

The Anatomy of Rebuilding & Recovery

A CEO LOUNGE INITIATIVE

Robinhood's Challenge

Empowering the bottom of the pyramid is nobody's job, but everyone's responsibility

In conversation with



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Seasoned Marketing Leader;
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Robinhood's Challenge



Inclusive capitalism has many facets, especially in a developing country like India. Whether capitalism can be truly inclusive or is just another power fantasy remains a hotly contested debate. Money- or profit-making has been the fundamental thought behind business, sprinkled generously with promises of innovation, free markets and prosperity. The concept is further codified by the tenets of abundance, expanding horizons, growth and a vision of empowerment. CEO Lounge brings together thought leaders across industries to understand what true empowerment means for the lower strata of the economic pyramid and socially underprivileged.

Words by Divya Sista

A large part of human existence and evolution has been a story of humanity's journey. A long one spanning almost six million years centred on making life and living conditions better. The Industrial Revolution complemented by the Renaissance, and dominant theories of free trade, have irrefutably contributed to economic growth. However, these are also responsible for unseen social changes and climate change in part — some unintended consequences. In today's world, where technology has democratised spaces and access, we can no longer afford to think on the lines of self-interest, profit and pursuing private wealth.

Corporates' social capital is as valuable and, in many cases, heavier than the financial balance sheet.

DECODING SOCIAL COSTS

Now, more than ever, humankind as a collective species, and man as an individual, are in the best of times. Conditions of life have vastly improved, economic outputs have risen steadily, life expectancy is up — access to healthcare, education and basic amenities has seen growth on average. The pandemic, a speed breaker along a journey that had overcome several other obstacles, has also been a pause button. To take a deep breath and introspect.

"The pandemic was an exigency on all fronts. It was an economic, social and health crisis. It made us question many things we thought were set in stone. With predictions and forecasts going for a toss, we got back to the basics of where we stood, and where we were headed. The pandemic has been harsh on MSMEs and corporates as well. Corporates are faced with a social dilemma. While their identity is built on the premise of profit — they are not the government, an NGO or a charity — they are an important building block of the society, which has a vital role to play in social empowerment

as a whole," offers Sanjeev Shukla, Founder, TerraHealth.

The idea of catering to the bottom of the pyramid — a phrase coined by the celebrated economists CK Prahalad and Stuart L Hart¹ — is a theory that looks at the strata through an economic lens. It pitches them to be a force to reckon with, given their numbers and consumption power. That said, catering to them despite the most honourable social intentions or viewing them as a market is not every organisation's cup of tea.

"The onus on every organisation is to continue to grow. Its intrinsic responsibility is to keep running harmoniously. It owes its existence to its shareholders and cushions them from any impacts. Despite all that, if an organisation is shutting shop, it is incumbent on the organisation to take care of everyone maturely. Incidents may have short shelf lives, but the impact they have on lives is large," remarks Sandeep Gambhir, MD & CEO, Orix Leasing & Financial Services.

Ways and means in which corporate organisations cater to the poor — engage with them in the form of business transactions, give them a platform, or engage in charity as part of their corporate social responsibility — are



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“Employees at 95 per cent of MSME units work without a safety net. A huge chunk also partakes in the gig economy – Uber drivers, Zomato valets etc. To empower them, first and foremost, the wage code, social code, occupational code and labour code need to be codified”

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Co-founder, Strategy Garage

myriad and varied. Technology and outreach have been key. For instance, fintech platforms like Paytm, Google Pay and PhonePe have achieved financial inclusion faster than mainstream banking services.

“A lot of activities that amount to engagement and empowerment of the lower rungs of the socio-economic pyramid depends on perspective. On how everything is dealt with fundamentally. There are times when things may seem small or trivial, but may have an impact on their sustenance,” says Shukla.

The first thought that comes to mind when one thinks of the bottom of the pyramid is the large population below the poverty line. A mammoth base the term represents, is economically fragile, deprived of access, at a geographical or political disadvantage, discriminated, marginalised, and often engages in micro and small units of the MSME sector.

“From an economic standpoint, India has 63 million MSME units, compared with the United States, which have around 20-24 million MSME units. However, these units contribute eight

times the GDP in the US over Indian counterparts. If we further break down this data, out of these 63 million units a minuscule 20,000 have capital above ₹10 crore. There is also a steep rise in the unemployment figures because this sector is primarily low skill, labour intensive. Where the rest of the world has blue-collar and white-collar job demarcations, in India there are what I would call the collarless labour force — ones who work without a contract, on daily wages, have little or no social security and are paid a pittance. With Covid-19, we have witnessed a huge trend that is resetting and re-evaluating needs — be it office spaces, infrastructure or cutting down discretionary expenses. The base takes a direct hit with decisions like these. These units collectively also contribute to a whopping 30 per cent of the country’s GDP, providing employment and livelihood to millions. When the overall GDP is not growing as it should, it is a pressing matter of concern. The responsibility of the corporates being mature, bigger figures of these MSME units is to set the right tone for others

to follow,” explains Aksh Rohatgi, CEO and Country Manager, ISS Facility Services India.

TEACHING A MAN TO FISH VS GIVING HIM A FISH

Empowering the bottom of the pyramid is a collective effort. It often involves small actions, conscious business models that as a sum of its parts work like a well-oiled machine.

“Ninety-five per cent of MSME units employ 10 or less than 10 employees. These folks work without a safety net. While this is somewhat structured, there is also a huge chunk of the population who partake in the gig economy — a semi-formal structure like valets at Zomato, Swiggy and Dunzo, drivers of Uber and Ola, and so on. The younger demographic is making use of it. Some of them run on four to five separate gig roles in a day. Another aspect is this huge debate of what needs to be done to empower them. First and foremost, the wage code, social code, occupational code and labour code need to be codified. Despite having regulations, they are

at a disadvantage. The gig economy is a wonderful conduit to the structured economy,” notes Revathy Ashok, Co-founder, Strategy Garage; board member, investor and mentor.

India has one of the most complicated and gruelling labour laws. Often these very regulations, laws and compliances contradict each other arm twisting business owners into looking for ways to circumvent them. With over 30,000 compliances, 3,000 filings, and 55 laws to adhere to², which differ by the state, companies, especially the MSMEs have little incentive to bring their labour into the mainstream. That said, three landmark labour codes were passed by the parliament this year on industrial relations, social security and OSH (occupational health safety and working conditions). It also extends benefits to gig economy workers, previously not eligible for social security since they were not on an organisation’s payroll. True intended effects of these are however yet to be seen, given that the economy in itself is fractured and reeling from the pressure caused by the pandemic.



“When you empower the bottom, the effects are pushed towards the top. Skill development, family benefits, social security, access to health facilities... for those at the bottom positively impact the entire organisation”

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“As corporates, it is not just about the pandemic. We ought to think long term. But with ESG (environment, social and governance) coming in, global brands were under the scanner even pre-pandemic, pushing them to deal consciously with their vendors, employ responsibly, improve working conditions and so on. Every organisation must question itself on what should the underlying intent be,” reflects Gambhir.

Empowering the underprivileged has a proven economic effect with spill-overs beyond GDP growth. It accelerates demand, boosts innovation and productivity that goes past cliched figures like unemployment, and sophisticated economic data.³ It is complex, goes beyond ideologies, and has well-meaning intentions. At the same time, it requires consistent efforts.

“Inclusivity and empowerment are not ends. They are a part of organisational DNA and not a one-time affair. Small financial initiatives can have a generational impact. There are things organisations have to build in and

inherently stick to. When we talk about the bottom of the pyramid it is not just about the economically underprivileged. Every organisation manifests itself into a pyramid structure where hierarchy develops. So, when you empower the bottom, the effects are pushed towards the top. These include skill development, family benefits, social security and access to health facilities. It could even mean delegating power, enabling them to make decisions, helping them grow on their career path. But work culture in itself flows from top to bottom, so we have to adopt an integrated approach,” informs Gambhir.

OPPORTUNITY AND UNCERTAINTY — THE TWO SIDES OF A CRISIS

Often it is not the intentions, but the cut off from ground realities that bogs down initiatives to empower. It helps to break down this overwhelming issue into chunks and adopt a microservices-based approach. Every effort counts.

“A good place to start is to think in

terms of capacity and capability building. This could range from better use of your organisation’s refurbished electronics for a child’s education to sponsoring a water treatment plant in a remote village. The pandemic exposed every organisation’s real character. But it also gave them an opportunity — to create a loyal employee base. To experiment with organisational structure initiatives. Or the creation of a larger social organisation. We must also remember that sometimes, imposing laws could be a push in the right direction. Consider the CSR (corporate social responsibility) law, for instance. We can through CSR activity reflect upon and explore controllable action points related to the organisation, which would in turn influence uncontrollable variables. If we need to make India a good place with great ease of doing business score both on paper and in reality — judicial reforms, labour laws, wage code — speed of prudent reforms need to be brought in. It will help make the economic pie larger for India and facilitate the environment for sustainability,” analyses Rohtagi.

Nobel laureates Abhijit Banerjee and Esther Duflo in their critically acclaimed book, *Poor Economics*, note how the

Victorians assumed that poverty was a direct result of impatience and sloth. We know better now and have a greater understanding of the conditions of the underprivileged. But there is so much to be done that success seems a distant dream. An emerging middle ground is the rise of conscious capitalism.

“If each one of us has to run our shop legally, making profits and keeping the stakeholders happy there are a set of must-dos. With conscious capitalism, the enterprise is pivoting towards inward-looking approaches, making things better and building its social capital. It is time we stop looking at CSR as mandatory compliance. If used right, it can do good for the balance sheet as well,” observes Shukla.

Organisations that break from the mould, adopt unconventional approaches, and stay ahead of the game have the first-mover advantage. Corporates perhaps just need to look at the bottom of the pyramid through a different lens.

“While we are talking about corporates and their responsibility it is important to note that this is a team effort. The government, organisations, and the public need to have a synergy.

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Sanjeev Shukla



The government has recently mandated the top 1,000 listed companies to report on ESG parameters. Their idea is clear. If you are not taking action voluntarily, they simply make it mandatory. There are guidelines, best practices and frameworks for good corporate conduct and governance in every industry. Companies do not have to wait for it to become an imposition. You can pick up three-four relevant areas and include them in organisational goals. This is good for business, social capital and most importantly a sustained performance," explains Ashok.

Is it a choice, a structured plan, or just another compliance depends on the organisation's thought?

"There is no other way of growing an organisation, which is a sum total of all people in it. When you take care of people attrition rate is low, there is collective wellbeing, a harmonious coexistence — things that matter beyond numbers. Whether the top layer drives it well or the middle and bottom layers are exceptionally receptive, it creates a healthy

organisational culture," reflects Gambhir.

The world woke up to the spill-over effects of globalisation — the pandemic is a harsh reminder of the power of collectives.

"It is never a development versus environment debate. That's pointless. It is always an 'and' — development and environment. Social, economic and climate all go hand in hand. How we manage small things, reuse products, manage waste make an impact. The pandemic has exposed a lot of things, bringing self-introspection, skill development at the bottom of the pyramid to the fore," describes Ashok.

As each country, organisation, business and individual race to innovate, adapt and build better, the bottom of the pyramid is no longer the social underbelly, dark and distant, which can be ignored. There are positive signs and a little handholding will go a long way. After all, we must never forget the mathematical and structural importance of the bottom which forms the base. It is in everyone's interest that it stays strong and is not fragile.

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Revathy Ashok

TAKEAWAYS

- 1 The bottom of the pyramid is not just the economically poor — it comprises socially challenged, underprivileged communities and groups at a disadvantage.**
- 2 Empowering the lowest rung on the socio-economic pyramid has a multiplier effect.**
- 3 Organisations must look beyond their CSR activity. Initiatives could range from skill development to awareness programmes and economic empowerment.**
- 4 With the corporate world heavily affected by ESG parameters, this is an effective tool to build social capital.**



¹ https://en.wikipedia.org/wiki/The_Fortune_at_the_Bottom_of_the_Pyramid

² <https://economictimes.indiatimes.com/opinion/et-commentary/india-has-been-working-out/articleshow/86075783.cms?from=mdr>

³ <https://economics.mit.edu/faculty/eduflo/pooreconomics>

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