

SL Rao

My Varied Life in Management: A Short Memoir

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INTRODUCTION

Throughout my working years I have always regarded myself as a Manager. Management to me has included the understanding of the context, gathering as much information as possible about it and the surrounding situation, knowing the kind of people talents that were needed for whatever objectives might be developed, and planning how the matter would be implemented in a way that was respectful of the law and society. My understanding of what was involved was made much easier by my education in commerce and economics.

This has meant that my work took me into what might appear to be unrelated areas, that which for me, had a common purpose; namely, setting out the objectives and achieving them. This book describes the different tasks that I undertook over the many years I was at work. I started by teaching economics, collecting management cases, working in multi-nationals that were controlled from Britain or the USA, worked with products ranging from soaps and detergents, to oils and fats, processed food products, pharmaceuticals, chewing gums, industrial chemicals, textile and related products, packaging materials including those that enabled preservatives and chemicals, and offering consultancy services. After these I went on to design and conduct education programs, organized and conduct research in the social sciences, and finally to regulate selected industries to ensure that they provided the services expected of them while staying within the law.

These various activities were part of my employment in different organizations. At the same time, I also was invited to the boards of different organizations in a multitude of areas including tractor parts and components, industrial chemicals, petrochemicals, automation equipment etc. I also designed a Management Education Program for people working in the private and public sectors. I taught in many of the Institutes of Management in India and established organizations active on environmental causes, civil liberties and consumer interests. I have tried in this book to derive what was involved in these different activities and how I went about them.

This book is not an autobiography nor even a memoir. It is a description of how the approach to all of them has common characteristics and allows someone like me to perform them to the best of my capabilities. In performing these activities,

I have had to educate myself in many fields, interact with a variety of people from different sectors, while understanding where I was falling short.

My view of being a Manager therefore did not allow me to confine myself to a single sector or industry. It required me to be involved in the other aspects of the society in which I functioned. I tried in various publications to describe many of them. In sharing some of my professional journey I hope the reader will also benefit from the lessons they can draw from my experiences to apply to their own life.

This book is a result of suggestions by my family to write about my different study and work experiences over a span of almost eighty years. Over the last two years, my eyes have failed me, and I am no longer able to read and write. I had the good fortune of help from very capable friends, one of whom was a perfect stenographer who could take dictation and transcribe it from the phone, and another person who was able not only to transcribe but also to critically comment on what was being said aloud for the book.

My son persuaded me to write this book, and my wife helped me put my life together for it. I was also helped a great deal by my nephew, a distinguished professional manager and my daughter-in-law, a highly capable sociologist. Since I was working without any notes and purely from memory, I have missed out on many events and may also have made some errors in those that I have written about. I doubt if these mistakes are gross, but if there are any, they are all mine.

CHAPTER 1 Early Life and Education

My early life in Matunga

I was born on the 22nd of January in 1936 and spent my childhood in Matunga, a neighbourhood at the heart of Bombay (now known as Mumbai). My father, Venkata Laxminarayan Rao was from Srirangam, the temple town that is a part of Tiruchirappalli district in Tamil Nadu. He left home in search of work at the young age of seventeen to support his widowed mother and family, and like many young boys of his time, came to Bombay where he had a sister who had recently moved there with her husband. Bombay at the time was a Mecca for young men like him.

My father was a matriculate; that is to say, he had passed his matriculation examination, which was given after ten years of schooling. He learned typing and shorthand and began looking for employment as soon as he arrived in the city. He found work as a stenographer at the Bombay High Court. This was to be his life; he spent his entire career moving up the ranks at the High Court, he worked with many of the High Court judges and ended up as the secretary to the Chief Justice of Bombay. In that position he also had considerable administrative responsibility with district judges and other judges in the state.

He married my mother Gangubai at the 'late' age of twenty-seven. She was just fourteen and had lived in Bombay her whole young life. Her father was an astrologer and she had six siblings - three sisters and three brothers. Their whole family lived in very, very modest circumstances - a one room house, in Girgaum¹.

We were a lower middle-class family. My elder brother Venkatesh was born in 1933 and I followed in 1936. I have four younger sisters, Pushpa, Indira, Lalita and Jamuna². My mother and father moved between several apartments in Bombay until the second World War when in anticipation of the war reaching Bombay's shores, my father sent his young family to Ahmedabad for a few years. When my mother and her children returned after the war, the family moved into a small home in a building called Annapurna Mandir in Matunga, a predominantly south-Indian neighbourhood.

¹ Many years later, I had the chance of meeting one of the Ambani brothers, who told me that after their father Dhirubhai came back from Aden, they too lived in a one-room home in Girgaum!

² Who were later married to successful engineers - very common among south Indian Brahmin families!

My father was highly disciplined and had a tremendous sense of duty and responsibility. He had an impeccable work ethic. Once, in the early 1920s, when the worldwide Spanish Influenza epidemic was coming to an end, he woke to find himself in a strange bed – only to discover that he was lying in a hospital bed! He had been found lying unconscious on the road and had been in hospital for three days. He got up shakily from the bed and insisted on dressing to go to work since every working day lost meant that much less money he could earn. His employer (he was a clerk in a small establishment) took one look at him and demanded that he go back and rest and that he would get paid regardless. The employer was afraid that this young man would die on him!

I enjoyed a typical childhood for that time. My father was distant and was not very demonstrative as a parent. Despite leading a very busy life at work, my father was a very keen badminton player. He did all the external work for the house, which included all the shopping until his sons were old enough to take that on, following up with his childrens' schools and teachers, and generally keeping a close eye on what his children were up to. His reading outside of his work was confined to periodicals like the Anandavikatan and Swadeshmitran (the top Tamil magazines published at the time) in addition to the Times of India, which he read somewhat cursorily. He read no books, except his life-time favourite, Charles Dickens' 'The Pickwick Papers'. I am not sure how both my brother and I became such avid readers who would read anything from packaging instructions to complicated literature!

My mother was an extraordinarily bright and energetic woman. She was not able to finish her schooling because her family could not afford it (this was fairly common for young women in those days). She devoted her life to her children. I remember her as being very affectionate towards all of us.

We lived amongst other Tamil and Marathi families in our locality. Matunga was full of green trees. Our house was small and overlooked the Khalsa college grounds, on the other side of which lived the family of the famous actor, Prithviraj Kapoor.

Our home was two-room apartment no more than 600 square-feet in size, with one toilet and a bathroom. I imagine it was not particularly comfortable, but it is remarkable that I cannot remember a time when we quarrelled over space – especially for the toilet! We must all have quietly found our rhythms and order!

We spoke a kind of Tamilized-Kannada at home, but my father always believed very strongly that his family should live in harmony with everyone, and so he made sure that all of us, including my mother, learned to speak, read and write in Marathi. Matunga was pretty cosmopolitan!

Money was always tight at home. My father had a modest income, and he had a large extended family to take care of (his final salary on retirement was 800 rupees a month before taxes) but early on my parents had decided that they would not deprive their children. We always had good food on the table, and as children we made few demands. My mother found ways to save money, we hardly bought ready-made clothes, she stitched all my sisters' clothes on her Singer sewing machine.

The one asset my father knew he could give his children was a good education and he ensured we studied in the best of schools. From a very early age, I knew that I was expected to excel in my studies. My first school was the Roman Catholic Don Bosco School in Matunga. I was six years old, and I don't remember much except for my moral science classes, where we were taught things like "who made man? God made man." I was there very briefly before I was moved to a Marathi school, Balak Mandir. My father pulled me out of Balak Mandir in 1943 and enrolled me in the South Indian Education Society High School (also in Matunga) because I was offered a 'double-promotion'. We had excellent teachers, and it was a good school. I developed a love for science and history, and mathematics was a favourite subject of mine. I was always curious, and I would spend many hours reading. My fondness for reading began then and continues even today. I was a voracious reader and I read everything my elder brother would bring home. Dr P.N. Joshi, who was a family friend (he later became the Librarian of the Bombay University) noticed our love for reading and gave us some money to buy a membership to the JN Petit Library in Dadar.

I was a good student, but then again, this school was full of very bright students (as expected by their South Indian parents!). I spent seven years there and graduated in 1950. I had no estimation of my capabilities then, so when the final results were published in the newspaper, I looked for myself in the third-class list. When my roll number was not there, I looked in the second-class list, and when I didn't find it there either, I looked at my older brother and said, "I think I have failed." He said, "Don't be silly, let me look," and he took the paper and found my name in the first-class section!

Perhaps the most important influence in my life (apart from my parents) was my maternal uncle, VKRV Rao. VKRV Rao was my mother's second brother and one of foremost India's economists. VKRV Rao studied in Cambridge, notably under John Maynard Keynes. He was a gifted student and was a member of Keynes' Political Economy Club, a highly coveted invitation-only club that Keynes ran for select students and colleagues. Keynes took a lot of interest in my uncle's life and career. During his time in Cambridge, he was awarded the Adam Smith Prize, the top prize in economics then and now (there were many others after him who received the prize including Amartya Sen and Manmohan Singh). Upon his return to India in the early 1940s, VKRV Rao lectured at Karnatak University in Dharwad before becoming the principal of two reputed colleges (at the same time) in Ahmedabad, where he also developed a very good reputation with industries. In fact, during the war in 1943, we were welcomed to his home in Ahmedabad where we spent the remaining War years.

In 1943, he was invited by Sir Maurice Linford Gwyer, the Vice-Chancellor of Delhi University³ to become the first chair of economics at the university. My uncle immediately agreed. These were exciting years in Delhi. In 1946, Jawaharlal Nehru, whom VKRV knew well from his Cambridge days, became the Prime Minister of the Interim Government of India. VKRV Rao and Nehru would meet regularly over lunch where they discussed many topics, including the future of the nation. Nehru and Rao both believed in the power of the government and were keen on setting up foundational institutes for the young country.

My uncle was a born institution builder. Through his life he was involved in the setting up of many institutions. He founded the Delhi School of Economics in 1949, the Institute of Economic Growth in Delhi in 1952 and the Institute of Social and Economic Change in Bangalore in 1972. He also was responsible for creating the Indian Council for Social Science Research (ICSSR), the Demographic Research Centre in Bombay, and in getting the IIM Bangalore established in Bangalore instead of (as envisioned earlier) in Madras.

Internationally, he played an important role in setting up the United Nations Development Programme (or UNDP)⁴ and the International Development Association (IDA). He was awarded the Padma Vibhushan (India's second

³ Gwyer was the Vice-Chancellor from 1938 to 1950, and interestingly also held the post of Chief Justice of India from 1937 to 1943.

⁴ He also went on to become a cabinet minister in the Indira Gandhi governments.

highest civilian award) for civil service in 1974. He later joined politics and became a cabinet minister in Indira Gandhi's governments.

I always had enormous respect for my uncle. His life was an inspiration to all of us – the decisions he took that helped him grow beyond his humble beginnings, excel at his studies and become one of India's greatest thinkers. My uncle had taken it upon himself to help his extended family wherever possible. He was keen on helping his nephews and nieces and perhaps he was looking around to see who in his family would best benefit from good education, which was what he could offer!

The university years in Bombay

It was around the late 1940s, towards the end of my school years that I was diagnosed with a severe case of myopia, or short-sightedness in my vision. I had worn glasses since I was twelve years old, but the myopia was galloping, and the power of my glasses was increasing in leaps and bounds. The ophthalmologists told my parents that it would only worsen over time.

I finished school in 1950. I was quite young, around fourteen, and I did not have much of an idea of what I wanted to do in life. Certainly, I could have studied medicine or engineering if I had wished to (like almost everybody else at that time), but given my poor eyesight, my parents were advised to enrol me in a course that would be less taxing on my eyes. In those days one tended to go along with the wishes of one's elders, and my uncle, VKRV Rao, suggested I study for a bachelor's degree in commerce. And so, I did.

Back then there were two colleges in Bombay that offered an undergraduate degree in commerce. These were Sydenham College (the older government college, established in 1913) and RA Podar College⁵, a relatively new private college set up in 1942. I applied to Podar which was in Matunga.

I was awarded a feeship and scholarship at Podar which covered the costs of my education. I flourished as a student in college. I loved the subjects I studied. I discovered I loved economics: we had to take three papers in economics and a fourth paper on India and modern economic development. I also enjoyed an

⁵ Ramaniranjan Anandilal Podar College of Commerce and Economics, or RA Podar College, which was established in 1942.

elective paper on mathematical statistics. Of course, I took courses on accounting, which did not thrill me as much, but I had to take them to pass the course! We had excellent teachers – I remember one, Professor Ramanujan, who was a young statistician and a brilliant teacher.

I was not a sportsman (I could barely play badminton) but I took a keen interest in the other extra-curricular activities in college. I immersed myself in debating, I took part in the social-service league, and I founded the Economic society at Podar. I remember editing the college wallpaper every week (which actually meant that I wrote a lot of it). I was a good debater and became well known in Bombay University for my debating skills.

I had a small group of friends at Podar. We would walk everywhere, and on rare occasions when we could afford it, we took the tram. I remember once instance when Jawaharlal Nehru came to speak to the public on the sands of Chowpatty beach. I hero-worshipped Nehru and dearly wanted to go listen to him speak. My mother could not afford give me more than four annas (a large sum of money for her) which just about covered the cost of a one-way bus fare. So, I walked the twelve-odd kilometres from Matunga to Chowpatty, listened to Nehru and then took the bus back.

At Podar, I was awarded the Best Student of the Year Award and took home a number of other prizes. I was also given the Rotary Prize. I was informed of this award by a Rotarian office-bearer, who invited me to lunch at a reputed restaurant. I was to meet him at one PM, and it was only then that I understood that the word lunch meant an afternoon meal. In my family, we didn't eat in afternoon, we ate the day's meal at home in the morning at 9 am and we ate a quick tiffin in the afternoon at around 4. A meal at 1 pm was most peculiar in fact, the word lunch itself was unfamiliar to me! In any case, I made it to the restaurant on time and ate with him, and then went on to snack at four!

At the Rotary function in college, my award was given to me by Principal Chitale of the Government Law College. Since I never talked at home about my achievements in college, my father was very impressed when Chitale told him that he had presented me with the award.

There was a healthy academic rivalry between the two commerce colleges in the city, Sydenham and Podar, and the faculties of both colleges constantly pushed their students to come out on top. In my final year, no one got a first class in

their examinations at Bombay University. The first rank with the highest marks of 56% went to a student in Sydenham. I came in second at 55.5%. The student who earned a half-mark above me was a young man named Jagdish Bhagwati. Curiously, we shared more than a common degree: Bhagwati's father was a Judge at the Bombay High Court, and my father was a stenographer in the same court. So, you can imagine the socio-economic distance between us! Jagdish Bhagwati went on to become a professor at MIT and Columbia and one of the world's most prominent trade economists.

I took a different career route. I did not at that point consider a career in academia like many of my peers. We were a lower middle-class family. There were four sisters after me who had to be married, and I knew that the responsibility of taking care of my large family fell on my brother's shoulders and mine. After Podar, in my mind, I imagined enrolling for a master's degree in commerce. I would then get a job in a company. Had I chosen to study I would undoubtedly have been encouraged by my parents, but I was acutely aware of the fact that our family needed my financial support⁶ in improving our condition. So, I didn't see myself as having the luxury of doing a PhD and studying for many more years.

I do not think I have ever let these decisions stifle my intellectual pursuit. Throughout my life, I have always been interested in other activities apart from my main job/study. Whether it was debating in college or writing articles or participating in public life later on, I have always been curious; I have always wanted to learn and get things done. It is a trait that I have nurtured, and it has led me to learn many a new thing and some unexpected adventures too! Perhaps this is one of those unconscious early 'managerial' decisions, as it has been a way to continue learning despite the demands of my personal circumstances.

Anyway, my uncle - whose timely interventions have always stood me well in life - was the Founder and first Director of the Delhi School of Economics (the "D-School"), and he suggested that instead of a master's degree in commerce, I apply for a master's degree in economics at DSE.

Even though my uncle was the Director of the DSE at the time, he did not influence my application. There was a gruelling selection process to select students from over 10,000 applicants from across the country. After multiple

⁶ I had, like many men of my generation, to help my parents improve their quality of life, I had to help with my sisters.

rounds of interviews, I was finally accepted to the program. I moved to Delhi and lived with my uncle in the university house. In this case, it *did* help that I was the Director's nephew, because I was able to avoid living in the college halls! This saved my father a huge amount of money.

CHAPTER 2: The Delhi School of Economics

The Delhi School of Economics

Joining the Delhi School of Economics changed my life. I was at the D-School from 1954 to 1956. It was a highly intellectually stimulating place to be. The Planning Commission had just been set up in 1950 and young economists (even those in-the-making) were in great demand! DSE allowed me to participate in activities on a much larger scale, visiting other universities and colleges for one activity or the other and studying with some of the great economists and social scientists of that time.

The 'who's who' of economists and scientists came to lecture at the DSE and as students we were lucky to have an audience with them. Among the eminent people who we had opportunities to interact with were Jawaharlal Nehru (who came as the President of the Delhi School of Economics Society), the economists Nicholas Kaldor and Joan Robinson (who came more than once to visit) and RF Kahn.

I remember very clearly in 1955 when Pandit Hridayanath Kunzru and KM Panikkar from the States Reorganization Commission came to the D-School. They had just submitted their report to the government. Panikkar told us many stories, and I remember two of them. He spoke to us about the strong movement to make Bombay city into a separate state (the west coast of India at independence consisted of the Bombay Presidency) with Maharashtra and Gujarat; the Marathas however were not for this, and finally Bombay ended up as the state capital of Maharashtra, and Gujarat became a separate state. He also told us about Bangalore city - which, although it was surrounded by Kannada speaking villages, was a predominantly Telugu and Tamil city with fewer Kannadigas. One suggestion at the time was to give Bangalore to Andhra Pradesh because of the linguistic predominance of Telugu, but in the end, Bangalore became a part of Karnataka. There is something to be appreciated in being exposed to these kinds of debates and discussions at such a young age; there I was learning about high levels of national policy as there were being made and discussed. I would not have had this opportunity anywhere else. We were truly privileged at the DSE.

I should digress a little here to talk about life at DSE. It was very different from anything I had experienced before. I was taught by great professors, one of them being Dr KN Raj, one of the most distinguished monetary economists of his time⁷. There's a famous story that I was told about KN Raj and the DSE. He had returned from the London School of Economics and Political Science to become a researcher in the about-to-be-formed Planning Commission and had applied for the reader's position at DSE. When he went for the interview, he was called by the Director, Dr VKRV Rao who told him that they unfortunately could not offer him the reader's position. Dejected, Raj started to get up, when Rao continued - “ - but what we are offering you is a professorship at the DSE!”

KN Raj was the youngest professor at DSE at the time. He was hardly thirty-three when he was appointed, and his students must have averaged around twenty-two years of age. Raj was a bachelor then, and very friendly with his students. He lived close by and he would invite us home from time to time for tea and to lend us books to read. I remember once Raj gave me Aldous Huxley's book “The Doors to Perception” to read which was not a philosophical treatise, but a book documenting his psychedelic experiences with LSD!

I learnt a great deal about economics as well as its interaction with other social sciences, especially sociology and political science while I was at the Delhi School. Another brilliant professor who I remember was BN Ganguly who taught us international economics and went on to become Vice-chancellor of Delhi University. The DSE also had mathematicians, statisticians, economic geographers, sociologists and political scientists on its faculty. The names included Dr Venkataraghavan (who taught political science), Dr Dasgupta (economic geography), Dr Anant Rao (statistics) etc. A few years later, Dr VKRV Rao managed to persuade the eminent sociologist Dr MN Srinivas to join the DSE.

The Delhi University MA Economics course was a university level degree and students could enrol into it from the university's various constituent colleges. I had some very interesting classmates and over the years many of them went on to enjoy great careers. Most of my classmates came from a very different family background from mine; many came from illustrious families, with parents in high government office or industry.

⁷ KN Raj went on to found the Centre for Development Studies in Thiruvananthapuram in Kerala in the 1970s.

My close friends at the D-School included PH Vaishnav (who went on to become the Chief Secretary of Punjab – a man with great sense of humour), Bodhishwar Rai, who became the Managing Director of the State Bank of India and then the Chairman of Allahabad Bank and Satish Mukherjee, who became the Director General of Police in the Uttar Pradesh government. I also developed close friendships from students studying economics in St Stephen's College: Rajmohan Gandhi (the illustrious historian), and Devakinandan Prasad, who later became the Chief Secretary of Rajasthan. Krishna Raj, the first (after the founder editor) editors of the Economic Weekly (later the Economic and Political Weekly) was my junior at DSE and over time became a very close friend. There were only five women in the economics course in my year – Saroj Parsuraman, Bhavani Jaishankar, Manmohini Bali, Padma Venkataraman and another whose name I do not remember. They all went to enjoy distinguished academic and research careers.

It was difficult in those days for women to get the opportunity to study at that level. (This was something that I noticed and throughout my life I made it a point to mentor and create opportunities for women and people from marginalised communities wherever I worked). Years later in 2016 when I was invited as the chief guest to DSE's 60th anniversary celebrations, I was delighted to see that more than half the class consisted of women students. The number of women coming to study economics had gone up enormously.

At the DSE I continued to be active in everything extra-curricular: I edited and wrote in the DSE's economic journal "Eco", and I continued to debate. Life at DSE was fun. Thanks to the debating, I was able to travel across north India visiting different universities and participating in various debating competitions. Which we won for the most part, because we were the *best* team around. I suppose we had a cocky air about ourselves as we travelled, because we felt that we were visiting 'mofussil colleges' and we were from the D-School in Delhi!

But from time to time, we met our match. I remember one time we were participating in an inter-college debate in Delhi. PH Vaishnav and I were the D-School debating team, and we went to Miranda House for a competition. I must have been around nineteen years old, and Vaishnav around twenty-one.

There were two women's colleges in Delhi – Indraprastha and Miranda House. Indraprastha had the reputation of being full of 'good' students (nothing very interesting for us young men!), but Miranda House was known for their more

glamorous students. Of course, I didn't know anyone studying there, and I wasn't particularly accustomed to being around young female students, especially strong young women. There were a few women standing on the veranda of Miranda House and as we walked in through the gates, they began ragging us by singing a popular song – “For a guy will be a guy” by Doris Day! I was quite intimidated! Anyway, we ended up winning the debate, nonetheless.

I feel it is important as a student to be involved in all sorts of activities and to interact with your peers – to be able to debate, to talk and to discuss. This was helpful to me in building my personality and teaching me how to deal with different people. I suppose what I'm trying to say, is one learns not to be intimidated and to hold your own.

Teaching and learning about management

When I finished my master's degree, I needed a job, and so I embarked on a somewhat meandering career path which began with teaching economics to undergraduate students at Delhi College⁸.

Delhi College (today known as Zakir Husain College) was located at the other end of Delhi; it was the old Anglo-Arabic college and was one of the first modern colleges in Delhi to be set up in the nineteenth century. It was at the end of Ajmeri gate, the other side of which was GB road, the famous red-light district of the city.

I was a young lecturer, just twenty years old, going on twenty-one, and teaching economics theory and economic development to students of the B.A. Pass and Honours courses there. Delhi College had the reputation of being a rather rowdy college, but because I was young (and they probably thought I knew all the tricks students used in those days), none of the students really troubled me. I was also known for my fairly sharp tongue when it came to discipline!

I then went on to join the Delhi University's newly formed department of business administration where I wrote cases for them. Case-writing is the bedrock of business management studies the world over. Apart from lectures, these case studies are used to discuss specific management situations and are used to 'teach'

⁸ I say meandering because there were a number of existing career paths like academia or the civil services. For someone like me, I had to figure out my own career path. I didn't know many people nor were there too many examples for me to follow.

business management. Writing these case studies took a lot of research and the university was keen to build a solid body of work. I may be mistaken, but I think I was the first case-method research investigator in all of India.

Take for example, a case study on the Corn Products Company in India. Corn Products Company was a major American company (it was later acquired by Hindustan Lever in India) that made many products, among them Rex jelly, fruit juices and squashes. I was building a case study on their marketing of jelly crystals and squashes in India. To do my research, I spent time with all the key people in their company from their Marketing Director to the Managing Director, and the Accounting department. I had to go out into the field to look at their marketing strategies on the ground in the shops. Conducting this study was a tremendous opportunity and real-eye opener for me and gave me invaluable exposure to marketing at a young age and access to the highest echelons of management in some of the best companies at the time. It was amazing. I have always called myself a 'manager', and this is where I began my career. Up until then I was a student and a teacher of economics and commerce, and I had not had this kind of 'real' experience.

For the first time in my life, there I was, a young man, going into a company, and talking to senior management to figure out how they ran it. It was to be my first foray into management and the beginnings of my becoming a manager.

I credit DSE with giving me a strong foundation in economics and commerce and vital perspectives on India's economic development. These were the building blocks of sorts, on which I built my 'hands-on' career in the corporate sector, which began with Hindustan Lever.

An opportunity at Hindustan Lever

Hindustan Lever used to nationally advertise for management trainees and people would apply from all over the country. They would conduct several interviews in cities across India and would select a handful of applicants to be brought to Bombay where they would go through a series of interviews. We had personal interviews, group discussions – the examination system for management then was similar to what takes place today. It was a tough series of interviews and out of the many that applied each year, Hindustan Lever would only make a handful of job offers.

I remember during our group discussion where around ten of us were given a topic to talk about, some members of the entire company board would watch us. You can learn a lot about an individual from the way they participate in these discussion groups, and they would assess us on all the skills required to become a good manager. I survived the several rounds and was offered a position as a Management Trainee, and I joined Hindustan Lever in May of 1957.

CHAPTER 3: Early years at Hindustan Lever

An introduction to Hindustan Lever

Lever in India was part of the worldwide Lever group and Hindustan Lever Ltd was formed in 1956 from a merger of Lever's existing interests in India. Out of force of habit, I tend to refer to it as Hindustan Lever or 'Levers'! The first board of directors at Hindustan Lever had a mix of British and Indian directors. All of them were appointed not just in name as they each had specific functions within the company. On the board were people like Maurice Zinkin, a senior former administrator in British India who had spent his career in the Indian Civil Services and joined Hindustan Lever after independence. In 1957 he was heading the foods division. There was also David Orr, who was the director of the soaps division. He was a marvellous man – I got to know him well because I joined Hindustan Lever as a management trainee in his division. David Orr was a graduate of Dublin University and renowned student boxer who had joined Lever Brothers UK as a trainee and worked his way up. Orr (later, *Sir David*,) went onto hold many posts, including the Chairman of the entire Lever group worldwide.

The Indian directors included KT Chandy, a lawyer from Cambridge University. During his Cambridge days, he had been a part of the VK Krishna Menon group, which included people like Indira Gandhi. KT Chandy was at Hindustan Lever as a director in charge of legal matters and later became the first director of IIM Calcutta. There was also KS Basu, who curiously was a medical practitioner who had experience in personnel management. Basu was brought on to head Personnel. There was also Prakash Tandon, a British trained accountant, who was the Administrative Director (including Market Research) and later became the first Indian Chairman of Hindustan Lever in 1961.

The Board had its headquarters in England but was very thorough in looking at the performance of its subsidiaries like the one in India. It kept full records not merely of the financial performance but also kept track of the various managers, and their records. This ensured that the top management in England were monitoring and were aware of the potential markets and their own people in their subsidiaries. One of the things that I'm impressed by even today after 60 years is the system that Hindustan Lever introduced into India.

The Lever Distribution Model

When I joined Hindustan Lever in 1957, I had never travelled into the interiors of India. The experience of working in a consumer product company would be a unique and defining experience for me. Upon joining I was given sales training and packed off as a salesman to work in remote parts of Maharashtra for three months. I joined at an interesting time. As a company in a newly independent country, Hindustan Lever was laying the foundations for their vast distribution network.

Even at that time, India was a large economy, with huge agricultural production and a growing consumer market. Many of the products Lever produced, from milk to vegetables, ghee and oils, were distributed all over the country from the biggest cities to the smallest villages. If you think of it, any organization that manufactures products meant to be sold to customers across this vast country, must master the geography, the linguistic variety, and the economic and social classes, that make up this extremely complex nation. Goods also had to be distributed in packaging that could last the long journeys and could manage the handling as the product was moved from one part of the country to the other. The transportation network at that time was not well integrated. There was a railway system and there was a lorry system that was bound by the limited road network in the country, and at that time Hindustan Lever had four factories in Calcutta, Ghaziabad, Bombay and Trichy.

When I started working, many parts of India were connected by the railways, but the deeper interior of the country had to be reached by road. In many places there were not even lorry services for some of the remote parts and supplies had to be either collected by the buyer from the nearest rail head town or sent from that town by the supplier using passenger buses.

For this to be done, one had to develop a system where the buyer in a remote place could be informed well in time about the arrival of his order and a particular place had to be identified in the nearest rail head town where the buyer could meet the delivery and could collect the goods. Then, both the delivery person and the recipient of goods had to be reimbursed for their expenses. All these charges would have to be built into the cost of the product. A second limitation was the absence of a comprehensive banking system. The buyer needed access to a local bank where he could clear the payments before picking up the

goods. There were banks in most towns, but smaller towns and villages were underserved by banks. Therefore, the dispatch of goods had to take this into account when deciding where and how goods were sent.

A third limitation was pricing. In earlier years, the practice in a country as large as India had been for the manufacturer to sell in large quantities to big distributors who then would sell to whole-sellers and from there the product would go to the retailers. At that time there was no maximum suggested retail price (MSRP⁹) for products. Prices were determined by the retailers who bought products from the company manufacturers. What this meant was that the manufacturer was at the mercy of the whole-sellers who would decide which retailers to sell to and at what prices. This meant that the price they sold and the margins they kept were entirely up to them, not to mention that prices would vary a great deal in different parts of the country, and even between towns! Hence, the manufacturer did not have much control over the distribution and prices at which the product was sold to consumers.

Hindustan Lever decided they did not like this country-wide variable pricing and felt that a single price (excluding local taxes) would be better for consumers. It was clear that as far as the consumer was concerned, if there was a standard price, the market would itself begin to expand. That is the experience of people. When you have differential pricing, then the consumer must search for the best price from shop to shop, and in this process, the sales do not grow.

The fourth challenge was distribution. When planning a distribution management system and network, it is important to note the different sales taxes and octroi levied in the various states and towns in which goods have to be delivered, since these charges have to be reflected in the invoices and in many places, also filed for local tax returns. It is in this very complex context that managers needed to plan for the distribution of goods and services so that they can reach the ultimate user at minimum time and cost. Managers in sales and distribution also had understand clearly and correctly about the location of their buyers. When I started working there, goods were moved in wooden packing cases. The company innovated sturdy cardboard boxes which were much lighter and easier to handle. As a result, the freight cost came down very sharply.

⁹ The maximum retail price (or MRP) was introduced in India in 1990 and followed the Standards of Weights and Measures Act of 1976, which laid out the requirements for the sale and distribution of packaged goods, including printing of the unit sale price on the packaging.

Hindustan Lever wanted a system where they would decide which part of the country their product would be sold, which retailer would be given the product and at what price they would be sold to the consumers. The price had to be uniform before local taxes in different outlets. This was ambitious.

The way Hindustan Lever went about this was to have large depots in strategic locations across the country; these depots would then sell to large whole sellers identified by the company. The whole-sellers would then sell the products to retailers in a geographical area defined by the company and the retailers then would sell to the consumers. To ensure that this happened everywhere, and all the time, Hindustan Lever had a field force of sales personnel who called regularly on retailers in each market. By doing so, they were able to ensure that the retailers followed the plan of the company on the stock that they held and the prices at which each product was sold.

As far as the price was concerned, Hindustan Lever fixed the wholesale price low enough so that the whole-seller was able to earn an acceptable return (for his capital), and so that there was enough of a margin for the retailer who would sell to the consumer at an end price that decided by the company.

Hindustan Lever had to have sales personnel across the country who would select these whole sellers. Hindustan Lever also innovated by combining distribution with product visibility. They got their own salespeople to go from shop to shop to explain and display their products and to put up advertising materials at the point of sale. This was an additional on-the-ground advertising over and above other advertising in the formal media.

It took some years to establish this distributor system which became a model for many other organizations over the years. Within Hindustan Lever, it transformed the control that the company was able to impose on the distributor of their products from manufacturing until it reached the consumer.

This whole experience taught me a lot about management. Firstly, sales personnel have to be trained not merely about the product but also have to be taught how to communicate and take account of the different external conditions. Each salesperson had to also understand how to choose whole sellers for each market. Secondly, in planning for the customer distribution, we must always remember that whatever system is created, it must integrate with other aspects of the organization such as packaging, storage etc. It must also be in cognisance with

whatever are the perspectives of the organization and its products or services that are created for the organization. This means that other functions in the organization like advertising and promotion, along with all the services provided such as accounts, etc. must work together.

I had the good fortune not merely to implement and even sometimes improve the distribution system, and in later years to apply it to other product categories like pharmaceuticals and food products.

The 'Delhi Experiment'

After my training in Maharashtra, I was given an interesting project to work on, this time in Delhi. The Delhi market was dominated by very financially powerful whole-sellers in Naya Bans in the old city. These whole sellers sold all kinds of products and had retailers all over Delhi to whom the goods were sold. The prices of products varied a great deal as well as they depended on the negotiations between these whole-sellers and the retailers.

Hindustan Lever asked me to try and see if we could replace these whole-sellers with our own stockists - people that we had selected. It was a big job - which I took on in late 1957. I'm still quite amazed that they gave me that kind of responsibility at such a young age.

It was a challenge, and an enjoyable one that I took on with pleasure. Here I was, trying to displace the whole-sellers from Naya Bans. I jokingly wonder why the whole-sellers didn't send people after me! Of course, things didn't happen like that in those days. I think one reason could be that I dressed well, always in a shirt and tie, and the whole-sellers knew that I worked for Hindustan Lever - of course they did not know what I was trying to do! They were all exceedingly nice - most of them were from the *Marwari* community or from the hills. I was served lots of cups of tea. Of course, being young really helped.

My days were spent making friends and learning from all the whole-sellers across the city. I went from shop to shop and learnt as much as I could about their retail coverage. I looked at how localities were mapped out, and I broke Delhi up into a number of "stockist zones" and identified local traders who could be appointed as stockists. And then having done that, none of the whole-sellers could complain

to me because stockists had already been appointed and they became Hindustan Lever's direct customers!

There were a few invaluable lessons I learned through the course of this assignment. One was that you needed to understand what the capacity of the market was for the products. You could not simply 'dump' a lot of stock on your stockist. Only a certain proportion of the stock given to the stockist was paid for and held locally, and there was an art to finding the right balance. Therefore, for example if you estimated that that a particular market today could take a hundred units, and if you were only going to return to the market after two months, you might have given 150 or 200 units of stock to the stockist - but not more. You did not try to show much larger sales than what the market could take. That was a very important principle that one learned.

During this time, I would send monthly reports to my division in Bombay. What I did not realize was that my reports were being read right at the top, by the Personnel director and the Chairman. I remember being invited to a branch manager's meeting alongside the monthly quarterly meeting in Bombay where I found I was to be seated next to the Chairman. To my surprise, he knew everything that I'd been doing in detail (he had been reading my notes). His interest stemmed from two reasons. One, this Delhi experiment was a big experiment Hindustan Lever was undertaking and the company was interested in its progress.

The second reason was something that I learned only later as I grew in the company. At the highest levels in Hindustan Lever there was an interest in nurturing talent and in developing human resources. Clearly, I was one of those who was being nurtured, and the Chairman was watching me. This was something I practiced in my career wherever I had a post in management. It is important to take an interest in and invest in your employees. At the time though, I had no inkling of this - all I knew was that I had been given a task, one that I was enjoying immensely.

CHAPTER 4: Marketing at Hindustan Lever

Rural marketing

India was always a large rural market because of its huge numbers of people who worked in agriculture and lived in the many thousands of Indian villages. Throughout history these rural populations lived much more on barter than on monetary exchange. It was only in the 19th century and thereafter, as industrialization began and urban centres developed, that many goods (and later on, many services) began to be traded in markets. Lever (Worldwide) was one company that saw great potential in these rural areas. The company was one of the very first in India to organize for rural markets. Lever, their Indian arm contributed a great deal to the Indian market by building the model for rural marketing in India.

Shortly after the Delhi experiment in 1957, I was appointed as the area sales manager for soaps in Andhra Pradesh. In my early years working in Hindustan Lever, I learned (to my benefit) of the tremendous unexploited potential for manufactured goods in rural India, which at that time was largely agricultural with practically no industry. There were pockets of cottage industries that made very effective products from textile, wood, stone and various kinds of food products.

In the 1950s most of these markets were small, not well served and poorly organized. Information on new products was limited and tended to spread through word of mouth by consumers in other places who may have seen and tried them. For example, rural visitors to urban areas would bring back manufactured products like soap, toilet preparations, talcum powders and ready-made clothes, but at the time, their manufacturers were not making any attempt to expand their market to these rural areas.

Hindustan Lever spent time studying the market. Much of the competition for Levers came from small-scale and cottage industry manufacturers. There were no brands as such among these manufacturers, and if they were, their products were largely confined to local areas. However, Tata Oil Mills, Godrej and Swastik were some of the major Indian companies that already had competing washing products. They were the competitors that Levers had to fight. This they did, and successfully, because Levers brands were distributed nationally, and a good

amount of money was spent by Levers in making them known through advertising and promotion.

In 1968, Prakash Tandon, the first Indian Chairman of Hindustan Lever pointed out that many factors determined the potential of an unexploited market: for example, the closer people were to towns and urban centres, the greater was their desire to spend. Therefore, the hinterland areas around cities and towns were markets worth exploring. Products that used advertising well and that were able to embed themselves into the minds of consumers would go on to become very successful in the market. Lifebuoy, the bathing soap, penetrated rural consciousness because of its red colour, or Lux toilet soap, that was closely associated with film stars in the popular mind.

While many companies developed considerable experience in rural marketing, Hindustan Lever was one of the first to make a determined and organized attempt at reaching their products to this vast rural market. Lever did an exceptional job in introducing new products like *Dalda* (a *vanaspati*¹⁰) to the rural consumer and covering over 500,000 to 600,000 outlets that dotted the country, often in small villages and townships and all these efforts contributed to the development of the rural consumer market.

I was fortunate in that I was appointed Sales Manager at the age of 22 for one of the states with the most potential as a rural market, namely the state of Andhra Pradesh. I began my work there by identifying neighboring rail-head urban markets from where I could draw stock which I could then distribute in the surrounding rural markets.

The next task for me was to get the company's formal stockists in the urban centre to allow our sales vans to carry manufactured goods for distribution in this rural hinterland. The sales van would redistribute these goods to the small number of retailers in these villages. The third part of the task was then to develop and appoint formal stockists who could be delivered goods who would then be distributed to other retailers in that village. The fourth task was to develop ways in which these goods could be brought to the village stockists in bulk for their redistribution. In many cases, the task involved finding lorry carriers who would bring the goods from the nearby urban centre because many of these places were not on regular lorry routes. Another part of this task was to

¹⁰ A hydrogenated cooking oil, often used as a cheaper substitute to ghee.

locate a bank branch in the urban centre to which the village stockists could go and clear the goods after payment.

I was given a Willy's Jeep Station Wagon to drive around Andhra Pradesh. It was the one vehicle that could manage on the poor roads. I would spend most of my time on the road: nearly three to four weeks every month. It was 1958. I had moved to Madras and would fly into Hyderabad or Vishakhapatnam, or drive from Madras through cities like Nellore and Vijayawada and so on, right up to Srikakulam and beyond. From there, I had to begin developing major city markets in the districts; for example, Amalapuram in East Godavari; or Kurnool in southern Andhra, Cudappah etc., each of which served their surrounding villages. In those years I covered the whole state, its cities, small towns and villages by road. David Orr, my director of the soaps division joined me on a trip once - he was very comfortable travelling across India. He had been an army officer in the past, and his wife's father had been a colonel in the British Indian army (I believe he built the bridge over the Godavari River in Rajahmundry), and so he knew quite India well.

Everywhere I went, I would look for a stockist. If the market was big enough, having found a stockist, then I had to make arrangements for them to buy a certain amount of stock from the company. There were three constraints that I constantly battled that I have mentioned earlier -one was the quality of packaging - the wooden crates which would come in lorries, two, the lack of an extensive transport network, and three, the absence of banking facilities.

I spent that year living in dak bungalows and small military hotels eating whatever food was available. I was then a vegetarian, so often there would be little choice of food - especially in many parts of Andhra Pradesh. This did not bother me much. I would buy cans of fruit and chocolate and juice which I would eat in the car! Nobody expected me to learn the local language, but there was no choice if I had to communicate with the trade. I began to learn Telugu (I could speak it to a limited extent) and communicated with my contacts in broken Telugu and Hindi.

When I took over in Andhra Pradesh, there were already 16 salesmen, 6 sales vans and 2 cinema vans at my disposal to cover the entire state. The salesmen oversaw redistribution, and the sales manager (that is, I) was responsible for developing new markets. The cinema van was very useful in those days. There was no television in these parts, nor was there the extensive film network of

today. The cinema van was intended to publicize the company's products in new markets. The vans would show a feature film and then show some advertising films for the products. The van would also carry a certain amount of stock (belonging to the local stockist) which would be sold to the audience. These cinema vans along with the sales van enabled the company to establish a strong rural marketing network. It became a model which others could imitate and finally, products could be introduced to consumers deep in the interior without them having to visit their nearby city or town.

My experience in Andhra Pradesh was replicated by the company to a great extent in other states of India. The result was that by the 1960s, rural markets were a major contributor to the company's sales. It also enabled us as a company to develop people who had travelled deep into rural areas so that in higher positions that they later occupied they had a deep understanding of Indian markets.

My experience in Foods

When Maurice Zinkin took charge of the foods division, the only food products that we had in India was *Dalda*, which was both a consumer product (sold in small packs for individual homes) and a bulk product sold to restaurants and hotels. There was also *Lotus* and *Marvo*, both of which were specialised fats used in industrial catering. *Dalda* was distributed to retail shops rather like soap while the industrial fats were sold through the available bakeries in the area. *Dalda* was a vegetable fat based on cooking oil like groundnut oil, and significantly cheaper than pure ghee '*asli ghee*' which was always made from milk-based fat (pure unsalted full-fat butter).

Zinkin ambitiously wanted to expand the division to other vegetable and milk products. Zinkin asked David Orr to lend me to his division (around the end of 1958) to write a paper on the potential market and availability of onions, skimmed milk powder and ghee (onions standing in for other vegetables as well). This report was my first introduction to conducting a field observation study by myself and I think it found considerable favour. This report served as the foundation for a milk products factory at Etah (set up in 1964) and a vegetables processing unit at Ghaziabad.

At that time, the best-known milk products factory in India was Amul in Anand, Gujarat. Amul built collection centres that collected milk from small producers, each with a few cattle, where milk would be collected and tested daily for fat content. Producers were paid according to the fat content. The milk would then be pasteurised, and in the first few years was sold in bottles to households in neighbouring Bombay.

After my stint in Andhra Pradesh, I was told that I was being posted to England. I worked for two years in the marketing divisions as a Sales Operations Manager, first in London and then at Port Sunlight, which is where Lever soap factories were located (and first set up in the early part of the 19th century.) the British experience certainly taught me to communicate even more effectively in English. However, the calibre of many people that I had to deal with, and especially in the sales force, was not as well educated as one found in India. Salesmen in England were usually people who had only finished school and whose lifetime had been spent as salesmen. Even the managers, though there were some outstanding ones, were recruited from different institutions in the country, though there was an extremely effective management training scheme which attracted the best people from the best institutions.

What my time in England gave me was an understanding of selling and sales administration as careers, well-organized with sound information systems. At all levels in the company managers had up-to-date information from the market because of these systems. I found that overall, people that I met at work in Levers in England (both in the field and in the offices) quite dull and tended to restrict their conversations to the work. What I missed were the verbal exchanges that we would regularly at Levers offices and in the field in India where we would talk about so much more than work.

When I came back to India in the late 1950s, I became the marketing person for the foods division and their products – Dalda, to be followed by new products like Anik ghee and the Hima range of packaged foods, which were all meant to ease cooking in the home.

Zinkin was responsible in expanding the Lever range of food products from vanaspati to include milk powder and later a baby food (called Levers baby food) and other milk-based products. Zinkin was also interested into foraying into

vegetable preservation, and he introduced a technology to dehydrate them. Hindustan Lever first came out with dehydrated peas (under the brand name *Hima*) - which were extremely popular across the country because beautiful fresh sweet peas were now able to be purchased and consumed all year around.

Hima peas were the first non-oil-based food product (like Dalda) introduced by the Company. Agricultural scientists at Levers developed the pea seed so that they were consistently sweet. The fresh peas that were dehydrated were grown by hundreds of farmers on contract and were then ultimately processed, dehydrated and packed in sealed foil packets in the Ghaziabad factory. They were meant to be cooked within six months of packing. This whole process had been developed for the purpose by scientists in Lever's new research laboratory in Bombay.

This was in the early 1960s. it is ironic that there is so much controversy today over small farmers entering contracts with large companies, when Levers had actually done exactly that without any complaints about exploitation by farmers.

I followed up the very popular Hima peas with a range of other dehydrated packeted products including *bhindi* (ladyfinger or okra), and went onto to develop a Hima gulab jamun powder and Hima *idli* mix which made it easy to make perfectly good gulab jamuns and *idlis* at home!

Marketing these products was different from soaps because these products had a much tighter shelf life. They had to be distributed, given to the retailer, and used up by the consumer within a certain period. That of course meant a much more complicated distribution mechanism that we also developed.

The Hima range of readymade food products of consistent quality was unique at that time. Sadly, the company exited that business and decided to stick to oils and fats.

Introducing a new product

I remember when Hindustan Lever was introducing a detergent powder, 'Surf' in Hyderabad in 1958. Of course, at the time, India did not have much experience with detergent powders (they were different from soap powders in that they were frothier and more needed less powder at every use.) Our target users - the women at home - needed to learn how to use these new powders. We used to organize

live demonstrations in localities where women demonstrators would go from house to house demonstrating how to use Surf effectively. I was not directly in charge of these events, but as sales manager in the area, I had to recruit women to participate and lead the activities. I advertised in the local newspaper, the Deccan Chronicle, asking for ‘smart young women’.

I was in my hotel room when I received a call from KT Chandy, then a director at Hindustan Lever and a visiting professor at the Staff College (ASCI) in Hyderabad. Chandy wanted to come see me. I was surprised – a director asking to meet a lowly management trainee! He came himself to meet me at my hotel and spent a lot of time talking to me. He said, “You know, when we advertise for the company, it might be a good idea not to use phrases like *smart young women*, because they can be very easily misunderstood.” This was the 1950s we were talking about.

This was a wonderful way of teaching a junior employee. Chandy never told me not to do it, nor did he shout at me. I learned how to advise and counsel junior employees from this experience.

People

There were many people I met and worked with at Hindustan Lever. Apart from the various members of the board (who influenced me in some way or the other, I remember R Ramasamy, who was the general sales manager for soaps when I joined Hindustan Lever as a trainee in 1957. He was a marvelous man who started life as a salesman, he was self-made and came from modest roots. He had worked for many years as a salesman in Levers before moving on to become the general sales manager in soaps and the Marketing Comptroller in the soaps division. What I admired about him was the clarity and simplicity of his verbal and written expression. He was an excellent leader. His successor, VP Patel, who was educated in England, was a man I travelled with quite a bit across Andhra Pradesh. He was a very keen observer of the market and was able therefore to decide marketing and distribution directions. Patel was responsible for getting me covenanted at Hindustan Lever four months ahead of schedule.

There is a great thing about the management training scheme at Hindustan Lever. It was a two-year scheme at my time at the end of which you would get what was called a 'covenant.' I'm not sure if the word is still in use today, but in those days, it was in use: *you were a covenanted manager*. In a British company, it meant getting a permanent contract, and it was something that everybody looked forward to. The covenanted manager was an essential step in moving up the ladder and in large companies there would be quite a few covenanted managers. These managers were selected based on their performance and potential and a covenant signaled that you were a company man and indicated a manager 'who had arrived'.

I also met Dr S Varadarajan, a Cambridge University-educated scientist who was working for Lever in London. I met him when he returned to India to set up the research department of Hindustan Lever, and since I was in charge of marketing foods at (which included proteins foods) we became acquainted. I worked with him as he developed many new processed food products at Lever - the popular ready-made gulab jamun mix, for example. I would think up products, and it would be Varadarajan's research department that would make them come to life!

In those days there was an increasing awareness on the shortage of protein in Indian diets. Varadarajan established the Protein Foods Association of India which did some stellar work at the time in promoting and propagating protein in foods, and especially in working with the government. I was part of the Association's board for many years and in 1971, when we were looking for a director, Varadarajan brought in a scientist called KT Achaya, who later became a close friend and India's premier historian of food. He had been a scientist at the Regional Research Laboratory in Hyderabad for over two decades. Achaya was a scholar on oil and fats and he had developed a method to convert cotton seed oil into an edible oil, which substantially increased edible oil availability in India. This was also how he knew Varadarajan - Hindustan Lever was the biggest user of edible oils for *Dalda* and other oils for their soaps.

I worked in the foods division for a while before I was asked to take over the export management of the company in 1968. I became the export manager, which was an important function in those days since foreign exchange was in tight supply.

Export Management

The foreign exchange you could get as a company depended on how much the company earned for the country through exports and hence exports were a very key portfolio. What did a company like Hindustan Lever need? In those days of severe foreign exchange controls, Lever had to be able to earn enough money to send back as dividends in pound sterling to London, and also pay for its necessary imported materials. To meet these targets, we needed to earn foreign exchange; to pay for anything that we were allowed to import. Companies had to resort to exporting whatever they could (and even beyond their core manufactured products) because of the extremely tight constraints on spending on foreign exchange. All these constraints eased from economic liberalization years in the 1990s.

I travelled a lot in this position, from the Middle East to the United States of America and Canada, to study and identify and develop importers to whom we could export. For example, one of my very big markets was West Africa and we were probably the largest exporters of what are called African/Madras handkerchiefs¹¹. We also exported products related to the soaps and foods we were involved in, such as the raw materials we were procuring for our own production.

As export manager I wrote a paper for the company that laid out the export policy and plan in order to earn the company's foreign exchange targets. The paper I had written was to be presented and discussed at a board meeting. In a corporate restructuring I had begun to report to the Chief Accountant of the company who reported to the company board. The paper was to be presented to the board at the next board meeting.

When I received a copy of the board note for the meeting, I was horrified to see that my superior had claimed authorship of the paper. Upset, I approached the then Chairman at the time, Mr Vasant Rajadhyaksha. He did not take any action and in a fury, I decided to resign from the company after twelve glorious years.

Over the years, many people have asked me why I took such a decisive step. Did I do the right thing? Had I stayed I have no doubt I would progress in the company. After my resignation, T Thomas, then a director at Lever (he became the Chairman) told me that "I should have spoken to my friends like him" before taking such a decision.

¹¹ Brightly coloured and printed fabric much like the Indian lungi or dhoti

I mention this because this incident taught me an important lesson, namely, that there are limits to what one should accept in the way one is treated. Many others have felt that one must accept that the person one is reporting to has every right to put his name on a document prepared by you and without any change, because his position is superior to yours and entitles him to do so. I do not agree and think that in some way, credit **must** be given, and authorship must be recognized where appropriate.

In any case, I have no regrets. Had I stayed on at Hindustan Lever I would not have had the life I have lived. Seventy fabulous years in which I have done many things. If anything, this event taught me that it highlighted my temper and my somewhat strong sense of ego.

Chapter 5: Marketing and management in MNCs

Between 1957 and 1985, I worked in three multinational companies: Hindustan Lever, Warner Hindustan (part of the American Warner Lambert group), and Mettur Beardsell (part of the British Tootal group). Later, I was the Chairman of the board of Honeywell Automation India Limited (a large American technology and manufacturing group). Each of these companies have their own management style.

Warner Hindustan

I joined Warner Lambert (Warner Hindustan in India) after leaving Hindustan Lever. Warner Lambert was a pharmaceutical company that also produced consumer products and industrial chemicals. It was an American company and very different from Hindustan Lever. Warner Lambert did not keep a close eye on its managers working in its subsidiary or way in which different products were marketed. Their primary focus was on monthly and annual results. Yet, they kept close touch through personal meetings and visits so that the top management in company in India knew that they were being constantly monitored.

When I joined Warner Lambert in 1968, it had just been converted into an Indian company called Warner Hindustan. I joined them as the head of their

marketing division. I was responsible for pharmaceutical products as well as consumer products.

I lived in Hyderabad for a year, where Warner Hindustan had their factory, and then moved to Bombay the following year when the marketing division was shifted there because Bombay was a much more central place for marketing in India.

Back then in pharmaceuticals, there were two kinds of products: one was ethical pharmaceuticals which required a prescription to be purchased. Warner Hindustan made such medicines like *Urolocosil*, a medicine for urinary tract infections or Tedral, for asthma. There were also over-the-counter pharmaceuticals like Waterbury's Compound, Gelusil, Listerine Antiseptic, Sloan's Liniment and Balm. They also produced chemicals like pinidines and picolines which are used in dyes and dye-based products as well as in vitamins. I oversaw the marketing of all these products across the country and their exports. I also brought in a formal listing of prospective retail outlets and ensured that they had adequate stock at the outlet, as well as its visibility.

In Warner Hindustan, as Marketing Director, I was a member of the Board, and worked closely in running my side of the business with the Managing Director, Nick (NH) Israni. He was a remarkable man who was a refugee from Pakistan, having crossed over during the Partition. He must have been around 18 or 19 years old. He became a stenotypist in a company called the East Asiatic Soap Company in Madras and worked in their pharmaceutical division (which was called Dumex).

In those days, foreign companies were not easily allowed to set up in India. Pfizer wanted to come in and so they bought the Dumex division of East Asiatic in 1950. By then, Israni had moved up in his career and in 1950 was the head of the Dumex division. And very soon he ended up as the managing director of Pfizer in India. When Warner Lambert entered India a few years later with Warner Hindustan, Israni joined Warner Hindustan as Managing Director. He then went onto become the Chairman of Pfizer for Asia, working out of Tokyo and subsequently set up his own pharmaceutical company (Blue Cross Laboratories), which is still doing well.

It was Nick Israni who invited me to join Warner Hindustan. One of the reasons I think he looked for somebody like me to join his team because of my experience in consumer products and distribution in Levers.

He was one of the most extraordinary people that I've come across not only because he grew the company from a tiny one into the colossus it became, but I also hold a lot of respect for him because of his thoroughness. He looked at everything and did not miss anything. He would ask the correct questions. You always had to be on your toes and know your business well because he *always knew it better*. He always came prepared. He was extremely clear headed and wanted every proposal that came to the Board, to have been discussed with him in advance and he wanted to understand the implications in terms of people, time required, cost to be incurred etc., to be worked out in detail. He also had sorted through the problems and developed his own ideas about how to approach them. He also at many times suggested how the proposal could be presented more effectively. He was therefore on par as his knowledge and ideas about what needed to be done, with people reporting to him, who might also have thought through to the same issues. He was an outstanding manager. In my subsequent engagements, I cannot remember coming across anyone else that I worked with or reported to, with similar characteristics.

It was a great experience marketing all these products at Warner Hindustan. I created the company's various marketing divisions, found people to lead them, and also focused on exports (we exported a substantial amount.) I also introduced some new products.

Warner Lambert had bought a company called Adams in the United States. Adams made a chewing gum called Chiclets. Warner Lambert also acquired a company that made Halls Mentholypus, which is like a stronger version of Vicks cough drops. I introduced both these products into India. Introducing Chiclets to India was great fun because that was a regular consumer product. It was no different from selling soap. I had to get a distribution network ready in as many markets as possible and sign up as many retailers as I could. When introducing new products into the market, an extensive distribution network is vital because apart from marketing the product and getting it known, it had to be easily available and seen (display in retail is critical).

I also had to introduce Chiclets to children. And here, sampling to children (giving free samples to get them familiar with children) was very important. I

became very popular in the family because any child who came home would know that I always had boxes of Chiclets handy!

At that time there were few other chewing gums in the market. There was an local Indian product, and there was Wrigleys (which was imported), but both of these were poorly distributed and chewing gum was not an established habit amongst Indian children. What we did was to make Chiclets *affordable* (one packet cost around fifty paise at the time) and *available*. Chiclets went on to do very well in India.

A couple of years later, I decided to introduce Halls Mentholiptus and that too did very well. Here, of course there were competing products like Vicks cough drops, but Halls was somewhat larger in size and stronger in its menthol and eucalyptus flavour. This made it desirable among consumers. Again, I was able to set up extensive distribution networks across India.

Beardsell

I left Warner Hindustan in 1972 for personal reasons. I was keen to be closer to my son, Vijayendra (“Biju”), who was then studying in a boarding school called Rishi Valley in Madanapalle, Andhra Pradesh. I had been offered a job at Glaxo, but that was still a position in Bombay. I didn’t want to be in Bombay, and so I took up a position at Mettur Beardsell in Madras. Rishi Valley was closer to Madras, and I could visit my son every month by driving down to the school.

Beardsell was an old managing agency house. It had been bought by an old Manchester textile company called Tootal. Tootal was famous for its British ties, shirts and sewing thread. The Indian company Mettur Beardsell was a managing agency house but also had its own factories (among them was a textile mill in Mettur called Mettur Textiles which made some of the finest muls and longcloth, a sewing thread factory and a factory that made expanded polystyrene used for packaging or *Thermocol*). Beardsell also represented the interests of other companies in India such as British Petroleum.

I brought my background in consumer products marketing to add readymade garments to Beardsell’s portfolio. I negotiated in Tirupur, the hosiery manufacturing centre in India, to make men’s underwear which I then marketed

under the Saxon brand name. It did very well, because for the first time such a product was getting wide and national distribution.

Tootal's style was in striking contrast to both Lever and Warner Lambert. Their top management in England kept little detailed contact with managers in India. They took little interest in the individual workings at different levels in India, nor did they closely monitor their subsidiaries. The result was almost chaotic because the local staff management had little to worry in terms of questioning by their owners. As a result, the performance of the subsidiary was varied, and depended on who had been recruited to helm the various divisions. Tootal, was also sometimes very unhelpful.

In the light of the earlier experiences described, I think that when a company is part of a multinational group, there must be considerable communication and coordination between the headquarters and the various subsidiaries. The owner company has to monitor the essential parameters of performance of its subsidiaries and its top management on a regular basis. When it does not do so, it does not get rewarded by good and consistent results.

Thus, I had the unusual experience of working in three different MNCs over 28 years (from 1957 to 1985), of which Hindustan Lever was unusually well organised in terms of knowing the countries and the people it had working for it. Warner Hindustan was very results-driven but certainly not as complete in its knowledge and assessment of its people. The worst was the third, which was basically a managing agency company with manufacturing and marketing of both consumer and industrial products. Where Beardsell had the misfortune was that the control of the company was in London, with Tootal, who did not monitor their subsidiary as needed. The result of that was that investment decisions would be taken without much advice from the principal shareholders. One example was when the Indian company decided to set up a factory to make engineered products and equipment. This required significant investment and good foresight and management. Beardsell invested in this major engineering factory after they obtained permission from Tootal. However, Tootal reneged on their financial commitment and Beardsell was left in the lurch. The investment was a great loss and finally more or less bankrupted Beardsell and it was then sold off to a trading company from Andhra Pradesh. Honeywell, a successful company in India, had a similar relationship to its principal shareholders in the USA as did Warner Hindustan.

From my experience with these four companies, I conclude that Lever was extraordinary in its attention to products, markets and people in its subsidiary companies. Warner Lambert and Honeywell did not give as much detailed attention to markets and people as Lever did. Tootal fell short on all three categories.

Some comments on managing people

The Board

In the different organizations that I have worked in and among the people that I have had to deal with, I came across a variety of attitudes, talents and methods of working. There are problems caused by linguistic limitations, and different levels of experiences that one is dealing with. Inevitably one learns methods of communication so that these differences can be contained.

People who have reached the Board after many years of work experience in a company are obviously different from those independent directors who were invited or elected to the board because of their shareholdings or their qualifications. This variety of backgrounds and experiences makes for an interesting Board whose members are able to exchange opinions arising out of their differing backgrounds and experiences. Of course, not all boards have that variety.

The senior managers who came to the board of a Hindustan Lever company after many years of experience tended to be more knowledgeable about the company, its various people, and methods of functioning. Either the manager had come with experience in other businesses, or they had been selected as management trainees and learnt the business on the job. This tended to make the Hindustan Lever Board much more interested in the nitty-gritties of the business.

Talent

The one company that was very good at identifying talent was Hindustan Lever. The whole company was so well planned in terms of selecting people, spotting talent, giving opportunities to showcase their talent, and nurturing their careers. When it came to selection, in Hindustan Lever almost no position whether it was a management trainee or in sales, was left to an individual decision. There was always a selection panel of two or three people who were part of this process and

many times when it came to management trainee selections, the process would run into multiple rounds.

Something that I learnt of great benefit was my experience in observing these selections and training and development process of employees. For example, in the days before formal management education, Hindustan Lever would interview over 10,000 candidates at a time to select Management Trainees, which might result in a handful being selected. The number so selected would be very small and considerable efforts were required to find them from among the large numbers of applicants. The process was complicated and started with initial interviews of candidates who applied from various parts of the country; making a short-list of people who then would be placed against each other in discussion sessions. Pitting candidates against each other in group discussion on a topic selected for around three hours, enabled observers from the company to determine the quality that each candidate brought with himself. A formal and detailed interview, thereafter, was more than adequate for the company to decide which candidate to select. The final selection would emerge at the end of this process. Despite this rigorous selection process, some of the selected candidates would not fit in and this could be found out only months after they started working in the company.

In a well-managed organization, the attempt would be to give candidates - especially management trainees - opportunities for experience in many aspects of the organization. Thus, the employer would begin to understand the unique attributes of each candidate so that they could be used appropriately for the benefit of the organization.

One thing that I learnt over the years was that despite the tremendous varieties of attitudes and manner of thinking of different people, managers and other people in the organization were also interested in being noticed and rewarded for their work. Recognition was possible not merely for the carefully selected management trainees but also for others who had worked their way up from lower levels.

I have described the Lever method that I experienced in some detail because it was not repeated in any other company that I worked with either as an executive or as a member of the board of directors.

Warner Lambert was not as interested in the details of its staff, but certainly at the management level they took interest in their people. Hiring at Warner

Hindustan was left to the concerned manager - you picked the best people that you found. But it was a much better company in the sense that the American owners gave a lot of attention to the company itself.

Beardsell was unlike either of these two companies. The British shareholders had little interest in who and what was being done. It was a multi-faceted company that did many things, and it was left to the individual division head to make their own recruitment selections. The people I selected at Beardsell were the main reason for my division doing well.

Generally, when I selected somebody, I looked for three attributes. Firstly, an ability to articulate. To be able to speak and say things briefly and clearly was very important to me. If you were not particularly articulate you did not score well with me - and that may be a wrong way to do it, but that was how I did it. Secondly, I looked for the ability to think on your feet, the ability to respond to almost any challenge that came up. I looked for people who would not get flustered. This meant that the individual was generally well-informed and well-read and could relate a point in discussions to his knowledge of what had happened elsewhere. Thirdly, and obviously, people had to be smart and presentable.

I made it a point to recruit women whenever a deserving candidate presented herself. In looking at CVs of prospective candidates sometimes one comes across candidates who have changed many jobs in a short period of time. I always examined in detail to understand the reasons for this - and did my best to ensure that this did not prejudice my judgement.

In 1976, like I did every year, I visited all the four IIMs at the time to select people for Beardsell. That year in IIM Calcutta I was able to pick only one person, a woman called Indra Krishnamurti (Nooyi). I would be presumptuous to say I was an early mentor given the talents that she has shown in the different positions that she has held till her last corporate position as Chairperson of Pepsico worldwide for many years. She was an extraordinarily capable and ambitious person. Indra spoke exactly as she thought, and she didn't mince her words, whether it was to a colleague or a boss.

As with the paucity of women in managerial positions, so also was the case with minority communities. I tried to recruit Muslims where I could, but with limited success.

In later years, I had the good fortune to be a part of not-for-profit institutions (and more on this in later chapters). Their orientations were of course different from for-profit companies. In research institutions, researchers were selected on the basis of their academic and research credentials. Not much attempt was made to train them in the managerial aspect of running research projects, and many went as far as to think this was not a necessary part of their job description. In the case of non-governmental organizations (NGOs) people who were selected were chosen more for their passion than for their managerial capability. This made NGOs in many cases less effective than they would have otherwise been.

It is clear that in any kind of organization (whether run for profit or not) the task to be performed by individuals in the organization had not only to be clearly defined but also placed within a defined time frame and cost. In order to achieve this objective, every employee had to be very clear about what was expected from them. That required developing training programmes - even if it is limited management training - to which they participated at different stages of their employment.

CHAPTER 6: Management Outside the Corporate World

For most of my working life, I have participated in activities outside of my work. I have always had varied interests, and I think it is important for a good manager to take on different activities wherever they find the opportunity. As for myself, I was always interested in new challenges.

Of course, I didn't take on challenges that were clearly beyond me. Whatever I took on was - in my view - within my capability even if it was completely new. I always believed that the day is a very long day, and that that no employment can keep you fully engaged. There is plenty of time, apart from the time that must be kept aside for family, to do other things. It is a good thing for a manager to be involved in other activities outside one's employment because it allows them to get involved with their wider environment. In my case, it was through my writing and my work in civil liberties, in consumer action groups, and with management associations... each of these have influenced me and helped me become a better manager in the corporate world.

Writing on management and business

Throughout my career I have written columns in various publications. Probably one of my closest friends was Krishna Raj, my junior from DSE. Krishna Raj was the first editor of the Economic Weekly (he succeeded Sachin Chaudhari, the founder-editor.) He joined the Economic Weekly (which later became the Economic and Political Weekly) in 1960 as Chaudhari's deputy. Krishna Raj was very interested in my work because not only was I an economist, I was also in business. He was very keen on me writing for the Economic Weekly which till then had practically not covered commercial and business activities in India. I wrote frequently (from the 1960s to the 1990s) for the EPW; for some years I wrote a weekly column in the Economic Times, later in the Telegraph, and occasional columns in the Financial Express, Business Standard, and the Deccan Herald. I also wrote sometimes in Indian Management and in Powerline. By the 1970s, my friend Rajmohan Gandhi had started a magazine called Himmat, and when he asked me to write for it, I began regularly writing in that magazine as well for a few years. Many of these articles led me to other work - for example, an article I wrote on competition in the Indian Industry in the 1970s led to me being invited to become a member of the advisory board of the Competition Commission of India.

Engaging with Management Associations

The first such Association that I got involved was in the Bombay Management Association (BMA). It was operating in the most important industrial city in India and had many able practising managers as members. Its activities were primarily in organising regular lectures by distinguished speakers, running training programmes, and holding a management convention once a year.

I've always felt a sense of responsibility to be involved in public activity that could be useful to my country and my fellow citizens. When I moved to Madras to work at Beardsell, I found I had much more free time on my hands. I was also in top management at Beardsell and so I had the liberty to manage my own time.

Madras was a much more laidback city than Bombay and life was very different and very comfortable. In Madras we lived in a lovely bungalow, which was delightful especially after having lived in small apartments in Bombay up until then.

I was most intensely involved in the activities of the Madras Management Association (MMA). This association had been in existence for some years and was engaged primarily in holding a few evening lectures every month. It was dominated by industry leaders who were mostly proprietors or business owners. My involvement with this association was to help expand its activities so that they ran training programmes, annual conventions and offered advisory services to local businesses.

In a short period of time, we were able to expand MMA's activities and make it well known for its work. We thereby created a management association that became recognised as the best in the country, and it received awards for being the best management association in India from AIMA (the All-India Management Association) almost every year. My efforts were also to significantly enlarge the involvement of professional managers who were not business owners. The MMA's success was due to two principal factors. One was the much larger involvement of practicing managers who could give the time to hold training programmes. The other reason was that we had found a very capable ex-Air Force Officer, Wing Commander Ramadorai, to manage the association for us. He was meticulous in his planning and in publicising the work of the association. To become successful, voluntary organizations need these two attributes: active

participation by its members and highly capable chief executive officers to run the association.

One of the things I successfully did during my time at the MMA was to break the traditional way in which presidents of the association were elected. Traditionally, this post tended to be headed by someone from a big business family. I was the first non-family-business person to be elected President. In due course, I also got elected as the President to our apex body, the All-India Management Association (AIMA).

AIMA was formed some years after the local associations in Bangalore, Bombay and Madras. Its initial years were concentrated on running regular training programmes, hosting conventions, and helping improve the work of some local associations in the country (of which there were over 60) as well bringing out a very good monthly journal called 'Indian Management'. AIMA was also the consultative body for businesses and government. AIMA created its own Management Aptitude Test (MAT), which was used by many management education institutions across the country in selecting students for admission. MAT had a very large clientele and became a significant revenue earner for AIMA.

AIMA developed into a major player in business management in India from the mid-1980s, when as it happened, I had also become its President. Its success in the years since then (and now) has been primarily due to our selection of an outstanding director for AIMA. This is Ms. Rekha Sethi (who still serves as AIMA's Director-General), whose organising ability and leadership has led to its many of its activities gaining much greater focus. AIMA ran an long executive management education programme through a mix of evening classes and lessons through mail. AIMA thereby enabled working people to learn management by attending part-time classes. This centre also proved to be very popular.

A third important activity of AIMA was in conducting a variety of short management development programmes. These programmes were designed to address current and developing issues that had to be dealt with by managers. These management development programmes also proved to be very popular. All of AIMA's management programmes were popular because of the careful planning and selection of good faculty, mostly from among practicing managers. The timing was also good since the IIMs became very popular after their establishment in the 1960s and management programmes were quite sought

after. The membership to the association expanded and management as a profession became a preferred career for many people.

As Director-General, Rekha Sethi has made AIMA's programmes very popular resulting in very substantial additions to AIMA's annual net revenues, building a corpus and investing in real estate for the association.

Another organization I was closely involved with for many years was the Society for International Development (SID). SID was a discussion group. It was intended to help interested people examine various economic and development issues in depth. SID had chapters across the world as well as in India. Every year, it held international conferences, including India in the year in which I was the Indian chapter's President. The advantage of SID was that it could interact with the other development institutions in the country and contribute ideas. My involvement in SID not only gave me a much deeper understanding of development issues and policies, it also gave me a connection with development professionals in the country and some of the policy makers in government.

Another such group that I created was the Future Study Group. As a marketing person, I was very interested in looking at the future, and I was a member of the World Future Society in the United States. It regularly published a magazine called The Futurist. I set up a group in Madras called the Future Study Group where were examined the different ways in which the futures of different aspects of the country and the world could develop. It had very interesting people as members including Farouk Irani (who was at Citibank and then went on to establish the First Leasing Company), S. Guhan and K. Subramaniam, distinguished civil servants.

An unusual management experience was when my art historian friend Deborah Thiagarajan decided to start a museum of craft and culture in Madras. She asked me to be on her board, which I did happily. My main contribution to that board was in aspects of management like finance, legal issues and overall direction for the museum. Not being either an artist or a craftsman or an expert in any fine art, I found myself being there to react when I thought something might be the wrong direction for the museum to take. It seemed to me that the role of someone like me on the board of such an institution was to be of general use with no specific portfolio. The Dakshinachitra Museum is today one of the best private museums in India, both for its continuing collection of fine exhibits and for its many well received cultural outreach programmes.

In Madras, along with a lawyer friend, Sriram Panchu (now an eminent mediation specialist), I established the Consumer Action Group (CAG). This was intended to help consumers who had problems for products and services supplied by different organizations.

The PUCL in Tamil Nadu

I am particularly proud of my work in civil liberties. During my time in Madras, I helped establish a local division of the People's Union for Civil Liberties (the PUCL) in 1976. The PUCL in Madras was started by three of us: Govind Swaminathan, a distinguished lawyer who was at the time the Attorney General for Tamil Nadu (from 1969 to 1976), Sriram Panchu and me. I knew Sriram well. Govind and I - we introduced ourselves; I knew he was a very public-spirited lawyer. For our first meeting, the PUCL's President, Justice VM Tarkunde and its General Secretary, Arun Shourie participated, as did George Fernandes. Our first public meeting took place in Pandy Bazaar in 1976. This was in the month just before Mrs. Gandhi declared the Emergency.

We had our work cut out for ourselves at the PUCL. With the Emergency we received considerable information from other parts of India where the authorities had become quite brutal. We were less affected in Tamil Nadu because the chief minister at the time was M. Karunanidhi from the DMK, and he quite strongly resisted Mrs Gandhi and the Emergency.

However, one of the interesting groups that came to us for help was a Naxalite group. Tamil Nadu had Naxalite movements, particularly in the poorer districts like Dharmapuri. We got to know that the Naxals were being hounded by the State police and some were killed while shot in the back while "trying to escape" according to the police. This was obviously a contradiction, and the police were making an example out of some of these Naxals. One development in our PUCL was that our President, Cho Ramasamy, a distinguished editor of the famous satirical magazine 'Tughlaq' (and my good friend), argued with us that these Naxalites deserved to be shot because they were trying to overthrow the established government. My view was that our task at PUCL was to safe-guard human rights, and as such the Naxals also deserved a fair judicial trial. Cho disagreed and resigned as President.

What would be the advantage if any, for a working professional to devote his spare time to NGOs? After all, I had a fulltime job in the three different companies I worked in who paid me well. I did all this voluntary work without in anyway reducing the time and attention I devoted to my paid job. I did all this because I felt that the various topics were interesting and important to society. In my view, such experiences helped significantly in the quality of work in the professional organization in which I was employed. It helped me work with people better and understand their context and circumstances more empathetically.

I must emphasise that involvement with NGOs does not mean any political involvement. I thought that as a professional, it was understandable not to display any such political attachment. I may add that at no time in my working life have I been pulled up by any government department for this kind of work, which was also well reported. That did not mean that one could not also try to do things that might require help from politicians and government.

After leaving Beardsell in 1985 I worked as a consultant in Madras for a few years. I consulted for several companies such as Pierce Lesley and Toshiba Anand Batteries in Kochi. By then my family was in the United States where my wife Geetha was posted with Air India in New York, and my two sons Biju and Rajiv were studying in universities. My consulting assignments allowed me to travel a lot, and in this way, I was able to spend a lot of time with my family.

I then moved to Delhi to the establish the National Management Programme. I was involved in three very interesting activities. One of them was with the Sanskriti Foundation. Sanskriti had been started by OP Jain and was an iconic establishment a few miles outside of Delhi with an excellent museum, a theatre where performances were regularly held, a library, and considerable space for intellectual interchange and even some residential accommodation for art residencies. It was almost a 'must-do' activity for anyone passing through the city.

The second was with the Indian Ocean Group (IOG). I thought there was a great opportunity for India in developing closer alliances with countries in the Indian Ocean. I did this with the support of people in government (especially Mrs Lakshmi Puri, then the Joint Secretary at the Ministry of External Affairs). Early in our effort to create this group, we received the unstinting support of the Australian government (in particular, the Foreign Minister, Gareth Evans). The IOG was able to develop ideas for easing the business, trade and financial

relationships between countries in the region. The idea of such a group seemed almost to become a part of the policy of many governments in this region, including India, as evidenced in the developments in recent years.

The third was my work with the Aga Khan Foundation. For some years, I was on the board of the Aga Khan Foundation for India. This foundation has developed a quiet but impressive reputation for its work with the deprived. It is best known for its work in Pakistan, though being Ismaili, they did not escape the attacks on minorities. In India, however, they have been extremely effective in implementing the projects they took up, which included building hospitals and nursing institutions, architectural conservation and heritage (for example their excellent work with Humayun's Tomb in Delhi and Babur's tomb in Kabul). They also developed the Nizamuddin Basti in Delhi. I thoroughly enjoyed being on their board. During that time, Professor Ashutosh Varshney, a professor of Political Science at Brown University, had brought out a book on communal riots in India and had found that urban centres in India where community leaders met each other regularly had either no or fewer communal riots, and much less killing. I suggested to my very distinguished colleagues that we might financially support such meetings in selected urban centres in India, so that community leaders could limit such communal riots. My colleagues were unresponsive. This was an area in which they did not think they should get involved.

What came through clearly to me was that non-profit organizations with a strong sense of purpose were very successful when they had a committed chief executive who worked to further the purpose of the organization; and where at least some of the organization's board members were willing to give considerable time to its functioning.

CHAPTER 7 Teaching Management

Management education as a separate discipline probably dates to the 1950s in India when Delhi and Bombay Universities established separate faculties for this purpose. In the mid-1950s Delhi University established a department of management studies. This was perhaps among the first of the management teaching schools in India. The faculty was drawn from the Delhi School of Economics and other colleges, as well as from among some practicing managers. When I finished my Masters in Economics from the DSE, I was employed in this department for a few months as the first case methods research investigator.

In Bombay, the generous Jammalal Bajaj gave a donation which led to the establishment of the Jammalal Bajaj Institute of Management which became the faculty of management studies in Bombay University. Like Delhi, it taught management as such and not any specialised area within it, as did many other institutions that came up in the 1960s.

At that time there were practically no people in India who had studied management as a separate discipline, except for some who might have studied abroad (particularly in the USA). There were of course some of them who had returned from such studies and had gone into practicing management in different companies. What therefore happened was that management subjects were taught either by economists who began to read up on the subject, or by practicing managers who gave some of their time to such teaching. I do not think that at that time there was much speculation as to what such teaching contributed to the development of the practicing manager who was now also a part-time management teacher.

Of course, teaching management while practicing it certainly added something to the practising manager. There were three types of experiences which such faculty had to go through. One, was to teach students who were studying management, had no work experience and were usually in their twenties, with degrees in economics or engineering (to name the principal disciplines). The second was where practicing managers were invited to teach in special short programs organised in different teaching institutions. The first and best known of this kind was the Management Educational Program (MEP) that was developed in the early years of IIM Ahmedabad. This program proved to be very popular. It ran for three months on a full-time basis, although the faculty consisted of largely visiting

professional managers with some of the regular academic faculty in the institute chipping in. The participants were usually mid-career professionals in their thirties.

The third type of program where professional managers were visiting faculty were specially designed programs that ranged from daylong courses to programs that were three weeks or so in length. These programs were sponsored by large companies for the benefit of their own professional staff, and largely by management associations, the most prolific of which were in Bombay, Madras and later in Delhi.

The All-India Management Association in the early 1970s established a Centre for Management Education (CME) at which I was visiting faculty and Chairman of the centre for a few years the 1970s and the 1980s.

The IIMs and particularly IIM Ahmedabad and AIMA also began to design annual advanced management programs which lasted for as long as four weeks. The participants in these were either very senior managers or younger ones identified by their employers as people who could develop in future years into much more responsible positions. These programs were quite separate from shorter management development programs on specific subjects which AIMA and others developed. Most of these advanced management programs covered subjects very similar to those in the regular MBA programs, except that they discussed them with many more examples from real life.

What did a visiting professional manager gain from such teaching activities? One could facetiously say that it gave them some time off from their work and where they could make some extra money. More seriously, what such programs did were to make the visiting faculty study and carefully think through the different topics that they were going to teach. In that way their own minds were clarified, and they could plan more carefully in their workday lives. The second advantage was even greater; this was the fact that as visiting faculty the professional manager had to be prepared for detailed discussions and searching questions by his students. This was particularly so at management development programs targeted at working managers and not just raw students. The third advantage was that it exposed the professional manager to new ideas and experiences related to the subject which they encountered in their preparations and in the classroom.

Since 1967, I have nearly continuously taught management in institutes across India. Even before joining Hindustan Lever, my early career began in teaching: after DSE I lectured at the Delhi College and then worked briefly at the Faculty of Management Studies (FMS) at Delhi University. My task was quite novel at that time. It was to write cases from experiences of different organizations, which would then be discussed as classroom exercises for students to decide on actions to be taken. For example, one of my first cases – which I have mentioned in detail earlier – was with the Corn Products Company.

I began teaching alongside work first at the Jamnalal Bajaj Institute of Management (where I taught for about 4 years). As it happened the Bajaj Institute was exactly across the road from Hindustan Lever house, so it was easy for me to teach there. Its first director was Dr KS Basu, who had recently retired as Personnel Director of Hindustan Lever. For me, the experience certainly added to my workload, but more importantly it brought a great deal of learning, reflection, and enjoyment to me. The enjoyment came from the interactions with the students who were all at that time experienced managers.

The subjects that I was asked to teach were invariably related to marketing management (because I worked in the area). This course had anything from 3–5 papers and was also popular because of the considerable job opportunities it could open for students.

I have also taught at the Xavier's Labour Relations Institute (XLRI) at Jamshedpur, and the Indian Institutes of Management in Ahmedabad, Bangalore and Calcutta, as well as at the management institute attached to the Madurai Kamaraj University.

XLRI had very bright but inexperienced young people as students. However, XLRI did have a high reputation among employers. My visits to IIM Calcutta were planned for the regular MBA students and I was asked to focus on some specific topics (for e.g., product management, rural marketing, defining advertising requirements etc.). My visits to IIM Ahmedabad for a few years were primarily focused on teaching in the MEP. I might mention that this was in the 1960s and IIM Ahmedabad had a very committed Director (Ravi Mathai), who made it a point to not only meet, but to attend some of the lectures giving by visiting faculty. The effect this had on the rest of the faculty was magical. IIM Ahmedabad was the only institution where in those days my classroom contained a few of the permanent management faculty as well who were inspired by their

director. In IIM Bangalore, I was responsible for full courses which were part of the two-year MBA program and here I not only decided what to teach, I also determined the evaluation of the students through tests and examinations.

I also went on to serve for many years, and at different times on the boards of IIM Bangalore, IIM Kozhikode, IIM Indore, IIM Lucknow and MDI Gurgaon. My principal interest in all these boards was to consider selection standards of students, assess quality of faculty, and the subject matter of different courses. I was also very interested in proposing and developing specialised short-term programs for experienced managers. One result of IIMs developing themselves in this way was that different management institutions became known particularly for their skills in some subjects. For example, IIM Calcutta was highly regarded for its training in quantitative (accounting and beyond); IIM Ahmedabad was particularly known for its work in personnel management, organizational behaviour and marketing; IIM Bangalore was well known for its teaching on marketing management and business and public policy; Narsee Monji (NMIMS) in Bombay was good in teaching general management.

Let me share my teaching experiences in marketing management in some detail. I divided the course in each instance into 30 or so lectures. My lectures contained the approach to the problem and tried to give examples for each activity or action that was taught. I had in earlier classes already discussed the management and distribution of consumer products. I adopted similar approaches to discuss other aspects of marketing including advertising - of course, I did not discuss the creation of advertising which was for me not so much a constituent of management, as it was of creativity.

I did take the approach that every advertising campaign requires the client to give a detailed brief to the advertising agency. The brief would give a description of the product, its competitors and their positive or negative characteristics. It is very important to have as detailed a presentation in the marketing brief about the principal competition that one was trying to compare and get an advantage over. The brief would also have to consider the distribution requirement and how to reach the product to these distribution outlets, the servicing of the products for the customer as required, the tax structure that was applicable, and information on dealing with complaints about products.

However, great and good advertising could be very different from the banal descriptions given in the advertising brief by the client. In my view, two

campaigns that made their subjects extraordinarily popular were those developed for Air India and Amul. The Air India campaign which came out in the 1950s focused on the association of India at that time with 'maharajas', and that made it extremely visible and made Air India (despite being a small airline) a famous one. Bobby Kooka, who was the commercial director at Air India is credited with the creation of the 'maharaja' as its mascot, What the mascot suggested was that when you fly by Air India you would be treated as a 'maharaja'. Ultimately, as India developed into 'a socialist economy', this association of the government owned airline with maharajas was dropped as it was perceived as being anachronistic. Amul took an entirely different approach and combined a naughty humour in which was embedded the essential quality of Amul butter. One lesson to be drawn from comparing these two campaigns is that there must be a way of keeping the mascot relevant and contemporary. Unfortunately, the Maharaja over the years ceased to be so, while the Amul girl - who has hardly changed over the decades - has endured thanks to her continuous satirical take on the news and events. As one travelled around India, one looked for the Amul girl on large public hoardings.

In preparing marketing briefs for creating advertising, the more detailed it is, the more likely is its success as an advertising campaign. A similar approach had to be adopted when briefing the sales force. They had to know the kinds of outlets that would stock and sell the products and wherever necessary the outlet also had to be taught how the product should be used by the consumer. The sales personnel must also know how often they should call on the outlet to restock them. This required a great deal more detailed knowledge of the product and the consumer. The most complicated issues arose in selling services or complex engineering products. In these cases, the sales personnel had to be trained to get a clear and detailed knowledge about the service of the products, as well as have some knowledge about the customers' operations.

I must point out that my teaching of management was focused only on marketing management. I was not teaching the many subjects that go into a management programme. I found it useful in my teaching approach to ask my students to devise marketing plans and programmes for specific products and issues. Discussing them with students in classroom was a complex exercise that had to be done carefully so that none of the principal issues were lost in teaching. This is where a good case study comes up.

The National Management Programme (NMP)

From 1951 and the commencement of the Five-Year Plans, India had adopted the policy that government would invest not only in infrastructure but also in basic industries like steel and electricity, as well as those that at that time required the acquisition of expensive technologies (for e.g., Hindustan Machine Tools, Hindustan Photofilms etc). This approach was part of the “Bombay Plan” which was written by a committee which included JRD Tata, GD Birla and others. Their argument was that private industry in India could not raise the required resources for these heavy investments and only the government could do that.

This was also the time when there was considerable antipathy from government to large industries. Time consuming procedures, difficulties in raising capital, severe limits on compensation to managers etc., made it difficult for private investors to grow businesses into larger scales. This led to a considerable amount of distancing of government departments from entrepreneurs and industry managers. There was an overall lack of understanding of business and management issues by bureaucrats and government. They were arrogant in their dealing with businesspeople, often not giving them the attention that was needed by the business sector and when industry needed government help.

By the late 1980s, the Central Government had begun to realise what had been said by the industry for many years. India had not reached the stage which Japan had done, where there was an interchange between people working in Government with people in business. Such an interchange made for a better understanding of the problems on each side. The issues raised by this gap in mutual understanding was sought to be resolved in India by designing a National Management Program. At the invitation of the Indian government in 1986, I designed and executed National Management Programme (NMP) meant for mid-career officers in government and the public and private sectors of industry.

At the time, I was working closely with a former colleague and friend from Hindustan Lever, NCB Nath. Nath was an economist who had worked in business and consulting for many years and had been teaching at IIM Ahmedabad (where I also taught). We were requested by P Chidambaram, the then Deputy Minister for Personnel in the Indian government (this was the Rajiv Gandhi government) to set up this program. Chidambaram was from a well-established business family and was himself an MBA from Harvard Business

School. He recognised the fact that the Indian government officials tended to be contemptuous of Indian business and even with their most senior members.

The NMP was to be a fifteen-month residential program in which participants were mid-career officers from government and the corporate (public and private) sector. These would typically be young people in their early 30s with about a decade's worth of work experience. They would therefore bring to the classroom a considerable degree of maturity and articulation. They were also able to write clearly and briefly. The cultures in the classroom varied as students came from different backgrounds. And yet, the teaching had to be appealing to all these different backgrounds.

I was made the Executive Chairman of the National Management Program (NMP) and the members of my committee were the directors of all the IIMs. This enabled me to invite some of the best faculty in these institutions to come as and teach in the NMP as visiting faculty.

When designing the curriculum, I realised that it was essential to look forward and not merely at business management as it was then practiced. Thus, I wanted to ensure that in our country where the government plays such an important role in business, business executives needed to anticipate government policies.

It was my job to identify the best speakers and everyone I reached out to were extremely supportive of this program and gave their time. Given the objective of the NMP I had also introduced a course on 'policy studies' that was about how government policies were created and implemented. For example, I had a distinguished demographer, Ashish Bose, come and discuss different aspects with the class who were then required to develop a population policy for India. Another such exercise was when I had one of the top people in the petroleum and chemical sector, Lovraj Kumar (formerly of Burma Shell and later the Secretary of Petroleum and Chemicals to the Government of India) come and lecture on the issues in the petroleum sector and on how they might be tackled. Here again, after a series of 5 or 6 lectures, individual groups in the class would work out the policy proposal with the objective of improving supplies for the oil sector and to bring prices under control. Such policy papers prepared by the class would then be presented to a senior member of the industry invited specifically for the purpose. We also invited Dharma Kumar (the economist who later became the Director of the DSE) and Prakash Tandon from the private sector to

speak on their issues of their expertise. Obviously, such policy formulations were not about detail, for example, looking at the breakup of households by income, or deciding about the retail distribution of petroleum, etc., but it certainly enabled the class to begin to comprehend the kinds of issues that people in government had to keep in mind when taking decisions. The purpose of this set of exercises was to see those officials and managers from both the government and the public and private sectors developed an understanding of the issues and the limitations in preparing government policy.

This was also the time when digitisation was becoming better known. I thought it was essential that the NMP should train these students in the use of computers, and I introduced the subject to them. This might seem obvious today, but it was not at that time.

Business policy has always been an important part of all management curricula. In every subject, examples were taken from established business or government departments and for decision making at fairly high levels and not at the bottom levels of implementation.

The NMP also had another novel component. This was in the assignment of project work. Groups of 4 people preferably from centres which were not similar to their work experiences would be given a task associated with a sector. For example, government officials would work on something that was business related. These groups would over a period of months, within the entity that they selected, study its particular aspects. In doing this, they got accustomed to spending time in an environment at work very different from what they were accustomed to do.

The fact that all the students in the programme lived in a hostel together also significantly improved their understanding of their respective work environments. The interactions resulted in a tremendous cross-pollination of ideas. A government officer would learn a great deal about the environment in a business entity while a corporate manager would learn about the work environment in a government office.

It is difficult to say whether this changed the attitude of people working in government and in business. I did not stay long enough to review the effect of this interchange between sectors. I still believe that such a programme (and more

of them) are vital if India is to develop into a working system that has greater understanding of different sectors.

After two years of running the NMP, I was invited to take over the largest economic research institution in India, the National Council of Applied Economic Research (NCAER).

It must be apparent that all these activities forced me to study and think carefully about matter beyond my immediate work responsibilities. All these experiences expanded my understanding of management far beyond the area of marketing, which I had been involved in for many years in the corporate world. It enlarged my understanding of the working world.

Chapter 8: Managing Socio-Economic Research Institutions

The legacy of the NCAER (1956-1990)

The NCAER was established in 1956, and its first Director-General was Dr PS Loganathan. Two other renowned economists who joined him at the time to help shape the institution were Dr A Vaidyanathan (who later went on to become a member of the Planning Commission) and Dr Raja Chelliah (who is known for his work on tax reforms. He also was the founder-director of the National Institute of Public Finance and Policy and then set up IFMR / Madras School of Economics in Madras). Up until my tenure at the NCAER which began in 1988, the institution had always been run by a professional economist.

Most of the social science research that NCAER had been engaged in required a very considerable amount of field work. The only other body that used large field samples for survey was the National Sample Survey (NSSO) of the Government of India. The field work related largely to broad social and economic issues. This involved detailed interviews using well thought out questionnaires. The households selected for interviews were made in careful random sampling, so that so that they were representative of all the households in India.

The first and by far the most effective use of this technique I found was in the NSSO. This survey studied on a regular basis the household behaviour over the

country as a whole. Small parts of the country were also studied in the same NSSO. Data from NSSO was widely used by a variety of organizations including the Government to create and evaluate policies. NCAER developed an annual national Market Information Survey of Household (MISH) which also used a very large national random representative sample. NCAER's data was sufficiently detailed to represent the conditions in different states across India and across socio-economic classes.

At Hindustan Lever I found such NCAER and NSSO data extremely useful when it came to taking marketing decisions. Whenever I needed to establish the market size in a given form in a specific geographical area, within an income group, or for a particular product, I could easily use the sample data that was available. Such data was representative of the whole, and enabled decisions to be taken which would affect that whole. I found this information useful in many aspects of marketing, decision making, including addressing the scope for a new product or package, for the appeal and extent to which advertising could shift consumers from one of them to another product etc.

I recall that it was such data from sample surveys that enabled me to estimate the market potential for high quality vegetables like peas which Levers processed in dehydrated form, among others. This was because the sample data would give me information about household consumption of vegetables, and I could then postulate a small proportion who would be able to pay for the dehydrated version.

When I took over NCAER years later, few people were aware of the household consumption data that could be extrapolated for various business and marketing decisions.

I was in New York visiting family when I received the call requesting me to take up the post of the Director General. I was unsure as to why they chose me. At that time, NCAER was in dire financial distress and needed help in getting back on its feet. It was felt by my friends that I would find it impossible to run such an institution that was so short of funds and where its staff were not accustomed to the discipline of working that I had put in place in my previous positions. I remember the economist, Isher Judge Ahluwalia, telling me that she had been offered the post, but did not want to take on running an institution that she expected was going to shut down!

India was liberalizing its economy at the time I took over the NCAER. It was a great opportunity for India and the NCAER in particular. I realized that we could refashion the fate of the institution by working more closely with different groups outside of academia. There was a space that NCAER could occupy in the post-liberalization economy. I firmly believe in the importance of good data to inform policy, and how it can make a public case for policy. At NCAER, I played an active public role in supporting the liberalization program using NCAER data.

I participated in some of the high-level discussions and made the point that Indian household consumption was quite stratified. However, each of the strata could be targeted with some reform in making cheaper goods available.

I was also aware that I was not a professional economist myself, and I had little to show in terms of research and publications. I was a manager who had used researchers to understand, interpret and move consumers and markets. I was therefore aware that I was an outsider who was taking over one of the best-known economic research institutions in the country.

I knew that if I had to revive the fortunes of the institution, it needed to be a place that was attractive to researchers, and its outputs needed to be visible, known and used widely and paid for. As a student of economics, I had studied research papers and research reports and was familiar with how they were presented.

The NCAER was producing wonderfully rich datasets that were simply not used externally. We, as an institution, needed to clearly understand the kind of information that clients required and how they could use this data; from other documentary information that needed to be collected, the geographical area to be covered, the socio-economic composition of the people, the specific question to be asked etc. The National Sample Survey (prepared by the NSSO) used a very large sample but did not have much data on consumption of goods and services. It was more demographic and looked at overall household expenditure in broad categories. In business, one was much more focused on specific categories of goods and services. NCAER made this possible; but few businesses were aware of what it offered based on a very large national sample, which was also representative of different regions and household categories. This was exemplified by the MISH survey.

The MISH Survey

The MISH survey was a highly underused dataset up until then. If the potential uses for this data were rightly known, I was quite sure that many private organizations would have happily paid for this information so that they could use it in their marketing of goods and services, to improve their consumer targeting, and to balance their expectations based on reliable market data. The MISH survey could be a very important measure to understand consumer expenditure behaviour in India and as the Indian economy was opening up in the early 1990s, I realized that many foreign companies could use it to decide on their investments in India.

Thus, I decided that I would ensure that I would first identify potential user organizations. I thought that we could at the outset identify marketing NCAER capabilities so that corporate organizations, NGOs, foreign investors and others could ask for such information to be collected, which they could then use in their work.

I took the first opportunity to begin informing the international and domestic business media about the type of information that was available from NCAER and what more we could do if we were asked.

As we aggressively marketed the data to different user groups, we began to see it being used across the world. For example, the American press began writing about the Indian Middle Class based on NCAER data! Of course, it was important that the phrase 'middle class' was understood properly. For e.g., the middle class in India in fact had a much lower level of available income for expenditure than in developed countries.

When the American press began to use the MISH data, we had also developed what I called the 'Market Pyramid', by dividing the country into five classes (from the very poor consumers at the bottom to the very rich consumers at the top) by income groups. This concept of a market pyramid became quite popular. Some American businesses noticed the Indian Middle Class sandwiched in the middle and began writing about how India had a middle class of over 300 million people. Unfortunately, some of them confused the middle class in India with the middle class in America – In India, the Indian levels of income were much lower as were consumer habits. This led to a few companies coming into India expecting a huge middle-class market and finding that it was actually not that big.

During my tenure I was able to make the work of the NCAER widely known and in demand. I remember receiving a call from Japan with the information that the NCAER was quoted on the front page of the Asahi Shimbun!

I also found it opportune at the same time to commence a quarterly survey of business confidence. Until then, nobody had really bothered to explore the levels of confidence of businesses in India's growth and prospects. This was designed by an excellent macroeconomic economist we had working at the institution at the time, Shashanka Bhide. The Business Confidence Index was another way by which people in India and the world could see how the economy was responding to the liberalization measures being implemented. Today, Bhide is a member of the Monetary Policy Committee of the Reserve Bank of India. We also had other social scientists like Monica Dasgupta, who produced excellent work in economics and demography. For example, her work on "missing women" in the Punjab was written about by the likes of Amartya Sen. We also had attracted Dr Ashok Gulati, one of the most distinguished agricultural economists of the 1990s who conducted a number of studies on Indian agriculture. Ashok Gulati's work on agricultural markets and procurement prices for agricultural products made for changes in Indian agricultural economic policy.

Whenever possible, we had to ensure that our prospective users became aware of our capability to do such good work. By implementing such a plan, NCAER quickly became a magnet for economists as well as for field workers who wanted to come and work there. We became a major source of information for reporters, professional economists, students and government officials. One effect was that some of our senior researchers were invited to participate in decision-making on different aspects of India's economy.

We also expanded our data collection - for example, we began to collect consumption data by economic classes within different religious groups. This data became widely used by the government and others in developing their economic policies. For example, the Sachar Committee report that led to a far deeper understanding of consumption in different religious communities had used NCAER data on households extensively.

NCAER was soon recognized as a premier institution for using random sampling to collect data about the country in its different economic aspects. The institution

also became financially stable thanks to the work of this nature it was able to attract. In earlier years many of the research projects that had been commissioned did not cover the costs of the work. This changed during my tenure. We found ourselves making surpluses on every project.

Research Administration and Management at NCAER

When I began working at NCAER, I had never worked in a non-profit institution, though I had contracted many of them in order to study something or the other. When I came into NCAER, I was immediately struck by the relaxed and even casual atmosphere. The institution had been headed by professional researchers, some of whom had also worked in government departments. They appeared to have little knowledge and experience of putting together teams of professionals from different studies, or of working towards a targeted time frame, in doing so within the earlier estimated budget, and in publishing their work. The pace had to change from a *sarkaari* one to a commercial one. I am convinced that all such research institutions should be staffed by scientists who are also given a training in managing people and in keeping cost in control.

While we were working to market NCAER data more widely, we needed to have a clear cost and time estimation for each research project we took up. We needed to know the kind of work that needed to be done – much of this research was time-intensive and required a lot of fieldwork. It is important to add that this was not to condense the time available for research, rather I wanted researchers to plan and account for enough time for their field work, data interpretation and their recommendations. Obviously, the quality of the work was vital, and we needed an organizational structure that would oversee all the work, ensuring quality and timelines. I therefore set up a system of periodic reviews to monitor the progress in executing in each project to try and help the research team with whatever resources they needed in order to achieve quality and time objectives. Through this, I was also able to improve the accountability of the researchers to the institution.

I followed a very “open-door” policy, and this meant that anybody (and especially media persons and researchers could enter and talk to our researchers.)

I planned for NCAER to have an open office and permitted outside researchers and media persons to have access to the various research that we were

conducting. This enabled NCAER's work to be widely seen by the larger public as well. It must be noted that NCAER was doing social science research and not consumer markets or product research, and in all cases was available to the public.

NCAER was also not a government organization. We did not receive any funds from the Government except payment for any work that we did for them. In order to signal our independence from the government, we invited and had as Chairman of our Board, the best-known private industrialist in India, Mr. Ratan Tata.

The board is an important body for any research institution. It sets the mandate and approves the pathways for the institution. I have always believed that our type of research should be apolitical (it is, after all, based on facts). But institutions are comprised of people, and I was conscious that as a manager of a research institution we needed to make sure that we were driven purely by research. That was not always easy. One instance comes to mind. I remember once I had been trying for a year or so to raise money for a comprehensive set of continuing household surveys in India, on the lines of what the UN was doing with the human development surveys. I secured \$1 million in funding from USAID and when I mentioned it at a board meeting, one of the members commented on whether NCAER should be funded by an American agency for work on Indian economic reforms. This question was raised by a senior professor of management. It was a political question, and the Chairman at the time, Bimal Jalan, asked me to put a hold on the money. It took me another two years to raise the money, this time from the Asian Development Bank. The project went onto be highly successful – part of the data supported the sections of the Sachar Committee report on economic and consumption inequality amongst communities. I mention this to point out that sometimes things can get delayed, as in this case, by a variety of “non-research” concerns and it is up to the head of the research institution to manage these different concerns so that they do not adversely affect the institution.

By the time I left NCAER in 1996, it had a reputation for being a very effective and reliable organization that could, within a committed time frame and cost, commit and submit data to a variety of customer organizations. We also developed a substantial corpus that could help us to meet any unexpected expenditure.

Another interesting thing about my time at NCAER was that NCAER could not afford to rent suitable accommodation for me in Delhi. I found out that when the NCAER building was constructed in 1956, around 4000 square feet had been built for a residential apartment on one half of the top floor. It was meant for the use of the Director-General, but had never been used till then, since my predecessors were all residents of Delhi and already had very comfortable homes of their own. This apartment space was being used as office space for researchers. I got the space vacated and converted it back into a private home. It was extremely spacious and comfortable. One disadvantage of living at NCAER was that my family was the only one living in the building – the rest of the space was offices. There was a separate small building in the compound that was used by the housekeeping staff (peons and drivers) of the institution. Another disadvantage was, as an economist friend of my son's remarked when he came to visit, "is like living within the economics department!". Another disadvantage was that the toilets for the top floor were located just outside the front door of our apartment!

My living in the building resulted in the building being extremely well maintained and clean. Whatever had to be spent whether it was rent, or maintenance had to come out of the earnings of NCAER. There was no government funding whatsoever.

NCAER was a major national social sciences research institution. It had to attract the best people from anywhere in the country. When they came to work at NCAER in Delhi, many of them would have to find residential accommodation. One of the objectives I had set out for myself at NCAER was that as our financial situation improved because of my efforts, that we could buy apartments across the Yamuna River that could be allotted to researchers. In actual practice, we never managed to do this. I believe many years later one of my successors demolished the building holding quarters for lower level staff, and in its place built another office building. I wish that that money had been used to house researchers since it would have made recruitment easier, and NCAER a much more attractive recruiter.

The lessons I want to draw from my NCAER experience are that research organizations need to plan their work and their finances carefully. I have fairly strong opinions on how research institutions *should not* be run. It cannot be left

to the view that as an academic body, financial and personnel management were not important to it. The visibility of on-going and completed work led to many private and foreign clients initiating specific research by us. This is important to note because in my experience with other research organizations in the country, that did not happen, and they had to go around almost begging for funds because work was not coming in on its own.

At the same time, the research staff had not in many of these institutions, comprehended the need for them to manage the people who worked under them, in a way that they were most productive. NCAER taught me that the management of academic research, at least in the social sciences, which is where I was working, was not a particularly well developed or thought-out exercise. People were selected quite rightly for their subject competence. However, the institution did little in terms of forward planning or with the problems that arise, especially in field research. These could vary from less than ethical research practices by research investigators in the field, or a poor understanding of research methodology and survey design. The research institutions also did not do too much to train and develop their body of researchers in research management, in understanding the costs of what they were doing and how best to attract new research projects. I strongly believe that researchers need to be adept at this, and they must know how to manage their work such that they remain within costs and work to produce a surplus for their institution. I have noticed this not only when I joined NCAER but also in later years when I served as the Chairman of the board of the Institute for Social and Economic Change (ISEC) in Bangalore.

I have found that sometimes, some of the people who work in these organizations were poor in articulation and often even in understanding concepts. I had to therefore spend a great deal of time with many of their researchers to get them to place their work within an institutional framework. This was important and it helped a great deal in improving the quality of the institution. But it did require a great deal of self-education for myself, and to submerge some of my ego so that I could look at issues from their point of view and not merely from my impatience.

I stepped down from NCAER after I had finished six years as its Director-General. I participated in selecting my successor, a distinguished applied economist, Dr Rakesh Mohan. He once said to me that I had left a good financial corpus some of which he was able to use to improve the compensation the of

researchers. After him, NCAER was led by former employees of the World Bank, who took the institution in a different direction of consulting rather than working on larger scale sample surveys, for which NCAER had become known.

The Energy and Resources Institute (TERI)

The Energy and Resources Institute was built by Dr Rajendra K Pachauri, who took it over after his few years as faculty in the Administrative Staff College (ASCI in Hyderabad) to which he went from the Indian Railways Service. He was a farsighted administrator and not an established researcher.

From a small institution in its early years in the 1970s, by the early 2000s TERI became a very major research institution in energy and infrastructure. It had offices in several countries including the USA, Japan, United Kingdom, Malaysia and West Africa. TERI became a major player in the development of world policy when it came to infrastructure issues. Their work developed into an intimate association with the UN sub-committee on climate change (the IPCC). It was during Pachauri's leadership of the IPCC that the committee was awarded the Nobel Peace Prize. In India, TERI was involved in many issues relating to energy and pioneered work on energy efficiency matters, among others.

My own association with TERI came about when Pachauri asked me on two different occasions to work with them. The first was to study and recommend an organizational structure for the institute. The way I did this was to suggest a reorganization of teams where teams of researchers were placed under research managers (sometimes designated directors) who were taught to oversee projects for time, quality and cost. My work in reorganization contributed to improved financial surpluses for the institution.

The second study enabled a review of the first report. In due course of time, TERI also conferred on me a distinguished fellowship. In this capacity I introduced discussions and papers on independent regulation at TERI. However, it must be noted that TERI research, while extensive in covering many subjects, was not as well cited as research other much smaller institutions.

Despite being a strong organization with great fundraising capability and excellent connections with governments in India and in many other countries, TERI never became the great research institution that it had the potential of being. For example, TERI set up the TERI University, perhaps the first in India

to specialize on infrastructure matters, but its work has not received much public recognition. Pachauri left TERI when allegations of sexual harassment were made against him.

In recent years, a number of private research institutions and universities have come into being in India. These have started with much better funding and management. Some have made very good names for themselves, like Ashoka University or KREA. Older institutions like TERI or NCAER already have a somewhat greater difficulty in attracting the best people and will need to find ways to stay competitive.

The Institute for Social and Economic Change (ISEC)

In 1990 I was invited to stand for election to the board of the Institute for Social and Economic Change (ISEC), which I did successfully. ISEC had been set up in 1972 by Dr VKRV Rao. By the nineties, ISEC was a well-known national institution but with little distinction to show in its work. The invitation to join the board of ISEC was because the Director felt at the time that some of the rules of the institution had to change if it was to progress. For example, one of them was the strict eligibility rules for prospective faculty, that in order to be considered they had to have doctoral degrees only from social science institutions. As a result, ISEC lost out on some outstanding scholars. Indeed, one of them went on to become an internationally acclaimed social scientist and historian.

When I came onto the board, I formed a small group and we changed some of these rules. I also argued for a former IIM Director to become the Chairman of the board. Unfortunately, he behaved more as a director than chairman and created difficulties for the institution. I later became Chairman myself. Bangalore, where ISEC is located is also known for casteist tendencies. When creating the institution, Dr VKRV Rao had ensured that the President of ISEC was always the Governor of the State of Karnataka. This had worked well until the central government developed a new ideology and appointed Governors who implemented it. As a result, ISEC began to appoint as Directors and faculty many who sympathized with that ideology.

The Bangalore International Centre

As a family we planned to leave Delhi in 2001 when I turned 65 years old and my contract with the Central government to run the Central Electricity Regulation Commission would end. We were planning on moving to Bangalore, our hometown, where we had purchased a very comfortable apartment. In Delhi, I was among the early members of the India International Centre, which was our favourite go-to place for meeting people, eating good food, attending lectures and cultural events and using their extensive library. My concern was that such a place did not exist in Bangalore, and I was determined that there should be one. I visited Ramakrishna Hegde who had become a Member of Parliament. He thought having something like the IIC in Bangalore was a great idea. However, he said he had been approached earlier (when he was the Chief Minister of Karnataka by retiring government officers) for a similar institution who were moving to Bangalore, and he had allocated some land for the same, which unfortunately was cancelled by his successor as Chief Minister. When we came to Bangalore, my friend Chaturvedi was the sitting Governor of Karnataka at the time. I had known him to be like me a regular user of the IIC at Delhi. He thought it was a great idea but was helpless in allotting land or a government building. His successor as Governor, Rameshwar Thakur (whom I also knew well), expressed the same helplessness. I had of course spoken to friends about the idea and one of them was RK Pachauri. On the occasion of the inauguration of TERI's new buildings in Bangalore, Pachauri and I approached the then Chief Minister of Karnataka, SM Krishna. I suggested to Pachauri that he might tell Krishna that he would allow a new Bangalore International Centre to use TERI's premises until the centre was allotted suitable space by the government. Krishna was delighted by the idea and that was how the Bangalore International Centre came to function in Bangalore. Krishna allotted us land a year later near the new airport at Devanahalli. BIC refused since the land was so far out of the city and continued to use TERI's premises for almost ten years. We never succeeded in getting other land allotted by the government. In the end, all the money for purchasing the land and building the current centre (almost 40 Crores) was raised through donations by large companies like Infosys and Wipro, individuals like Nandan Nilekani, Mohandas Pai and others, and numerous smaller benefactors. The result was an active and thriving Bangalore International Centre that is completely independent of the government, and one that works towards its own agenda. Today, BIC has a very strong reputation for its many interdisciplinary and cultural events which are all completely free and open to the public and not confined to members. Membership at the BIC does not confer any special advantages, and members are encouraged to join to promote public discourse in the city.

CHAPTER 9: Independent Regulators for Infrastructure

Regulation, Management and Governance in Infrastructure Sectors

All organizations, whether run for profit or not for profit need managements to execute all the activities required to achieve their objectives. Beyond the managers who run different parts of the organization lies the governance of the organization. Governance focuses on the *purpose* of the organization and how it is to be achieved. For this, organizations have boards, and a well-planned organization would have carefully selected members of their boards of governors.

While management and governance are core aspects of an organization, we must not forget that organization function within social system. Therefore, they must fit into that social system and its mores. This requires all organizations to be compliant not merely with the laws of the country in which it functions. In many countries there are special regulatory bodies as well that oversee the functioning of a sector. Where such bodies do not exist there are government departments that lay out such requirements and oversee that organizations are in compliance with them.

Thus, for example, the banking sector in a country would certainly have a central banking institution that also oversees the functioning of the banks. Similarly, the telecommunications sector has a telecommunications regulator that issues licenses to different telecommunication operators, based on standards of performance, and is there as an appellate body to assist consumers etc. This could be said for many other services and especially services that deal with large infrastructure projects such as electricity, media, entertainment, airlines, and airports etc. However, there are substantial infrastructure services that do not have such separate regulatory bodies and governments perform the same function. They do not necessarily do this well and are also subject to the influence of political and other interests.

In the rest of this chapter, I discuss how such regulatory bodies function. What needs elaboration is the detail of how such regulatory bodies might be created and might function. Should all regulatory bodies work to some common principles such as the selection of the regulators or the extent of their authority? This has certainly not occurred in India and different regulatory bodies perform in their own different ways. The purpose of independent regulatory bodies must

always be to benefit the consumer and society, without giving undue advantages to a particular body.

It is only in the last twenty to thirty years that regulatory bodies have been set up for large infrastructure sectors such as electricity or telecommunications. This was also the period when the world was globalising, and the Indian economy was undergoing liberalisation. There are many other areas in which such bodies have yet to be set up (for example, roads and highways). One must regard independent regulation as part of the overall control over these different sectors, so that one sees management as dealing with the operations of the organization, governance as setting and overseeing goals, and regulation as a way in which social objectives are taken account of.

There are large infrastructure services in India such as civil aviation, ports, roads and highways and some others, that are regulated either by government departments or by regulatory bodies entirely controlled by government. A good example is that of the Directorate General of Civil Aviation (DGCA). This is not merely a regulatory body, but also a licensing one. Some like roads and highways do not have even such a body! The other point to note is that where such independent regulatory bodies exist, they do not function in an independent manner.

Independent Regulation in India

It is not as if independent regulation began only with the new infrastructure regulatory commissions that came into being as the economy liberalised from the 1990s. After all, The Reserve Bank of India had been the independent financial regulator for the banking system for decades; the Securities and Exchange Board of India (SEBI) has been the regulatory body for the financial market for many years.

In the 1990s, when economic liberalisation began in India, private parties were allowed to enter what were till then government monopoly sectors such as electricity and telecommunications. The Government of India then decided that these sectors must be independently regulated. The purpose was to ensure efficiency, service quality, and competitive tariffs among others. These important infrastructure sectors needed to be run efficiently and at reasonable cost so that they did not place a heavy burden on users. They could not be left to freely

charge what they wished but had to charge rates determined by the regulatory body.

I would like to comment on the ineffectiveness of the RBI especially after the nationalization of banks by Mrs Gandhi in 1969. This act led to massive loans being given without sufficient investigation and poor (and perhaps deliberately so) follow-up on collections, leading to large non-performing assets, especially among these newly nationalized banks. Nationalized banks were subject to external influences in sanctioning loans and in recovering them. The result is that over sixty percent of the Indian banking system is owned by the government and has extremely high levels of non-performing assets (NPA) requiring frequent infusions of massive capital by the central governments. Even privately-owned banks were allowed by the RBI (as the regulator) to accumulate vast NPAs because the RBI either deliberately or unknowingly accepted the evaluations as well as the accounting statements and audit reports submitted by these banks, and which the RBI apparently was not able to examine sufficiently (for example, in 2019, Yes Bank, the Punjab and Maharashtra Cooperative Bank, etc. Even large and established nationalized banks like the Punjab National Bank developed astonishingly large non-performing assets. There were other such banks as well.)

What is needed are independent and frequent audits of all assets and especially loans given by the banks, and at the same time, a truly objective evaluation of the status of each bank which can be done by independent rating agencies.

Unfortunately, the RBI many times just accepted audit reports as they were given to them and did not examine the way in which ratings of banks were made by these rating agencies. This occurred because the auditors were regulated only by their professional bodies, the Institute of Chartered Accountants of India which cleared many auditors and their work without adequate scrutiny and not an independent external body. For example, Price Waterhouse Coopers (PWC) was found to have accepted the audit report of Satyam which had borrowed vast sums from its bankers, and these payments remained unpaid. Such an audit report should have been examined by the regulator, along with that of the concerned bank. The result was that as a regulator, the RBI was unable to prevent the accumulation of non-performing assets, and this resulted in a decline in the availability of capital in the economy.

Such failures also occurred with other independent regulation. A good example of this was that of the Telecom Regulatory Authority of India (TRAI). Under

TRAI's regulation, the number of operators in the telecom sector declined when it should have risen, given the enormous and growing demand. One example was that of the hounding of Vodafone, and the enormous fine levied on it which made it exceedingly difficult for Vodafone to operate. TRAI did not intervene in this matter.

An even more outstanding example of TRAI not bothering much about money power and its use to stifle competition is that of the telecommunication industry where a new entrant with deep pockets from other revenues allows it to cut tariffs and offer incentives to its users which were beyond the ability of other telecom operators. TRAI and the Competition Commission of India, both recently created independent regulators should have ensured that operators were not hounded out by superior money power. They could have stopped the operator from using its other capital resources to enable it to quickly attract large numbers of users and become a dominant player within a short time. In my view, it was the function of the regulator to ensure that competition was preserved, and that one operator was not allowed to use or access to resources to defeat its competitors.

I had written in the Economic and Political Weekly ("Towards a National Competition Policy, in February 1998) that competition was an essential part of building consumption, markets and efficient supplies. This was negated in many states that used their monopoly over distribution to prevent competitive supplies from entering their state from other states. Indeed, I think that the Competition Commission of India was created with this purpose in mind; namely, enabling the growth of efficient supplies. But in none of these cases did the Competition Commission of India intervene to enable effective competition. Despite my having been appointed from the outset to its advisory board, I was unable to make the Competition Commission ensure fair competition.

In brief, regulatory bodies have many times to depend on other organizations for information, evaluation, etc. An example of course is the dependence of financial regulators on chartered accountants, auditors and rating agencies, many of whom do not work in a transparent and independent manner when providing such information. Ideally, these other professional bodies need to be independently regulated as well. We should in all cases have a complete listing of what each regulatory body is to regulate. This is why I argue for a comprehensive listing of functions for all regulatory bodies and for them to be in communication with each other.

I also very strongly believe that independent regulatory commissions need to be *truly* independent. If their members did not have this authority, the goals of these commissions would never be achieved. To do this, the members of these commissions must not be subject to any other influence or authority. Sadly, while independent regulation was a brilliant innovation in India, the selection of members was almost entirely from the bureaucracy. The result was that every regulatory commission that was created had regulators who almost invariably were in their fifties, had reached reasonably high levels in the administration services and were inured to administrative methods over a long period and could not change much. What ended up happening was that these regulators replicated their traditional ways of thinking and were unable to function independently. They were also easily subject to state and central government influence.

The different commissions also had their own objectives, and it was very unusual for any one of them to use the arguments or decisions of another commission in coming to decisions for their own body. When I was appointed as the first Chairman of the Central Electricity Regulatory Commission, the CERC, I carefully read the Act that created my position. The Indian constitution divided electricity between the central government and the different state governments. There was no provision for coordination between these two levels and I found that to be a very limiting factor. Electricity is the same whether it is generated by a central plant, is flowing inter-state, or within a particular state. I felt that it was necessary therefore that there be a commonality between the central and state commissions. I therefore initiated the creation of the Forum of Indian Regulators (FOIR) and CERC was its first member, followed by state electricity commissions as they were created. This would enable an interchange of ideas between these regulatory commissions across the country.

The Forum of Independent Regulators (FOIR) was intended to be a space for consultation and shared learning. As equal members of FOIR, all the regulatory commissions could be a part of decisions and agreements so that everyone would handle similar issues in the same way. FOIR would provide them with a forum in which they could interact and communicate. However, the other intention that I had was that all independent regulatory commissions – in other words, from other sectors as well (for e.g., telecommunication) – become members of FOIR, enabling the principles of independent regulation to become universal. This never happened. Other regulatory bodies never joined FOIR and therefore the regulatory methods could not be shared amongst all independent regulators in India.

In my view, as a result, independent regulation could not achieve what it could have. It should have led to a greater degree of understanding and response to consumer needs. Obviously, I had no authority as the Chairman of a regulator either to increase the ambit of CERC's authority, and of course could do nothing about the other regulatory bodies. We therefore had the unfortunate situation of regulatory bodies permitting situations which should not have occurred. This was particularly so with financial regulation. FOIR is now a national body with all electricity regulators as members. I am not sure that there has been much progress in developing ideas and principles.

Incidentally, when India started trading electricity with other south-Asian nations, I helped found the South Asian Forum for Infrastructure Regulation (SAFIR) to achieve similar purposes. We held one meeting at Murree in Pakistan that was attended by representatives from south Asian countries but not much seems to have been done since. The body exists but is not effective.

As I have mentioned, I have been on the board of the Competition Commission of India from its inception in early 2000s. It was intended to stimulate competition in all sectors and of course in the other regulated sectors like power and telecom. However, for the same reasons which made these regulators less effectively than they could be, namely - only appointments from the administrative services, considerable involvement of the government in important decision making, the desire to within state governments to stimulate state government-owned enterprises etc., the Competition Commission has been much less effective than it should have been.

Improving independent regulation in India

My experience over the years has taught me that it is not as important to be an expert on electricity or telecom or finance, as it is to have complete clarity in understanding the context in which the regulatory body is to function. This requires the careful selection of regulators and I think that a body like the Union Public Services Commission (UPSC) might well be created to select regulators. It is essential that they are truly independent and will not allow themselves to be influenced by external pressures from bureaucrats, politicians, etc. I do not see this happening in our political system.

CHAPTER 10: Regulation in the Power Sector

The Central Electricity Regulatory Commission

I was invited to become the first Chairman of the Central Electricity Regulatory Commission (CERC) in 1998. At the time, I was working in Delhi. I have held positions on boards of many industry organizations, and I was then on the board of the IFCI, and one of my colleagues was EAS Sarma, the then Power Secretary (he later went on to become the Revenue Secretary). Sarma approached me and asked me if I would be willing to take up the post of the first Chairman of the CERC. I have no hesitation in taking on new challenges – I said yes. The Power Minister at the time was Rangarajan Kumaramangalam. I was the first (and notably a non-governmental appointee) Chairman from 1998 to 2001.

I doubt very much if such an external appointment would have happened without these two gentlemen. Sarma was an unusual administrative officer (after he left the IAS, he created and ran a very effective non-governmental organization in Andhra Pradesh, the Forum for Better Visakhapatnam, a citizen-led public policy initiative to help citizens keep the executive accountable. From all the media reports, the FBV has been very effective). In my interactions with him, I have always found Sarma to be very much more open to new ideas than others from within the government.

Similarly, Kumaramangalam was a cabinet minister who on most occasions balanced in his judgement. In selecting me, a rank outsider to electricity as to government, he demonstrated this objectivity. He was perhaps taking a considerable risk, but I suppose he was looking at my unusual background in business and management.

Along with the establishment of the Central Electricity Regulatory Commission, a regulatory commission was to be created for electricity in every state as well, and in due course of time, they were. This is because electricity is a concurrent subject in the Indian Constitution, with responsibilities split between the centre and the states.

Electricity operation is split up into three broad stages: generation, transmission, and distribution. Generating plants could be owned or controlled by the centre, the state, or even private entities. Similarly, electricity transmission falls under the central or the state government alone. Within a state, the transmission of

electricity is controlled by the state government, while interstate transmission is controlled by the central government. At the centre, this is managed through the 'Power Grid Corporation of India', a central government monopoly that is responsible for all interstate transmission. Each state would have its own similar arrangements. The distribution of electricity to users within a state is entirely the responsibility of the state government which in some cases (as in Bombay, Delhi, Rajkot etc.) has sold or subcontracted the distribution to private entities.

This monopoly over electricity distribution has resulted in situations where many state governments would not permit electricity users in their states to purchase electricity from generators in other states who had surpluses and were able to offer fairly competitive prices. Indeed, the law permits users to have "open access" to electricity supply from other states. However, the local state government has the power to deny permission for buying electricity from other states, even when it could be bought at lower rates than was possible within the state.

As electricity had to be regulated at all three stages, states felt the impact of Central Commission decisions on generating plants outside the state, and with interstate transmission.

There must be some way in which commissions at both the central and state levels could work in a way that leads to optimum results for the user (FOIR for example). In my opinion, the state commissions must report to the central commission. This did not happen because of the Constitutional provision. Distribution of electricity is a responsibility within the state and owned by the state government which could contract it out to private parties. This was regulated by the state commissions which had to approve all important distribution decisions including tariffs.

This obviously meant that the Central Commission could have no authority over matters relating to electricity distribution - tariff, technical and commercial losses, staff indiscipline, electricity thefts, approval of new equipment to ensure efficient electricity usage, etc., all of which rested solely under the State Commission.

Tariffs and Pricing Management

Since states control the distribution of supply within their jurisdictions, the tariffs for end consumers are decided by the state regulatory commissions. A real problem emerges when state governments apply to their respective commissions

for the approval of prices, because invariably the proposed tariffs tend to be low, and for governments, the price of electricity is highly political. What ends up happening is that electricity prices are artificially fixed at low levels for the voting masses. The state commissions should but tend not to intervene to ensure prices offered generators a reasonable return. As a result, electricity distribution in almost every case of government-owned distribution is artificially fixed below cost and this has resulted many times in inefficiency and electricity theft in so many state electricity boards.

A good example is that of electricity distribution in some slum colonies in Delhi, which is managed by private parties. These parties have arrangements with the distribution company which enables them to get electricity almost free, and on which they are able to make substantial surpluses. These surpluses should in fact have been with the state distribution company, which could have used the money to improve electricity distribution within the state.

When state governments used electricity as a political tool to attract and keep large groups of users through their ownership of state electricity boards, and when many users are able to procure electricity at very low tariffs (well below the costs of generation and transmission), the difference is made up by subsidy payments by the local state government. This is not merely to benefit the masses but also to benefit specific commercial enterprises.

Clearly all this is antithetical to the principle of competition but was allowed by the law which gave the monopoly over distribution within a state to the concerned state government.

When it comes to central private electricity generating companies, they tend to be more efficient and profit making. In cases where the distribution company was/is owned by private entities (for example, Tata Power, Torrent, BSEF etc.), they have been much more efficient and the tariffs they have requested from the regulatory commission have been more or less adequate to give them reasonable returns and almost every one of them has earned a good return on their capital. There were a few exceptions of course, where established central government owned companies like NTPC, Power Grid etc., were more efficient than others. Indeed, there are many state government-owned generating companies that lose money, whose equipment is out of date, resulting in higher costs imposed onto the user. Delhi is a wonderful example, where there are a couple of state-owned power plants that are aged, poorly managed and dearly in need of refurbishment.

Yet they survive because they are state-owned, and the regulator is unable to insist on their improvement or their closure.

Neither the central nor state commissions have powers to ensure that the tariffs set by them result in adequate returns on their investment through their generation, transmission or distribution companies; nor do they seem to have the desire. I am not sure how this could be corrected without giving greater working authority to the Central Commission over the State Commissions. In all instances, where there is this interplay between the Centre and the State, we needed a mechanism to ensure that there is fairness to all the players. We must also ensure that the Central Commission remains independent of any kind of external influence.

Membership of regulatory bodies

A major part of the problem has been the profile of members on these independent regulatory commissions. The commissions were designed to have apex members who had very clear ideas on their functions and would not be at all hesitant in expressing their differing views. As members on the regulatory commission, they were expected to be free of influence from any agency or the government. They also had to understand how regulation and the various entities within this sector operate so that when entities like the state electricity bodies would approach them on issues such as clearing tariffs, they would do so in a manner that would reward supplies and still be affordable to consumers.

Yet, most of the members were almost always retired or retiring senior government officials. They were officials who were accustomed to being part of the administrative service, receiving instructions from superiors and ministers (and following them), but not always taking independent decisions. Of course, my experience as Chairman of CERC was only for about three years and we were at that time establishing the Commission, setting out rules of business, and our relationships with state commissions. As far as I was concerned, I had never worked in government and had become accustomed over the years in different assignments to seek advice but always take my own independent judgements and decisions.

Among the electrical institutions under my purview, was the Power Grid Corporation of India. One of their engineers, Mr Bhanubhushan was a very

creative person, and thanks to him we introduced the availability based-tariff which ensured that the power system always worked within a narrow range of variation in its demand. He made other innovative suggestions which I was happy to implement. In my view, it is essential that any regulatory commission has such an expert to offer independent advice about the sector.

I must say that both the concerned Minister and the Power Secretary were very supportive. When I was looking for a competent IAS officer to become the Secretary of the Commission, they cooperated happily in transferring Sanjeev Ahluwalia from the UP Cadre. He was most able as the Secretary of the Commission and helped set out the initial rules and procedures for its operations. The other members of the Commission were GS Rajamani from the Central Electricity Authority, TV Ramanathan from the Institute of Costs and Works Accountants and KN Sinha, an engineer who had spent a lifetime in the power sector. They were all from the government services. I remember I had some difficulty in persuading them not to insist on having red lights on their car roofs which would help them in being received at airports, and at traffic lights etc.!

Competition in the electricity sector

The Electricity Act of 2003 introduced competition in the power sector. Demand-side competition was introduced through the stellar provision of open access, which enabled large consumers with above 1000 KW consumption to source power from a supplier of their choice. The Act also enabled upstream competition through the de-licensing of the power generation, and further reinforced competition through the introduction of power markets. All this was in the anticipation of turning around the profitability of the power sector.

This enabled what was termed as “open access”, which meant that the buyer company could purchase from any power supplier including those from outside their home states. While this might seem a natural requirement in buying the lowest-cost supplies of power from any source, it was a new idea that such open access to supplies from any source could be possible. It would also facilitate consumers in making a free and fair choice to purchase power from the market at competitive prices¹².

¹² Reference the powerline articles

The idea behind the introduction of open access to large industrial consumers (either from directly among the generators, or through an intermediary such as a trading licensee or the power exchange), was also to create a competitive environment in the sector so that the state distribution utilities, who enjoyed a monopoly, could become competitive and help build a much needed operational and financial efficiency.

With almost 16 years since the enactment of the legislation, competition, especially on the demand side, has been fledgling and almost non-existent. Despite this provision in the Act, competitive purchases have been extremely rare. The state utility is under the direct administrative control of the state power department and each purchase of power from outside the home state had to be given specific permission. This happened very rarely (when there was a local shortage, for example). Open access has remained on paper and not much in practice. The state governments were anxious that the power plants in their states should function and not lose sales to power generators that could sell cheaper power.

Only about 1% of our total annual electricity consumption of about 1400 billion units is currently being sourced through open access. We continue to perennially struggle with downstream operational and financial inefficiencies which are now also clearly reflected in the lending industry in the form of bad loans and NPAs. The power distribution continues to be monopolistic and the situation has worsened over the last few decades. If open access had been freely allowed, downstream costs for all industries would have been reduced, ultimately benefitting all consumers.

A question to ask here is *why is open access struggling to find its roots even after a legislative enablement?* We still need to depoliticize power and enable a free and fair competition on the demand side. This lack of competition on the demand side has resulted in inefficiencies cascading on the supply side. The state governments continue to operate inefficient generation, adopt distorted tariffs and pass the inefficiencies to the end consumer, making the entire power sector value chain vulnerable and unsustainable. To repeat what was said earlier, the existence of a Competition Commission has not made any difference to ensuring competition in the electricity sector.

As I write this, the draft Electricity Rights of Consumer Rules 2020 have been issued by the Ministry of Power. These new Rules propose prescriptive rules and duties of the state electricity regulatory commissions, distribution utilities and the

consumers in matters concerning the supply of electricity. The rules also recognize an emerging category of consumers known as ‘pro-sumers’: consumers who would have the right to produce electricity for self-use and inject their excess electricity in the grid. The distribution utilities will have to facilitate the setting up of renewable generation systems at the prosumer’s premises and facilitate a robust compliance to ensure the success of this group of consumers.

Electricity is a concurrent issue and the 2003 Act clearly states that it is the state’s jurisdiction to prescribe such prescriptive rules and the central government (by dictating terms on issues related to power supply) may be interfering in the matters of each state. Such changes demand comprehensive changes in the original legislation.

Instead, the Ministry of Power should issue broad guidelines allowing the states to come up with their own rules that will apply at their respective state level. States already have the discretion to create rules on various areas of power generation, supply, distribution and markets. Instead of intruding into state matters, the central government should focus on specifying broader guidelines on matters such as: ensuring 24X7 power supply to all the consumers, a fair and healthy competition, protecting the rights of the consumers, promoting renewables etc. The central government should invest its efforts in ensuring the reduction of load shedding, on distribution and regulatory reforms and on de-politicizing the power sector.

Here, I must say that building a healthy ‘competition’ in the power sector value chain can offer a win-win proposition for customer, business, market development as well as create a sustainable and efficient economy at large. Free, fair and healthy competition also acts as a self-regulating mechanism. The advent of competition in industries such as telecom, retail, travel, e-commerce, aviation, etc., has brought a lot of value and enormous benefits and contribution to the industry, to consumer choice and to broader economic welfare. In a competitive environment, businesses and utilities are pushed and strive their absolute best in an endeavour to stay ahead in the game. In this bargain, the consumers ultimately get the best deal in terms of choice, price, and quality.

Reforms and competition are thus two key pillars to protecting the interests of the consumers as well as to build an efficient and credible power sector. For reforms to have a sustainable impact, competition is a prerequisite, and it must thus be ensured, protected and nurtured at all cost. To achieve this requires a national agreement between the centre and the states, perhaps constitutional

changes, and certainly some revised legislation. So far, this subject has not even been mooted at the various legislative levels.

CHAPTER 11

When a young person starts their working life, they could be looking to make a lot of money in their lifetime, build a successful new organization, or be of public service. In some cases, over a period of years, they could do each of these, at different times. In addition, of course, many people have other interests – in performing arts, in assimilating cultures, communicating responses and events occurring around them, trying to change official policies etc. such activities could be performed through existing or new non-governmental organizations, through teaching, writing, by participating in public associations or organizations etc. in my working life, I have worked in India in three multinational companies, and in three other organizations that were not profit-making.

The longest time I spent in any of these jobs was the twelve years in Levers, eleven in Beardsell, and the others for shorter periods. It is not that I was terminated in any of these jobs, indeed, I did well in terms of recognition through job titles and promotions and compensation. I left Levers because I felt that my superior had taken credit for my work without the slightest acknowledgement. I left Warner Hindustan even though I was running the marketing operations for the whole company and had great opportunities ahead of me, because of family concerns that for a while affected the amount of attention I gave to my work. My job at Beardsell, like that of many others, was very negatively affected by the lack of adequate support from its British owners.

I moved on from the National Management Program after designing it and running it for two terms, because an academic life was not something in which I had great long-term interest. I was in NCAER for two terms of three years each; and left the institution in a much healthier financial, work, and employee situation than when I joined. My tenure as the first Chairman of CERC ended when I reached age limit set by the government of 65 years. Clearly, my objective in life was not to build myself in any single organization. I had a strong, perhaps conceited opinion of myself, but at the same time, I performed each of the tasks for which I was employed with competence and success. In my non-commercial employment, I left with a particularly good reputation for the quality of work done and its promises for the future. It is quite possible that others in any of these non-commercial jobs might have reacted differently. They might well have accepted the situations as they developed and concentrated instead on building their careers further. Similarly, they might not have accepted employment with contracts for limited periods.

During the years of my career, I faced no serious setbacks. In all my three commercial jobs, I not only built the existing businesses but also introduced new products successfully – for example, Lifebuoy toilet soap in Levers, Chiclets and Halls in Warner Hindustan, and Saxon underwear in Beardsell. The National Management program was admired, both by private and public sectors and my work in the CERC was very effective within the limitations of the law that created the organization. I left NCAER in much better shape than when I took it over. I could perhaps look back and say that some of my initiatives may well have been a bit early for their time, and would have been more successful a few years later, and if I had stayed on to build on them further. This certainly was true of FOIR, the Forum of Indian Regulators. FOIR has survived and has all electricity regulators as members but has neither been able to improve laws relating to independent regulation in India, nor the process of selection of regulators, or even the effectiveness of the state-owned electricity distribution companies or many other state-owned enterprises. Clearly, if I had stayed on for a longer period in any of these ventures I might have been able to significantly influence people's attitudes and consumption behaviours. In all my non-commercial employment, my immediate interactions were either with the Central Government or with boards in which the government had strong representations. My initiatives were perhaps seen as being disruptive and when I left, my successors did not carry them through. Here again, a longer engagement might have helped in improving them further.

In all my employment, I began by trying to think of the context in which my employer functioned. I realized that Managers need to think about what needs to be done to better achieve the objectives of the organization and even to change them if needed. This reflection on the context within which one's work is embedded has been very useful to me.

When I took over the National Management Program, I already had over fifteen years of experience as visiting faculty in reputed management schools like FMS in Delhi, the IIMs and MDI in Gurgaon. I have also served on many boards of management schools. My work in the private sector and my own studies have shown me the infirmities in public sector management, and also the limited respect of government servants to the managers in the private sector. I realized that the NMP was intended to deal with such a problem. I therefore had a clear idea of what managers in the public and the private sectors had to learn about management and about the context of each sector. In designing the program, I

therefore ensured that this aspect was built into the syllabus, and many of the faculty we invited had the ability to focus on this issue of context.

Similarly, at NCAER, I spent some time in evaluating the context of socio-economic research in India, and my own very limited public reputation as an economist. I had of course written about management and public issues and my work, and my thinking was not unknown. In running NCAER, however, I realised that I had to make its work much more visible within the country and internationally, to attract the best work, money and people possible. When I accepted the offer to establish the CERC, despite not having a background in electricity, I spent time studying the law that created the commission and the way in which the electricity sector was functioning at the time. I also reflected on the functioning of independent regulators in India, which by then included the RBI, SEBI, and the more recently established TRAI among others. This gave me clarity on what I could and could not do as a regulator, and my effort therefore was to make the commission function to make the industry more disciplined, improve its financial returns and offer better services to all its consumers. In the end, our functioning as a commission was stymied by the laws that created them, which gave us no authority over the state electricity distribution companies. We could only introduce rules that ensure that demand and supply projections by state-level companies were met. In management you have to accept the situation that is given to you and try to make it more effective.

An important trait of mine has been to nurture talent. In my employment in the commercial sector, I had considerable freedom to improve the quality of work through exposure to different assignments and training. I could recognize merit through direct or indirect rewards. These methods were not available to me in my non-commercial employment. My focus on merit helped me nurture diverse talent. This was more so in NCAER where I could reorganize and assign tasks even to existing staff, that were more in accord with their capabilities. In the NMP, because I had the directors of the IIMs on the committee, I was able to attract some very good faculty from around the country. I could not do this in the CERC, where the members had come in on government selection and the staff had to come from other government departments. We did, however, manage to do what we could within the very severe constraints of the laws that created us.

As is clear from earlier chapters, I engaged myself in many outside activities during my different employments. What these other engagements did for me was to give me a much clearer understanding of the forces in the world outside of the organizations I worked in. I was deeply engaged in sometimes creating but always

working with non-governmental organizations, other major domestic and international commercial organizations, teaching and research institutions. These gave me connections with people who could help when I faced adversities, such as problems with government departments. Clearly, my work required me to develop good relationships with people from many different sectors of society and walks of life. I believe this is a good skill for managers to have –it has helped me on many occasions. They have also given me valuable insights and have helped me become a better manager.

In retrospect, I have to say that any employment that I accepted, I executed wholeheartedly. My attempt was always to get the best results, and I may have appeared to some too harsh in my demands. My own approach was always to work out objectives with my employees and in keeping with what I wanted the organization to achieve. I was at most times able to apply this objectivity to myself as well and was able to recognize many of my mistakes and set them right when possible and get on with the work at hand. Indeed, I cannot honestly admit to having any long-standing regrets in my career, because as a Manager I have also believed in getting on with the job. This was also because on most occasions I was able to spot the mistake and change direction. Somebody else on reading this book might well (and perhaps rightly) conclude that I have been impetuous and had not given sufficient thought to the personal implications in terms of positions, remunerations in many of the decisions.

Undoubtedly, there were decisions I should not have taken, or given them much more thought and time. I could have stayed in some of the organizations I worked for and perhaps moved on to higher positions in them. I cannot say that I have any regrets for not having done so. My experiences are not necessarily reflective of what others should do in similar situations. For me, my working life has been very interesting and immensely rewarding and if I had a choice, I would not have done it any differently.

