

Full transcript (Edited version) of Capt. Raghu Raman's talk: **The 32-Minute MBA From Indian Streets** at Josh Talks Mumbai 2018.

NOTABLE QUOTE FROM THIS TALK:

“Now if this raw energy which is coming in to the streets is not channelized, and we don't fight the right way to leverage it, the right way to find them employment, give them what they need, meet their aspiration, then this youth dividend that we keep talking about and you belong to it, can actually start turning into a youth nightmare.”

TRANSCRIPT:

Capt. Raghu Raman

I'm going to talk to you about a part of India that usually we don't sort of recognize as a formal industry or a formal business and usually it's referred to in various different reports and documents and Management studies and business schools as the informal industry, the marginalized industry.

But you will see some glimpses of it, I'll play a short movie for you as an introduction of this unorganized India, an Inc. I call it India an Inc; this term is not coined by me. It's a term that's been coined many years ago.

But it gives you a glimpse of that part of India that we kind of — Indian business that we kind of take for granted. And we oftentimes don't even look at them, so let's begin by just watching a very brief montage of India an INC.

[Video clip]

So in this 30-second clipping you saw a whole series of activities that happens around us. I mean newspapers arrive at home and coconut water comes, flower delivery, vadda pav in the streets. And we forget that this entire infrastructure and framework which pretty much runs our life on a daily basis is also a formal business. And we label them as marginalized informal unorganized sectors.

Over the next 10-15 minutes I actually want to show you how much of injustice we do by labeling this industry as marginalized informal unorganized, because in every parameter of

business metric they very often exceed what we consider to be the tier 1 companies, the ones that are listed in Sensex, Nifty, the big giants, the unicorns and the branded organizations.

I don't know how many of you are aware that close to 50% of India's GDP is contributed by the unorganized industry. Not by the organized industry, by the unorganized industry and those of you think that FDI, you know there's a big celebration that happens whenever FDI inflows come in.

FDI inflows have never exceeded more than 7% of India's GDP ever. 50% comes from the unorganized industry. The unorganized industry employs close to 90% of our workforce.

India has a workforce of about almost 500 million and 90% of that is employed by the informal industry, by the unorganized industry. And as I'll show to you with one example after the other, they also perform pretty much in every metric better than Tier 1 businesses or businesses that we normally consider to be the benchmarks or in many cases the aspirational companies that we want to join.

SHELF-SPACE

I'm sure many of you must have seen these stores, these bookstores, these food counters. Here you see an example of a bookstore on a pavement. You can actually measure that the per square footage revenue and return of investment that happens in a pavement exceeds by several multiples the return of investment that happens in these big malls that you see, the shiny malls, the chrome and glass and the branded stores.

The pavement actually delivers a much better rate of return for every rupee that is invested in a business over there. These books that you see stacked in the pavement, you would have also noticed that many vendors carry these books in their hand.

Now those of you who are marketing students or who are studying FMCG businesses, you'd be taught that there is a whole science in placement of products in the shelf space. Actually the shelf space is very actively contested and fought for and there's a whole design principles that go into it.

My sense is that the shelf space that you see, this old man carrying, he has to carry the set of books and certify it by his sweat equity. He has to make sure that every book that he adds on, which is another 200 grams, and every three to four kilos that he carries on a daily basis — and by the way when you carry 3 or 4 kilos for more than a couple of hours it doesn't feel

like 3 or 4 kilos; it feels much much heavier.

Matter of fact I tell a lot of my author friends that if you want to know that you have arrived, then you need to find your book in this stack. If it is there in this stack, then this old man has certified that your book is going to become a best-seller.

Right now you see a salesman and he is a sales boy; he's a salesman, sales boy who is selling flowers in — and you would have seen them in traffic lights and so many other places. This sales boy who has a 30% margin, the flower that he sells to you for 10 rupees it costs him 7 rupees to acquire that and he's got a 30% margin.

More importantly he can give you a 50% discount on the spot if he likes your face. If you try to get even a 5% discount in an organised business, if you are trying to implement a 5% discount that decision has to travel all the way up to the CxO, in some cases the board level and then come down from there, and by the time that decision comes the opportunity has already been lost.

This is an example I want to illustrate to show you how the distribution of wealth in the informal sector is far more equitable than the formal sector. So suppose you eat a plate of idli from a vendor in a footpath, and he charges you 12 rupees for that plate, he keeps only three rupees of that 12 rupees. The remaining 9 rupees goes into the entire supply chain, the people who wash the utensil, the people who grind the dough, the people who bring it in an auto rickshaw, they are the ones who get it.

If you eat the same plate of idli in a five-star hotel, which costs you about 400 rupees, the bulk of that money is kept by the establishment and a very miniscule percentage of that actually reaches into the ecosystem.

FLUIDITY OPERATIONS

The third example I want to show you is the fluidity with which these businesses operate.

What you're seeing over here is a street vendor. Any idea what he is selling? He's selling something for a festival.

What festival would that be? Holy. This street vendor and millions of vendors like him, they have to change their entire inventory, their supply chain, their target segmentation, their pitch, the method by which they sell, every month, month and a half.

So they actually change their entire supply chain, their entire business model, more than

twelve times in a year.

Now compare that with the business transformation on an organizational realignment that big organizations try to do and I'm given to understand from management gurus that it takes anywhere between five to seven years to implement organizational transformation, which this market does twelve times in a year.

That's the kind of fluidity that they have, that's the kind of agility with which they can operate.

If you look at this marketplace, my sense is I can see more entrepreneurship happening in this crowded marketplace than you will find in the Silicon Valley or in incubation centers and let me explain this to you.

You might have noticed that when you go to these marketplaces, or these red lights, suddenly a new product will emerge. Sometimes it will be a toy; sometimes it will be a head massager; sometimes it'll be a kind of a fountain to clean car. Sometimes it's the national flag on 15th of August or 26th of January or is this Christmas hatch that you saw a few days ago.

Now try and visualize how much of planning has to go into this entire process of deciding the marketing slots throughout the year: the supply chain of the equipment that has to come in; the toys that have to be purchased from China, brought in over here; the distribution that has to happen — the simultaneous launch of that product on the same day at every red light at every crossing, unsold inventory has to be taken back; the cash flow has to be managed. It has to be done on the basis of trust because there are no SAP, no business software, there is no Microsoft Outlook to make all of this happen.

And all of this happens seamlessly; it happens without any ASSOCHAM, without any [Apiki] or NASSCOM or any industrial body which is supporting it. It happens without any TRAI which regulates the business.

It happens completely seamlessly with simply the speed of trust and with the innovation that comes literally at a daily basis.

ADVANTAGES

The Unorganized sector also has some other great advantages.

Firstly, it's an equal opportunity employer. Whether you're a man, woman, child,

transgender, educated, illiterate, old, young, matter of fact, many of these people whom I have mentioned to you just now usually find their jobs only in the unorganized sector.

I mean if you take a poll of how many companies employed transfer sites or employ a handicapped people or employ aged people, you'll realize that it is only the unorganized sector which takes them in, adopts them and gives them ability to earn a living when the organized sector has either abandoned them or don't even look at them.

You look at how they have to change their synergies literally on a daily basis. The vendor that you see was selling those snacks, in the morning he sets up that store in front of Shivaji Park or places where people are going out and jogging and he sells a different kind of snack in the morning.

In the evening he sets up the shop in front of a liquor store and he sells a different kind of snack. So in the morning and the evening he shifts his business model, he shifts his customers, he leverages different synergies in the same city at different times of the day.

The last person you see on that slide is a tailor in Fashion Street. Actually he's a garments shop owner in Fashion Street and some of you must have been to Fashion Street, right?

Do you realize that there are identical — more than 150-200 identical stores, there is no differences, right? Most of the customers who come to Fashion Street or many many such streets all over India, they're going to come only once. So there is no customer repeatability. There is nothing.

In that 30 seconds or one minute of interaction, this tailor has to visualize the size; he has to pick out that garment and it has to happen in the first or the second fit otherwise that customer will move to the next store.

Now that is the kind of agility, that's the kind of innovation, that's the kind of customer understanding that these people have to do literally on a daily basis.

I also believe that there are more management lessons in the street out there than in many of the B-schools put together. And let me give you this example.

So some years ago I was working in a company called **First Choice**, and I had gone to Delhi.

In Delhi, there's this Pragati Maidan and some of you might have known it. And my colleague was also a CEO of another company, and he was using this opportunity in Delhi to

brief his local team.

So his team had gathered around him and he was sort of reviewing their performance or briefing them or whatever. And since it was none of my business I was standing on the side.

But when I was standing on the side, I noticed a street urchin who saw this gang of people and kind of you know walked up to them and he started begging and asking for money.

So my friend was busy, briefing his people and he was getting irritated by him, so he tried to shoo away this kid and he told the kid to go away but the kid didn't go. The kid kept standing there.

And after some time my friend got a little irritated and out a sheer irritation he started looking for change in his pocket. And that of course was the cue for the rest of the subordinates to immediately pull out change from their pocket and hand it over to their CEO.

And so he picked out a coin from the palm, happened to be a five rupee coin which those days was a very — a substantial amount of money. And he gave it to the kid. The kid was also surprised that he got so much of money.

But he were very happy. And he started running. As he was going away, a couple of other kids saw that he had got this money and they tried to snatch it out of his hand but he fought them off and he managed to reach his headquarter so to speak.

And many sat over there, there was another kid with him who obviously was a younger brother. And he nudged that kid and he pointed towards this group of people and told him to go and pick — try his luck with this set of customers.

MANAGEMENT LESSONS

Now I want to point out 4/5 management lessons that these kids know intuitively.

The first lesson they know is to talk to the decision maker. Even if it is not the decision-maker who gave the money, the money came from somewhere else. But they knew how to talk to the decision-maker.

The second lesson they know is persistence pays . So even if my friend told him to go away first, he didn't go away. He kept standing there because he knows that persistence will pay.

Third, when he got the deal, he knew how to protect it. He did not go around announcing it to the whole world so that the competitors would come in and undercut your price and take it away. He held that very closely to himself.

And when he reached his headquarter, what better example of customer relationship management do you want to see when he tells his younger brother, these are paying customers you should go and get more money out of them.

It takes roughly about 3 to 5 years to teach these basic principles to management trainees when they join corporates.

Because typically this young MBA, they will go to some fancy title that they see, you know vice-president photocopiers or something like that. He'll go to that person; that person will say oh, it's a very good product. But we don't have the budget for it. You go back and come back next year.

And these guys will come back happily to the organizations. They have called us next year. They don't know that when it says no budget, there is always a budget. When it says no vacancy, there is always a vacancy.

And if you know how to talk to the decision maker you can get that budget out from somebody, may not be the decision-maker. These kids know that because they starve in the night if their pitch is not secured.

They starve if the the value proposition that they have given is not accepted by the customer. It's not a loss of some bonus or some increment; it is going to bed hungry, which teaches them those management lessons.

LESSON OF ENOUGH

One of the most important lessons I think which we need to learn and usually it takes us 10, 15, 20 years to learn this lesson is the lesson of enough.

This person you see on the screen, his name is Sandeep. And those of you go to Worli sea face, do you go to Worli sea face, any of you? Yeah, in the morning? Morning, okay, because evening is a different set of activities. I'm talking about the morning.

So in the morning, if you go to Worli sea face, you'll see a lot of people running, jogging and doing other kind of stuff over there. And he sits right next to that point where the ceiling begins. And you must actually go and meet this person and verify what I'm telling you.

So when you will go to him, he sells Wheatgrass, and Wheatgrass is organic sort of a supplement which a lot of people consume. And he sells that and he gives that to you for 20 rupees a cup.

He also has, if you notice, another steel container kept next to his Wheatgrass Apparatus, and if you ask him what's in that? He will tell you it's Neem juice. And if you ask him for a cup of Neem juice he'll give it to you. You ask him for another cup he'll give you another cup.

And then you ask him how much does this cost, he will tell you this is free.

Now here's his rationale. He says that I have to buy Wheatgrass and I have to pay money for it, and that is why I buy the wheatgrass, sell it and make money out of it. Neem is free. I just pluck it out of trees and I make the juice out of it. And I give it away for free.

So I asked him: Why don't you charge for the neem also, not 20? You can charge five?

He says no, I make enough money with the Wheatgrass. This is something that I give away for free.

This person has learned the lesson which a lot of us take a very long time to learn: What is enough.

HOW DO YOU DEFINE WHAT IS ENOUGH?

You define when you have had enough by having an alternate source of revenue and choosing not to exercise it. That is when you have arrived in life and you can say I have had enough.

And to my mind, this CEO of a medical establishment actually does more CSR than some of the biggest hospitals that I've ever seen because they do 2% CSR which is mandated by the government, he does 50% CSR because he's realized that he's had enough - a lesson that very often in corporate India people learn after 25-30 years after getting cholesterol, ulcer, all those kind of other perks of corporate life. That's when they start realizing that they've had enough.

Now you might be wondering I'm a former soldier and why am I talking about India an Inc and business and what's the correlation between being a soldier and talking about this. And let me tell you the reason why.

These 1 million young people who are going to come into the job market every month is India's one of the biggest strategic risks. This raw energy which is coming into the markets and not finding jobs, you're all aware that while India Inc may be growing in Sensex and in Nasdaq and several other metrics, they're not creating jobs.

The jobs are actually reducing. It's happening because of automation, it's happening because we need to be more competitive. Artificial intelligence, so many other technological changes are actually removing jobs.

Now if this raw energy which is coming in to the streets is not channelized, and we don't fight the right way to leverage it, the right way to find them employment, give them what they need, meet their aspiration, then this youth dividend that we keep talking about and you belong to it, can actually start turning into a youth nightmare.

If we have to satisfy the 1 million young job aspirants who are coming into our streets every month, our GDP will have to grow literally at double digits, and we know that that's not going to happen because of India Inc.

SO WHAT DO WE NEED?

I believe we don't need two or three, five thousand crore companies. We don't need two or three unicorns. What we need is five thousand, two or three crore companies. That's what we need.

And how can we do that? How can we as citizens do that after all many of us are young, most of you are young, and you don't have that kind of money, it's not like you can invest and fund.

But I propose to you that we can actually start a fund and that fund is called a VC fund. And what does that mean VC, when you see and you don't have to give that fund in the form of money. You can give it in the form of sweat equity. You can give it in the form of your passion, in the form of your ideas, in the form of your intellect.

And let me give you some examples, which are actually working as we speak right now.

You see this thatched hut kind of a shop, and this is a shop on the way from Bombay to Tadoba; it's on the road. Tadoba is a tiger reserve; some of you might have heard of it.

And this old woman sells what is arguably one of the tastiest khakhra you will ever eat in your life.

Now she charges just 15 rupees for this plate. Until a group of youngsters like you who had gone to Tadoba happened to mention to her that, you know what, you can charge close to 30 rupees for it because people from Bombay who were travelling are expecting to pay 50 to 100 rupees, and they'll be happy to pay it.

So you're not overcharging them. You are actually under charging them and you can make it to 30 rupees.

And secondly, you should have a board outside your shop which tells people what is available here, otherwise how do they know?

And she looks up and she says, I don't know what is the board, what is the board.

So then these kids actually drew a board on a piece of paper and gave that to her.

And the next time when they went there they found that the shack not only had this board and a mobile number, but it also had a long line of cars outside and her business had not only quadrupled. But her bottom line had also increased by eight times because she's also doubled the price.

One idea, one simple element that was implemented and this old woman had an orbit shift in her life.

Why can't we do this with all these people who are trying to have a fighting chance against these organized laundries, organized industries, organized bakeries, organized food joints.

This local stree-wala of yours what why can't we just go to them, train them a little bit, give them a little bit of CapEx so that they have a 20,000 better iron? Why can't we encourage them that we will give our clothes only to these marginalized people and give them a fighting chance?

I live in a place called Prabhadevi and and right in front of my house, I see a very organised bakery. There are many of them, and you probably recognize which one this is.

And next to that is this old man who has been baking bread for 40 years. The tag sign of the the modern bakery says: we bake our own bread. This Suleiman Kaka has been doing it for 45 years. There is no big deal with that.

Now what does it take for us to give him patronage to go to him and ask him to service us, instead of going and buying that bread from that industrialized sliced bread, cutting

machine, infrastructure from where it comes?

There are hundreds of examples like that where we can actually take out our little bit of involvement, our passion, and make these miracles happen, because I genuinely believe there are more miracles per square feet in India an Inc.

And I want to give you a very very poignant example of that, and you see in this picture. This boy, his name is Prathimesh, the one whose face is circled.

Now Prathimesh and another boy called Jitu, there were these two boys who used to be working in Mahindra and Mahindra. And they used to work in Mahindra and Mahindra as office boys. They were about 12th class pass and one of them had done his graduation from a night school. They used to earn about 5000 rupees a month, which is what office boys used to get in the year 2005, which is where the story took place.

A B-School from Bombay, Welingkar, you might have heard of it, one of the outstanding B-schools of India. They decided to do a very bold experiment.

They decided that we are going to pick two office boys who are barely twelfth class pass and you know, the circumstances, the financial circumstances, the environmental circumstances that they come from, the exposure and all of that.

And they said we are going to put them in our college with 14 mentors. They selected 14 mentors from amongst the students. And the task given to them — mission given to them was you will take these two kids with you, through this two years MBA program, no punches will be pulled. No subsidy will be given. There'll be no letdown on the marks or the marking system, because they don't have the privileged background.

It is your job to train them everything that they don't know, teach them anything that they need to know to pass the MBA. They're to teach them MS Word, Excel, they're there to teach them Michael Porter's Five Forces in Vada Pav language.

And the amazing thing is that not only these two kids graduate from that college, they also in the merit list of the sixteen came eleventh and thirteenth which means that they beat their own mentors.

This is a picture which was taken in 2007 where you see them standing with Mr Anand Mahindra.

Now there are three very important aspects that I want to tell you about this story.

The first aspect is when they were earning 5000 rupees a month and they were earning 60,000 rupees in annum, they were not a customer for a bank; they were not a customer for an automotive company. They were not a customer for a housing loan. They couldn't be.

But the moment they got their first job, incidentally both of them were placed in ICICI Bank. Unfortunately Jitu is no longer with us. He died because of blood cancer but Prathimesh went on to become a manager and their first starting salary was 6 lakhs.

So from 60,000, they went to 6 lakhs. Now they became a customer for a bank. They became a customer for an automotive company. They became a customer for Mahindra and Mahindra.

The second important element of this story is: If you go to the U.S., UK or any one of the developed countries and you go to a McDonald's and you see the person behind the counter. She could be doing a PhD.

In India, if a person is behind the counter, chances are they'll remain behind the counter for the rest of their lives. The counter may change, they may go from a tapri to a bigger one, to a bigger one, finally end up in a five-star hotel, but it will be on the other side of the counter.

These kids who used to serve tea to Mr Anand Mahindra had tea with Mr Anand Mahindra. The jump from this side of the tray to that side of the tray is the biggest jump in India, in any developed countries.

And the last point which I think is the most fascinating point is that when these two kids graduated, they not only paid back that 5,000 rupees stipend which was being given to them by the college. They had to give them a stipend because they were earning members of their family. So they couldn't do an MBA if they couldn't take back 5,000 rupees a month.

Not only did they give that money back, but they actually gave money to fund the two more kids. That ability of India an Inc to appreciate someone else's grief and pull that person along with them is very very different from Corporate India where you edge out other people so that you can go to the top.

It's a completely different philosophy and that is the philosophy that is needed in a nation where the distribution of wealth is such — you can read the latest reports — close to 58% of our wealth is controlled by less than 1% of our population.

This kind of inequity in a developing nation, in a young aspiring nation is not sustainable.

We can't continue to build these ghettos with high walls around it and fences over it and electrical CCTV cameras and and smart cities. They are not going to solve the problem.

We have to stop thinking of building smart cities with smarts. Instead of that we have to start building cities with hearts. And to do that, we have to focus on India an Inc.

This is Prathimesh today. He works for a Tier one bank here in Thane and he manages a fund of close to about 170 crores. And what was the cost of this project? The cost was financially zero.

No money was required be done because they paid the money back. The 14 mentors, they also learned a lot about — they learned what really happens on the street, how business is conducted, how do people survive on less than 2000, 3000 rupees a month? How is that possible? They learned that.

They learned the market opportunities at the bottom of the pyramid, so it was a win-win-win-win-win for the entire stakeholders, all the stakeholders who participated in this experiment.

SO WHAT'S THE POINT I'M TRYING TO MAKE WITH ALL OF THIS?

I think a lot of young people today and especially you lot — and by the way, all of you sitting away, anybody sitting here in this auditorium belongs to 0.00001% of humanity.

You won the lottery of life. You're born in the right family, had the right education, got the right breaks. And you are — if you can understand this talk, watching it on video, then you belong to that minority who can understand English, who's got a mobile phone with you, you understand what I'm saying.

We have a choice. Our choice is that we can look at these sexy companies that are listed out there and be aspirational about joining them and you will join them. And you'll maybe make a difference, maybe make a difference.

In a large organization like that any effort that you put in — so I have some friends or some interns who come up and tell me you see in this Microsoft Windows version 10, you see this icon, I made this icon, that's his contribution.

On the other hand, you can choose to actually work with India an Inc and there you will have to work directly with the CEO, CTO, CFO, chief marketing officer, the same person by the way.

You will have to persuade that person to adopt your idea. If that person adopts your idea, you will see the success or failure of that in literally two to three weeks. And the cost of your idea will be paid for by that person either with success or failure.

If he succeeds he doesn't orbit shift. If he fails he goes to bed hungry that night. That is the delta in which you are experimenting your intellect, your education, the potential that you think you have to be great managers, great strategies, great leaders. It must be first tried and implemented in India an Inc, because any idea that works in India an Inc creates an orbit shift.

It takes a person who is in a certain economic strata, lifts that person from that strata, takes that person to a completely different strata, not only changes his life, but changes the life of his coming generations. His children will go to a different school. They will have different hygiene.

They will stay in a different place, and that's the difference that you can make. The way things are right now I don't think it's a choice or a hobby. This is an existing issue in India.

Unless we start focusing on India an Inc, to start creating the job opportunities, to start creating the suction which will pull in some of this 1 million young people who are coming in, then we are looking at a serious existential crisis as far it comes to national security, as far as it comes to national economy. And definitely as far as it comes to having a equitable country.

Thank you very much. Thank you.