

# The Anatomy of Rebuilding & Recovery

A CEO LOUNGE INITIATIVE

## Can We Build Back Better?

Empowering the vulnerable workforce

*In conversation with*



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# Can We Build Back Better?



*India opened its doors to the world in the 1990s with liberalisation policies, and though this paved the way for significant economic and social changes, it seems like the journey is only halfway through. With the pandemic hitting the base of the pyramid (BoP) disproportionately, creating a vicious mass poverty blackhole, India's progress has been severely set back, with both consumption and supply receiving major blows. The idea that businesses can cater to the BoP, offer solutions, empower them and uplift livelihoods while not compromising on their profits needs an overhaul. Some of the best leadership from across industries come together to brainstorm what it takes and means to truly empower.*

Words by **Divya Sista**

Just about two decades ago, CK Prahalad and Stuart Hart proposed a radical theory that urged businesses and world leaders to reimagine financial economics. Their work argued that the bottom or base of the socio-economic pyramid (BoP) was a lucrative market, flush with potential where multinationals could explore profit + purpose. However, this strata is also the worst hit during crises, and the idea of emerging markets being the new cash cow faltered, pushing businesses to rethink and

reengineer their BoP business models. Many adopted the risk-return approach, while others shut shop or indulged in inclusive capitalism. The pandemic has deepened our country's economic fault lines, as vulnerable livelihoods were already hit by a looming economic crisis. There is a pressing need to empirically analyse India's economic initiatives while synthesising the green shoots that have made an appearance across this complex, dynamic space of BoP economics. This could be an opportunity to build back better if done right.

## THE POTATO PARADOX<sup>1</sup>

Close to 28 per cent of India's population fall under the multidimensionally poor category according to the United Nations Human Development Report, 2019<sup>2</sup>. The government has various sponsored and subsidised social welfare measures across states catering to food security, employment, housing financial inclusion and social security. Despite the intention behind these schemes being the benign objective of sustainable development and lifting people above the poverty line threshold, India's per capita income remains lower than Brazil, and more recently even Bangladesh.

"We need to look closely at why our per capita GDP is low, compared to peer nations. For instance, Bangladesh was able to find intersections and leverage them as multipliers of empowerment. Only when you identify these intersections of potential and skill rightly you can use them to pivot in the appropriate direction. Further, what is lacking in regulations should be made up in social development. Corporates having affirmative hiring, direct intervention models, access to

microcredit that go hand in hand with the government's development goals is ideal, and to start on that journey, we need government and corporate on common ground. Repurposing CSR (corporate social responsibility) and empowering them (people) with skills is a great start, to which a multiplier effect will follow. It is analogous to giving a hungry man a fish vs teaching him how to fish. We must invest in skill development, harness microfinance while focussing on incremental yet sustained growth," explains Darpan Vashishtha, Group CFO, Hero Cycle.

To pique the interest of multinationals and corporates, and create growth centres that will have a multiplier effect on the local economy, the conditions must be conducive. Labour laws, social and political factors and cost are high up on every corporate checklist.

"Undoubtedly, development in this complex country has been unequal. Urban areas have dominated the mind-space of politicians and policymakers. But, semi-urban, rural areas should not be rooted out as they have immense potential in terms of resources and



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***We must aim at equitable development geographically, socially and economically. There is tremendous scope for farming, green living – rural centres can be magnets for all that and more"***

**Vidya Basarkod**

Country Director, Ramboll India & Director, Ramboll Engineering Centre

workforce. The fundamental idea is to have equitable development stretching far into the hinterlands so that the cities do not choke, and there is homogenous development in the long run," says Vidya Basarkod, Country Director, Ramboll India & Director, Ramboll Engineering Centre.

The concept of government incentivising corporates who set shop in identified areas is not new. There have been special economic zones, growth corridors and industry-focussed parks to encourage economic and social development. Further, corporates are mandated to do their bit as part of their corporate social responsibility.

"Approaches to uplift and aid socio-economic development in the past have been around charity. Freebies, subsidies and charity – these work for certain strata at a certain point in time, but are not sustainable. They eventually run into a rut simply because the economics do not work out in the long run," informs Unmesh Pawar, Investor, Mentor & Advisor, KPMG India.

### **BEYOND CSR: MAKING THE MIX WORK**

The gap between the haves and have-nots is steadily increasing, while the number of people in the "have not"

segment is constantly on the rise – the highest population growth happens in the BoP segment. Further, there are newer threats on the horizon.

"Most of these people hold repetitive, unskilled or low-skilled jobs. As technology and data processing capabilities increase, the threat to these jobs are the highest, making their livelihoods vulnerable," informs Pawar.

At the end of the day, businesses are driven by profits. When faced with crises themselves, it is a natural course of action that the unorganised, low-skilled workforce will face the first blow. But, is this the right approach to business – if not from a moral angle – from a strategy perspective is the larger question.

"It is also about inclusivity. A business's approach to inclusivity is fairly exposed. Inclusivity at the grassroots level breeds empowerment. That was not (always) practised. We have anecdotal evidence of farmers in some parts of the country plying buses and paying for flight tickets of their workers. At the same time, we have facts and numbers of heart-wrenching scenes where thousands of people undertook an arduous journey by foot to their homelands, some more than a thousand miles," says Shailender Khanna, VP,

Customer Experience, Learning & Development and Product, SpiceJet.

This brings us to the shareholder appeasement vs stakeholder management struggle — a phenomenon we have seen increasingly making its foray into boardrooms.

“From an organisation’s perspective, if you proactively handhold people, it will build trust which is a huge intangible asset. In a country where the pandemic has pushed people below the poverty line in a matter of months, it is now more than ever that politicians, organisations and the public should come together,” opines Rajendra Ghag, CHRO, Blue Dart.

The corporate sector and the government should together aim at being socially responsible entities, conscious of the trade-off between the holy trinity of social, economic and environmental impacts.

“At a macro level, we don’t have any organised social security programme except the PDS (public distribution system). At a corporate level, the gap between stated and unstated intent is vast. The amount of deliberation and discussion that goes into circumventing mandated labour compliances like calculation of salary basic for employees earning

salaries less than ₹15,000, for instance, is shocking. Some laws are archaic and need to be done away with, while new ones need to be brought in. In times of crisis, consolidation of power happens whether we like it or not. With the pre-pandemic economy stretched, it only aggravated this consolidation,” says Vashishtha.

Can there be a balance between what is right and what makes business sense?

“Yes. It won’t be easy, but it is necessary. Not just for corporate well-being, but the society at large. CSR should not be a 2 per cent of net profit mandate by the government. It should be driven by a larger agenda. Only then we will be able to do justice,” says Basarkod.

### FORTUNE REIMAGINED

Catering to the BoP through a business strategy that goes beyond CSR or charity is a Herculean challenge. To be able to engineer a market infrastructure, where the socio-economic fabric is largely fragmented and unorganised requires both intellect and resolve.

“In a large, diverse landscape like India, we must have both an imposition and innate determination to do things. The competition is sharp, and therefore



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Investor, Mentor & Advisor, KPMG India





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without mandated laws chances are, we may stumble. That said, life has found new meanings during the pandemic and this is a great time to bring the bottom of the pyramid into our fold,” says Ghag.

Viewing this as a long-term investment akin to investment in plant and machinery or R&D is a good place to start. A three-pronged approach to improving access, customising local solutions and skill empowerment is key to build a sustained BoP-friendly organisation.

“Shareholder priority is to keep the workforce intact irrespective of the situation. The irony about the word bottom of the pyramid or what is politically called the bottom of the pyramid is that it came into vogue as an opportunity. But, can we build a strong self-sustained network that is a supportive ecosystem for all stakeholders involved and not just a disaster response? This is a trade-off between the short-term and long-term goals that we all need to ask ourselves,” asserts Vashishtha.

Building community-centric mechanisms through upskilling and reskilling, knowledge access and

capacity building is a long-term process. Economic empowerment is truly achieved when individuals can envision life beyond sustenance and have control over resources at their disposal.

“Perhaps we can take a leaf from past corporate and business strategy. Mill owners used to build and provide for not just lodgings, but also employee welfare measures like educating their children, handholding them at various life events and so on. We also have traditional conglomerates like the Tatas building communities around manufacturing or processing units, and then sustaining and expanding them,” says Pawar.

Building individual and collective capabilities and capacities are long and slow, and often the investor is not the same one who reaps benefits. We need to build an integrated framework that creates social value, which takes into account 3Cs – constraints, capabilities and contingency.

“Organisations are increasingly going back and re-strategising. Skill-building of grassroots employees teaches them how to fish better. Many organisations are

reinventing the whole pyramid — so that if another pandemic hits us, we will have an upskilled set of people,” says Khanna.

### STAKEHOLDER INCLUSIVITY & SHAREHOLDER INCENTIVE

There is no denying that the BoP is too large a demographic to be ignored. Technological advancements, mobile penetration and the internet have made the group wide open to innovations. Today, corporations can catapult themselves and scale with speed to create a win-win strategy for all.

“While there is a role of the state and NGOs to create an ecosystem, in terms of, say, health infrastructure or education, the corporate must actively take up and explore the intersection of CSR and learning. The business challenge goes beyond a humanitarian effort and we must use this knowledge to make better decisions,” says Khanna.

Organisations across the world are also looking to this form of inclusive capitalism for their global aspirations. Exploring environment-friendly consumption patterns and innovative ways to create a value-based

supply chain that is also economically profitable are ideas garnering support and interest.

“If people (have to) leave their lives and migrate for menial jobs, it is a skewed way of looking at development. We must aim at equitable development geographically, socially and economically. There is tremendous scope for farming, green living — rural centres can be magnets for all that and more,” says Basarkod.

Corporate participation in social development and its responsibility in conjunction with government initiatives for poverty alleviation is beyond morality, humanity or imposed CSR laws. It is a matter of protecting the society at large from degeneration and chaos. It demands radical thought, new levels of efficiency and expanding capitals rather than squeezing them. With everything increasingly measured in terms of value and not profits alone, it makes more sense to invest in the BoP now. Corporations are being pushed to rethink their idea of big — concentrated, localised efforts that drive high impact results are being cheered.



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## TAKEAWAYS

Fortune at the bottom of the pyramid must be rethought keeping in mind today’s socio-economic conditions — it is now fortune for, at and with the bottom of the pyramid.

Catering to the needs of the BoP class is not the responsibility of the government and NGOs alone. It must go beyond CSR activity.

With technology threatening to disrupt and destabilise repetitive, low-end jobs, those employees must be re-skilled, up-skilled or encouraged to pursue entrepreneurship.

With innovation and the right business strategy that focuses on making a difference locally, a sustainable, environment-friendly, socially strong and economically robust empowerment programme can be created.



<sup>1</sup> [https://en.wikipedia.org/wiki/Potato\\_paradox](https://en.wikipedia.org/wiki/Potato_paradox)

<sup>2</sup> <https://www.un-ilibrary.org/content/books/9789210044967>

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