GLOBAL STRATEGY – a view on Values from India

"Companies that are not good corporate citizens – those that do not hold to standards and that allow the environment and the community to suffer – are really criminals in today's world."
Ratan Tata, Chairman of Tata Sons (McKinsey Quarterly, 4, 2005)

THESIS

For Western mining companies aspiring to be global corporations China has been an obvious target, both as a supplier and a customer. However, geopolitically as well as economically, India is a much better bet, and not just because they speak English in business and in the civil service. I have long believed that the way the best companies work in India is the model for Africa; in particular South Africa. The trip was intended to confirm or disprove my hypothesis. This position paper, more than endorsing my view, is aimed at the mining community; but its applications are far wider. It all revolves around being serious about the application of global human values in the workplace

SURVEY DETAILS

I have just spent ten weeks in India meeting with industrial, bureaucratic and civil society leaders, and touring factories and NGO communities. These include meeting the Board of Indian Railways and 30 high flyers in the Civil Service (the levels above Directors General); plant tours and meetings with executives of Tata Sons Ltd, the second largest Indian company, Forbes Marshall, Enkei Castalloy, Keihin Fie, Transasia, and five SMEs who supply to world markets. I have lectured on MBA courses and met with Business School leaders and graduate students from Pune, Ahmedabad and Bangalore.
I have also met tribal, rural community and religious leaders from Delhi, Maharashtra, Assam and Nagaland, and visited Aids hospitals, homes for the destitute, temples and small farms. The total number of people encountered exceeds 500.

CONCLUSIONS

What has emerged is a socio-economic model which South Africa companies in particular, and South Africa in general, would do well to pay attention to, at both the macro and micro-economic levels. First the similarities:

1. **Economic History**: India and South Africa both emerged from a controlled economy and encountered the global "free" market at about the same time. However, since the late nineties India has surged ahead and is rapidly becoming the Asian tiger of the 21st century, with a predicted growth rate of 7% annually. South Africa has battled

economically in the same period, due in a large part to exchange variations, despite having very good Treasury and Reserve Bank policies.

2. **Socio-Political**: Both countries suffer from a lack of urban and transport infrastructure in their industrial cities, and from ineffectual local political structures. Additionally, India has corrupt political and civil service systems, with an estimated $200 billion squirrelled away in foreign banks. However, despite this and a history of difficulties with the socialist state and "licence raj" it has produced world class companies, including the most efficient steel producer in the world (Tisco).

South Africa industry is generally not as efficient; but then neither are many other countries.

3. **Energy**: India has huge energy problems, with some states receiving less than 40% of their needs. Neither country has much oil and gas, and the main energy supplier is coal, with backup from hydro-electric – although there is some serious investment in wind power. Both Mumbai and Pune have daily power cuts. Pune even has a power-cut day (Thursday) for manufacturing, and yet it is becoming the industrial and high tech city of India, with both the largest car manufacturer and Indian IT company expanding in its industrial parks.

Innovative solutions are being sought, and South Africa with its PBMR and its SD coal technology thinking, could easily benefit. Tata already have a JV with BP (Tata BP Solar) and would be worth watching.

Now, some differences:

1. **Education:** India has very well-educated white collar workforce, producing over 400,000 engineers a year alone. The basic entry level qualification for a hi-tech company is rapidly becoming a Masters degree, usually an MBA. South Africa has a comparatively poorly educated workforce, particularly in engineering.
2. **Work**: The work ethic in India is tremendous: a twelve hour day in a six day week is the norm – and no-one slacks. South Africa does not have a comparable work ethic (not many countries do), and pays its managers about four times as much as an Indian manager gets.
3. **Corruption**: Indian public servants and politicians are undoubtedly generally corrupt and inefficient. The IC Centre for Governance in Delhi has depressing figures, some of which I have stated above; but they also have solutions. They form part of a growing Civil Society, which includes The Central Vigilance Commission, CENTREL (The

Centre for Training in Ethical Leadership) and a free and vigilant press.

4. **Values:** Here is where Western companies can learn the most, about real values in action.

   The best regarded companies such as ITC, Infosys, Tata, Forbes Marshall, Onida TV, Polyhydron, all have a history of outstanding social responsibility. Infosys, a twenty five year old company which is in the top five IT companies world-wide has “human” values imprinted into every new entrant – and applies them. Tata, which is a $44 billion conglomerate, had eight hour shifts in 1908, free medicals and schools by 1917 (which became available for the whole community), works unions in 1919, apprentices in 1921 and maternity benefits in 1928.

   There are some very good policies here which Western countries could do well to emulate.

WHOLE SYSTEM THINKING

Many Indian companies have followed the example of Tata, and have outreaches into the slums or rural communities, which include free kindergartens, home-based care, addiction counselling, micro-loans etc. THEY LOOK AFTER THEIR OWN BACKYARDS! Tata’s backyard is the city of Jamshedpur, and there is a quid pro quo: Terrorists who have succeeded in making inroads in other communities in the state have made no headway in Jamshedpur. These are classical capitalist, highly profitable, growth-driven companies; but all work from strong moral and social values.

To illustrate the business consequences of this whole system thinking, Tata continues to flourish and will soon be in both South African car markets and Engineering, and perhaps even mining, in a big way. They also have a flourishing partnership with Daewoo trucks to lead them into the global truck market. Their steel production is the lowest cost in the world, and could be of interest to any SA steel company, particularly a black-empowered company. (The Chairman of Tata Sons, Mr Ratan Tata, is on President Thabo Mbeki’s Advisory Panel)

Forbes Marshall, a multi-million dollar manufacturing business grows at 30% pa, and its profits are growing at a faster rate – and this in spite of sustaining a hospital for the local community as well as employees, kindergartens, home-based care, travelling libraries, engineering business training for any engineers wanting to get into business, and a growing apprentice programme. It is also very environmentally conscious, employing an expert and Fulbright scholar, Prof. Bala Krishnamoorthy to coach the young executives on SD strategies And, with its partners Krohne and Codel, it produces world class boilers and measuring instruments.

It has just been voted the 17th best company to work for in India.

In summary, there is much that countries like SA can learn from the best Indian companies about working in within conditions of impoverishment, deploying upliftment strategies that do not create dependency, and delivering world class products and services – and industrial education for the nation. However, there is much they can learn about safety and upstream efficiencies from the best extractive industries in the West.

CONCLUSION

South African corporations face three choices;

1. More of the Same

Follow the typical Anglo/USA model of pragmatic choice, preferring the stockmarket and investment communities' feedback to the reality of the whole system, long term, thinking. They will continue to function as multi-nationals, supporting an economic system that could entertain "acceptable" levels of pollution, move work around the world to wherever the cost is cheapest and return highest, and thereby advance poverty and extend the poverty gap. They will not grow in the long term, and will threaten the quality of life of the third generation.

2. "Me Too" Global

Become a Global company with a Federal system of national subsidiaries and minimum central control, except where compliance is essential. Corporate values will not have any power, as Growth and Profit will be the real imperatives, despite pronouncements on empowerment, upliftment, ethics etc. The big question mark will be whether they will get the best employees and suppliers, and whether they will be continually coming second to the great companies in attractiveness to the best countries. When they do not their cost structures will become more burdensome, and life continually more difficult with the attention of civil society and the discriminating consumer. Supermarkets in Europe will soon be in this bind.

3. A Great Company

Strive to become a Great Company. The West has few, e.g. J&J, Interface; India many. In these organizations Values are a reality, and drive the value up. Konosuke Matsushita was one such values-driven pioneer who tried to encourage the western companies to live by the human values that released the intellectual capital we so sadly lack today. His company captured 80% of the world market in household electronic goods, with a values base of spirituality, excellence and prosperity – all underpinned by a sense of responsibility to all the stakeholders. THESE VALUES STEM FROM THE CENTRE AND PENETRATE EVERY LOCATION IN WHICH THEY OPERATE, i.e. they are not conditional or relative. By the way, 20% of the Japanese Parliament came out of National Panasonic.

As the mavericks of the East keep demonstrating, steady growth and profits comes from a serious incorporation of ethics in the everyday approach to work. And as Ray Anderson, CEO of Interface says of his company: “Doing Great by Doing Good”. And on the darker side, as the Chairman of that greatest of Indian companies, Tata Sons, Ratan Tata, said in the McKinsey Quarterly recently (2005, Number 4): *“companies that are not good corporate citizens – those that do not hold to standards and that allow the environment and the community to suffer – are really criminals in today’s world.”* Strong words from “one of us”!

If we pay heed and strive to become a great company, then we will be welcome everywhere and to everyone, and politicians will listen to us*. If not, then we will face an increasingly unforgiving world, economically, environmentally, spiritually and socially. It is time to learn from India.

JOHN CARLISLE
PANCHGANI, January 2006

*Some wisdom from Prime Minister Manmohan Singh: interviewed in December 2005

“. . . . Services today account for 50 percent of our GDP. There are **lots of people *(businessmen: JC’s parenthesis)* who tell me that services cannot move far ahead of what's happening in manufacturing, and that worries me about this imbalance. I feel we have to do a lot more on manufacturing because, ultimately, services respond to what's happening in the production sector.”**

(My view is that Indian companies will take their manufacturing expertise into the global market through alliances and take-overs in a big way soon to correct this imbalance.)