

BOOM COUNTRY? *An Interview with Alan Rosling*



Alan Rosling is an entrepreneur and strategic adviser who has had a deep engagement with India over the past thirty-five years. He is co-founder of ECube, an investment manager dedicated to raising standards of environmental social and governance compliance. He cofounded Kiran Energy after leaving the Tata Group, where he was the first non-Indian Executive Director of Tata Sons (the holding company of the Tata Group), charged with internationalization of the company. His earlier career included general management, strategy and banking, and three years as a Special Adviser to the British Prime Minister in the Policy Unit at 10 Downing Street. Educated at Downing College, Cambridge, and Harvard Business School, Alan now lives in Hong Kong but is in India frequently. He was awarded a CBE (an honor for a distinguished contribution to Britain) in 2014.

In 2017, Rosling published Boom Country?: The New Wave of Indian Enterprise, in which he provides an incisive and in-depth analysis of the opportunities and challenges, both traditional and contemporary, of doing business in India. In the following interview, with economist and EAA editorial board member Nimish Adhia, Rosling discusses his book, his history in India, and the state of entrepreneurship in the country.

Nimish Adhia: Please share with our readers a bit about yourself and how you got involved with entrepreneurship in India. What made you decide to write a book on the topic?

Alan Rosling: My thirty-seven-year (and counting) love of India started in college. I was reading history at Cambridge and became interested in the Indian Independence movement, including doing a special subject on Gandhi. In the summer of 1982, I woke up on my twentieth birthday on the floor of a hotel room, shared with three friends, in Delhi at the start of my first trip to India.

In the years that followed, I kept returning to India, and, at each job I had, I tried to interest my employers in the opportunities in India. One boss told me that if I did not give up my focus on India, it would ruin my career. Then, finally, in 1998, I moved to India to represent the Hong Kong-based conglomerate Jardine Matheson.

Over the next fifteen years, I lived in Bombay, first working for Jardines, a foreign investor, and then I joined Tatas, India's largest company. I had a phenomenal opportunity at Tatas to help shape India's first multinational as Tatas expanded in the US, UK, China, and Africa. Despite the pride of working for Tatas and the interest of my role, I kept thinking that I wanted to do something of my own, something more flexible, something without a boss and company politics.

As I was leaving Tatas to try something entrepreneurial, an old friend, Ardeshir Contractor, suggested we work together on opportunities in solar power. We raised private equity backing in the US and formed Kiran Energy in 2009. We were early movers in the solar business in India and had a great ride building utility scale plants in Gujarat, Rajasthan, and Maharashtra as the energy policy developed and the cost of solar equipment dropped. We sold Kiran Energy last year to a strategic investor.

While we were building Kiran, I began to notice that many people I knew were becoming entrepreneurs, some like me in midcareer but many much younger. Friends in banks and consultancies were complaining that they were losing their best people not to competition but to start-ups. It became clear to me that something new and different was developing in India that was very exciting and had the potential to change the country for the better. I decided to investigate further and to write a book based on interviews with a cross-section of Indian entrepreneurs. I wanted to use the lens of an explosion in entrepreneurship to explore how India and India's economy were changing.

Nimish: You say several times in the book the country has underperformed on the entrepreneurship front, despite having some great competitive advantages. Could you briefly explain what such advantages are and why you think the country has underperformed?

Alan: India has extraordinary potential as an economy. It's a huge country, poised soon to overtake China as the largest population in the world. It's at a relatively early stage of development, so it has the ability to grow rapidly for years before running into the gravity of a medium-income country, as China has now. There is a large and rapidly growing middle class that has increasing spending power and the desire to improve and enjoy their lives. The population is heavily skewed toward younger people and is increasingly well-educated, English-speaking, and ambitious.

India has the advantage of a sophisticated private-sector economy. There are many globally competitive companies in sectors such as IT, pharma, engineering, and financial services. The soft infrastructure that underpins a market economy, including banking and public markets, legal and regulatory regimes, and professional services, are all well-developed. The top end of the education system, especially the Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs), turn out thousands of highly educated professionals in subjects like engineering, finance, and medicine.

Despite these advantages, India has been held back since Independence in 1947 by a shocking failure of political leadership. Initially, India's idealistic and impressive post-Independence generation of leaders chose a socialist, planned, protected development model that was, in hindsight, a monumental blunder. Over time, as the idealism of freedom faded, political leaders increasingly took the easy path of playing to vested interests in the complicated kaleidoscope of the world's largest democracy. Hard choices and long-term investment suffered, the private sector was stifled by bureaucracy, and controls and corruption mushroomed.

In 1991, the country essentially went bust and there was no choice but to introduce fundamental reforms. In the quarter-century since then, India has changed profoundly and for the better. GDP growth has steadily accelerated so that today the country is the fastest-growing large economy in the world. Markets have been reformed and deregulated; regulatory systems and infrastructure improved. Some 200 million people have been taken out of poverty.

During the socialist years, the so-called "license raj," entrepreneurship in India was seriously hobbled. Because of its huge market, natural resources, and traditional strength in industries like textiles and metal-working, as well as its position on the East-West trade routes, India has long had real depth in entrepreneurship and trading. The country has been exposed to overseas influence and travel for thousands of years. At Independence, India had a strong merchant tradition and a small but sophisticated manufacturing base. The suppression of private-sector opportunity for many years meant that, from the 1960s, India's best and most enterprising left

for opportunities overseas, to the benefit of host countries like the US, UK, UAE, and Australia. Indian-origin entrepreneurs are prominent from Silicon Valley to Sidney, and it is striking how many large companies in the West are now run by Indians who left their home country.

The reforms of 1991 changed this, and opportunities for entrepreneurs in India have burgeoned. The government has deregulated whole sectors of the economy and progressively, if inadequately, eased the burden on doing business. Technologies, especially in IT, have opened up new ways of serving customers and lowered barriers to entry. Capital is now available to entrepreneurs with good ideas and strong teams as the venture capital (VC) and private equity (PE) industries have developed. Most importantly, the culture of Indian business has changed. Entrepreneurship has become a more attractive, even trendy, path, especially for young people.

Consider my own venture in solar power. We were two midcareer professionals without family connections or our own capital. We built a new power company from scratch in just a few years. We were enabled to do so by new PV technologies, changing government policy, and the willingness of investors and banks to provide capital. A few years earlier, it would not have been possible to enter the power business without strong political connections and deep pockets.

Nimish: *Where are the greatest opportunities for entrepreneurs in India? What are the greatest obstacles?*

Alan: There are opportunities in just about every sector in India because of the rapid growth and change in the economy.

Post-reforms, there were two generic business models that produced massive value creation. Some entrepreneurs chose to enter previously closed sectors and build new, private-sector competitors offering a world-class product to consumers used to shoddy offerings from monopolists or nationalized industries. This strategy worked in telecom, media, power, aviation, banking, health, and education. The other winning strategy was to leverage India's technical skills on a global market in sectors like IT services, engineering, and pharma. The most famous examples of "India for the world" are India's IT majors like TCS, Infosys, and Wipro.

More recently, the digital revolution has meant that, as in other countries, the most rapid value creation has been in tech-enabled businesses such as e-commerce, online hospitality platforms, online mobility services, and fintech. India currently has fourteen unicorn companies (privately-held with a value of over US \$1 billion), including, for example, One97 (PayTM), Olacabs, OYO Rooms, and Snapdeal, all essentially internet-enabled platforms.

Many investors prefer to avoid sectors that rely heavily on government interaction or on infrastructure, which remains underdeveloped compared to other Asian countries. However, as we demonstrated in Kiran Energy, it is possible with drive and persistence to build a successful venture even in government-dependent sectors.

I have a liking for manufacturing opportunities in India. Heavy-handed regulation and poor infrastructure have traditionally made manufacturing in India difficult and less competitive, despite strong technical skills and low labor costs. As costs in China rise and India becomes an easier place to do business with better infrastructure, the attractions of India as a manufacturing base will increase, both for the growing domestic market and export.

For now, though, the hangover of bad policies, poor governance, and creaking infrastructure still makes scaling businesses in India more challenging than it need be. I am helping an American entrepreneur set up a manufacturing unit in India at the moment. He has been attracted to India because of the engineering talent, low costs, and market potential. We agreed that India was a better location for the new plant than China. But the project has been delayed by unexpected and unnecessary regulatory hoops, which have been driving my American friend wild with frustration. He is learning the lesson that success in Indian business is the reward of persistence and very hard work.



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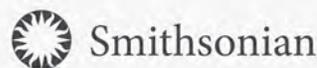
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Nimish: You observed that entrepreneurship is more prevalent among certain groups and in certain regions. Would you elaborate on that?

Alan: Traditionally in India, business has been more prevalent among certain castes and communities than others, especially in the north of the country. Many Indians would perceive Marwaris, Gujaratis, and Sindhis as particularly business-minded, for instance.

In my interviews, a number of entrepreneurs from such groups described how, growing up, it was expected that they would become businesspeople and usually join the family business. One interviewee told me that, when he joined an IT company as an employee, he had been the first person in his family ever to have a salaried job rather than being self-employed. Others described the family tensions when they declined to work with the family and sought to set up on their own.

Equally, some of those from other backgrounds described how the expectation of their families was that they would get professional qualifications and work as doctors, lawyers, or civil servants. To these families, a business career, unless in a bank or well-reputed large company, tended to be looked down on. Traders, or *baniyas*, were sometimes viewed as akin to moneylenders and likely to be guilty of sharp practices.

A working title for my book was *The New Baniyas*. Several people I approached for interviews pointed out that they were not from bania castes. One prominent entrepreneur declined an interview on these grounds, but suggested that instead I should interview his partner, who was from a bania background.

One of my conclusions was that the entrepreneurship we are now witnessing in India is no longer the traditional form of self-employment. Instead, entrepreneurs are increasingly drawn from many caste and community backgrounds and regions. The most important common factors among the new wave of entrepreneurs of ambition are their education and, in half of those I interviewed, a connection with the US.

I concluded that the huge change in Indian culture, and the rise of entrepreneurship of choice rather than expectation or necessity, is in major part connected with the profound interaction over the past half-century of India with America. Young Indians have gone to the US for education; they have worked for American companies overseas or at home; they have imbued American attitudes from television, film, and online. They remain anchored in Indian culture but also have the ambition, drive, and positive attitude toward entrepreneurship that we Europeans used to associate with the US.

That said, the democratization of entrepreneurship in India has further to go. It is still too much a phenomenon of well-educated, metro males. The new thinking is clearly spreading from the hotspots of Bangalore, Bombay, and Gurgaon (Delhi) to secondary cities and even small towns. More women are taking the entrepreneurial plunge, but they remain a minority. But more remote communities, rural areas, and people from religious or ethnic minority backgrounds are clearly underrepresented in India's new entrepreneurship.

Nimish: All in all, you seem to be optimistic about the growth of entrepreneurial activity in India. What are the grounds for your optimism?

Alan: A shift toward entrepreneurship as a key factor in economic growth is a global trend, not just in the US. When I return to Cambridge, where I studied, I am always amazed by the nature of the change to the economy and culture of the city and its region, triggered by a new entrepreneurship that is centered on the university.

I live in Hong Kong, so we can readily see the massive change in China, again driven to a large degree by entrepreneurs. Some say that Shenzhen, just over the border, has overtaken Silicon Valley as a start-up ecosystem.

The potential for massive and positive impact from new entrepreneurship in India seems to me to be even greater. India is currently years behind China, so the opportunity for growth in the economy of 7–10 percent over many years remains. Such

growth over the long term would translate to transformative lifting of incomes, with faster spending on discretionary products and services.

The business climate in India has further to improve, which will support new young businesses. Both central and local governments are striving to reduce the burden of regulation and to invest in infrastructure.

The entrepreneurial ecosystem in India has, in addition, a long way to develop. The networks of mentorship, incubation, supply chains, and investment that characterize the most vibrant start-up hubs will, I believe, also develop in India. One key feature of other economies, for instance, is that successful entrepreneurs often become, later in their careers, the mentors and investors in a new generation of younger start-ups. This we are now beginning to witness in India.

Above all, my optimism is fueled by my interactions with young people in India. They are numerous, ambitious, articulate, and committed. Many of them truly want to change the world, and, I believe, some of them will do just that.

Nimish: In what ways is entrepreneurship in India different from the West?

Alan: There are a number of ways in which the entrepreneurial ecosystem in India is less developed than in the US or Europe, some of which I have pointed to earlier. Partly, this results from the new entrepreneurship being a relatively recent phenomenon in India. Over time, I think the system will grow and mature. For example, too many of the VC firms are generalists currently, and they lack the sectoral and specialist knowledge to assess technology risks in areas like biotech or material sciences. I would expect to see specialist investors emerge over time.

There are two deeper current weaknesses of the Indian start-up scene compared with Western models. These will require more concerted intervention to address.

First, in the West, the most impactful entrepreneurial hotspots tend to be anchored around great research universities and institutes, as in Silicon Valley, Boston, and Cambridge. In India, the linkages between the research and teaching base and entrepreneurship remain weak. There are a few universities trying to address this, such as IIT Madras, which has an incubation center on campus. However, the multidirectional interaction between academics, start-ups, and investors that is critical in many cases in the West is largely absent. Bangalore, India's leading start-up hotspot, has fine universities, such as the Indian Institute of Science. But the role of such universities in engendering Bangalore's start-up culture has been less than the contribution of the back offices of major foreign companies like Microsoft, IBM, and Cisco, or indeed Indian IT companies.

Second, and possibly partly as a consequence, the centrality of innovation as an imperative in entrepreneurship is weaker in India than elsewhere. Many Indian entrepreneurs have, so far, been inspired by overseas models tailored to Indian conditions and costs. Flipkart, Ola, and PayTM were not based on fundamental rethinking of product or business models but rather inspired by their overseas equivalents: Amazon, Uber, and Ant Financial.

These two fundamental and systematic weaknesses will be addressed over time. As this occurs, India has the potential to develop new challenger companies that offer fundamentally different value equations based on true innovation, most especially for the billions of consumers in growth markets who are more price-sensitive than in the West. I expect to see many more unicorns explode out of India in the next decade. Some will become successful by serving India only, but others will innovate offerings that can globalize very rapidly.

Nimish: Alan, thank you for the interview! ■