Entering India: Creating an Ethical Multicultural Business

Ashok Vasudevan , Julia Taylor Kennedy

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CREDIT: Nate Gray

JULIA KENNEDY: I want to welcome you all and everyone that's watching online via webcast. With us today we have many invisible participants.

Let me tell you, for those who are new today, a little bit about the format of these workshops. The idea is to work through ethical cases that feature one person who has demonstrated a capacity to really act in an ethical way. We are very lucky to find that person, as we're talking about the market of India, in Ashok Vasudevan.

I also want to mention that our curriculum and the way that we have constructed these events is informed by the Giving Voice to Values curriculum written by Mary Gentile at Babson College. She has been instrumental in helping us make sure that this is a really well-crafted event.

Without further ado, let me introduce our speaker today, Ashok Vasudevan. He is co-founder and CEO of Preferred Brands International in Connecticut. He is Chairman of Tasty Bite, which is an Indian public company, and Chairman of Preferred Brands Australia.

He took over the company with the intent to make Tasty Bite the most respected food company in India, and in the process has won all kinds of accolades, including the prestigious government of India APEDA (Agricultural and Processed Food Products Export Development Authority) Silver Award for value-added exports in agriculture.

In the past, he worked with Pepsi and Unilever, Optical Networking, and also advising U.S. corporations that are looking to do business in India.

As I have gotten to know Ashok in preparing for today's event, I've learned he is a thoughtful, hardworking, passionate, and very strategic-minded individual and he has put a lot of thought into today's event. So I think it is really going to be a wonderful exchange.

I also want to mention that Tasty Bite is a successful company. It has grown 35 percent in the past two years. As someone from India with vast experience in the United States, Ashok is the perfect person to address the ethical challenges that arise in doing business there.

Why don't we start just laying the groundwork before we get into these cases? Tell me a little bit about Tasty Bite, what your corporate structure is, since you are the head of three different companies related to Tasty Bite, and what is your geographic scope.

ASHOK VASUDEVAN: This is an absolute honor to be here. A quick background. Preferred Brands International is 15 years old. We started, as many U.S. companies have done, in our bedroom. My wife, who is a co-founder of the company and also on the board and the executive vice president for both marketing and product development, who runs the Tasty Bite research center, is also here.

We started with $5,000. We are now a company that has 450 people worldwide. The corporate headquarters is in Stamford, Connecticut, where we started. I'm happy to say no longer in our bedroom, which we are now able to recapture.

We have a 100 percent subsidiary in Australia, known as Preferred Brands Australia, and a 75 percent subsidiary in India, called Tasty Bite Eatables Ltd., of which the balance, 25 percent, is held widely by retail shareholders. That's the structure.

We are in the business of manufacturing and marketing natural, convenient specialty foods mainly under the brand name Tasty Bite. We sell nationally in North America across different supermarkets, and also in Australia and New Zealand, and we have a thriving, growing food service in India.

That's a quick summary of what the company does.

JULIA KENNEDY: Let's talk about the market. Tell me about the ethical challenges that crop up that are particular to India. And I know you wanted to share some challenges that are universal as well.

ASHOK VASUDEVAN: First of all, let me just start by stating that I don't particularly believe that these ethical challenges are peculiar to India in some unique way, other than everything in a given context, in a culture, tends to be unique. So, to that extent, even ethical challenges may be unique within that context. But that having been said, I think the challenges in running an ethical business are uniform across cultures. So I have no intention of picking one or the other.

But, because of our experience in the United States, India, and Australia—and since we are talking specifically about India, while the bulk of our assets as a corporation are in India, even though the bulk of our revenues are here in the United States—India poses its own peculiar challenges, partly driven by its culture, partly driven by its history, and partly driven by a highly regulatory framework that is only slowly starting to unravel, as the government deregulates and allows businesses to flourish.

So the belief that India is a particularly and uniquely corrupt society may be significantly overstated. It almost goes to the heart of what you mean by corruption. But is it possible to do business in India on what somebody might call the straight and narrow? The answer is an overwhelming yes. Is it hard? Not really.

The only statement that I'd make, which is a generality, is that oftentimes we think of ethics as a narrow corridor and, therefore, make ourselves believe that we have very little maneuverability, because we have already defined the corridor as being narrow. Oftentimes, we find ourselves at a fork in the road which becomes a binary choice between "Is it right, or is it unethical?" never asking ourselves the question as to what is it that brought us to that fork in the road in the first place.

So oftentimes, it's not outside of us. Most of these tend to be within us, as individuals and as corporations. I think we've embodied that in the fabric of the corporation from the time we started.

JULIA KENNEDY: We'll talk a little bit more about that in a minute.

Before we delve into the cases, I think it's also important to bring up and discuss what is going on in India right now around these ideas of corruption. So tell me a little bit about the Lokpal bill, an anti-corruption bill that is being considered in India and promoted by an activist named Anna Hazare. How likely is it to become law, and how effective do you think it could be?

ASHOK VASUDEVAN: Let me just step back a little bit.

The Lokpal bill is actually a bit like the campaign finance reform in the United States. It's a very old bill that has remained through several administrations over the last almost 35 years. Different administrations have attempted to discuss it. And, obviously, it is not in the interest of the lawmakers and the politicians to actually put constraints on themselves, in terms of being investigated for wrongdoing.

So this is an anti-corruption bill that is supposed to specifically address members of Parliament, senior government officials, and even state officials, and at one time even included, potentially, the judiciary. So this is a bill that has remained in Parliament for over 35 years, called the Lokpal bill.

Anna Hazare is a unique character. He is one of the few remaining Gandhians in the country and is absolutely ramrod straight. It's hard to push anything but goodness on him, even by the most cynical, though a few have tried, even those who are even more cynical than most.

What he has been trying to do for the last several years—and this suddenly gained traction in ways that he probably did not anticipate himself—was the largest movement in India since 1977, when there was an emergency declared by Indira Gandhi's government at the time, and she lost her prime ministership as a result of that high-handedness. This has been the largest voluntary, unexpected movement that happened across the country.

This was actually called the Jan Lokpal bill, which is the people's Lokpal bill. So it's kind of giving rebirth to the old Lokpal bill, with some very stringent conditions, which not only included the politicians, but also the prime minister's office, as part of the investigative rights of this commission. There was an attempt to include even state-level officials, junior officials, and even potentially the judiciary, which typically has its own oversight mechanism.

India is also, by the way, a somewhat litigious society—not as much as we are here in the U.S., but certainly it has a history of litigation and settlement, and there are a lot of precedents there. And so Hazare wanted to also exclude any lack of oversight of the judiciary. He wasn't happy with the oversight mechanism in place.

But that resulted in Hazare declaring a hunger strike, which unfortunately the government decided to act on by arresting him. They arrested him because he went on a hunger strike. Then the debate was, where would they actually incarcerate him? That became the real issue.

That resulted in hundreds of thousands of people signing online this petition. That mushroomed into millions. In India when we talk numbers, we talk big numbers. There were millions of people within a few days that signed on to this.

The movement was peculiarly led by the young, which are the students, who for the most part had not seen activism for the last 20, 30 years, and by the senior citizens. So it's almost like some of us in the room are the cynical half, but you saw the bookends of the young and the old coming together.

He was very close to being in critical condition. He continued his starvation for several days, and finally the Parliament, unanimously, in a voice vote that people were embarrassed to even count, agreed to acknowledge that they would debate that version of the bill, as well, in this session. So, as we speak, before the end of the year, Parliament is going to take up three variations of that bill, and there is a committee that has been set up.

All likelihood is that the Jan Lokpal bill as it stands, with very little modification, will get passed. It will be a historical move for India, maybe the biggest self-reflection of the leadership and the lawmakers.

JULIA KENNEDY: And then, of course, the question is enforcement, and how that will trickle down and possibly change.

ASHOK VASUDEVAN: True. Fortunately, all the three versions of the bill have the enforcement mechanism built into the bill. So that is part of the contentious issues.

A committee was formed, which necessarily had to be dismantled at the insistence of Anna Hazare, because people who were part of that committee were themselves a little dubious, given their history of behavior. And, therefore, he had earlier gone on a hunger strike to remove all those members, because they themselves had corruption charges pending against them.

So now we have an enforcement mechanism that looks robust, that looks sincere. There is an earnestness of desire that you can sense, pushed by a national groundswell of opinion.

So I'm positively inclined that it will get passed this year.

JULIA KENNEDY: This might be a different conversation a couple of years down the road. But it's a conversation that is happening within India as well, which is wonderful.

So now that we've lain a little bit of that groundwork, let's delve into the cases. I'll give you a little preview of the ones that we are going to consider. The first case on the docket is talking about changing culture and mindsets. So, we'll talk a little bit about when Ashok took over Tasty Bite.

Then, we're going to talk about a specific transactional case of corruption, or a couple of specific transactional cases of corruption, that Tasty Bite encounters.

And then, finally, we will do a case that talks about shared values and then links back to that idea of overall corporate culture.

With that, let's begin. How did you acquire Tasty Bite?

ASHOK VASUDEVAN: It certainly is an interesting story.

I spoke to you about the formation and the incubation of Preferred Brands International, which is the parent company. At that time, there was already a company called Tasty Bite that existed in India, which was a public company set up by father-and-son entrepreneurs—very enterprising, forward-looking folks—who had the foresight, but didn't have the management bandwidth, shall we say, and were probably a little bit ahead of their time. Therefore, the company was floundering.

We started Preferred Brands as mainly a distributor of Tasty Bite, importing it from India. And pretty soon, within a couple of years, we became the largest distributor of Tasty Bite products. So it made good sense for us to integrate backward and acquire it.

In the whole process, in the process of deciding—this was about three years into our incubating Preferred Brands, so we're now talking 1998—Unilever had acquired Tasty Bite in India. They didn't hold onto it for very long, and they flipped it, and we acquired Tasty Bite from Unilever.

It's a very interesting and checkered history. At that time, the company was already 12 years old. The company was sick, equivalent to Chapter 11 bankruptcy proceedings.

We talk about Murphy's Law: in India, if something can go wrong, it will go wrong twice, maybe thrice. If you looked around this company, anything that could go wrong had gone wrong a few times. So let me just describe the scenario at that time.

You had about 150 permanent employees. The company had wiped out its net worth several times, had borrowed in Deutsche marks, yen, and in dollars when the rupee was about 13 to the dollar. By the time we acquired the company, the rupee was already at 34. So the old money in Deutsche marks, old money in yen, old money in dollars, was earning revenues in rupees for the most part. When your cost structure is in hard currency, and your income stream happens to be in rupees, you know you've got a fundamental mismatch.

It also had a significant financial burden in terms of bank debt, long term and short term, and it was in no position to pay it. So that was the financial part.

Business-wise, there was only one country really for all practical purposes, and that was the United States and Preferred Brands. Eighty percent of the company's revenues came only from one product group and one market.

Also, to make matters worse, we were under receivership, and we actually had a nominee from the government of India's Reconstruction Department on our board. The number of things that we could obviously do were highly limited at the time when we acquired it.

We also had pressing creditors, and dead and unknown shareholders. That was broadly the situation at the time.

As though this wasn't enough, there were also several cases pending against the company for violation of various statutes, which most of the people in the company didn't even know existed. So they probably didn't even know they were in violation, including violation of minimum wage provisions, where the company at that time wasn't even offering minimum wage to the workers, even though it was enshrined in the law.

So that was the situation at the time when we acquired Tasty Bite. It took a little bit of courage.

JULIA KENNEDY: A lot of courage! So specifically—you started touching on this a little bit—what was the existing culture like, when you're talking about values?

ASHOK VASUDEVAN: Let me just define the culture in two different ways. There is a culture outside the company, and there is a culture that is within the company.

Within the company, the obvious culture was one of fear, only because it had been acquired. It was a sick company. There was a question of their future and their jobs. Therefore, there is a certain fundamental problem**—**not only cynicism, but also fear, of what might happen. So you have a culture that is on the inside.

On the outside, obviously, there a lot of cynicism, because only somebody who is nuts would go buy a company of this kind. Maybe our reach was significantly greater than our grasp. I'm not sure whether it was considered to be a wise thing.

As it turns out, it did become the first company in the history of Indian business where a food company turned around from Chapter 11, what we call BIFR in India, the Board for Industrial and Financial Deconstruction. It did become the first company to actually turn around.

And also from the regulators' perspective, there wasn't much hope, but they were going to work with us to make sure that we could protect whatever employment that we could at that point in time.

So uncertainty is a good word. Cynicism is another word.

JULIA KENNEDY: I'm going to give you a little bit of time to do a small group discussion this time so that you can talk around some of the questions I'm going to throw at you.

But, first, what change did you want to accomplish?

ASHOK VASUDEVAN: The first obvious change is to turn the business around. That is the first piece that had to get done. But in the process of doing that, we just wanted to build an organization of lasting value.

I won't say too much, given the case study format. But I will say that in the discussions we had at that time within the E-Com, which is the executive committee in the company that runs the businesses in all three countries, we said: "What is it that we've got to do where we can truly reach beyond our grasp?" "How impractical can we afford to be?" is really what we were thinking.

But the important thing is in 15 months—we were actually given 18 months to do some financial restructuring and recast our balance sheet 18 months after the acquisition. We actually turned the business around in the ninth month, where it had had operating losses for eight years before. So there was something obvious that must have been apparent. I don't even know. But I believed that at the moment.

JULIA KENNEDY: When I send you into this small group discussion, what I'd really like you to talk about is how to accomplish cultural change, to get rid of the cynicism that Ashok described. There was also corruption going on within the company. How do you stop that and make sure that change permeates all levels of the company?

So, as you're thinking about how to accomplish that change, think about how these questions might help you break that into manageable bites.

- How do you communicate with the executives and staff whatever strategy you decide on?
- What are the main arguments you can anticipate that they might counter with?
- What's at stake for yourself and your employees in this?
- What are the long-term versus short-term strategies?

It's a lot, but I'm going to give you three minutes to talk about it.

PARTICIPANT: What exactly is the product of Tasty Bite?

ASHOK VASUDEVAN: Tasty Bite is a range of natural, convenient ethnic foods. So we make ready-to-eat shelf-stable foods, Indian, Pan-Asian, Mediterranean, some sauces. We have four product groups.

The first one is entrees, which include Indian and Thai foods. Dishes include Madras lentils, Bombay potatoes, Kashmir spinach, Punjab eggplant, Jaipur vegetables, et cetera. These are all vegetarian, featuring a range of vegetables slow cooked and simmered in different kinds of sauces. These are packaged—and that's the heart of the technology—in a pouch called a retort pouch, in which truly Tasty Bite is arguably a leader in the industry, which is shelf-stable products.

Our foods do not require refrigeration or freezing. Also, none of the products have chemical additives, additives, preservatives, or irradiation. So these are all good-for-you products.

Then we also have a range of sauces, which are Asian, Indian, and Pan-Asian sauces, which are ready-to-cook sauces—we call them RTC sauces. You just add meat and cook. So, for example, we have Tikka, Pad Thai, and Korma sauces.

We also have a range of rices, flavored rices, all the way from long-grain Basmati rice, to brown rice, Thai Lime Pilaf, and other different flavored rices.

Finally, we have a range of Meal Inspirations, a vegetarian answer to protein, which are lentil-based. India is the largest grower of lentils in the world and has the widest biodiversity of lentils. These lentil-based products are, again, slow-cooked and dry. You can use them in any way that you're inspired—as a salad topper, to put into soup, wrap in a pita, or have it any way you like. It's just high protein, high fiber.

Many of them are also AHA [American Heart Association] recommended. Our products are available nationwide in typical supermarkets. And, if you go into a Whole Foods, Costco, or Stop & Shop, you'll find them there.

JULIA KENNEDY: Fairway, as well.

PARTICIPANT: The biggest market is America?

ASHOK VASUDEVAN: The biggest market in the world for us is North America. We are the leader in prepared Indian foods here.

JULIA KENNEDY: As you go into the discussion, think specifically about the Indian operations—we are talking about this factory that Ashok has acquired—and what the culture is within that factory. He described a sick business that is having issues with corruption and a culture of cynicism. They're paying their workers very little. How did you, in those nine months, turn it around so that it's more of a productive, healthy organization? So how do you accomplish that change, and how do you communicate with the management as well as the employees to get there?

PARTICIPANT: Can you also mention in which part of India your operation is based so that—

ASHOK VASUDEVAN: The factory is outside of Pune. We are in a place called Bhandgaon, which is part of Daun Taluka in Pune District. It's in the heart of the vegetable-growing belt in India.

Maharashtra is the country's largest fruit-and- vegetable-growing state, and within that Pune District is one of the rich vegetable-growing areas. The factory also happens to be in the heart of vegetable territory. That, by the way, is an important raw material, if you haven't already guessed, in Tasty Bite.

[Group discussion]

JULIA KENNEDY: So what were some of your thoughts as you discussed in the group about how to accomplish cultural change within Tasty Bite?

PARTICIPANT: Without trying to come up with a solution to the problems of your company, I would like to compare your company prior to your taking over, to the Solyndra Company. It is possible that one of the reasons why you succeeded so rapidly is because you defined the purpose of the company relative to the goals pursued by the previous management.

If the previous management was in business for eight years and managed to continuously borrow and lose a lot of money, then they were probably in the business, not of succeeding in the marketing of Tasty Bite products, but of bilking the company. They succeeded. They took out a huge amount of money over many years and left the company bankrupt. They did fairly well. Probably they would have liked to have continued, but all good things come to an end.

So then they were out, and you came in. And you eliminated doing some of the bad things that they were doing. And you went into business to be in business, and to assure the survival and growth of the company, rather than to take as much money out of it as possible.

I think we saw the same thing in Solyndra. The people who created that company knew that it wasn't going to succeed. It was known years earlier that it would run out of money in September of 2011, and it ran out of money in September of 2011.

In the case of Preferred Brands, the lenders got stuck. In the Solyndra case, the taxpayers got stuck. And on top of that they hurt the president of the United States. It's a really bad case.

JULIA KENNEDY: Other thoughts?

PARTICIPANT: I read the previous interview with Ashok, and it mentioned "enduring shareholder." That was a key point, I think. As a financial management person, I notice they always mention what is the key objective of a company. People say it's shareholder value.

The second point Ashok makes, in his interview, is that he mentions when when there is a change in leadership, there is fear and cynicism amongst the employees that they will be removed right away. He did not try to do that. He tried to bring in ownership, and a feeling of considering the employees, not just as an asset, but with a human touch to it.

JULIA KENNEDY: Just to tease out your point a little further, it sounds like you're saying it's letting people know they're not going to be fired, but then also protecting them and offering these other benefits. Is that it?

PARTICIPANT: Letting people know that the mistake is not what they did; the mistake is with the way they were handled.

So once the people try to understand that the mistake is not them, it's the system which is avoiding the problem and it's the organic—India has been an organic market. So when you try to put in a system in there, you need to understand that you cannot just say, "This is the way to do it, we have studied as the Peter Drucker management book. Or, Philip Kotler would say..."

Rather, you have to say,"This is the way we understand you." It's important for them to understand the same concepts in the same language, and that's what I feel can give that.

JULIA KENNEDY: Justin?

PARTICIPANT: Having been in the M&A [mergers and acquisitions] space myself, I think coming into a company you often have a unique opportunity, and that's to actually present a long-term plan. That's really important with distressed companies, because the major problem of morale is that everybody has just been fighting for survival day-to-day for so long. So as you're coming in as a new acquirer, you've obviously bought the business from a long-term perspective, and therefore you can actually plan.

I think the key is to translate that into incentive mechanisms for the staff, which I think is probably the most effective route I've seen to eradicate corruption—so actually showing them there's another revenue-generation mechanism that's legitimate, that's not simply corruption.

The people who want to participate in that and think they can make money will stay, and the people—providing you can iron out the corruption—that don't stay are the people who would make more money from corrupt activities than from legitimate activities. And you probably don't want them in the company anyway.

PARTICIPANT: I have a question. You said that you were a multicultural company that markets agricultural products. So if you could elaborate on the type of employees you had, because as I understand, you have a lot of people who are farmers. How do you communicate cultural change to people who are uneducated, and whose basic needs are not met? You said that they didn't have minimum wages met, so that probably says that they were not very educated or aware of the circumstances prevailing in the country. So, if you could, elaborate on the type of employees.

ASHOK VASUDEVAN: I'm sure we can come back to that. I think that is a very important part of this whole discussion. I'm glad you brought it up.

JULIA KENNEDY: So that's a key issue.

Actually, before Ashok talks about his approach, there is one wrinkle here that I wanted to tease out, which is this long-term versus short-term issue. In the long term, yes, you want to keep the employees that are going to buy into not engaging in corruption. But is there a short-term solution, rather than just say, "Okay, we're a clean company tomorrow"?

PARTICIPANT: I wanted to mention that I worked for Rudy Giuliani, mayor of New York City. I remember, meeting after meeting, he used to talk about how the person at the top has to show absolutely clear, clear leadership in being ethically right and proper. I've remembered that over and over again, that if you don't have a leader who is—I want to say, pure—you must have someone who really sets an example and takes responsibility for that example.

ASHOK VASUDEVAN: It's always nice to take credit. I'd be happy to. But there's a lot that went on.

JULIA KENNEDY: But that's a piece of it, absolutely.

So why don't we then talk a little bit about what you did, and how you made this turnaround.

ASHOK VASUDEVAN: At the time when we acquired the company, we actually sat down, and we agonized over this, exactly like this. If you remember, I said sometimes ethics tends to be a narrow corridor, and it's narrow because we define it as narrow. Sometimes we need to broaden it. Just this discussion around the table helps broaden the concept of what needs to get done.

Ravi [Nigam], who is the managing director of Tasty Bite still today, and one of the members of the management team, had one piece which he took on really aggressively. You talked about leadership, and that's a good example of the leadership as well.

The five of us who formed the executive committee sat down and said, "What should we be doing?"

One of the things we said was, "Obviously the weakest piece here seems to be the entire practice that doesn't have a process of right and wrong, not volitionally."

And so he actually proposed the first vision statement for the company. He said, "Why don't we make Tasty Bite the most respected food company in India?" You're saying, "That was probably the most impractical thing that anybody could have said," because it was hard to find a company more sick. And so you're taking something that seems to be at the core which is rotten at one level, if you look at it hard. And you're now saying you want Tasty Bite to be the most respected food company in the country. So it starts with something as impractical as that.

It also goes to the heart of another aspect of leadership. I often use this term. It's called the chilling fixity of purpose. Sometimes it is chilling, but there's a fixity of purpose and you realize that a long-term plan is important at some point in time. However, we did that. We did a couple of things.

First, we knew we had some short-term issues to deal with, because you cannot go into a company and say, "We're now going to become clean." This was about September of 1998. All we did was we called everybody in. I do remember making that speech at the time. But we said a few things.

Number one, we said: "Look, we'll run this company on the concept of Dharma, which many of you will be familiar with. The first, Dharma number one, which is a mantra that we said, is, "This factory will not close." First, "This factory will not close." That's a commitment and mantra number one.

Number two, we said, "Nobody, but nobody, in this company is going to be laid off."

At the same time, we said, "We know that you have commitments to official suppliers and buyers. We don't even know who you deal with. We don't know all the stuff that you're dealing with. You made some commitments. We have 90 days"—which happened to be the turn of the year at the time. "Come January 1, whatever commitments you have made so far, we will respect all those commitments as long as we make it clear right now."

We set up a program whereby employees would come in and talk to this group, which was the transition team. And we said, "However, no investigation of any employee will be done looking back to who is dirtier than the other or which department was involved in this. There will be no such discussion. You have 90 days now to set this in motion with everybody that you deal with, that there is a new management in time."

That was the short-term piece. We set that as step number one.

We also spoke a little bit of being India's most respected food company.

But in the earlier program—I was listening to one of the Carnegie programs at the United Nations, and they were talking about knowing and showing. We used the term "demonstrability." It is very important to demonstrate very quickly some of the things that we had in mind.

We were not extremely well-funded. Actually, we were very thinly funded. We didn't even buy it with cash. We bought it saying we'd pay for it over a three-year period because of the relationship that we had with Unilever at the time.

The first thing we did was we called the workers, and we actually encouraged them to form a union. We said, "Look, your interests are going to be best represented by a union. Do not believe us that management will always have the employees' interests at heart. You need to be well represented."

It's very rare for management to go and tell employees, "Please get a union, because they will have your interests at heart, and they will keep us honest." So that's one.

Second, we knew we had to get up to the minimum wage. But, because the situation was the way it was, we had a little bit of a runway that was given to us by the regulators at the time.

We actually shared that information with them. We said, "Here is a plan for the minimum wage increase over the next several months and years." We actually had the first official wage agreement, a structured three-year wage agreement with all the workers at the time incorporating each of these, under the assumption that we will keep the factory running.

We also did some things that were crazy.

We had a three-year indemnity from Unilever. Any cases that came in those three years are not supposed to be our responsibility, because it happened under the earlier management's watch. But we identified all the pressing creditors who had completely given up. We actually called them in to Pune and presented this plan to them. We said, "This is the plan, and we want you to be part of this growth as we continue. We will actually get back into a present creditor program."

So we put together a three-year program for present creditors, even though we could have ducked for cover and said that had very little to do with us.

We also had a complex with a 33-acre campus and a seven-acre farm. Twenty-five acres was bramble, just basically fallow land. I really think honestly—and my background is in agriculture—there is nothing worse in an agricultural economy, in an agricultural rural countryside, than to keep land under fallow. I think it's a crime. And you happened to be in a vegetable-growing area and the raw material happens to be right there.

That started this whole discussion on our first articulation of a strategy, that we then called the "Four C Strategy," which we actually then described in our first annual report when the business turned around.

The title of that annual report was "The Turnaround," and we articulated the "Four C Strategy." One of the C's was cultivation, and the other three C's had to do with the business aspects, including concentration (technology, market), collaboration, and conversion. Convert some of the assets that we had, collaborate with some of our major customers and suppliers. So we articulated the "Four C Strategy."

We also very quickly decided that it had to become the most certified food factory at that time. So we put together a very aggressive plan, even during the transition period, of creating the ISO 9000 and the HACCP [hazard analysis and critical control points]. It actually became the country's first HACCP-certified food plant, and today continues to be, I think, the largest certified food plant in the country. But that happened within the first few months, when we started talking about quality.

We also then did one other thing. We did an interesting program for locating errant, missing shareholders, because this was a company that had a large number of shareholders. Some of their addresses were not known. We didn't know who they were. They probably didn't even know the certificate that they owned. So we did an outreach program and spent a lot of time—not too much money because we didn't have any, but we spent a lot of time trying to reach out to these shareholders.

So when the program was made so wide, and when we started talking to the employees, some of the people who were within the employment of the company actually started having early credibility at the time.

So these were some of the medium-term—I'm calling them medium-term measures. We'll talk a lot about some of the long-term measures later on. But there was some long-term seeding that was done. The farm is a long-term measure for seeding. Some of the programs that we did with the community were actually very long term. I will refer to them a little bit later.

JULIA KENNEDY: I have one quick follow-up for you, which is: Why don't you describe a program that you did for employees who had, for example, outstanding promises to inspectors or other contacts of Tasty Bite; you provided a short-term way for those to be fulfilled. Why don't you describe that a little bit?

ASHOK VASUDEVAN: I'll come back to this shortly in very specific terms when we speak about how do we deal with occasional government officials that may actually slip into asking for money. How do you deal with it and how do you engage the community?

JULIA KENNEDY: Then let's move on.

The next mini-case is to talk about these transactional instances of corruption. Here it is: there's a boiler inspector that comes to Tasty bite. That happens once a year. The boiler inspectors change every few years, right, you get a new one every few years?

ASHOK VASUDEVAN: Yes.

JULIA KENNEDY:
So that you have to break in a new boiler inspector to the culture of Tasty Bite every time he comes.

ASHOK VASUDEVAN: Right.

JULIA KENNEDY: Tell me a little bit about the background of those inspectors.

ASHOK VASUDEVAN: Very quickly, over the next two to three years that I'm talking about, the company had turned around. The employee union had been formed. We also got an outside union. The wages were back to way above the minimum wage. The markets had started looking up. It was reflected also in the share price from

India.

So all of this had happened, and we had been picked up a little bit. We were still a very small company, but we had already become ISO, we had become HACCP, and we had crossed a million meals. We used to make 2,000 meals a day at best. Today the capacity is about 110,000 meals. So we're talking scale, right? Now, all this didn't happen in the first few years, but certainly the turnaround did happen.

But in the entire process the culture of what we are calling our value systems had slowly started becoming a very, very big part of the culture. The boiler inspection is a very traditional thing that will happen in almost any country. I'm just giving this as an example. This happens in all factories.

A boiler inspector comes. Typically, the boiler is the one that generates steam. They test the boilers every year or every three years, depending on the boiler.

Now, they come and they do what they call a stress test. So, let's say you're supposed to run the boiler at eight bars. Typically, they will run the boiler at about 11 bars to make sure that there is safety and check for distribution losses or leakages, through a whole bundle of practices that they have.

The boiler inspector comes in and says, "Okay," and runs the boiler at 13 bars. The boiler is eight bars. The stress test should be at 11 bars. They don't want to go beyond 11 bars. It's a boiler, right? Run it at 13 bars and the boiler fails.

JULIA KENNEDY: Well, it has been overstressed anyway, right, run at far over capacity?

ASHOK VASUDEVAN: That's not what he's going to tell you. He's going to tell you your boiler is not being certified. It's obvious. You know, what's going on is obvious. I'm not suggesting that he put his hand out, but it's obvious as to what you might conclude. So what do you do in a situation like this?

JULIA KENNEDY: So one more nugget of information for these folks. Where do the inspectors come from?

ASHOK VASUDEVAN: Most of these factories, like this one, are in the rural heartland. This one has a district headquarters very close by. Most of the people who were employees in the factory are obviously within a 30-mile radius of the factory. Obviously, most of the government officials who are junior officials would also be coming from what they call the *taluk* headquarters or the district headquarters, which is also very close by. So, loosely, they are from the same community.

J**ULIA KENNEDY:** I'm going to send you back to small group discussions to talk about what tactics you can use to address this issue where you have this boiler inspector implicitly hitting you up for a bribe. How can you train the employees to deal with the inspectors? What's at stake for yourself and your employees in this interaction?

[Discussion]

JULIA KENNEDY: What are some of the solutions you came up with?

PARTICIPANT: Actually, our group agreed that you couldn't back down. You had to make it clear that you wouldn't pay a bribe, and if one was being sought, you wouldn't pay any money at all.

Also, that the test should be done at 11 bars, not 13. You knew that if you didn't pass that test, then the factory would close. But the onus was not on you or the workers; it was on the inspector. I think you have to make that very clear.

And then you can't back down, I think, in that situation.

JULIA KENNEDY: So you would stop and send him away, basically, and just say, "You can come back and test it at 11 bars when you're prepared to do that" ?

PARTICIPANT: You would say, "If you need to shut us down, you shut us down. But we know the proper procedure, we know what our behavior is going to be, and this is it."

PARTICIPANT: Not putting the onus on yourselves or certainly your workers, for a factory that closes and therefore won't meet the minimum wage goals and all your financial goals that you had set up in this very public policy that you had set forth—which probably is a very strong thing in your favor.

JULIA KENNEDY: Okay. So John is a hard-liner. Philippe, what is your opinion?

PARTICIPANT: We had a similar discussion here, the idea that we shouldn't back down.

My only concern here is that it seems like the cost of noncompliance is borne by the company rather than the inspector.

One of my colleagues here was saying, "Why don't we just put in a camera to actually record this conversation and to make it clear to the inspector that, 'A lot of people are going to be hearing this; is this really the conversation you want to have?'"

So there has to be a cost borne by the inspector himself in order to align the interests again.

JULIA KENNEDY: And so the consequence, in that case, would be public awareness. You could make a viral YouTube video or something.

PARTICIPANT: Because would you really want to be the one to shut down, because someone is corrupted and you're trying to be honest? It seems like the cost and benefit are misallocated.

JULIA KENNEDY: So that's a strategy, to kind of shift the consequences.

PARTICIPANT: On him.

JULIA KENNEDY: Justin?

PARTICIPANT: Are these government-employed inspectors? Is there another alternative inspection? Is it private companies employed by government?

ASHOK VASUDEVAN: These are government employees.

JULIA KENNEDY: But there is a way that you could bring in an independent inspector, for example, right? Could that be a possible solution?

PARTICIPANT: My solution is not the hard-line one. As a government employee, when a person comes to inspect you, there is a feeling that you cannot stand against the government in a lot of things. So when you go to record them or when you say just, "I'm not going to do it," I somehow feel that there is a repercussion which has always been part of it: "Okay, if this is going to get into a lot of legal things, then what happens?"

Since he mentioned that this is a person from the community—and if he has been told that "The stakeholders in the company are not just the top-notch executives, it's the people from the community itself, they are involved in a lot of things, and we have tried to get them as core assets of the company"—I somehow feel it can bring that transformation, just by not being a hard line.

JULIA KENNEDY: So you hit on a clue that we dropped, for a strategy that Ashok used. Let me put this to the whole group: Can you think of a way to demonstrate that this is a community issue, that there are community stakeholders involved, and make that part of your strategy? Is there a very obvious way to do that?

PARTICIPANT: Maybe this is only a small part of what you're referring to here. But you hear stories of people being arrested by policemen in lots of developing countries for crimes they never commit.

One of the fundamental problems behind that seems to be that it's not so much that the policeman is corrupted, but he just can't even put food on the table for his family. It may be that this boiler inspector can barely feed his family, and this is really the only way for him. He might not be this terribly corrupted person.

So the problem really needs to be addressed higher up. And it is community-based, in that sense.

JULIA KENNEDY: Any other ideas?

PARTICIPANT: I have to wonder—this is just another approach—whether that first year he comes to you, and you all of a sudden now realize this is a problem. Do you say, "All right, I will accept what you're saying this year. But I want you to know these are the boundaries for next year, and I want you to spell out what your boundaries are, so that we are being totally transparent. So when you come back the next year, we will be on a level playing ground"? Is that another possible approach?

ASHOK VASUDEVAN: It's certainly possible.

JULIA KENNEDY: One more comment, and then we'll get to the solution.

PARTICIPANT: This really refers to a comment that Ashok made. Your workers, your inspector, a lot of your administrators and managers, live in communities. And they live in the same community, perhaps, as the inspector and his colleagues. There are ways to bring pressure within those communities on this behavior, because it is going to hurt all of them.

How you do that I'm not quite sure, but there are probably myriad ways you can approach that.

ASHOK VASUDEVAN: Yes. That's almost segues into it—and that's the beautiful thing about having a discussion like this—because it has truly opened up this narrow ethical corridor. Everything that has been said is part of what we were trying to do.

Number one, we were deeply involved in the community, even at the time when we did take over. The involvement in the community goes in many different ways.

We have a program, for example, where the students in the villages who have science classes actually come into a science lab, which has been set up independently by a foundation. Nothing to do with us, but our employees supervise this and managers spend time in the lab. So we have children from the schools that are coming in, using the science lab that is supervised and helped by folks at Tasty Bite. That's one small example.

Second, we also have a rule: No factory manager necessarily meets the government official that comes in; they meet the relevant operator.

So if a boiler inspector comes, he doesn't get to meet the factory manager; he gets to meet the boiler operator. And, just to put the record straight, they are not paid any less than the employees; they are probably richer than our employees, certainly are richer than our employees.

Therefore, the dynamic suddenly is different because you are now talking, and you are asking *who* for a bribe? Somebody who is even worse off than you, because he has no access to go to somebody else. In the evening, you want to meet up with somebody else outside in the village, right? And probably, for all you know, the neighbor's children are part of the school lab, they are actually going and getting trained in the Tasty Bite lab.

But having said that, this is not a case where you can just simply back off. The good news in this is that the law is on our side. In all of these cases, when you are lucky, the law is on your side.

We have, under the law, the ability to say: "We are protesting this. You have to give us 30 days under the law. You come back in 30 days. By the way, at the end of 30 days, not only are you going to do this at the right pressure; we are actually going to have an independent agency that is going to be doing this test. Therefore, we will have to necessarily validate your results vis-à-vis that visit. So why don't you come back in 30 days? Because you don't have the right to close the boiler down at this point in time, because the law gives us that program."

We also have a funding program—this is very important, and I'll come back to this later on when I talk about our ecosystem—for educating the factory's children. We pay a dollar for every dollar that a worker's cooperative society pays them, all through middle school, high school, undergrad, postgrad, and beyond, as long as they maintain a minimum B average.

Now, will you actually have somebody from the community who is a government official come and talk about this to an employee whose child has partly been paid for by the very company? It's a very difficult conversation.

As management, we don't have to get involved. This is something that you mentioned. It is about the community. So it kind of segues in.

So you don't put yourself, oftentimes, in this binary world where you find yourself having to make one decision or another. You have really built up a series of steps that prevents you from having to arrive at—"Oh, my god, am I going to shut the factory down or not?"

But having said that, just so that we know everything doesn't have a happy ending all the time, we did actually shut the boiler down.

We were supposed to do it for over two days. The boiler actually comes down for two days for the inspection, and we actually had to shut it down for six days. That's fine, because the message went through, now, forever. I don't think we will be approached ever again. Sometimes you've got to make the call. If it's six days, it's six days, it's too bad.

JULIA KENNEDY: I think that was really interesting and brought out a lot of different elements.

One thing that is important to articulate here is the solutions that you found. We've done these workshops before with larger companies. So a lot of people say, "Okay, well larger companies have their weight to throw around, where they can resist paying bribes because they can call up some high muckety-muck government official, and get their way."

But there are other, more subversive community-based solutions that you can do as a smaller company.

ASHOK VASUDEVAN: There's also one other way, which I just want to add on as part of a program to prevent ourselves from finding ourselves at this fork in the road that I keep talking about.

What we learned from this was important. Because when we were setting up an effluent treatment plant [ETP], because the effluent treatment plant requires certifications at various levels, now we don't even have to deal with the government, because our program is such that when we work with the solutions providers, the service providers, the fabricators, the design engineers, and the equipment suppliers, we have one project manager who is actually supplying all the equipment. Part of the deal is all of this has to be certified, as part of this entire discussion.

So we are saying, "You better make sure that this is certified, because you're not going to get paid if you don't."

We know it's a competitive bid, and therefore you can't build in anything to say, "Okay, let me make it happen." And these are professionals. They are known in the community. The environmental group and the government EPA [environmental protection agency] equivalent knows these people. And therefore you are insulating the company, once again, from any of these vagaries, by building in that system.

So it's always about how do you prevent yourself from coming to this needless fork.

JULIA KENNEDY: Let's move on to our final case, which has to do with local sources, supply chain issues, and tapping into that idea of shared values and establishing the company to come from a certain direction.

When you first took over the company, how did Tasty Bite source its food?

ASHOK VASUDEVAN: We used to buy in the cooperatives. There are the usual vegetable markets that are there, like the Hunts Point Market in New York City. We used to buy products off the market. We used to typically open the market early in the morning. Most of our produce used to come from there.

Obviously, the spices used to come from spice trading companies and occasionally manufacturers.

That was a big part of the change that needed to get done. If you realize how the vegetable markets are stocked, and what you really are able to get at the end of the day, that whole market is extremely disorganized.

So we switched that by having the fourth C in our strategy, which is cultivation. So, not only did we start manufacturing our own products that were important to us, but we also built an ecosystem of farmers.

And we liaised with universities here. For example, the University of Wisconsin-Madison helped us in thinking through our entire horticulture strategy.

JULIA KENNEDY: So your goal is to build in some local sourcing, because you have all these great farms nearby. You said their practices were not necessarily what you would have desired. Given that, if they're not producing the produce in the way that you want, you want to get them from here to here, so you can use it for your products, how do you do that? How do you engage with the local farmers, and get them up to the level that you need to supply your factory?

[Small-Group Discussion]

JULIA KENNEDY: Let's come back to the big group.

What were some of the ideas you had for getting these local farmers on board, and moving away from the international commodities market for produce?

PARTICIPANT: We thought of two different ways.

One, just the nature of farmers—especially small farmers in India—is that a lot of them don't talk to each other. And they have small plots of land, but they don't know what the others are doing. So creating a centralized platform where they can come together and discuss different growing techniques or exchange ideas, that's one thing.

And then another is for you, as the company, to guarantee some preferred vendor status, or to give them some financial incentive, so that they do adhere to international standards, because there's a cost involved with improving against international standards. So if you were to provide that financial incentive for them, and create a marketplace, that might be a good starting point.

PARTICIPANT: I think Ashok knew right from day one that what he believed was a leap of faith in terms of what he wanted to do. Because then there's the natural outcome of believing in a leap of faith.

What you essentially did was turn the world of corporate sales responsibility on its head, by saying that sales responsibility is equal to stakeholder responsibility, is equal to social responsibility.

When you do that, you actually look at everyone as allies, and not necessarily as internal competitors, to be able to achieve your goal. So working with farmers, working with government was, I believe, the natural outcome of your thinking, which I hope lots of other corporations will want to learn from.

ASHOK VASUDEVAN: That's very kind.

PARTICIPANT: Surely there's a big technological aspect here. So by coming in with a company—you didn't have that much capital, but I'm sure you had more capital to allocate than the farmers did— sharing technology, helping increase their yields, which hopefully will drive down costs—therefore you could share that margin with them, so you could end up getting predictable yields at lower cost, and then they could share the benefit of the increased yields through your technology.

JULIA KENNEDY: So, by sharing the technology, you mean connecting them with vendors, giving the technology to them? What's the specific way of doing that?

PARTICIPANT: By giving them the technology. I'm sure there was—no pun intended—some low-hanging fruit there on the yield improvement side.

PARTICIPANT: Were there other food companies or producers or buyers buying from the same group of farmers? Did you have competition?

ASHOK VASUDEVAN: Not really. Most of the companies there would typically buy from the vegetable markets, which is a wholesale market, a sensible place to buy. We still buy a little bit from there.

JULIA KENNEDY: All right. Tell us what you did, finally.

ASHOK VASUDEVAN: Four things I can mention.

Number one, the farm is an important piece, because once you are able to demonstrate within your own farm, and convert the farm into a demonstration farm, then your own credibility goes up. The embarrassing thing about this is that those farmers were much more professional than we were, and truly our yields were not in the top 90 percentile of the state's yield.

But that didn't stop us, because this was important. We were given credit for trying.

But more importantly, we knew what we were not good at, and therefore we had to get better at farming. So obviously, our relationship with the agricultural universities, and in getting the right package of practices, was an important piece to get our own farm—and that's strategically important, because you're talking about a large farm. We could potentially grow between 500 to 1,000 tons. So we're talking big numbers; it's not small. So that's the first.

Second, we did have an extension program. We didn't know the first thing about extension programs. So, to try and do something which you're not good at is bad, and I'll come back to that in a little while.

But we did have programs with the agricultural universities. All we had to do was make sure that the package of practices, to your point, was shared between all the farmers. So, every little district and state has a package of practices that are recommended by the local agricultural university, in terms of varieties, yield, seed rate, fertilizer dosage, pesticides, the time of yields, plucking, harvesting. That whole process is very organized.

All we had to really do was to work with the universities to ensure that their extension program and their outreach program did cover the area that we were also involved in, our catchment area.

We also did another thing. Most contract farmers in India, most contract companies that work in contract farming, tend not to succeed because they fix the price. And then they find that when the price in the market is lower, the farmers get shafted and, vice versa. If the market prices are higher, the farmers would prefer to go and sell in the open market.

We actually decided not to do contract farming. We said: "If you get a higher price outside, go sell it outside. This is our price. If it happens to be higher than what the market is, then sell it to us."

You are now forcing the procurement team within Tasty Bite to also be honest. You are also forcing the farmers to grow more. But obviously, though, the catch is that we may pay a little bit more, but we will reject—which means that if you are giving us tomatoes, and then the tomatoes don't happen to have the same size and the color, we will actually reject them—which means our prices have to be high enough for them to account for the rejection.

So it really forces us to understand wastage. It heightens our standards, but at the same time gets them used to the fact that this company will reject. But if they get rejected over and over again for the same cause, they no longer suspect the company. They know when they are harvesting that this shouldn't be harvested—they're still yellow; let it be.

In the process we did one other thing, which is technology sharing in one specific case, on eggplant. Eggplant, as you know, famously has worms. If you see an eggplant, it has insect tunnels. When you see a tunnel, which sometimes cannot be seen with the naked eye, you know that there is a worm. Eggplants are just well-known for attracting worms.

We needed eggplants. One of our largest sellers is in the Punjab. So we spoke with the University of Wisconsin. They understood certain aspects of worm-resistent eggplants. They made them available, not only to our own farm, but also disseminated them. It helps everybody.

Some of these issues are relatively easy to solve, as long as you are able to get everybody on the table. It's kind of a cliché, but it is somewhat of a win/win situation.

JULIA KENNEDY: We've covered a lot of ground today. Ashok, you've done a good job of feeding in this idea of shared values, a values ecosystem, of having a big-picture approach, and then seeing it through to implementation.

One thing that we've talked about that I'd like to return to in greater detail is how much the culture change at Tasty Bite reminds employees that this is a place where corruption is not acceptable, that you have certain ways of doing things.

What overarching principles guide you as you are making these day-to-day decisions?

ASHOK VASUDEVAN: First of all, let me just end by actually talking about the fact that it's not corruption that is the problem in all of these issues. It's the values, the ecosystem, that corporations often find themselves in. They find themselves in it, because it was not of their making. It was not of their choosing, when they actually had a choice. So let me just step back a little bit.

We have a mission statement that we adopted many years ago, which is also our strategy statement and our vision statement, and it has five parts. I have to mention that, so we get this in perspective.

The first is the purpose. We want to create a values-driven organization that will make Tasty Bite a household name. When we talk about values, we were not talking about shareholder value. We were talking about a values-driven organization that will make Tasty Bite a household name. So you're putting values right on top of anything else.

The second part of the mission statement is scope. That says what we do: manufacture and market natural, convenient specialty foods. Foods that offer consumers a promise, which is great taste, good value, and a range of cuisine that is achieved through our competitive advantage, which is product innovation, low-cost manufacturing, and customer partnership in an environment that is knowledge-driven, energetic, and fun.

Now, these words—we call them key words, 16 key words—drive strategy, implementation, and variation of the values score card. Above this is a governing principle that talks about maximizing intrinsic value for enduring shareholders. So we don't have to make forward-looking statements. We talk about the difference between our commitment to enduring shareholder versus a day trader.

So we are interested in maximizing the value, but we genuinely believe that the conflict that we perceive between corporate profits and social equity is more often than not artificial. I'm sitting here and saying that it is artificial.

If Michael Porter were to start saying he has to redefine capitalism, he can get away with it because he's Michael Porter. But truly, his article on shared values in the January issue of *The Harvard Business Review* is exactly that, where he's actually talking about bringing businesses and society back together. It brings this concept of shared value.

I know he's facing some flak from the bloggers. But the truth is you can create economic value, even as it ensures social progress to meet specific societal challenges and needs on the one hand, and that businesses must reconnect, he said, company success with social progress.

That doesn't mean that companies must have CSR [corporate social responsibility]—in fact, we don't even like the term. Believe it or not, we don't have a department called CSR. It's as though if you have a department called corporate and social responsibility, it almost implies that there is a department for social irresponsibility, and that it is okay to let one department do the good and cover up for everybody else.

So this is not about doing good. This is actually about doing what you know well. So I said this sentence, and I'll say this sentence again. It's a complicated sentence, but the underlying belief in the sentence is in human goodness. The sentence goes like this: If you continue to do what you are good at—rather than chasing what is good—you not only get better at what you're good at, you will also end up doing more good.

So we are not trying to set up a school; we are not trying to run somebody's farm. That's not what we are good at. We are not trying to provide water to the villages, because we don't know the first thing about water distribution. We are prodigious consumers of water.

And, yet, we do know boilers. We know how to generate steam. However, we generate steam using briquettes, which is vegetable waste. Today 80 percent of the energy used in Tasty Bite is renewable. It is the largest in the food industry in India in renewable energy.

Food is a prodigious consumer of water. We consume a million liters of water a day. But imagine if we could recycle 300,000-400,000 liters of water a day. That doesn't mean we are going to take the water, circulate it, and make it available to the village. That's the water supply companies' job. They do it well. Our job is to not take the water from the catchment area and the canal in the first place. Therefore, we are good at water conservation principles, and that's what we should focus on.

We like to go to a chemistry lab because we have food chemists, food technologists, nutritionists, and organic chemists in our midst. They love to play with photometers and titrate a little bit and check viscosities. It's good to play with toys. Everybody would love to go to a science lab. We are good at doing that. And, by the way, children come in, and they get trained. But we get better too.

So this is not about doing good. This is about doing things that we are actually good at and trying to get better. So we don't see this divide between doing something, and doing something without having to consider consumer wellness.

JULIA KENNEDY: Those are sage words, and it's great for us all to reflect on as we go back to our own daily work.