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► INSIGHT

# Men, machines and Morena!

“First they ignore you, then they laugh at you, then they fight you, then you win.”

- Mahatma Gandhi

It's a concept people have been talking about for a long time now. Articles have been written and presentations made. Cash-rich companies have funded pilots. People have earned their doctorates studying and analyzing these efforts. Consultants have earned a fortune offering advice.

I am referring to the concept of building business ventures in low-income economies. In other words, I am talking about using the concept of capitalism to deliver the desired results of socialism.

Many such ventures have been brought into limelight by the media. They are spread across the globe and claim to have achieved impressive results.

The promoters have the data to prove their point. Micro-finance initiatives have reported impressive repayment rates and they claim to have devised a universally replicable, banking system for the poor. Stealing the limelight, for whatever reasons, are ICT-based business ventures or efforts. Everybody has read about the buffalo that got sold off through the Internet.

My company had decided to open a new location at Morena in Madhya Pradesh. I landed there with great zeal and enthusiasm.

But, the place has hardly anything to talk about. No tourist attraction, no political bigwig. Life here is all about struggle and the ensuring frustration. How

can people forget a place where 15 lac (1.5m) Indians live! Guess there are Morenas waiting to be discovered.

This note is not the outcome of any high-end research effort. It also does not claim to have discovered the “right” way of doing things. All my assumptions might turn out to be biased and would be of no use to others working at different locations, on other initiatives.

I dedicate this note to the fighting spirit of the Chambal valley and to the enterprising people of Morena.

It is my first day at the Collector's Campus in Morena. Armed with a b-school degree, I am confident that I can establish a network of rural franchisees, which would offer e-governance services through the Drishtee network.

Promoting entrepreneurship in rural areas isn't that tough. If it could work in Bangladesh, Morena should be easy!

The local administration is supportive. I also have, in my arsenal, a weapon called ICT. My predecessors were not that lucky.

I am still behaving as a tourist- an outsider. I learn my first lesson. My attempt to click a group of elderly women attracted a lot of negative attention. Women, asking interrogatingly about my business there, surrounded me. “Tum kahe ke inspector ho?” “Sarkar ne kya koi aadesh nikala hain?” “Photo kyon khincha?” “Hamne koi galat kaam nahin kiya!” (“Which department do you

represent?" "Has the government issued any notice?" "Why did you click our photograph" "We have not done anything wrong?"

Welcome...

### **My solution is great...but is there a channel?**

My superior had briefed me on the process, which was to be followed during implementation. I had to meet the government officials and gather data. I also had to get the right kind of people to run the information centers as franchisees. Since, the franchisees would offer e-governance services, people with a notorious record had to be kept out from the network. The process had been refined after a series of implementations at various locations across the country. It was a very cost-effective way of setting up an e-governance delivery system. It allowed for participation from the local business community and provided self-employment opportunities to the educated youth.

My B-school training forced me to analyze the data gathered from various sources. The first few days were spent on this critical exercise. Most of the villages, which met our criteria of population density and connectivity with roads, did not have a telephone connection. Few did not have electricity. Some were crime-hit! So, the market size isn't that big? Or, is it big enough?

Morena entrepreneurs are of a different class. Lalit Kapoor represents the high-fliers.

An electrical engineer from Gwalior, Lalit completed a software course from Bangalore and worked with the software development arm of the same training institute. Post the bust; he was forced to leave the garden city. But, Gwalior was different. No IT-Jobs here. What did he do?

Lalit looked for innovative application of software. Areas which Infosys and

Wipro missed out or did not consider profitable enough. He developed software for a sugar mill which helps trace the payment record of sugarcane farmers, sold software to the local administration for managing government scholarship programmes and software to the *mandi* — the Wall Street for the local farming community. And he sold them really cheap!

Lalit does not carry a Nokia or wear a Van Heusen. He travels by bus and waits for his customers for hours together. And he does not complain. He never dreamed about those luxuries, anyway. Had he not been into software, he would probably be working as a clerk in some government department.

Lalit, now, earns as much as a clerk does and, surprisingly, works to eliminate the clerk itself! His firm employs MCAs and his outfits' turnover is 1.5 lacs per annum. Lalit shall never make it to the cover of business magazine; the Premjis of the world shall always dominate it. Yet, he shall be there, bringing about change at the lowest of all the levels. IT, because of him, could soon stand for "India Triumphs"!

The IT boom lured people from small towns to the big cities. It made them invest their resources in software training. After the bust they are dumping their skills in the hinterland. No World Bank sponsored scheme could have achieved this. Capitalism, it seems, can outperform socialism.

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I met Lalit at the collectorate campus. He runs a company by the name of LSV Software in Gwalior. LSV stands for "Latest Software Vision". He showed interest in becoming our local business partner. Using IT to help villagers apply for a gun-licence, made perfect business sense to him.

### **Hey...what about the purchasing power?**

Hit by a drought, Morena's economy is struggling for recovery. It seems unlikely that people would be open for fresh investments.

A government official educated us on the viability of our business concept.

He was posted with the Ministry of HRD, in Delhi, before moving to a block in Morena district. A tall person



*Jugaadi-Going off the road!*

Why should a product that serves a customer need, at an acceptable cost, and without any social ill-effects be banned.

with a heavy built, he sported a prominent moustache.

It took us one hour to reach his office, by bus. We wished it had taken longer. He blasted off “Yahan par budhhi jeevion ki kami hai! Dimag ke aabhav se yeh chetra pichad gaya hain. Kya aapko pata hai angrezon ne Jaipur, Agra aur Gwalior mein pagal khane kyon banaye? Meine government records mein padha hain. Yahan par duniya ke sabse adhik pagal paye jaate hain.” (There is a lack of intellectuals in this region. The region is underdeveloped due to shortage of brains. Do you know why the British built mental asylums in Jaipur, Agra and Gwalior? I have read in the government records. One can find here the maximum number of lunatics in the world.) “Yahan par logon ka mind, destructive nature ka hain.” (People, here, have a destructive mind.)

Phew!!! I decided to give a new direction to the monologue and started to explain how we planned to set up the network. I made it a point to emphasize the benefits of e-governance and the role local entrepreneurs could play in service delivery. He had an answer for that too, “Public administration art hai, log is baat ko nahin samajhte”. (Public administration is an art; people do not understand this.)

After a not-too-encouraging conversation, he briefed us on the rickety telecom infrastructure in the region. He reduced my list of 16 potential villages, in his block, to 4! Convinced that our business concept was far from being realistic, we decided to call up the head office. I opened my bag to pull out the telephone diary. Noticing my Kodak, the STD boothwala enquired “Kya yeh digital camera hai? Mein ek karidne ki soch raha hoon. Shaher nahinjaana padega”. (Is it a digital camera? I am planning to buy one. I will avoid going to the city to process the film.)

He seemed to be the right guy... I smiled at my colleague, and asked the booth owner “Kya aap soochnalaya kholna chahenge?” (Would you like to operate an information center?). It seemed that a business concept aimed at reducing the villager’s cost would work well here.

### Are the customers innovative by nature?

A popular book by the name “The ma-

chine that changed the world” presented the findings of MIT’s Motor Vehicle Research Programme. It documented the effect that the automobile has had on production processes and costs. It mentioned the virtues of Japanese production techniques like Kanban and JIT.

Years after automobile technology achieved maturity, the local paper carries an article titled “Unki gaadi automobile, hamari gaadi jugaadi”. Jugaadi? Yes. JUGAADI! Coined from the word “Jugaad” (meaning “improvisation”) and “Gaadi” (meaning “vehicle”), Jugaadi is a locally-assembled mechanical contraption. Costing a meager Rs. 50,000, it is very popular with the rural folk for transporting goods. A motor-powered four-wheeler, it has an amazing mileage and is very economical to run in the villages. Stories of such “contraptions” being found in rural areas of Punjab (they call it “Maruta” there) are also popular.

But the newspaper carried bad news. The police had confiscated all the Jugaadis and their production had been banned. Violating a safety clause in the Motor Vehicles Act, the Jugaadis have been declared unfit to run on the roads.

In spite of this, the locals still take the risk of running their locally made Light Commercial Vehicle (LCV). I am sure they realize that it is much safer to ride a juggadi than it was to control a Model. Isn’t it strange?

Why should a product that serves a customer need, at an acceptable cost, and without any social ill-effects be banned? For whose benefit is the law made? I guess, not for the customer’s, but the incumbents? For the first time, it will be easy to draw a parallel between the U.S. and India. Remember Napster?

We waited for Amartya to get a Nobel and Satyajit to get an Oscar before we found them fit for our National awards. More recently, we waited for foreign management gurus to give credibility to the Mumbai *dabbawalas*



*Kakanmath temple: Innovativeness standing tall*

(packed lunch suppliers) before we (read Confederation of Indian Industries) invited them to speak at a recently held management symposium.

While the best brains from the country work hard to perfect the “nut” and get award for quality, rural India has gone ahead and created its own LCV. I guess, they were too impatient to wait for the right solution to arrive from the nearby town.

The local history offers more examples of such innovative behavior among the local. Kakanmath, a rock temple dedicated to Lord Shiva, stands like a carefully balanced pack of cards, about to fall anytime.

The temple was built in the 11<sup>th</sup> century and had been built without using any bonding agent. Who wants Cemex here?

Isn't rural India innovative enough to learn sending emails?

## What they cannot teach you at Harvard Business School...

The five community information centers at Morena started offering their services. This came in two months and eleven days after the Drishtee team landed there.

Involvement with the project made me challenge some very basic assumptions. The ones, which I held closely to my heart, for a very long time, were the ones under close scrutiny. Most of them were related to the sophistication of business ventures in the region.

Would the locals be savvy enough to run IT ventures in their villages? Would they be conscious of their costs and investments? The fact that most of them had not studied economics scared me. My confidence in their ability to sustain their enterprise was extremely low. This was to be challenged very soon.

Unusually sophisticated markets in the town made me realize how financial wisdom had emerged in the region.

There happens to be a huge market for licensed guns in Morena. Daily rent for licensed guns go up to Rs.1000 per day. It is, however, not an easy task to stay and thrive in the market for long. The customers are highly demanding



and a difficult lot to satisfy. The target market, I was told, are the dacoit gangs!

The dacoits keep their operations extremely lean – no investment in expensive assets! Virtues of outsourcing were realized long before someone coined the term. They get to choose from a variety of models and the risk of obsolescence is reduced. Inventory carrying costs too are none. Depending the “plan” and the value of time in executing the same, one can choose the type of weapon to be taken on rent.

The low-risk that the gun owner has to face explains the success of this model in Morena. In case the dacoit is held with a rented gun, the owner gets a pre-dated FIR filed with the local police station stating that the gun was “stolen”. Inequality in income produces vulnerable targets in small-town India. Abduction is the main source of income for these groups.

### Information centres at Morena

Come Dussehra, these guys stop abducting for money. The year has been bad. A few gang members were arrested. The time has come to please Mother Goddess. Teenaged boys are carefully selected and targeted. The sacrifice has to be better than last year!

It is all there. The challenge does not lie in opening and running a business school here, but in using the locals' ingenuity to build a better society.



*Uday Singh with his WiLL set at Khadiabar*

## Understanding the value chain

With around seven centers operational in the blocks, the next stage calls for a focused marketing initiative in the gram-panchayats. These villages, with a population varying between 2500 -12000, are an ideal testing location for any concept that claims to be “empowering” the third world.

Getting the “right” candidates in these locations has proved to be more difficult than the infrastructure bottlenecks one usually faces in these areas.

A village called “Khadiabar” (in Ambah block) with a population of around 9000 becomes an interesting case study on “inappropriate technology”.

I visited the village in the last week of September 2002 and got a positive response from a local telephone booth owner- Shishupal Singh Tomar. The booth was managed by his nephew- Uday Singh.

The village exchange ran on solar panels for lack of regular supply through the grid. The initiative to install these solar-based power systems was taken by a dynamic telecom officer. The telecom official was given a plum posting for his remarkable performance.

By 6:00 pm, however, the exchange starts losing its power and telephones are down. The villagers are unable to make calls, at reduced rates, in the evening. Power is restored only by 12:00 noon the next day. The villagers call up their

relatives at full rates. So, while the metros rejoice at slashed telecom rates, villagers continue to spend a fortune. Analyzing customer usage data would fail to reveal the reason why people in this small village enjoy making calls, at full rates.

While all of us are satisfied designing impressive grid-independent power solutions, we do not realize the ultimate benefit desired by the customer. This lack of understanding has led to half-baked solutions, which the company salesman manages to shove down the throat of government officials. It is the nation, which loses ultimately.

Would the benefits of liberalization and that of competition finally trickle down?

### **Acknowledging the market’s presence**

It’s been a year since I left Morena. Everything has not been smooth. There are problems with connectivity. The confidence level of the franchisee suffers as the local team struggles to co-ordinate the service flow with multiple government departments. As we expand, it gets difficult to find trained franchisees. We realize that one needs to intervene at various levels to succeed in this market.

It is clear that the corporate world is yet to develop the ability to profitably serve the poor. With capabilities residing within systems, organizations have found it difficult to develop the same within existing structures. Their cost

structures are rigid and their core competence has been frozen. Efforts to re-engineer stand-alone processes have not been in a sustainable way to develop long-term solutions. As a result, outsourcing tasks to outfits with lower cost structures has become the norm. These shortcuts, however, offer solutions, which are of poor quality.

Conglomerates, which are considered waste of resources in the developing world, would probably succeed in this market.

Initiatives, which are jointly run by a variety of players, and therefore assume the characteristics of a conglomerate, would be able to explore the potential of this market.

This market requires one to look at the entire value chain of the target customer. It requires you to ask questions you have never asked yourself. It requires you to search for the questions, the answers for which you have had for all these years.

Before we start selling bulletproof combat equipment, we need to create a market for “sand bags”. The customer needs to realize the need for “security” before he gets ready to buy high-end safety equipment.

While all this sounds like charity, I feel “marketing” is a better term. What do you say? ■

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