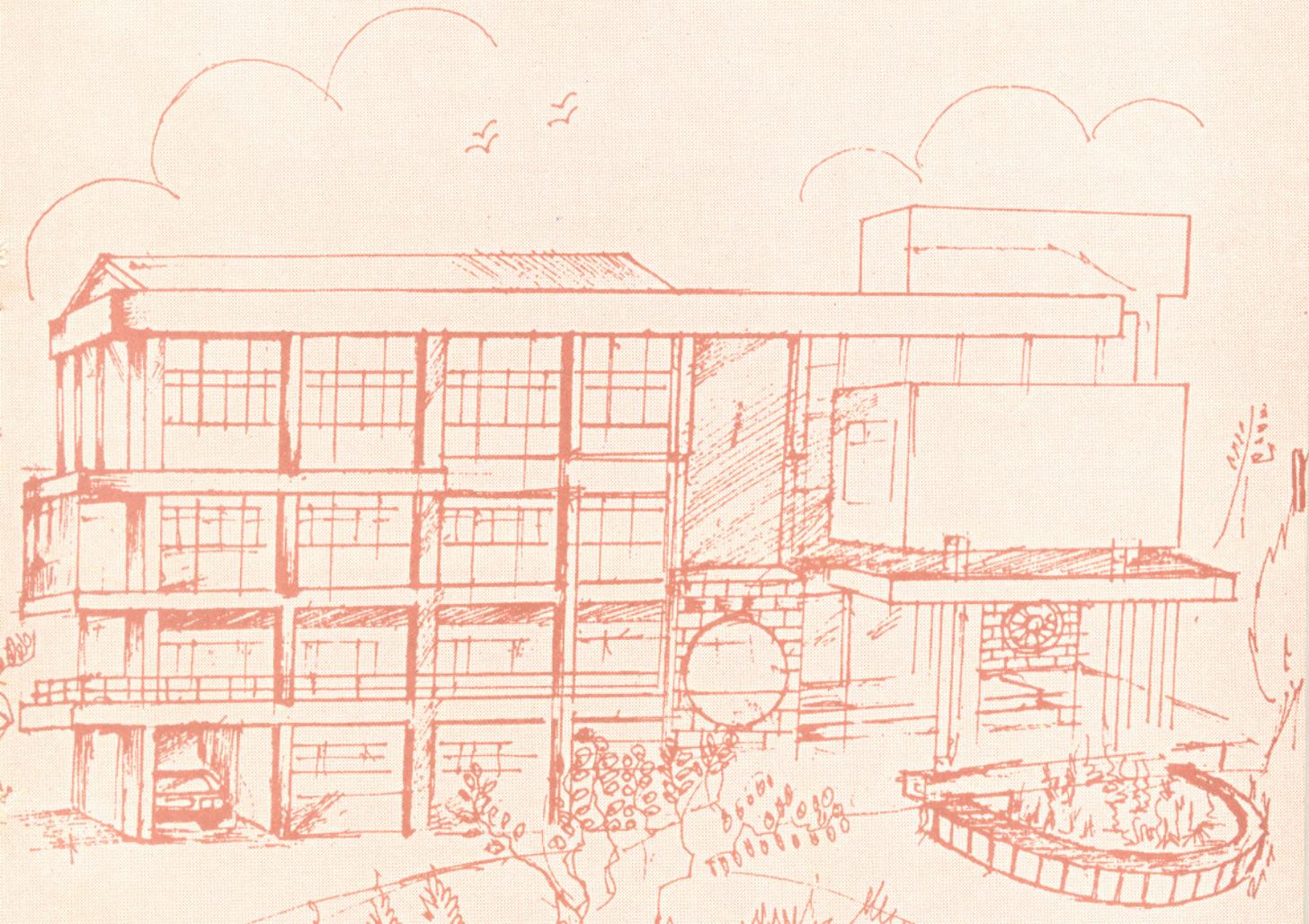




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## Working Paper Series

### Learning In The New Economy— Imperatives of a Civil Corporation





# Learning In The New Economy –Imperatives Of A Civil Corporation

## Introduction

Perhaps our local white-collar scams such as those at UTI and the innumerable NBFCs do not shock us as much as those at Enron, Worldcom or Anderson. While we largely attribute our national share of scams to “smart” individuals with low temptation threshold (abetted by willing bedfellows straddling institutions that supposedly protect us), happenings elsewhere disturb us more. The only exceptions, perhaps, are when local misadventures hurt us through personal financial losses or other direct ways.

Grim tidings from afar seem to make us question the very foundation upon which free societies are built. As business practitioners, business thinkers, and academics we also automatically question the authenticity of free markets on which most modern societies are built, including ours as it emerges from a controlled to a laissez faire economy.

All systems have a way to declare with finality their own virtues. Free markets are no exception. With dismemberment of the erstwhile Soviet Union, the fall of the Berlin Wall and other epochal events witnessed in the closing stages of the last century, declarations of finality about the virtues of free market is unrestrained and is almost agonising to the ears.

The current spate of scams and shocks is an antidote to these victory cries. The trouble is that antidotes also come with cynicism – unalloyed, undeserved cynicism. This paper argues that it is important not to get cynical about what free markets could do. Coldly speaking, the negative side of free markets is an occasion for identification of opportunities. They could give rise to new ways of thinking and generate innovative avenues of learning.

The new economy (as outlined by Castells (2000)) holds out unprecedented challenges and opportunities. These challenges and opportunities call for a new definition of what constitutes organisational boundaries. The new boundaries are going to be more porous and less concrete. Something akin to the India’s caste system seems to possess our organisations too. Identifying common ground, reaching out, building coalitions, negotiating with win-win intentions, and working together on the basis of agreed-upon behaviour etc. do not seem to be the forte of any group in India, and corporates are no exception. We all agree that the

underlying political leadership also has not helped in any way in providing inspiration along these directions.

Fortunately in the new economy, the prerequisite of political leadership to provide the lead diminishes. Corporate leadership could also become torchbearers. In a cyber world, transcending local political and other limitations is a clear possibility for corporates. So far as India is concerned, perhaps, at no time has the Indian corporate been better positioned to transcend the narrow confines of survival mode and move over to a grander vision of its role. Telco's bold entry into the highly competitive automobile market, or Reliance's penchant for world class manufacturing plants, or Infosys's international presence in software and its visions of leadership development are no mere coincidences.

This paper outlines three learnings for *Corporates*. These learnings cannot be the custodial possessions of individuals. They will require more than mere individuals. They are of a nature that simply cannot be fully encoded within the nooks and crannies of individual brain cells. Just as how we cannot not conceive of the brain cells as custodians of knowledge, we cannot conceive of new learnings within the confines of individual hubris. Ability to perceive – if not to fully understand given the limitations of human understanding of brain biology or social biology – the process of collective absorption and encoding of knowledge would be the hallmark of a modern corporate organisation, what Senge (1994) calls, the Learning Organisation.

In the new economy corporate organisations will be called upon to acquire three-fold knowledge that until now was of minor concern. Indian corporates will be no exception. These are:

**Learning 1:** In the new economy, corporates are called upon to unshackle themselves from formulas that worked in the past and create new models of business success. This would include, for example, a more proactive inclusion of all stakeholders, risk analysis of a different kind, interpretations of legal stipulations in letter and spirit, new leadership styles and voluntary participation in disclosure and transparency routes. The changes that impact companies in the new economy are universal. It would only be question of time when Indian businesses will have to toe the line. Free markets are free markets anywhere. And its ills and wells should interest us too so long as we adopt free market as our politico-economic philosophy in whatever form.

At the core the new learning involves a new search and a discovery of the very *Purpose* for which a commercial organisation exists. This idea is further discussed under the Section “**Learning to Play the Emergent Socio-Centric Leadership Role.**”

**Learning 2:** The next Section discusses the new learning partnerships that Corporates will have to forge with institutions that hitherto were not seen as connected to the affairs of the business organisations. Increasingly the relationship between corporate performance and social capital is becoming starker. National efforts and expenditure on social capital has not really got the best returns. On the one hand there are plenty of lessons the sectoral areas need to internalise from free-market paradigm such as role of entrepreneurship in sustaining organisations, efficiency, accountability and targeted approach to achieving results; all ideas that business organisations have painstakingly developed in the last few decades. On the other hand the corporates now have to learn how to become better corporate citizenship and reach out to a larger spectrum of stakeholders while maintaining making no sacrifice on financial health. Some of these lessons will come from social organisations such as the NGOs. The corporates will have to resolve some apparent conflicts between financial and social performance through organisational and market innovations. This goes to the root of a commercial organisation’s *Identity*. The issues involved in this new identity and, more particularly, coalition building with non-corporates, are discussed in the Section, “**Learning to Strategically Partner with Diverse Institutions.**”

**Learning 3:** The third learning is equally significant. The new lessons thrown up, and the solutions sought, have an enduring connection to the notions and values held by the local ethos (defined as the characteristic spirit of the culture, community and local institution, manifested in its beliefs, attitudes, aspirations and customs.) The inexorable march of globalization also has thrown up the dynamics between the global and the local. This subject is vast and here we touch upon the dialectic of apparently opposing forces. At the bottom of this issue lurks the *Process* of managing complexity and diversity, nay, well neigh “celebrating” pluralism. As ambitious as this paper is, the present endeavour would only highlight important points that deserve greater inquiry. These issues are discussed in the section “**Learning to Create Appropriate Local-Global Blends of Leadership Styles**”

Before we discuss the above learnings in greater detail, it would be appropriate to define a “Civil Corporation.” We define it as one that fundamentally believes, and thereby, perpetually discovers new value-creating avenues through greater learnings on the three fronts we discuss here; of “what” it stands for (the Purpose), “who” it is (the Identity) and “how” to act (the Process). It also commits adequate resources to achieve these learnings.

## **Learning To Play The Emergent Socio-Centric Leadership Role**

The objective of this section is to show how organisations in free markets can identify opportunity within the social and ecological milieu within which they are located so that sound business decisions can be made wherein business interests and larger socio-ecological interest coincide.

IBM considers investment in social capital, in this case education, a strategic matter for which it cannot wait for the government to act upon. Under direct supervision of CEO Louis Gerstner, it carries out a highly successful program called “Reinventing Education Program” in schools that resulted in many product innovations. The program was so successful that it operates in 21 US cities and 4 other countries. As a spin off IBM has developed tools to connect parents to teachers digitally so that parents can view their children’s schoolwork from home or community centres. The system also allows parents to compare their children’s progress vis-à-vis district’s average educational standard.

Such innovative partnerships are not confined to sunrise industries. There are numerous welfare to-work programs that are directly under top managements domain working for instance as United Airlines Mentoring Program or BostonBank’s First Community Bank.

Consider the following report by Ryan (1999). In 1996 a division of Lockheed Martin joined up with a major consulting firm and bid for a \$563 million for welfare operations in Texas. This effort did not go further, but we do know that that Lockheed Martin has twenty different contracts with four states in the US to deliver case management, skills training and job placement assistance that traditionally were the hallmark of nonprofits. It is not that corporates are going to replace NGOs. The dividing lines between corporates and NGOs are blurring by the day. In the process mutuality of learning and action become absolutely necessary.

The hotel group Marriott International has developed a pioneering training program called "Pathways to Independence." It runs in thirteen US cities that hones the job and life skills and develops work habits of welfare recipients. In a market where labour is scarce Marriott has been able to tackle shortages through this route. The challenges of working with the unemployed have created new insights about training, job placement and supervision that have enabled Marriott to maintain an unusually high level of customer service. There are similar welfare-to-work programs that are directly under top management's domain that work in many organisations such as the United Airlines' mentoring program and BostonBank's First Community Bank. We see corporates are creatively moving from product/ services offerings to bequeathing social capital to the civil society.

In India too, businesses are generating creativity and enterprise of such nature. From the small entrepreneurial outfits (that offer services ranging from collection of Excise and other taxes to providing security services) to the more organised corporate involvement in providing education, health care and insurance, the range is vast. This melange speaks much of free market enterprise and its potential.

Corporate organisations are no more the prerogatives of a selected few basking in the luxuriance of Dalal Street. And virtue of the free markets, or more particularly of its custodian, viz., the corporates, do not end with a few crumbs of philanthropy thrown at the tottering civil society around it. What is interesting is a movement from philanthropy to convergence of business-social interests. It is generally recognised that sustainability (and irreversible financial commitments) can only come from such a convergence of interests. Pachauri (2002) says, "The private sector (in India) in the near future will take on many services now provided by the government. Since they will have a large stake in the society, they must take on the green responsibility in earnest. It is being realised that companies cannot make large profits in a weak society"

There are some dissenting views to such self-interested mutuality. For those who value doing good for the sake of doing good this may appear like a less-than-noble way to express corporate philanthropy (Sunder, 1999). In their scheme of things there is no place for 'self-interested charity.' Disinterested nobility of purpose is the only criteria for do-gooding. For proponents of such a view, it appears diabolical to promote self-interest in the name of corporate philanthropy. This view is not restricted to India alone. When Lockheed bid for

poverty alleviation programs in Texas, some labelled them as “Poverty Profiteering” (Ryan, 1999). This charge seems analogous to the traditional Hindu disdain for “selling” of food by restaurants rather than offering free food. If it were Lockheed’s “poverty profiteering” in America, it is mercantile classes’ “hunger profiteering” in India. It is no coincidence that giving food or being charitable to strangers has a term in many Indian languages that has root in the word “dharma.”

It is not totally irrational that the critics can only accommodate disinterested charity. The argument goes that such charity would be purer and more enduring. Even if there are systemic changes wherein the conditions for reciprocity breaks down, the charitable continues to be charitable. Good deeds create it own enduring dynamics, so goes the argument. The other side of the argument says that such disinterested charity will be unavailable under the wrong structures. This structuralist perspective holds that it is the prevailing conditions that create the charitable on the one hand and the parasitic on the other. Design the structure and you could create the right behaviour, so goes the thinking. Perhaps, somewhere in between lies the right answer.

Certainly in a turbulent environment with strict bottom-lines to follow, the need for structuralist incentives is apparent. The question then is “How can opportunities be created so that corporates and the social-ecological environment within which they work are able to facilitate setting up mutually beneficial arrangements.

Zadak (2001) offers a model of corporate citizenship that breaks it down to four types. a) Defence (or pain alleviation) b) Traditional Business case c) Strategic Business case, and d) New Economy Business case. No stage is superior to another. The same company can pursue all the four at the same time. However there is an interesting progression that can be discerned as we go over the details.

**Defence (or pain alleviation):** The regulatory mechanism and pressures from society bind corporation. Activities under this category would get reflected in the earmarking funds for corporate philanthropy. Typically the large groups channel tax-exempt funds towards trusts that work for noble causes. Many of these funds have done highly creditable work in prudently channelling money to worthy causes through professional project evaluation, selection, monitoring and execution. In India the examples are multi-crore trusts set up Tatas, Birlas and Reliance. A large number of trust set up corporate houses offer substantial help to

further social capital through work in education, health, rural development etc. These acts of largesse are not directly related to the business interests of the firm, but they do help business groups achieve acceptance in the social milieu within which they operate. Under this category also comes charity that gives expression to traditional beliefs and norms of good social behaviour. Prestige, pride, sense of community and religious and swaraj traditions drive such activities.

**Traditional Business Case:** Here the activities involve potential financial gains. ITC's or Excel Industry's extension work with farmers belong to this cadre. The stakeholder model roughly corresponds to this category. The company reckons the long-term well being of the stakeholder in today's action. Educational programmes for employees that go beyond immediate skills, training, extension activities that involve co-opting skills of physically handicapped belong to this category. For example MICO is tied up with an NGO in Bangalore that offers employment to scores of blind men and women who assemble in extremely cost-effective manner certain sub-assemblies within a very high quality. The company reaches out to less-fortunate sectors and tries to cost-effectively help these sectors to create win-win situations.

The technological developments such as elimination of chlorofluorocarbons in the production process by Motorola till then used for cleaning printed circuit boards after soldering came to be completely eliminated by developing a soldering system that did not need cleaning at all. The search for an alternative to chlorofluorocarbon first led Motorola to alternatives such as Orange-peel terpenes and finally to an entirely new way to solder. The change not only helped the environment but also saved money for the company.

If ITC and Excel have a win-win association with farmers, for MICO and Motorola it was a win-win vis-à-vis the NGO and ecology respectively.

**Strategic Business Case:** Here the corporate makes changes in the existing business model (Hawken Lovins, Lovins (1999)). Students of Industrial Organisation call it redefining the market (Porter, 1985). A well-known case is that of Interface, the carpet manufacturing company which was reportedly inspired by the ideas being popularised by Hawken et al. Interface shifted from being a carpet manufacturing and marketing company to become a pioneer in offering carpeting services. What this meant was new technology to refurbish old carpets and recycling them. The company developed new materials and manufacturing

processes that would make their carpet suitable for refurbishment. There is 100% recycling possible with Interface carpets now. Not only was technology involved here. There was also a social need to shift in the minds of the customer “measure of affluence and well being” from “goods acquisition” to “service acquisition” -- it is not physical ownership that is important by the liquidity to acquire services with zero inconvenience.

In Germany there is currently regulation on TV manufacturers having to mandatorily collect old Computers once its use is over from the customer. The regulation requires reuse of parts. A similar legislation will soon be enacted in Japan. Many other products like TVs, and other electronic goods, batteries etc. would soon come under similar regulations. It is easy to see that a major marketing idea like “Product Obsolescence” would turn upside down.

**New Economy Business Case:** Here the business co-evolves with the community within which it operates. It engages in meaningful dialogue with social and cultural organisations in the community. No individual or groups of persons are shut out from dialogue with the company’s management. Example of early stirrings of such an approach is readily available right here in India. Binani Zinc Ltd. Kalamassery, Kerala, which received ISO 14000 certification (one of the few in India to have obtained this certification) encourages anyone to visit their plant and go over the emission figures and methods of keeping environmental records. The company has created a maniacal attitude towards industrial safety and the workforce has in return rewarded the company with one of the highest levels of productivity in this sector! While this plant had closed down for as long as five years during its initial twenty years of existence up until early 1990s, due to industrial unrest, there has been not a day lost during the next ten years when the new management team took over! Imagine how such a miracle is possible considering that zinc smelting is a delicate environmental matter and the plant is located in one of the most environmentally sensitive and industry-unfriendly areas in the country. Managerial forethought and phenomenal consensus building skills underlie the existence of a hoarding at the entrance to the plant that welcomes anyone to just walk in and go over the daily environmental discharge and other compliance details!

There are many other examples of such “miracles” available right here in India. Polyhydron, manufacturer of hydraulic pumps and other industrial products is a study in harmonious co-existence with the community. Located in Belgaum, Karnataka, it has developed an extremely strong culture of excellence through a strong sense of community, strong ethical

underpinnings in all business dealings, a high dependence of self-inspection, just-in-time, kanban etc.

## **Learning To Strategically Partner With Diverse Institutions**

With the corporates reaching out to multiple stakeholders in the new economy, the role of corporates and other organisations particularly NGOs would blur. For example, the safety and utility sought by a highly customer-oriented corporate would be the same as an NGO championing the cause of consumer. Given such commonality of interest, the relationships that companies foster with the NGO community will be an important determinant of the success of the corporates in achieving the socio-centric leadership. Warkentin and Mingst (2000) discusses the tremendous power and responsibility that NGOs hold in the information age. They point out that there will be a shift of focus from formal institutions to social and political relationships between the actors. Fundamentally such movements will alter the boundary traditionally set by corporates and give them new means of defining its identity based on mutuality and interconnectedness.

During 1980s and 1990s, inter-organisational business systems [Finnigen & Galliers (1999)] redefined the very identity of corporate organisations. Instead of being identified as insular entities, ideas such as JIT, Supply Chain Management and Co-branding have made organisational networks a sine qua non for corporate existence. These models of networks will now need to be replicated outside traditional business circles to include NGOs too.

A new fluidity will be required. This is what Kanter (1999) exhorts business organisations to do – to learn and act in partnership with the civil society represented by NGOs. A major US telephone company, Bell Atlantic, for example, started created models of computer networks in schools. In the process the company was instrumental in preventing state takeover of some non-viable schools certain cities of US, which later became national role models. The company on its part learnt tremendously in the areas of data transmission for distance learning, and video-on-demand technologies.

Zadek (2001) calls for “breaking the trust barrier” to create partnership. He notes how Levi Strauss, refused first, in 1997, to join the high profile US-government supported Apparel Industry Partnership (AIP). The initial membership at API consisted of Nike, Reebok, Sarah Lee, Liz Claiborne and many other apparel and footwear marketers. Levis stated position was

that it had its own sensitive, developmental way of dealing with suppliers and that it had no interest in an industry-sponsored organisation to “police” its activities. Later as the demand for blue jeans precipitously came down world over, Levis had to cut back on production in some of its production units and is alleged to have shifted its production to China, which till then it has not done for its poor human rights record. These and other allegations finally had Levis joining AIP in 1999, by now renamed Fair Labour Association (FLA).

The same fate befell Mark & Spencer (M&S) in the UK which also initially followed its own independent course. It has initially refused to join Ethical Trading Initiative (ETI), a federation of retailers in the UK, which was launched with government support in 1998. M&S took a “high moral ground” saying that its historic tradition of building long-term relationship with customers and suppliers did not warrant it’s joining others in the trade. But later, after more than a year poor financial performance and bad publicity vis-à-vis a Moroccan supplier, Mark & Spencer agreed to let third party inspections and certifications. Both the companies, highly respected in their own countries, and internationally, could not follow its own policies. It is generally accepted that NGOs are better equipped to bring about collective change in the areas of ecology, human rights etc. In the cyber world their power goes up even further. This monitoring access is a relatively new development and is the single most important strength of the NGO community today according to Warkentin and Mingst (2000).

Closer home, a revolution of sorts is taking place. Consider what the largest and the most successful FMCG marketer in India is doing to selected remote villages. According to Hindustan Lever (see [www.hll.com](http://www.hll.com)), ninety percent of India rural population live in villages with a population of less than 2000. This kind of diffused population structure calls for innovations to achieve market reach. And along with the market reach there are substantial social benefits that HLL could bring to the rural poor. Under Project Shakti, HLL has partnered with several NGOs of Andhra Pradesh promoting self-help groups (SHGs) supported by micro-credit. These initiatives while giving HLL greater reach to its products are generating incomes and developing entrepreneurial skills. There are huge training inputs HLL is committing itself to. There are also now efforts to make some of these SHGs sourcing points for products sold in the rural markets. Efforts are even underway to help these groups develop their own brands with additional support of the government’s Development of Women and Children in Rural Areas (DWCRA) scheme (Jagannathan, 2003).

The Joint Forest Management (JFM) Scheme, introduced by the government in 1990 to combat deforestation and degradation was a pointer towards collaboration between the government and civil society; JFM itself a successor of the Arabari efforts in West Bengal and Sukhomarji endeavour in Haryana. And now the scheme has a new fillip in corporates. Take for instance the case of the TVS group. The group, advised by Tata Energy Research Institute, is actively participating in the forestation and community development programmes of the Tamil Nadu Forest Department. In the process not only has TVS tied up with the government, but also a large number of small NGOs that are holistically promoting forest conservation.

Earlier we mentioned Marriott hotel's experiment in the US. In New Delhi a somewhat similar experiment is on with Radisson Hotel tied up with Chetna, an NGO, for training of those without access to education. There are several such instances and of late the extent of cooperation is on the rise. There are no formal figures to go by, but, all accounts, inter-sectoral co-operation is going up in leaps and bounds and the opportunities they generate are limited only by human imagination.

Waddell (1999) argues that businesses usually develop relationships with the civil society on an opportunistic and reactive basis in response to a narrowly defined issue or proposal-such as a crisis in corporate reputation or a project proposal from a civil society organization. He also points out that such activities are relegated to a non-core business department such as ones dealing with philanthropy, public relations, or community relations. He develops a strong argument to show that these barriers are based upon stereotypes and poor mutual understanding of the opportunities for mutual gain. He cites seven broad reasons for tying up with NGOs. We summarise these with examples from different international contexts, some of them as pointed out by Waddell.

**Risk Management and Reduction:** There are several instances where the NGOs have provided early warning signals of potential problems with a corporation's activities. They also have helped reduce risk in creative ways, for which the corporates will have to look at NGOs not as "organizations to be reckoned with;" He notes that for the corporates to benefit they have recognise the NGOs as a source of community data, communicators of community views, and organizers of community concerns. A good example comes from Tata Tea which perceives itself vulnerable to

HIV/AIDS related issues with its huge manpower. The company is tied up with The Interventions for Sexual Health (ISH) of Indian Medical Association (IMA) in developing a policy on information dissemination, medical help and overall employee policy towards HIV/ AIDS cases. The tie-up provides risk-reduction vis-à-vis AIDS patients and their co-workers.

**Cost Reduction and Productivity Gains:** Along with risk reduction co-operative relationship with the right NGOs provide cost reduction. For example, cooperation from NGO leadership can provide security to materials in areas prone to theft and vandalism. Similarly establishing rapport with NGOs can provide volunteer energy that will not be alleged as exploitive. An example such a case comes from Pakistan's Orangi project in a suburb Karachi. It is reported that the total cost of the project was only ten percent of what it would have cost by traditional methods because of the support from construction companies with materials, manpower mobilized by NGOs and support from the government.

Involvement of NGOs can help reduce costs through greater transparency and can play a significant role in reducing corruption. NGOs in general place a higher emphasis upon transparency than business or government and this naturally produces its own dynamic. For example, in Madagascar, road building contracts that involve NGO road user associations have consistently shown lower construction costs, better maintenance of the roads and nearby ecosystems and higher sense of ownership and pride (World Bank, 2000).

**New Product Development:** The example of HLL's "Project Shakti" moving from network marketing to helping develop product themselves (Jagannathan, 2003) is a case in point. Waddell points out that community knowledge is critical in creating new products for particular demographic and psychographic profiles. This would become more and more important as competition and globalization lead corporations to markets in low-income communities of developing countries (Prahlad, 2001).

Baumann (2001) reports how the certain NGOs in developing countries are becoming conduits for bank funds without making the small businesses and households their credit slaves. While individual households and small businesses cannot access bank funds, collective federations of micro-lending agencies could collectivise and scale up

the activities through local aggregation of activities. These new channels of funding are spawning the development of new products by commercial banks.

**Human Resources:** NGO-business relationships are proving beneficial to human resource concerns for two particular groups: those people directly hired by corporations, and those working with subcontractors. This of course is particularly true in developed countries with lower unemployment levels.

**Production Chain Organizing:** This applies more to underdeveloped countries where the supply chain is least developed. Through contract farming which is politically more acceptable, corporates can achieve the benefits of corporate farming, something that is politically unacceptable to many societies (see Business Line, 2001). Rallis India Ltd, ICICI and HLL are currently working on a partnership web experiment with farmers in Hoshangabad district of Madhya Pradesh. According to the Agricultural Minister, Ajit Singh, there has been an increase in productivity to an extent of 70% through these efforts. There has been also a cost reduction due to direct procurement and improved logistics.

Another example of supply chain efforts is Karnataka's Center for Technology Development with its five different industry nodes, each with their own NGO lead organization: in new materials (such as new metals), informatics, food processing, and agriculture; as well, there is a small venture capital fund. The NGOs themselves are intersectoral, combining large business houses, governments, research institutes and varying types of NGOs. Network of such organizations are creating a great deal of difference to the supply chain of participant companies.

**Building barriers to entry through distinction:** The reputation of the NGO with which the corporations is associated provides a distinctive edge that makes entry by other companies into its market very difficult. Customer loyalty is ensured by being associated with the NGO. This applies primarily to developed countries with consumers strongly aligned to specific causes espoused by credible and reputed NGOs.

**Change and Creativity Support:** Management guru Rosabeth Moss Kanter has been so taken in by recent business innovations in reaching to the underprivileged that she

exhorts corporations to take on corporate social *innovation*, in contrast to corporate social *responsibility* (Kanter, 1999). The idea here is to challenge the assumption on which corporations and their systems work and generate new approaches. Strategy expert C.K. Prahalad, working with Unilever identifies five assumptions that need to be challenged to break the logjam and open rural markets: (1) the poor are not our target, (2) the poor can not afford products, (3) only developed market will pay for new technology, (4) the bottom of the market is not important for our long-term interests, and (5) the intellectual excitement is in the developed markets (Prahalad, 1999).

It is precisely innovative “problem-up” thinking that have created several sanitation and urban waste management projects under the aegis of private- sector initiative. In cities such as Bangalore, Ahmedabad, Rajkot, driven by the passion of Excel Industries, many urban waste management projects are under way. All these projects require cooperative workings between corporates and urban bodies.

It must be said that the larger role that NGOs are beginning to play also comes with responsibilities that require major learnings on the part of NGOs too. They will be called upon to move from ideological rhetoric to strategic roles that would mean working with diverse sets of corporate organisations. They may have to take the role of auditors, advisors and communication links for corporates. Corporates will have enlist help of NGOs develop tools for voluntary and compliance monitoring, development of disclosures norms etc. They may even have to get involved in activities closer to core of corporate strategy-making; much like being a partner in development of sourcing strategy, labour standards compliance, consultative relationship in developing approach to ecology and voluntary disclosures.

## **Learning To Create Appropriate Local-Global Leadership Blends**

Globalisation is accompanied with spread of markets through physical and virtual means, greater dependence on market mechanisms to make users internalise externalities through means such as pollution permits, spread of boundary-less global corporations, free flow of capital and human resources, new multi-lateral agreements and institutions and new relationship being crafted between political and economic institutions in major economies of the world. This post-modernistic march towards fusion of nations and people, ironically, has

brought to the fore the importance of local knowledge and wisdom that are coded in traditional cultural and community practices.

Our key issue is natural capital, defined as the natural stock that provides endowments like air, water, forest and marine resources which provide human and other life forms with invaluable goods and services, which do not have specific tenancy rights assigned to individuals, group of individual, institutions or corporations. The invaluable wealth belongs to the community, and recognition of community as a stakeholder is a dire need for all of us to survive. Decades of ill-conceived policies by various national governments and private initiatives have created massive erosion of this natural stock. Prevention of further “eating into the natural capital” requires new thinking.

Panayotou (1998) cites examples of how over-fishing is effectively prevented by traditional territorial rights that creates an appropriate environment of self-management.” Reestablishment of private or community ownership of coastal seas (as opposed to, say, government ownership with auction of fishing rights as is the practice in many countries) ensures automatic quantitative reduction through self-imposed controls born out of an intimate knowledge of marine life. Such knowledge extends from spawning cycles to relationship between lunar tides and movements of fish etc. In some fishing communities there was even a system of assigning temporary territorial rights across time and space to match the movement of resources. Such local knowledge applies to other fields such as forest and water management too. The current strife in some states of India on the issue of handing over tenure rights of forestland to original adivasi settlers is a case in point.

There are lessons here for global companies. With ideology taking a backseat and ecological backlash creating near-panic situations in many regions of the world, corporates will also have to partner with local community initiatives to prevent ecological and environmental disasters. Appreciation and knowledge of the local and partnership with community initiatives are becoming prerequisites for the very survival of businesses.

The global-local paradox is a subset of the paradoxes faced by every business organisation today. On the one hand the rational business paradigm with its idea of efficiency and effectiveness, costs and benefits, performance drivers and targets etc. now have to co-exist with the non-rational idioms of community practices, cultural mores, rites, ceremonies, traditions and local wisdoms to create a blend of global-local synthesis. Tormpenaars and

Hampden (2001) writes

“... global corporations are beset by a series of dilemmas (or paradoxes). These are pairs of propositions, each of which clamours for the allegiance of the decision-maker. Successful leadership depends on the capacity to integrate such propositions and create strategies which unite both aims. For example, the leader is expected to set rules of universal applicability, yet treat each culture as a special case of diversity.”

The discussion on global-local can be located in the larger context of two kinds of decision-making; the “linear maximisation” paradigm and the “circular inclusive” paradigm. Listen to what Tormpenaars and Hampden say about BUPA,

“Val Gooding leads BUPA, Britain’s largest private insurer and provider. Her dilemma lies between these last two words “insurer” and “provider”. Insurers are neural, calculating, abstract, legal and retentive. Providers are comforting, supportive, personal, relational, and compassionate. All these values collide at BUPA’s call centres... Rather than leaving the “private self” at home and engaging the “work self”, everything in the lives of the staff which bears on surviving illness is deemed relevant....”

It is not difficult to see that the insurer role is the “global” role and that of the provider, “local”. The dilemma would constantly generate, in the new leadership, an appropriate balance between the “yin” and the “yang” Capra (1989). De Wit and Meyer (1999) see all strategy making a grand balancing act between the rational and generative. This defies the logic of critical success factors, maximisation and other notions in extant management theory and practice that promote linear pursuits of a measurable, usually, singular goal or goal construct.

In other words, globalisation and localism have to co-exist. According to Korten (2000),

“There has long been a tendency within intellectual circles to consider globalisation progressive and localism provincial and anti-progress. Those who style themselves as progressives have rejoiced in cultural diversity and taken pride in their cosmopolitan vision of one world united in peace and prosperity. Localism, by contrast, has commonly been associated with racism, fundamental provincialism, and a failure of creative imagination.... Along with the awareness (that global trade agreements have a

direct bearing on our lives) is coming a realisation that place and border are essential to healthy life, community and human well-being. That realisation in turn, is creating a new positive localism that seeks to protect the integrity of the local while at the same time celebrating diversity and protecting international cooperation in the service of people and the planet.”

At a higher mental level of comprehension, the apparently opposite positions begin to coalesce. This is what the poet means when he says, “Night’s darkness is a bag that bursts with the gold of the dawn.” This quote from *Stray Birds* of Tagore tells us of that great reconciliation of light and darkness, of evil and good forces. These are matters of common “knowledge” for the highly imaginative, for the highly spiritual and the highly poetic. In all great traditions of humanity, the knowledge that comes with such synthesis is liberation itself.

And such reconciliation has *practical* implications for the survival of humanity. An interesting study from the environmental field by Brodt (2002) concludes that earlier understanding of indigenous environmental knowledge promoted a view about knowledge and culture as being either local (indigenous) or global (scientific). Using case studies from Madhya Pradesh, the author shows that the local-global debate comprises a continuum that moves from the global-conceptual level to the local-concrete practices. Where a person or a community of persons fall along this knowledge continuum is determined by the historical and socio-economic factors and the personal initiative. This, in turn, results in the unique knowledge the person has access to. The author argues that knowledge is continually being reconstructed contingent upon opportunities that provide hands-on experience and observation. This is an example of reconciliation between “knowledge” and “action” traditions. This kind of fusion between differing traditions would bridge the gap between science and culture, inquiry and tradition, the global and the local. This bridging of the gap and better cognitive understanding of diversity (nay, commonality) would be the hallmark of the new leadership.

Bandyopadyay (2002) urges to see how globalization and localization support of each other. He writes, “In an interconnected and globalizing world, the local and the global responsibilities for environmentalism are like two eyes of an individual; they complement each other to offer a more objective and accurate vision of the world”.

## Conclusion

Call of Peter Drucker to modern corporates to move from efficiency to effectiveness rings most relevant today than any other time. To be effective, a modern corporate organisation will have to progressively achieve the following:

- 1) Comply with national standards and controls
- 2) Comply with commitments agreed upon by nation(s) within which the company operates that are party to international mandates through WTO, UNEP etc.
- 3) Seek out partnerships and voluntary involvement with industry-wide initiatives to create partnerships and common mandates.
- 4) Seek out the help of NGOs that are ideologically neutral to achieve strategic objectives of the company.
- 5) Appreciate and harness opportunities that involve application of traditional community-wide knowledge that preserve ecological and intellectual wealth of communities within the benefits that free market exchange provides.

Ironically as Zadek (2001) points out, the profit-with-principle as the Civil corporation's *raison d'être* is more a sophisticated restatement, than a refutation, of the position taken by Friedman (1970) who is usually credited (or discredited) with the view that organisation's sole objective is to make profits for the shareholders; his caveat that profit-making cannot be at the cost of unfair impositions on others is conveniently forgotten by detractors of the Civil Corporation. As sustainability becomes the big issue for earth, sustainability on all fronts, at all levels, including financial sustainability, becomes a concern not just for the shareholders but also for others. The new leadership has to now face up to the challenges and create appropriate organisations that will have a redefined purpose, identity and matching new processes this paper developed.

Everyone who shares this earth has a stake in the success of freedom that comes with free markets. If free markets, not of an American or a Japanese variety, but of a universal character that respects local aspirations and rewards imagination, hard work and creativity, has to survive and deliver its promises, the modern business firms – the building blocks of free markets – will have to be truly Civil Corporations.

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