

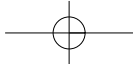
“It’s time to re-awaken our conscience”

In an exclusive interview with USP AGE, Dr Partha Ghosh, a renowned strategist and an innovator of Business and Economic models, and founder/managing director of strategy/policy advisory firm, Partha S Ghosh & Associates, Boston digs deep into his years of global experience to throw light on some of the emerging paradigms in a world caught in high inflation and its escalating effects across industries, globally.



What is the magnitude to inflationary tendencies, and how is it likely to create recession?

In a country where thirty percent of the population is below the poverty line, and the next fifty percent barely manage to meet the basic needs for survival, even an inflation rate of 3-5 percent has serious consequences. With accelerating trade deficit, escalating budget deficit, increasing productivity gaps in agriculture with nations (such as Brazil, China, Thailand, and Vietnam) in the same economic league and rising dependence on imported energy, double digit inflation triggered by rising price of hydrocarbon is not only viscous and complex but also self reinforcing. Indian monetary and fiscal policies must creatively balance both financial and strategic requirements of the nation's socio-economic advancement. India's economic mess was in the making since the first stage of economic reforms were put in place as policy makers pursued policies which helped relatively easier superficial gains over strategic moves to uplift the bottom sixty percent of the population and to increase basic competitiveness of the nation.



How would the recession impact the achievers, aspirants and the deprived?

The segment we term achievers are over-compensated relative to the earning power of eighty percent of India. It is indeed surprising to note how the average salaries of senior management of companies relative to people who work in the factories and the fields have changed in the last fifteen years. Consequently, in the short-term, the current economic environment may not have much of an impact on the consumption instincts of achievers. In the long-term, however, the compensation of achievers and aspirants has to be aligned with the deprived, short of major political and socio-economic fall out.

Needless to say, for the deprived, the current economic dynamic is becoming increasingly unbearable. The nation's leaders must salute the survival



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resiliency of the poor in terms of how the deprived is subsidizing the nation's short-sighted economic policies and businesses' over-indulgence in luxury goods and imported brand names, by restructuring tax policies for high income earners, which could be used to help cushion the deprived to deal with the inflation of food and energy.

How, according to you, would the recession impact vendors of goods and services to these sectors?

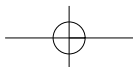
Slowdown of the economy will obviously affect the supply side of the economic equation – both suppliers of

products and services. It is my hope that more forward-looking companies will take advantage of the current crises by turning their attention on all-round productivity improvement – management and labour, physical and knowledge assets as well, in turn, secure global competitiveness – leading to increased exports from India.

How is it likely to impact the communications industry?

It is my firm conviction that given the complex socio-economic issues of the nation, it is the moral and ethical

responsibility of the communications industry to analyze the fundamental issues so that the basic human rights and dignity of the common people are addressed. The time has come when we have to reawaken our conscience by engaging with the real issues of the nation. Unfortunately, the billboards, print and the TV advertisements and the discussions in economic and business journals devote more than eighty percent of their space and time for products and services that cater to lifestyle and economic gains of the top 10 percent of the population. Beyond the US-styled serials and extensions of western adverts, the real issue the communications industry has to deal with is how it must balance with its usual “song and dance” show vis-a-vis putting up the real facts and analyses of India's challenges in front of the



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Indian populace, so that the Indian policy makers and politicians, beyond election times, take real interest in India's real ethical issues of human rights of the "deprived".

How will it affect the financial markets?

The financial markets will need to limit its exposure to over-extended corporations or individuals. It is, indeed, confusing to note that, on the one hand, Indian companies are making major global bets in capital-intensive industries while, on the other hand, the nation's limited financial capacity do not allow the nation to make investments in social uplift of the deprived. Following the economic liberalization of the last two decades, investment instincts shifted toward speculative tendencies while green field investments in social infrastructure, for what you term "deprived", has been highly inadequate, making the overall economic system fragile. Financial markets will need to be aligned with the strategic priorities of the nation. As you know, for the last 25

years, I have tried to promote the concept of "country strategy", which will tie together the strategic initiatives for different issues of socio-economic advancement into a well-defined strategic blueprint, and, then, determine how financial instruments and institutions should be structured to enable sustainable, bottom-up, socio-economic buoyancy. New Delhi's sudden shift in belief in the power of the invisible hand of Adam Smith only testifies how superficial Indian policy makers have been in understanding of the real challenges of development, business instincts of Indian business houses, and ethics and conscience that are necessary to drive the society toward a trust-based economic dynamics. A poor nation cannot afford, in the name of market corrections, the nature of financial squandering that developed markets like the US could afford, be it because of Enron or World com collapse, or the meltdown of derivatives markets, like the collapse of the sub-prime mortgage market.

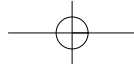
What can small- and medium-sized

agencies and media do to stay afloat in times of recession?

I have tremendous confidence in the potential power of the small- and medium-sized companies. Worldwide, in progressive nations, SMEs have been the engines of growth – they provide economic resiliency, trigger innovation and drive growth in productivity. In India, unfortunately, SMEs face several obstacles:

- (i) Talent shortage: Graduates from top engineering schools, instead of working for SMEs in Kanpur or Kharagpur, where two of the top IITs are located, will rather work in air-conditioned offices of an US-based Investment Bank to do desk research.
- (ii) Brand-conscious Indian middle-class and executives working for large corporations rather work with established companies than small companies; if they do, they negotiate in ways that challenges the basic survival, let alone growth of the SMEs.
- (iii) Nature of bureaucratic red tape that the SMEs go through, whether they are dealing with a bank or Government agencies, is same as large companies, except that the big organizations have people who specialize in managing their relationships with governments and have extensive budgets to lubricate and smoothen the processes.
- (iv) Real Estate costs of Indian metros make it very difficult for SMEs to compete from big metros, pushing them away from large markets or make them suffer from cost and time disadvantage of distances, particularly given the current state of India's infrastructure. Both central and state governments and large Indian business houses must find ways to stimulate the SMEs. Lessons from Japan, South Korea and, even, China might prove useful.

What is your advice to marketing



communication professionals, in the present circumstances?

Like the communication industry, the marketing executives have huge responsibility to the organizations they work for. They have to learn how to move away from unidirectional marketing campaigns to multi-directional marketing movements. Currently, the marketing executives essentially push and advertise the products, which are essentially extension of western products, for higher economic echelons of the society. The time has come when Indian companies, to stay competitive, must utilize the marketing intelligence to have them also identify and market possibilities in the underserved and/or unnoticed problems of the nations to the corporations to stimulate new product/service innovations. Marketing executives should be able to proactively sense the opportunities in the peripheries where the current products serve and, then, find ways to extend the opportunities to larger segments of the market.

For example, as the Nano car gets commercialized and proven in within the target segments, marketers of the Nano car should ask how bullock carts users' lives could be improved to introduce simple add-on to such carts based on bio fuels. As many such questions are raised, I am sure innovative answers will emerge, thereby rescuing India from the constraints and dangers of linear thinking.

There has been a significant overspending in the US, and experts say that the fiscal deficit, trade deficit, and the resultant weakening currency are all 'here and now'. How can the world ramp up to combat this scenario?

Thanks to consistent misperception of,

and poor judgment calls on, the real issues – geo-economic and geo-political – there is a clear consensus within the economic and political community worldwide that the White house, in the last eight years, has mislead the US along multiple dimensions. However, it is my hope that, as the new administration,



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irrespective of who comes to power in January 2009, some of the economic issues will be handled with a firmer hand through bold moves. Consequently, given the innovation capacity of the US, in the next 3-5 years, significant innovations of magnitudes

larger than the impact laptop, cell phones, and Internet have had on the global economy, will create new economic vitality in the US. In the same spirit, the financial markets, following the sub-prime mortgage crisis, will get corrected and, in the next 6-8 months, short of any external catastrophes, we will see a surge of US economic activity with significant innovations along multiple dimensions in automotive, new materials, energy-efficient appliances, and, most importantly, healthcare – driven by massive application of genetic engineering and bio-electronics. The convergence of innovation along all these vectors will draw significant worldwide investments in the US economy, which will lead to a rise of the stock market driving the dollar up again.

What does it mean for the Indian businesses, and where do you see the marketing and advertising spends of brands moving, in such a scenario?

I think Indian businesses could benefit significantly from the next economic surge in the US if Indian companies are prepared to play the innovation support game in a cost-effective and resilient fashion, particularly along the value chain of new energy models, which will revolve around Hybrid cars, Fuel Cells, Solar Power, Wind power and in the development of new energy systems. Similarly, in the development of next generation healthcare systems, the Bio/Pharma companies and Healthcare providers could play a significant role as long as the cost competitiveness is significant relative to nations who might enjoy similar competitive advantage. Accordingly, Indian corporate must find ways to promote and market their skill base to innovative companies in the energy, healthcare sectors, similar to what companies like Infosys could achieve in the last decade. ■

