatever the grievances.

Why is it that in the General Elections the percentage of voting is lesser than 50 per cent? Why do we vote on the basis of caste and religion without considering merits? Why do we elect people with criminal records so that they occupy positions of power? The answer lies in the lack of citizenship - even in the so - called educated class in India.

Corruption

All of us speak against corruption, the menace that eats into the vitals of our democracy and public life. But how many of us come forward to assist the anti-corruption agencies, of which there are many in India, to put down the evil? How many are prepared to ostracize corrupt elements? We do understand that neither laws nor governments by themselves can do much to curb corruption unless citizens individually and collectively act against it. Lack of responsible citizenship is contributing to the growth of corruption.

Diversity

When we look at the multifaceted web of manifold identities to which we belong and which makes this country unique, we are proud to be Indian citizens. We acclaim the unity in diversity that prevails. We celebrate all religious festivals and share a common brotherhood on all festive occasions. Yet at the slightest provocation we take to arms and kill our brethren mercilessly, as if we are at war with other communities. What has happened to India's secular spirit and indomitable tolerance that made this nation a microcosm of the world with all its beauty and diversity?

Do we not cherish the ideals of equality and dignity, which are the constitutionally guaranteed rights of every individual? Can we not understand that to achieve equality in an unequal society, we need to take affirmative action in favor of disadvantaged sections and change our inherited attitudes based on caste, sex and race. If discrimination and inequality were to continue, would it be possible for democracy and social solidarity to be maintained? Is it not the disregard of good citizenship, which leads us to our own destruction in ways we refuse to recognize?

A Bond

Without being romantic or philosophical, one can safely argue that the Constitution is the best guarantee for the unity and progress of our Republic. Without it we are an aggregate of many nations and identities constantly in fear and enmity and open to easy exploitation by invaders and enemy countries. It is the common citizenship which unites us under a modern Constitution for our tryst with destiny which we celebrate every Republic Day.

Thus understood, citizenship is a bond, much more than the one developed out of contract, arising from birth and regulated by law. This bond of Indian citizenship governs the life of one-sixth of the human race throughout their existence in Planet Earth. Though the bond is dormant and unnoticed in normal times, it becomes critical and decisive in times of emergency and need.

If we become aware of it and behave accordingly, responsible citizenship will enable this country to achieve its rightful place in the comity of nations. To make everyone aware of this reality, we need citizenship education particularly for youth who are future leaders of this country. Let us at least devote a week every year, as IIM Indore does, to celebrate our Constitution and understand the implications of responsible citizenship.

Author's Profile

N. R. Madhava Menon

The author was the former Director of National Law School of India University, the first Director of the National Judicial Academy of Bhopal and the Vice Chancellor of West Bengal National University of Juridical Sciences. He has been instrumental in shaping the legal education policies in his career of five decades. At present he is the Member, Commission on Centre-State Relations, New Delhi.

Interview with Vijay Mahajan

Micro-finance and India

"In Manninder Mann's face – to – face interview with Vijay Mahajan, the brain behind the micro finance company BASIX, an attempt is made to understand the background and the functioning of this innovative way of banking."

MM : It's good to have you with us Mr. Mahajan. We have been hearing a lot about micro finance and micro credit these days, especially as an effective way to reduce poverty. Why do you suppose it is so popular now, compared to 10 or 15 years ago?

VM : Well, providing credit to the poor in India has been a long term mandate of the b a n k i n g system and the banks were nationalized partly to provide agricultural credit and to lend to priority sectors and the weaker sections. Since the 1992 reforms in the banking sector however, the percentage of credit going to the small borrowers had been steadily declining. Alternate channels were developed to replace this, of which self-help group (SHG) bank linkage programs have been the most feasible. We now have more than 50 million women with access to credit from banks, and it helps in alleviating poverty.

I think the reason why micro finance is so widely recognized, both nationally and internationally, is because of the Grameen Bank of Bangladesh and because its founder, Prof. Yunus won the Nobel Prize in 2006. Before that, the UN declared 2005 as the year of micro credit.

MM : Are MFIs lobbying with the government to change the required 15% adequacy norm of the RBI? What are the other regulations that the micro - finance industry is pushing for?

VM : Imposing a 15% capital adequacy on MFIs is contrary to the spirit of Basel II norms as the quality of the MFI portfolios is sound with a long established track record of less than 1% default. A capital adequacy of 3 to 4% should suffice for MFIs, but since there is no such thing as separate NBFCs for microfinance, MFIs have to conform to the 15% norms set for NBFCs by the RBI.

MM : Aren't MFIs pushing for a separate NBFC entity for social enterprises?

VM : We have been recommending a separate category of NBFCs for micro finance ever since I was a member of the 1999 national microfinance task force, but the RBI is

concerned about the overall financial system. It doesn't want to create a special window, for fear of misuse.

MM : The trend being witnessed across micro-finance sectors is the increasing ticket size of loans. Is it safe to over leverage the customer? Aren't we creating a bubble effect with that?

VM : The amount of lending in microfinance is less than Rs.10, 000 crore, so it can hardly qualify as a bubble effect, but yes, individual households can fall into the debt trap if too much credit is pushed to them. MFIs should ensure that loans are given for productive purposes and certainly not for consumer finance.

MM : Do MFIs allow loans for social functions and how do you ensure the actual use of the loan given?

VM : No we don't encourage those types of loans, but people do take loans for productive investments and then spend it on something entirely different. To ensure the actual use of the loan, we have thorough interviews, we gather information from different sources and we rarely grant a loan at a first meeting.

MM : There are a lot of regional disparities in micro lending. While it is a success story in South India, it hasn't made an impact in places like Bihar and UP: and micro finance has not been established in Punjab.

VM : The financial sector thrives at places where contracts are honoured, trust is widespread, basic infrastructure exists, and law and order is in practice. In the south, west and in some parts of the north India these criteria are fulfilled. In UP and Bihar, many institutions don't really work all that well, be it rural lending or government schemes. MFIs aren't present in Punjab, because unlike other states, Punjab farmers have problems that aren't usually related to poverty.

MM : What is your experience of Madhya Pradesh?

VM : Microfinance is growing across the entire central Indian belt and our experience, on the whole is a good one. It is slower, because the average loan size is smaller and it takes time to build up a portfolio. The purchasing power of people here is lower than that of those in the South, law and order is an issue and support from banks is not easy to come by. Law and order is a major issue in micro finance since most of the transactions

happen by cash and the cash collector is a fairly well known person in the locality and therefore vulnerable to be targeted by anti social elements.

MM : Madhya Pradesh is a very patriarchal society and it's very hard to interact with women. How do you convince parda-clad women to borrow money and start their own enterprise?

VM : We do have women in the field for that contingency, but it is very hard to get women staff. Fortunately NGOs and the government formed a large number of self-help groups and we start by strengthening those that exist and reviving those, which are no longer functional. It's easier to talk to and convince a group of women than to individual women, and it's also something our male colleagues can do, though it remains a challenge in certain districts and with higher castes.

MM : How has BASIX dealt with the problem of the caste system?

VM : We train and sensitize our members about such issues, and we fix targets for our team according to the population of a district, which creates a push for them to focus on issues of caste and gender.

MM : How are MFIs perceived by naxalites? And aren't they inimical to outside moneylenders?

VM : We've had several brushes with them, particularly in Jharkhand. Genuine Naxals check us out and usually leave us alone when they realize the developmental intent of an MFI. There are some, however, who create trouble and try to extort money for themselves. But overall, when we have the support of a community, naxalites and other anti social elements do not have much power over us.

MM : There is some sort of process innovation being done by Equitas, by separating people in marketing and lending. How do you see them as future models of MFIs?

VM : Equitas has done a great job by re-engineering processes like loan origination, appraisal, disbursal, and recovery. I think that will do extremely well in high-density urban areas, where the standardized product is used. At BASIX, however, our lending process is customized to rural, low-density areas and varies according to each region's characteristics. This way we believe we can deliver greater livelihood benefit to our customers.

MM : So are there different ways to serve, different issues in urban and rural markets? How do you cater to both and keep the same system in place?

VM : We can't have the same systems for both; even in rural areas we have different systems depending on the target segment, but the major difference between the urban and the rural poor is the weak social glue, so to speak, among the former. The lack of trust and mutualsuspicion makes it harder to establish self help groups or even joint liability groups in some urban areas, which leads to individual lending. Taking physical collateral as security defeats the purpose, as it is hard to repossess. So we start by giving small loans and eventually, help them to slowly build a credit history with us.

MM : Are there any documented differences between the urban and rural default rates?

VM : Although urban lending is relatively new, there are no rampant defaults. A little modification of the existing systems can cause it to work.

MM : Microfinance is one effective tool for dealing with poverty. Which other methods should corporate India look at for eliminating poverty effectively?

VM : Microfinance is a tool which needs to be used in conjunction with other methods like skill training, market linkages, etc, because finance on its own is not enough to alleviate poverty in India. It is a necessary, but not a sufficient condition, for most cases. India's biggest resource is human resource. The "demographic dividend" can easily become a nightmare, unless India urgently invests in skill building of human resources. It requires an investment of around Rs 20,000 per person to make him/her a productive employable resource. That comes to around 12 to 15 billion dollars, which is not a huge investment when one compares it to the size of last year's loan waiver of 15 billion dollars. It will also have a positive economic multiplier and create demand at the bottom of the pyramid for goods and services. This 15 billion dollar investment needs to be made before it is too late, in the next 3 to 5 years.

Author's Profile

Manninder Mann

Manninder Mann is an alumnus of the Indian Institute of Management, Indore. He was a Post Graduate Participant when he interviewed Vijay Mahajan.

Book Review

Organization Design

Kumar Kunal Kamal

Galbraith J. R. (1977). *Organization design*. Reading, Mass.: Addison-Wesley Pub. Co.

The book I have chosen for review is "Organization Design" (Galbraith, 1977) by Jay R. Galbraith. The reason for choosing a book, published more than three decades ago is simple: even though considered to be one of the best books on Organization Design, it is not discussed often by most researchers. Researches often give it just a passing reference, with most of them focusing on the book "Designing Complex Organizations" (Galbraith, 1973) by the same author. This is clear from the fact that Google Scholar's Database identifies a total of 2893 citations (close to 80 citations per year) for the book "Designing Complex Organizations" as against 487 citations (close to 15 citations per year). The book has also not been reviewed lately: the first reviews came in 1977, the year of publication of the book, by Parke (1978) and Reynolds (1977). While Parke's review was a comprehensive one, Reynolds' review was just a paragraph long, more of an introductory nature. In 1978, the book got a thorough, comprehensive review by Ferris (1978). Next year, the book got a short review in the Journal of American Planning Association (1979).

Before I move forward to a review of the book, I would like to share with the readers what the other reviewers, Parke and Ferris, have to say about the book. This will help make two things clear: first, it will strengthen my argument for writing the review of an authoritative book, which in turn would help attract the attention of readers to this great book; and second, it will help the readers focus on the reason why researchers need to focus on this book apart from Galbraith's, earlier often discussed book "Designing Complex Organizations".

Parke, in his review, writes the following about the book Organizational Design: *"The current book is a somewhat more ambitious undertaking, and the results are more rewarding"*. He further writes that the book *"should be part of the library of anyone interested in organization structure, design or performance. For many it will become one of those dog-eared, well-used volumes that resides next to Thompson, Dubin, Perrow, March and Simon, and Etzioni"*. Similar views are expressed by Ferris in his review: *"Organization Design represents a significant contribution to the field, and warrants the attention of anyone seriously concerned with keeping abreast of the organizational sciences literature"*. Both the writers acknowledge that the book "Organization Design" is an important book and is a significant contribution to the literature on organizational design approaches.

In the book, "Organization Design" (Galbraith, 1977), Jay R. Galbraith has tried to present a framework for organization design. While doing so, he first tries to convince his readers that the organizations, as we see them, can be designed in a conscious manner. At the same time, he puts forward arguments for what he sees as the consequences of each organizational design. Galbraith puts a lot of emphasis on information processing inside the organization; which is quintessentially Galbraith as he has focused on this aspect in many of his earlier works (Galbraith, 1968; Galbraith and Lavin 1970; Galbraith, 1974). As Argyris, in his review of the book (Argyris, 1978) points out, the theoretical work, which Galbraith uses in this book was first published in, and has been used by him in his earlier work "Diagnosing Complex Organizations" (Galbraith, 1973). The present work is however better, and a great deal more systematic and refined than his earlier works.

In the present work, Galbraith has succeeded in linking theories with practice: he has linked the micro approaches to organization design with the macro approaches. This would help the practising readers put the theories of organization sciences into practice and test them in live scenarios. The author cites various examples and introduces many case studies to make his point clear. The case studies also help the readers understand in an easy way the problems which an 'evolving' organization can face. To Galbraith, every organization is an evolving organization that must restructure and reshape itself, whether intentionally or unintentionally, with the changing time. The application of the evolving organization can be seen applied throughout the book in a seamless manner.

The book is divided into twenty-two chapters which can be grouped into five parts: in the first part (Chapter 1 - 3), the author gives an introduction to the idea of organization design, wherein he defines organization design as a conscious, rational choice which organizations make with respect to achievement of certain goals. The author discusses previous research in the early chapters; while discussing the previous research, the author introduces past approaches to organization design and discusses their uses and deficiencies. The author argues in favour of a new approach, which combines the various approaches. Continuing with his arguments of a new approach, the author introduces a new framework for organization design: a framework based on task uncertainty. Galbraith argues that uncertainty comes primarily because of the difference in the amount of information required and amount of information processed by the organization, wherein the information required is a function of output diversity, performance level and division of labor. This way, to reduce uncertainty, one has to either reduce determinants of the amount of information required, or, increase the amount of information processed. This concept of information processing appears to bring clarity, but the author does not draw upon situations where, either because of lack of proper understanding or because of unscrupulous behavior, the

proper utilization of information is not being done. Information processing would also take a backseat if the basic resources were not in place. Galbraith also does not discuss the quality and relevance of information which needs to be processed, topics which have been discussed by earlier researchers (Ansoff & Brandenburg, 1971).

In the second part (chapter 4 - 10), the author introduces and discusses the alternatives (different organizing modes for dealing with uncertainties), which can be used to handle organizational uncertainties. The author starts with the example of Chandler's restaurant supply function to show problems related to human relations, task structure, and the information systems in place. Galbraith then discusses the nature of interventions that can be used to handle the uncertainties in the restaurant; while doing so, he analyzes the different alternatives and shows that the alternatives are non-exclusive in nature. The author also discusses the research outputs of uncertainties and their relation to decentralization. Galbraith says that one way of reducing the amount of information required by subunits is to reduce the interdependency between subunits. The four alternatives for reduction of interdependency are identified by the author as: creation of slack resources, creation of self-contained tasks, use of information technology to manage vertical information overload, and employment of lateral forms of communication and joint decision process. While discussing self-contained programs, Galbraith focuses on the cost and the benefits of maintaining self-contained programs in terms of capital, and information overload compared with the cost and benefits of maintaining integrated programs through development of lateral relations.

In his discussions of the alternatives, Galbraith focuses on the interventions, which affect mechanisms to facilitate joint-decision process. The author is also of the view that the cost and effects of the interventions be analyzed thoroughly, as interventions can lead to their own set of problems. To illustrate alternatives of organization design in live setting, Galbraith uses case methodology; his focus once again remains the development of information processing framework. In the discussions related to the choice of alternatives and the kind of intervention required, one can easily find the influence of the cognitive limits theory of Herbert Simon in Galbraith's work, something which Galbraith too acknowledges in his earlier work done on the alternatives (Galbraith, 1974).

In the third part of the book (chapter 11-13) the author identifies and discusses the problematic effects of the alternatives when they are applied in an organization; here his focus is on lateral relations inside an organization. First, Galbraith discusses the problematic effects of lateral relations, wherein he first identifies the ambiguities related to authority and responsibility in lateral relations, he then posits a probable solution through the act of responsibility charting. Galbraith also discusses how changes in an organization's environment, brought through various

coordination mechanisms, affect its power structure. In this part of the book, Galbraith's focus is on the operational problems of lateral relations inside an organization. While focusing on operational problems Galbraith is more concerned about the day-to-day operational problems, which, if left uncared-for, can hamper the daily activities inside the organization. Galbraith however does not discuss those problems, which if left unresolved can create problems for institutional effectiveness and survival. His focus, in this part of the book, seems more on increasing short-term efficiency than to look out for long-term effectiveness. To complete his discussion on lateral relations Galbraith takes two case studies through which he demonstrates the practical usefulness of the theory discussed in previous chapters; the focus here is on choosing between the alternatives to reduce uncertainties.

In the next part, that is part four of the book (chapter 14 and 15) we observe a shift in focus from change in organizing mode to change in strategy in order to deal with environmental uncertainties. Galbraith first introduces the three kinds of environment management techniques (Independent Strategies, Cooperative Strategies, and Strategic Maneuvering by organizations), which an organization can employ to deal with the external environmental uncertainties. The author gives particular emphasis on 'production smoothing problem' and analyzes it with respect to particular organizations. It might be noted that Galbraith has dealt with this problem in detail in one of his earlier works (Galbraith, 1967). The analysis of production smoothing problem would help the readers understand how organizations become dependent on users and others in the task environment.

In the fifth and final part of the book (chapter 16 - 22), the author charts out a reward system, which would link behavior to motivation. First, the author identifies the design variables and then links them to task behaviors: a framework based on choices of integrating individuals into organizations is introduced. The author introduces a behavior-motivation matrix to link behavior and motivation with one another (matrix of rewards and behavior); the purpose of this matrix is to help choose a suitable reward system in order to influence the individual's choice of job-related behaviors. Here, however, one can notice that the behavior-motivation matrix does not take into account irrational behavior by workmen like deliberate destruction of organization's properties, which may not be controlled by a rewards strategy.

Continuing with his discussion on rewards, Galbraith introduces the Motivation-Influence Model and the Dynamic Path - Goal Model, which would help predict the effect of reward policies on the goal-related behavior. The author is however skeptical of having a very correct prediction in light of many unresolved issues and the inconclusive nature of evidences. To deal with the subject of rewards in depth, the author narrows his focus to extrinsic rewards; the issue of intrinsic reward is taken up later in the book. While discussing the extrinsic rewards, Galbraith first

introduces a contingency theory of task behavior, where the focus is on extrinsic rewards primarily in terms of monetary compensation. Next, he introduces non-monetary factors of extrinsic rewards; the discussion thus shifts to a discussion on intrinsic rewards. While introducing the concept and types of intrinsic motivation, the author shifts the focus of discussion from making changes in the reward system to designing jobs and matching people with them. There is a shortfall here: there can be situations where an organization might fall short of effective and talented employees. How should organizations deal with this kind of problem? The author does not take up this issue.

Galbraith also discusses the overall design problem while discussing the reward system: how to link task with behavior, and behavior with rewards. To end the discussion on rewards, Galbraith analyzes the criteria for choosing a reward system in detail. To sum up the discussion on organization design, Galbraith introduces an integrating case with detailed analysis of the comparison and choice of eight alternatives of organization design. All through, the author discusses the reward system as a critical design variable. Finally, Galbraith argues for the development of a comprehensive design through contingency-theory approach to organization design. Having introduced the reader to the contingency-approach to organization, the author marks the end of the journey, which started with the discussion on organization and its design aspect.

Overall, the reader would find the whole journey an easy one; a journey with many smooth curves but no veers. Although the author identifies the audience primarily as managers and employees who are interested in understanding the design aspect of business organizations, the book is written in such a manner that people who have little understanding of the field of business management would also find it good reading - one which would provide its readers a substantial experience.

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