

# Chazen International Study Tour Report

## Three Forces That Changed India Forever

SHAYAN HUSSAIN MBA '09

**Runner-Up,  
Outstanding Study Tour Report Award**

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### **Chazen International Study Tours**

Designed to enhance the classroom curriculum, Chazen International Study Tours offer students and their faculty adviser an intense, firsthand experience of the business and culture of their chosen country or region. Study tours are initiated by students and organized with the help of the Jerome A. Chazen Institute of International Business. During the study tours, students meet with leading executives and government officials while visiting businesses, factories and cultural sites. Destinations change yearly, as study tours are student-initiated. Recent destinations include Brazil, China, Dubai, India, Japan, Mexico, Romania and South Korea.

Traveling across India, from Mumbai to Jaipur and Delhi to Agra, the Columbia Chazen International Study Tour was privileged to see the expansiveness of Indian society—from the high-class bungalows of Delhi’s members of Parliament to the extreme depths of poverty of the Mumbai slums. India is a country of dichotomies: it faces the problems of a land torn between its humble agricultural roots and its projected future position as a global superpower. While only 21 percent of India’s GDP is driven by agriculture, more than 70 percent of the population depend on agriculture for their income (*Source*: The World Bank).

Compared to previous years, this Chazen trip to India proved to be a special and unique experience. During the course of our journey, the world witnessed three forces that forever changed India and pushed forward its evolution as a nation. First, a few weeks prior to leaving, we all sat in horror as we witnessed the Mumbai attacks unfold via live television. Second, during the trip, Satyam, one of the top outsourcing and software-services companies in the world, admitted to a massive accounting fraud by revealing that it had significantly overstated its earnings over the past few years. Lastly, as we neared the end of our trip, *Slumdog Millionaire*, an independent film about children growing up in the slums of Mumbai, was quickly gaining momentum as a front-runner for best picture of the year.

The global Indian population has viewed each of these events as unbelievable and has changed perceptions both within and outside of the country. Our travels brought us in touch with leaders in business, politics and government, who were able to add their own firsthand perspective to each of these forces.

### **11/26: The Mumbai Attacks**

India has faced terrorism many times in its short history since gaining independence in 1947, and it was second only to Iraq in the number of terrorist attacks recorded during 2008. The now infamous “Mumbai attacks” of November 26, 2008, were perceived to be completely different and shook the country to its core. For the first time, multiple public locations popular with Western tourists and businesspeople were attacked. It was also the first time that major Indian cultural landmarks were attacked, killing people without regard to their race, caste or religion. It was on this day that the country changed. The temperament and the demands of the public with regard to their government and the protection it provides changed from a local to a national focus. The perception of safety in places of business and the opportunity for growth in India were no longer guaranteed. On this day, India had to look into the mirror and reflect upon the new world it faces as an emerging global superpower.

Following the attacks, there was serious debate among the participants going on the Chazen International Study Tour as to whether we should continue with the trip. Based on what we had all seen via the news coverage, there were questions as to the reliability of the police and the Indian army in dealing with such situations. From our standpoint, there was no reason for the attacks to have lasted as long as they did. The Mumbai police proved to be ineffective in containing the threat while waiting for the 200 commandos of the National Security Guard, specially trained in counterterrorism, to be flown in from New Delhi. In the end, we cautiously decided to continue with the trip given the guidance of international safety consultants and blind faith in our safety.

Early in our trip, we were brought to the scene of the attacks in South Mumbai to conduct a meeting with Tata at its global headquarters in the Bombay House, a historical building constructed by the Tata Engineering Company in 1924. During the company presentation, the head of human resources emphasized that Tata has been in existence for 140 years and comprises 98 holding companies spread across India. With 66 percent of the company held in charitable trusts, Tata is a cornerstone of the economic prominence of India.

The Taj Mahal Palace & Tower, built in 1903 by Jamsetji Tata, was the first world-class hotel built in India. Legend holds that Jamsetji Tata built the magnificent hotel after he was refused admission to a British-run hotel that was deemed for “whites only.” Since then, the Taj Mahal Palace has been visited by many of the most well known dignitaries, businessmen and celebrities in the world. In many regards, this building has become iconic of India’s history as a nation and symbolic of the values that led to its independence.

It was at this moment that the ramifications of the attacks truly became clear to me. South Mumbai is an area full of energy and is home to many of the top global financial firms. Leading businessmen from all around India and the rest of the world convene here to conduct business that is shaping the global economy. Similar to the World Trade Center, the Taj Mahal Palace became a symbol of India’s power as a nation. Similar to the World Trade Center, the attack on the Taj Mahal Palace was felt by the entire nation.

During our tour, we met with Sachin Pilot, member of Parliament, who is best known as the youngest person—26 years old—to have been voted into Parliament. Now 31, Mr. Pilot is a rising star in politics. He represents a district on the outer edges of Jaipur. We had the opportunity to drive through his district on our way from Jaipur to Delhi.

It is an extremely rural area, made up predominantly of farmland, where the literacy rate is comparatively low. Mr. Pilot asserts that these people take their local politics very seriously because

their political representation has a direct impact on their livelihood as farmers. However, following the attacks, Mr. Pilot noticed a slight change in his constituency and their interest toward broader national issues of security. He commented that in the past Indians have accepted these terror attacks as a way of life and a matter of destiny. This time was different. During Mr. Pilot's visit to a local village, a little boy pulled him aside and asked him, "What are you doing to protect us?"

In contrast to previous incidents of violence, India has emerged from the attacks as a unified and revitalized country rather than resorting to violence. We spoke with Madhukar Kamath, the CEO of Mudra Communications and the head of the Advertising Standards Council of India (ASCI), about the impact on the brand perception of India. Contrary to expectations, he believed that the attacks have brought Muslims and Hindus closer together rather than inciting sectarian violence. There is now a greater sense of pride in the country and an understood obligation among its citizens to do what they can to prevent future acts of terrorism. A recent advertising campaign found in the *Times of India* reflects upon India's roots of nonviolence, drawing upon the sayings of Mahatma Gandhi. Contrary to the motivations of the terrorists, their actions have served to create pride and further unify this diverse nation.

### The Satyam Scandal

On the morning of January 7, 2009, I was shocked to find the headline news on the *Times of India* site breaking the corporate scandal at Satyam, India's fourth-largest outsourcing and software-services exporter. B. Ramalinga Raju, the founder and chairman of Satyam, had announced his resignation and had admitted to falsifying the company's financials. The error was by no means a small one: Satyam's profits had been massively inflated over the past few years, leading to \$1 billion in nonexistent cash on the books. The scandal was brought to light as Mr. Raju sought to cover up the accounting irregularities by engineering the purchase of two construction companies in which he was a majority shareholder.

The Satyam scandal, which has led to an 80 percent decline in the company's stock price, has cast doubt over the future of the industry and the financial integrity of Indian companies. The National Association of Software and Services Companies (Nasscom) recently commissioned a study which found that the global outsourcing industry is growing at an accelerating rate and will reach \$50 billion by the end of 2012. India's outsourcing industry, which composes 40 percent of the global market, has grown to \$11 billion in revenue and employs roughly 700,000 people. Given the projected rate of growth, Nasscom predicts that the outsourcing industry "can create two million direct jobs in India and add up to 2.5 percent to the nation's economic output."

The scandal calls into question the entire corporate governance system in India. Taking into account the fragility of the global financial markets, this event could potentially lead to a reduction in the amount of foreign investment in India as investors wonder whether more companies are housing similar accounting irregularities.

When asked about corruption in business and politics, G. Krishnan, CEO of Aaj Tak, India's leading 24-hour Hindi news channel, was quick to point to a new generation of young leaders that are emerging. These leaders are moving away from India's traditions of corruption and bribery toward a level of business ethics commensurate with Western standards. Jyotiraditya Scindia, a rising young member of Parliament and Minister of State for Telecommunications and Information Technology, emphasized during our meeting his belief in honesty, being upfront and setting expectations appropriately.

It will be of utmost importance how Satyam and Indian industry as a whole react to these questions of financial integrity and corporate governance. Similar to the United States following the Enron scandal, Indian companies will have to move quickly to assure investors that they have the correct measures in place to detect issues of fraud. In addition, the Indian government must seek to improve the regulatory scrutiny that is given to publicly traded companies. Although of immense proportions, the Satyam scandal will serve as a distinct event in the evolution of business in India.

### ***Slumdog Millionaire***

Indian cinema was instantaneously thrust into the mainstream on January 11, 2009, when *Slumdog Millionaire* took home four Golden Globe Awards, including Best Dramatic Picture, Best Director, Best Screenplay and Best Score—all the categories in which it was nominated. Many Indians around the world never thought they would see the day when Shah Rukh Khan, the Brad Pitt of India, would share the same stage with Brad Pitt. They could not believe that A. R. Rahman, the top music producer in India, would win an American award for music written in Hindi.

Bollywood, the Hindi-language film industry in India, is the largest producer of films in the world. The influence of Indian cinema has spread around the world over the past 30 years, facilitated by the broad Indian diaspora. With a nonresident Indian (NRI) presence on every continent in more than 100 countries, the Indian entertainment industry is projected to grow at an annual rate of 16.7 percent by 2011 (*Source: Bollywood.com*).

The movie succeeded in capturing the imagination of Western audiences by highlighting the intangible quality of Indian spirituality through the interwoven theme of destiny that drives the main character. He is able to surpass seemingly insurmountable obstacles solely based on his belief in destiny. The concept of spirituality and destiny has actually been a central theme to Bollywood movies since the 1960s, when the industry was still in its infancy.

This was a central theme that Mr. Scindia referred to in our meeting. He commented that Indian spirituality is purely agnostic, yet its essence is consistent across a population that consists of Hindus, Muslims and Sikhs, among many other religions. He described this spirituality as a binding force across the Indian population and the basis for the country's strength. I believe it is this faith in destiny that Mr. Scindia was referring to in his characterization of India.

With the energy surrounding *Slumdog Millionaire* and an increasing interest in Indian culture, Indian cinema is poised to make big strides over the next few years. This January, Warner Brothers globally released its first Hindi movie, *Chandini Chowk to China*, a Bollywood movie infused with martial arts. Other Western companies have recognized the opportunities in the global Indian market, including Walt Disney Studios, which recently forged a partnership with Yash Raj Films to produce animated films, and DreamWorks Studios, which has attempted to cement a joint-venture deal with Reliance Entertainment.

In this regard, Bollywood is farther ahead in its evolution than India's position in counter-terrorism and corporate governance. By raising its standards of quality through development and innovation, the film industry has been recognized around the world for excellence. Similar steps of innovation need to be taken to fight the war against terrorism and reduce the amount of corruption in India.

## Conclusion

Overall, these three events have served as a major step for India in its journey to be regarded among the world's superpowers. As a diverse nation and the world's largest democracy, national security is of utmost importance to thwart the efforts of those who wish to destroy freedom. Corporate governance and regulatory oversight must be continuously improved in order to ensure the integrity of financial information and allay the fears of investors around the world. Lastly, as media and culture become a major export around the world, thought must be given to the images portrayed in various entertainment formats. For our student delegation from Columbia Business School, it was an amazing experience to be in India during a time of such transformative change.