

Entry for the Peter Drucker Challenge 2016

India - The rise of the Entrepreneurial Society?

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I. Introduction

In the coming decade, India with its 1.4 Billion people will be facing one of its biggest challenges of employment, as the next 100-120 Million¹ join its workforce. The only possible solution to this problem is facilitating the growth of new job engines. The entrepreneurs of today can lead this initiative - they can not only lead the growth of India's GDP but also help improve standard of living for India's 276 million poor.

As of today, growth of India's social and economic infrastructure cannot keep up with its ever increasing population. Being a relatively young economy, with an average age of 29 years² (by 2020), India faces a very big challenge of unemployment in the coming decade. Its biggest test of providing a decent standard of living to the next 100 Million is going to its most difficult one so far. In order to overcome this, India aims at building the largest employable workforce in the world as it believes that employing the masses can significantly improve their standard of living, thereby helping India solve some of its major social problems of poverty, public healthcare and education amongst others. The Indian government cannot do this on its own; the only plausible solution of generating employment at this scale is by creating an ecosystem of job creators – This is where the Entrepreneurs come in!³



The next wave of employable Indians getting ready for work!

II. The Shift: Managerial economy to an Entrepreneurial economy

Peter Drucker in his book – *Innovation and Entrepreneurship* draws attention to a period of 1960-80s, which witnessed a movement of the American economy from a “managerial” to an “entrepreneurial economy”. He reasons that despite inflation, recession and a significant loss of jobs in some industries,

¹ Calibrated to a value to 12M every year; All Educated and Nowhere to go, Live mint, 2014([Link](#))

² Average Age of an Indian – 29 years by 2020; Indian Express, 2015 ([Link](#))

³ Arun Jaitley at Startup India, Harshith Mallya and Dipti Nair, YourStory.com ([Link](#))

there was a huge surge in employment - nearly 40 Million⁴ were added to the workforce in that period. Drucker's research provides support that this was not driven by large organizations but by smaller businesses. On further breakdown of the drivers, Drucker claims that only about 5 Million⁵ of those jobs were created by the technology sector. The remaining 35 Million⁶ were due to something Drucker calls – Entrepreneurial Management.

Entrepreneurial management is primarily about value creation. It is the act of keeping innovation alive in the face of complacency and resistance. It is something that is true to big and small organizations, public institutions and even individuals. In Drucker's words specifically it means "***Rerum Nova rum Cupidus***" which literally translates to ***greedy for new things***⁷. Drucker truly believes that this was one of the major reasons why the period of 1960-80s in America was not in concordance with major populist economic cycles (recession cycles). In 2016, India is at similar pinnacle - the fastest growing economy of 2016 (amongst large nations) is on the verge of shifting gears and all the macro indicators seem to be similar.⁸

Smaller businesses in India today create nearly 1.3 Million jobs every year⁹. In the coming decade, as SME/ MSME sectors grow with time, the same numbers could be much higher. Just as the American economy witnessed the rise of smaller businesses leading to the absorption of more people into the workforce, India could also witness a similar shift with the rise of the Entrepreneurs. If this shift creates similar effect is yet to be seen, but the early signs look promising.

In my understanding, there are four main elements of an entrepreneurial society. All these elements are influencers and co-creators of an ecosystem that not only promotes entrepreneurship but also reaps from its benefits of growth and impact. The four elements are as follows:

- Government – The facilitator
- Educational institutes – The Incubators
- Organizations – Key participants
- The Individual and the society – The philosophy

III. The Government: Enabler or Inhibitor?

"Government is not an artist or an innovator of art but reconfigures the practices of society, by modifying the style of particular sub-worlds or the style of society in general."

– Peter F. Drucker, Innovation and Entrepreneurship: Practice and Principles

Over the years, the Indian government has struggled to provide basic amenities such as food, electricity, and healthcare to its people. The biggest issue has been the **scale of implementation**, restricting the means of distribution of goods and services. But early entrepreneurs in different fields have been re-inventing the wheel, thereby changing the operating landscape time and again. Although the Indian government acknowledges the importance of entrepreneurs, it has never really provided them with any support. As the dial of time has moved, one can finally sense a certain optimism in the dull corridors of government policy-making departments.

⁴ Pg. 3, Innovation and Entrepreneurship, Peter F. Drucker (1985, Re-published e-book in 2002)

⁵ Pg. 3, Innovation and Entrepreneurship, Peter F. Drucker (1985, Re-published e-book in 2002)

⁶ Pg. 3, Innovation and Entrepreneurship, Peter F. Drucker (1985, Re-published e-book in 2002)

⁷ Pg. 160, Innovation and Entrepreneurship, Peter F. Drucker (1985, Re-published e-book in 2002)

⁸ Tom Butler-Bowdon – Peter Drucker – Innovation and Entrepreneurship, 1985 ([Link](#))

⁹ Why India is the Land of Rising Entrepreneurship – Rohit Arora, 2015 ([Link](#))

On the historic occasion of India's 69th Indian Independence Day, India's Prime Minister stated his vision for an enterprising India outlining key initiatives like "Make in India", "Skill India movement" and "Startup India". These initiatives are aimed at enabling the country's workforce with skills and opportunities on one hand and providing entrepreneurs a conducive business environment on the other.¹⁰

Taking cue from its neighbors Taiwan, China and Singapore, the Indian government aims to increase the percentage contribution to GDP from SME/ MSME businesses. In order to mobilize these entrepreneurs, the government has put together a detailed policy framework on **Skill development and Entrepreneurship**. Apart from the policy framework and the above stated programmes, the Government plans to provide additional incentives such as a directive fund of nearly \$1.5 Billion for startups, tax benefit schemes for small companies and an easy business environment for everyone.¹¹

Although, these steps seem to create an encouraging entrepreneurial ecosystem, but traditional challenges such as permission clearance, tough economic regulations and deep rooted corruption in government administration continue to hinder this movement. Only time will tell if the promised programmes and policy measures will actually be successful in accelerating the entrepreneurial ecosystem or not. If successful, these could allow Entrepreneurs to scale their ideas to a tipping point – making considerable impact on their social and economic surroundings.

IV. Organizations: The building blocks

The second element is Organizations. The growth of an economy is imperative to the growth of organizations. Organizations are effectively startups that have scaled. They are not necessarily entrepreneurial anymore but their existence is very important. As newer problems emerge, the evolution of these organizations becomes inevitable, giving rise to the need for organizations to become entrepreneurial.

"The companies that refused to make hard choices, or refused to admit that anything much was happening, fared badly. If they survive, it is only because their respective governments will not let them go under."

– Peter F. Drucker, Innovation and Entrepreneurship: Practice and Principles

Here, Drucker's emphasis is on the need for organizations to change and adapt to the evolving environment around them to continue to create value and stay relevant. Drucker further encourages organizations to compete and change - **evolve to survive**. In order to successfully keep evolving, companies need to continue to **harness the creative wealth within** and always **"learn and listen"** from their business environment. General Electric (GE) in America has evolved time and again to realize benefits from long term value creation.¹²

Another famous case example is that of Kodak. A company that resisted changing its business model with the advent of digital cameras, eventually lost out in the age of electronic photographs. There are more recent examples of such downfalls, more recently being that of Yahoo. The big organizations of India will face very similar tests. Current second/third generation Indian companies will soon face dramatic scenarios of "Existential crisis". As Drucker pointed out earlier, their eventual existence will depend on how fast and well they adapt to the changing business environment.¹³

Looking at the current scenario, there certainly seems to be a shift towards adopting the upcoming disruptive technologies. A lot of Indian companies are opening up R&D centers, investing in new tech startups and setting up accelerated in-house programmes for entrepreneurial managers in order to adopt. Is this a step too late?

¹⁰ PM's address to the Nation on 69th Independence day ([Link](#))

¹¹ Skill India Policy Booklet 2015 ([Link](#))

¹² Tom Butler-Bowdon – Peter Drucker – Innovation and Entrepreneurship, 1985 ([Link](#))

¹³ How Kodak failed, Chunka Mai, Forbes.com ([Link](#))

i. **Keeping organizations relevant by harnessing creative wealth**

"Entrepreneurship, then, is behavior rather than personality trait. And its foundation lies in concept and theory rather than in intuition."

— Peter F. Drucker, Innovation and Entrepreneurship: Practice and Principles

In the essay I wrote two years ago for the Peter Drucker forum "Harnessing creative wealth within organizations", I specifically spoke about the need for companies to continue changing with the times. I laid a keen emphasis on the need for organizations to put in place enough procedures, methods and programmes to harness the creative intelligence of employees.

A specific case in point here is of Bain & Company - an organization that I have got to understand through the last three years of working with the firm. Bain harnesses a 'strengths-only' culture and develops it through an internal programme called "Inspirational leadership". Inspirational leadership¹⁴ is a tool used by Bain to analyze and circumcenter every employee on his/ her strength(s). Bain as a firm truly believes that one can become an inspirational leader by working on one's strengths. Every inspirational leader brings more value to the firm, more value to his/her client and in return gets a more fulfilling experience for all employees.

Drawing a very similar parallel for entrepreneurship I believe that by harnessing one's strengths - entrepreneurial leaders can be coached, guided and grown. Organizations can make this entrepreneurship a very repeatable model. Bain India has been a case in point example of this repeatable model. Bain Alumni currently have ~12 successful startups in India including the likes of Zomato¹⁵ - India's largest food discovery platform. It is this repeatable cycle that makes this success an organizational phenomena. Bain has successfully created the right environment to develop multiple founders in the Indian start up ecosystem. This "'strengths-only' workplace culture allows Bain to not only create successful client stories but a more successful people's story.

In a country like India, more and more companies are initiating such programmes of harnessing in-house creative wealth. Programmes like Aditya Birla Group's LEAP (Leadership Associate Program) or Tata's TAS (Tata Administrative Services) are helping bring coach-ability and training to their in-house leaders. This entrepreneurial ability will not only help more entrepreneurial managers but also help create an ecosystem of talent which has a knack to solving ever changing complex problems, previously overseen.

V. Educational institutes: Inception centers of entrepreneurship

Pilani - a small town with a population of nearly 40,000 people is home to one of the top engineering colleges in India. It is ~300 KMs from both Jaipur and New Delhi, essentially right in the middle of nowhere. It might be of no significance on the map of India but has built a reputation of being a hub of entrepreneurial energy. BITS Pilani, like many others has contributed immensely to the rise of the Indian start up space and I can personally vouch for many life changing experiences there.

The IITs, BITS Pilani and other premier colleges have taken a leap over many other educational institutes in becoming incubators for an array of startups in India. They are contributing by educating, empowering and providing a safe ecosystem for students to test and learn entrepreneurial skills via multiple programmes and internships: *Case in point (Initiatives outlined at BITS Pilani for developing entrepreneurial skills amongst students)*

- On-campus courses and mentorship sessions by successful alumni entrepreneurs that help, guide and teach students on how to build a new venture
- Array of clubs/ events / competitions centered around the theme of entrepreneurship

¹⁴ How Leaders inspire: Cracking the Code, Bain Brief, 2016 ([Link](#))

¹⁵ Economic times article, ET Bureau, 2015 ([Link](#))

- Dedicated in-residence entrepreneur programmes allowing students to continue using the campus as a center for launching a start up
- Dedicated alumni-only VC initiative, informational exchanges and an extensive post-college start up network¹⁶

Initiatives like these are making these educational institutes centers of innovation and entrepreneurship, providing students an opportunity to learn from the best. These educational institutes not only prove Drucker's point around the fact that Entrepreneurship can be taught, but also reinforce the need to have formal, well-structured programmes to inculcate the discipline of entrepreneurship while the students are young. I personally believe that these institutes are on the forefront of innovation and new learnings and can go a long way in helping India become a solid machine that nurtures and develops entrepreneurs – an important necessity for an entrepreneurial society.

VI. The Individual and the society – The Philosophy

The last and the most integral element of the entrepreneurial society is the individual. Over the last decade, India has seen a rise in the individual entrepreneurial mindset. Entrepreneurial mindset as defined by FT.com is keenly defined as state of mind which orientates human conduct towards entrepreneurial activities and outcomes, drawing up on two major things – innovation and value creation.¹⁷

Entrepreneurial individuals are that integral element which pushes all the other three elements of government, organization and educational institutes to innovate. There should be no doubt that they are definitely making the society a better place. For India particularly, entrepreneurs have changed the landscape of multiple industries thus, leading to a solid startup ecosystem. Ola Cabs and Uber have completed revolutionized the way we travel in India, becoming the most preferred alternative to an overburdened public transportation system. Amazon and Flipkart have changed the way we shop for clothes, cutting out middlemen thus making apparel more affordable via e-commerce. These examples are just cornerstones of success that represent a community of entrepreneurs trying to solve their own problem, through innovation and value creation.

However, this is just the tip of the iceberg. The real groundbreaking change is happening, in the not so glamorous parts of the country – in rural India. An India that is so distinct from its counterpart (Read: Urban India) that it seems like these are two different countries, one soaring to be the fastest growing country in the world, and the other fighting plagues of basic amenities of 'Roti, Kapda and Makaan' (read: food, clothing and shelter)*. Away from the grandeur and buzzing ecosystem of urban India, there are some ventures working towards bringing about a real change in the under-developed rural space.

One such example is of HarVa, a company founded by Ajay Chaturvedi, (Alumnus of BITS Pilani and Wharton Business School). HarVa goes by the motto of *harnessing value of rural India*. Ajay is truly one of the fairytale champions of India, who returned to his country to create value in this space after working for a major bank in the US for some years. Understanding the basic philosophy behind HarVa is extremely important to understand its success. In Ajay's words, it is about creating a **producer marketplace** first and not looking at rural India as just the next biggest consumer marketplace. In the common man's language, Ajay explains this with a quote, "**You cannot be selling a toothpaste to a person who cannot even buy his own meal.**" He believes that the reason why HarVa is more successful than its competitors is because its main focus is making people producers through skill training and consulting, thereby empowering them to build a better future for themselves. This producer cycle gets complete when the same producers help create a potential marketplace for themselves and are able to earn more than just two meals a day.¹⁸

¹⁶ BITS Pilani-successful startup machine, NextBigWhat.com,2013 ([Link](#))

¹⁷ FinancialTimes.com, 2016

¹⁸ Interview with Founder, Mr. Ajay Chaturvedi, 2016

Out of the three verticals of HarVa, HarVa's XPO is a rural BPO system catering to needs of urban clients. It is currently present in 14 states and has impacted over 650 people in those regions. HarVa's second vertical – its consulting arm is already impacting farmers and village households by rendering consulting advice and service. Ajay though believes that HarVa's third vertical – its telemedicine solutions for villages, will be the game changer in terms of solving the problem of primary healthcare in rural regions. HarVa is already working with major corporates from different industries to bring about this change. More stories like that of HarVa are surely shining light where it matters the most, trying to provide a decent standard of living to the masses. Here, I would like to leave all of us with a small quote from Mahatma Gandhi outlining his philosophy about our society.¹⁹

"Be the change that you want to see in the world."

VII. Summary

HarVa and many others are empowering underprivileged people from small towns like Pilani, with and without government assistance. Individuals like Ajay can bring a paradigm shift to the Indian rural setup – contributing to improving the state of skilled labor and employment. What remains to be seen is if they get the support from educational institutes, the Indian government and organizations to complete the entrepreneurial ecosystem. Will all the four elements fall into place for India is the story that we all will witness in time. I resign by leaving us all with a great thought by Peter Drucker that summarizes my essay.

"What we need is an entrepreneurial society in which innovation and entrepreneurship are normal, steady, and continuous. Just as management has become the specific organ of all contemporary institutions, and the integrating organ of our society of organizations, so innovation and entrepreneurship have to become an integral life-sustaining activity in our organizations, our economy, our society."

-- Peter F. Drucker, Innovation and Entrepreneurship: Practice and Principles

¹⁹ Knowledge@Wharton, HarVa: Creating Value within Rural India, 2012 ([Link](#))