

**INNOVATING STRATEGIC POSSIBILITIES  
AHEAD: *TOWARD A DYNAMIC & FORWARD LOOKING  
SOCIETY***

Partha S. Ghosh

Bengal Day. January 1996

*This speech was delivered at the inaugural session of the Calcutta Fair on January 28, 1996. It includes some of the emerging recommendations of the strategic exercise under progress by Partha S. Ghosh & Associates; it does not include all the proposals the firm is in the process of formulating, nor should the thoughts be considered as the final recommendations of the firm*



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**FOREWORD**

I whole heartedly thank the Bengal Chamber of Commerce and Industry (BCCI) for giving me this opportunity to share with you a few of the recommendations that are evolving from the work our firm is conducting with the Government of West Bengal. I will particularly thank Andrew Yule and New Wave to create the forum for this event.

At the outset, I want you to know that the amount of support and encouragement this undertaking has received from all quarters of the Government, both at the state and district levels, and from State Corporations like WEBEL and WBIDC are beyond measure. In the same spirit, BCCI, along with all the Industry associations - CU, ICC, Bharat Chamber of Commerce and others - have been extremely cooperative in lending support with the highest level of sincerity and dedication. I hope, to the rest of the country and to the world at large, this phenomenon itself is the best testimony of a new dynamics in the making in West Bengal. We must now build on this new energy, the new ferment, to create a society we all today aspire to be a part of, a society the rest of the world will draw strength from.

For the members of our firm who have been working on this undertaking, it has been a great realization - that when one is prepared to work 24 hours/day and seven days a week, and he or she is ready to put aside personal egos and interests for a greater cause, a missionary process such as this, not only serves to create a great source of joy but it provides a tremendous quantum of energy - physical, intellectual and spiritual, which will possibly make our lives more worthy of living. We are thankful to the Ministry of Commerce and Industry of West Bengal for providing us this great opportunity to learn about the lives and works, hopes and aspirations of the grass roots of this state and understand their implications in the national and global context.

As many of you know, I have been trying for over a decade to promote the concept of a "*country strategy*" (both at the national and state levels). This concept spells out the vision and the purpose for this nation and, in turn, defines the roles of each of the states. The last six months of experience gives our **firm** and me a great

confidence in the future of this nation. "Trust in each other", "self confidence" and "team work" are what I think *will* constitute the key passwords for the future.

*We, at the leadership levels, however, have to change our thinking habits dramatically. We will need to take a very hard look at ourselves to define the roles each one of us must play towards each other and the rest of the country. The hopes of the people in this state and the country rest upon us - not simply upon those who are here, but upon the farmer in Murshidabad, the fisherman in Midnapore, the weaver in Nadia, the molder in Howrah, the student at the Jadavpur University, the Researcher at The Saha Institute or the woman in the tea gardens in Darjeeling; the spirit that moves every man and society who share this hope of expressing their inner talents.*

As we count down towards the 21st century, we must recognize that man holds in his mortal hands the power to abolish all forms of human suffering. It is up to us now to understand our visible and invisible strengths, our innate talents to create a social movement that will spark "grass-roots-up" economic advance.

We must not expect that economic liberalization towards a free market alone will create the magic that will make this state or this country an economic power house overnight. *We have to work on the basics of work ethics and leadership values with full transparency and patience; we have to make sharp choices and make bold moves with courage to leapfrog societies ahead of us. We must accept risks and burdens; but with the will and the work, a new dynamic will emerge. It is my firm belief if we could focus on our strategic priorities, we will be better geared for an enhanced role in the global economy.*

## **FIVE CRITICAL IMPERATIVES**

Today I *will* like to touch on five critical imperatives to create the necessary change:

1. Repositioning West Bengal on the global stage
2. Visioning a dynamic engagement process as a progressive forward looking society
3. Evolving four strategic initiatives for a "unique value" proposition
4. Creating the conditions for an accelerated take off

The following sections elaborate upon these critical imperatives.

## NEED FOR REPOSITIONING WEST BENGAL ON THE GLOBAL STAGE

There is a growing consensus within the leadership of West Bengal that the time has come to reposition the state. This need is prompted by the fundamental changes in the socio-economic environment, both on the domestic front and in the world at large. It is our firm belief that an innovative "repositioning strategy" could significantly enhance utilization of the inner strengths of this state. This "repositioning strategy" requires uncompromising political will and the dedication of Government-Industry-Union elements to move forward intelligently.

To understand the fundamental changes that are creating a new environment, we examine the domestic as well as the global forces.

### **Internal**

#### **Aspirations**

Any socio-economic process that seeks to address the internal aspirations of the people of West Bengal must consider the momentum generated by the stages of development and the impact of increasing exposure to the global environment.

#### ***The new S-curve:*** ***"The fourth stage"***





Exhibit 1 summarizes the different development themes of the state of West Bengal since independence. The "Period of Adjustment to Independent India", from the early fifties to the mid-sixties, saw the transfer of ownership of British business houses to Indians. Yet, the adjustment process to post-independence needs was not managed with clear strategic direction. It led to industrial practices that could not stay in tune with the changing competitive rules. In this period the State and Central policies were in harmony with each other, and the state benefited from Central Government initiatives in the Eastern region. Nevertheless, fundamental issues related to poor industrial practices, rural backwardness, illiteracy and social infrastructure were not adequately addressed. This inadequacy, along with the tensions caused by immigration from neighboring regions, created a felt need for a new approach.

The priority of the State, during the mid-sixties, was essentially rural development. While there was progress on land reforms and empowerment of the farmer, the industrial scene became more tense. The old practices inherited by industry from the past became an anachronism. Villages started becoming economically more active but the industrial centers in the state suffered from a massive exodus to other parts of India. This created a "negative identity" for West Bengal worldwide. In addition, there were political differences between the Central Government and the State leadership that

created a major dip in Center-led industrial initiatives.

In the mid-eighties, the Central Government started rethinking some earlier policies. As a consequence, West Bengal entered a phase of evaluation about how its industrial infrastructure could be revitalized and how the State should build on the achievements in the agricultural sector. The State leadership has to adjust its thinking and policy framework in the light of new realities. The decade from 1985 to 1995 could be viewed as a period of self analysis to adjust to new economic policies- These policies have created a desire to view the future with a new mind-set in several segments of the population.

### Stages Of Development Of West Bengal

	 <i>Independence of India</i> <b>Stage 1</b> Adjustment of British industry to new era	 <i>Mid-sixties</i> <b>Stage 2</b> Focus on rural development	 <i>Mid-eighties</i> <b>Stage 3</b> Adjustment to new economic policies and self-analyses	 <i>Mid-nineties</i> <b>Stage 4</b> Who Will Lead?
<b>Government Thrust</b>	<ul style="list-style-type: none"> <li>• Encouraged industry and higher education</li> <li>• Sought projects from Center</li> <li>• Worked in harmony with Central policies</li> </ul>	<ul style="list-style-type: none"> <li>• Protection to workers</li> <li>• Land reform &amp; redistribution</li> <li>• Local Government reforms</li> <li>• Scarce resources diverted to farming</li> <li>• Mismatch of central policies and state priorities</li> </ul>	<ul style="list-style-type: none"> <li>• Felt need for modernization</li> <li>• Adoption of industrial policies</li> <li>• Infrastructure planning started</li> <li>• Continued protection</li> <li>• Outward looking mind set with unclear agenda</li> </ul>	<ul style="list-style-type: none"> <li>• Spend resources largely on selected areas?</li> <li>• Boost to infrastructure development?</li> <li>• Demanding attitude towards work?</li> </ul>
<b>Industry Responses</b>	<ul style="list-style-type: none"> <li>• Former British companies mismanaged</li> <li>• Influence of trading mentality increased</li> <li>• Withdrawal of professionalized management</li> <li>• Strains in the industrial climate</li> </ul>	<ul style="list-style-type: none"> <li>• Moved to other states</li> <li>• Survival rather than efficiency outlook</li> <li>• Disinvestment / minimal investment</li> <li>• Problem-solving mentality continued to be stunted</li> </ul>	<ul style="list-style-type: none"> <li>• Slowdown of exodus</li> <li>• Improved agro productivity</li> <li>• “Wait and See” / continued cynicism</li> <li>• Isolated successes &amp; inclination towards quick-fixes</li> </ul>	<ul style="list-style-type: none"> <li>• Help create Bengal as strategic center for Asian region?</li> <li>• Participate actively in state’s socio-economic development?</li> </ul>
<b>Socio-Economic Implications</b>	<ul style="list-style-type: none"> <li>• Stagnant employment</li> <li>• Migration to Bengal</li> <li>• Rural-Urban gap increased</li> </ul>	<ul style="list-style-type: none"> <li>• Slight increase in rural prosperity</li> <li>• Increase in subsistence farming</li> <li>• Creation of “educated unemployed”</li> <li>• Identity of West Bengal increasingly negative</li> </ul>	<ul style="list-style-type: none"> <li>• Desire for growth &amp; prosperity in Bengal</li> <li>• “Mechanisms of growth” not clear to people to channelize their energies</li> <li>• Continued negative identity</li> </ul>	<ul style="list-style-type: none"> <li>• New sense of purpose?</li> <li>• Large scale job creation ?</li> <li>• New work culture / professionalism ?</li> <li>• Desire to excel in all levels of society?</li> <li>• Identity?</li> </ul>

As we begin the countdown towards the 21st century, there is a growing consensus in West Bengal that the State must now organize several strategic initiatives. These initiatives should be so designed as to put West Bengal on the global map. In all our discussions with people in the villages and towns, in the factories and the fields, in the schools and colleges, we sensed a common urge to achieve. Our firm views this as the most positive revelation so far in the current exercise. If properly harnessed, this phase could be termed as the stage for gaining credibility and trust on the global stage.

*Increasing exposure to the global environment*

The economic liberalization process, which commenced after the July 1991 announcements, will increasingly expose the Indian economy to global economic forces. It is important that any policy making framework takes into account the new opportunities and the new threats to which any state economy will be subjected. Anywhere in the world, for any form of economic initiative to gel, the entire process will need to be globally competitive. Along with this exposure to the global environment, new consumer aspirations will be continually in the making. If local entrepreneurship does not adequately address these aspirations, then the multinationals will step in to serve those needs. In the same spirit, new competitive ideas that evolve in a region will soon gain acceptance worldwide, giving birth to multinationals from the state of West Bengal. Indeed, the gains in value for excellence could be significant and the price of nonperformance could be very high as well.

Policy makers and industry in West Bengal, and in India at large, must respond to this exposure with a clear sense of how it must mesh with the global economy.

*Towards a more balanced Socioeconomic Development*

Private sector investments, in India and West Bengal in particular, have been limited as well as concentrated around major economic urban centers. In the process all the cities and towns have become process choked, even prior to a real industrial take-off. From considerations of health, safety and availability of land, none of the major cities are suitable to accommodate further industrialization. Also, India's infrastructure is not suited to deal with industrial wastes and the disposable components of consumer products from the advanced world. On the other hand, smaller towns are also

economically unviable as they suffer from even poorer infrastructure. We share the evolving concern in West Bengal that the current style of industrialization could instead of helping, hinder progress. Many in West Bengal perceive this style as superimposed

from the top in a blindfolded fashion, without full consideration of the existing social and human infrastructure

On the other hand, with emerging confidence in rural Bengal, the state is now ready to celebrate a bottom up industrialization. It is a process that all the industrialized and industrializing economies have experienced, and will possibly give birth to industries which are unique to West Bengal. These industries would be environment friendly and, most importantly, will create new growth centers of the future. Our observations on rural Bengal's psyche, suggest that West Bengal is ready to undertake an industrialization which is forward-looking and bottom-up. Such a process, if strategically guided, will be extremely effective. It could be significantly less capital intensive and create avenues for "distributed wealth creation".

#### The Global Environment

The global environment is also undergoing fundamental changes; any strategic game plan must ensure it is not influenced by the developments of the past but that it works for the future. It is the State's ability to competitively anticipate the future opportunities that will make the difference. Even as the forces of globalization continue to reshape the meaning of national borders, businesses in the state must act. Specifically, the businesses operating in those sectors where West Bengal enjoys distinctive competitive advantages must take advantage of economies of scale. This can be achieved by participating in the global economy and by leveraging unique advantages of the other regions. Four forces have a major influence in shaping the global environment.

#### *Rapid changes in technologies*

Life cycles of technologies are getting shorter at an increasing pace. High technology products often have life spans of less than six months. For developing economies, accordingly, a very important strategic parameter is the decision regarding which technologies to skip and which technologies to bet on. Simple import of proven technologies will only ensure that West Bengal falls further behind advanced nations; intelligent strategies must define which technologies West Bengal must engage with to leapfrog into leadership status as a state. Increasingly, the policymaking framework should take into account recent technological changes. These include Biotechnology, which would significantly influence West Bengal's agricultural base dramatically; Information Technology which would enable grass roots' use of knowledge to enable development of entrepreneurship and creation

of greater values per capita; and Materials Technologies. The objective for West Bengal, on one side, is to develop higher value added applications for mineral resources in the Eastern region and to enable enhanced use of biological materials. On the other hand, in areas where the state enjoys natural competitive advantages, it can develop a knowledge base to further enhance the state's value proposition on the global stage.

*Power of new emerging economies*

Asia Pacific nations have grown very rapidly since the early seventies. With China's rapid take-off since 1979, Asia-Pacific can well be the largest regional economy by 2005. It is important that an outward looking strategy identifies ways in which West Bengal could engage with the economic vitality of the region. The region is strategically very important for West Bengal; in the next 25 years the region's significance in the global arena will increase even more, possibly several folds.

Rising environmental concerns

As the 'TRIAD'<sup>1</sup> assesses the industrial advance of the 20th century, the negative impact of this process on the global environment is becoming a cause of intense concern. It is clear that the 20th century model of industrialization will cease to be relevant for countries like India. As West Bengal is at the threshold of defining and choosing strategic initiatives for an economic takeoff, the impact on the environment must be one of the significant variables. West Bengal could build industries that will serve this evolving trend world-wide and, in the process, create a unique niche for itself. Our firm has identified several "micro-niches", where Indian companies based in West Bengal could play a major role in two ways: in combating environmental pollution from 20th century technologies and in developing 21st century technologies which are ecologically friendly

W70

With the World Trade Organization (WTO) in the process of environment formation, it is important that we understand the implications of the WTO rules. While engaging with the global economy these rules will be vital for global business development. As the average tariffs come down and international property rights are applied, West Bengal's industries (management and unions) will need to develop appropriate industrial practices. These practices should enable them to leverage the rules, as opposed to becoming casualties due to the same. West Bengal's policy framework must realize that the forces of "knowledge driven economic system", which typically do not attach significance to national borders, will shape WTO rules increasingly. In other words, simple marketing of

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<sup>1</sup> TRIAD Indicates the three largest economies of the world: USA, Japan and the European Union.

hopes will not be enough. We have to market quality environments which will not only cultivate hopes, but will convert them into real initiatives.

In view of the internal and external forces at work outlined above, it is important that West Bengal now repositions its development process to earn a respectful identity on the global stage. The current exercise indicates that West Bengal possesses the requisite achievement motivation for change. The State leadership must acknowledge this development in order to meet several fundamentally new requirements:

1. *Build on and create distinctive advantages of the state, in an innovative fashion*
2. *Select areas where winning possibilities are available*
3. *Evaluate strategic initiatives with global perspective*
4. *Lead with mechanisms which will enable leadership to act as a "strategic guide" as opposed to enforcing controls*
5. *Place equal, if not more, emphasis on shaping soft factors such as cultural attributes related to leadership values, work ethics, competitive spirit*

## EXTIIBIT 2

### **Emerging Forces and The Challenges Of Nation Building**

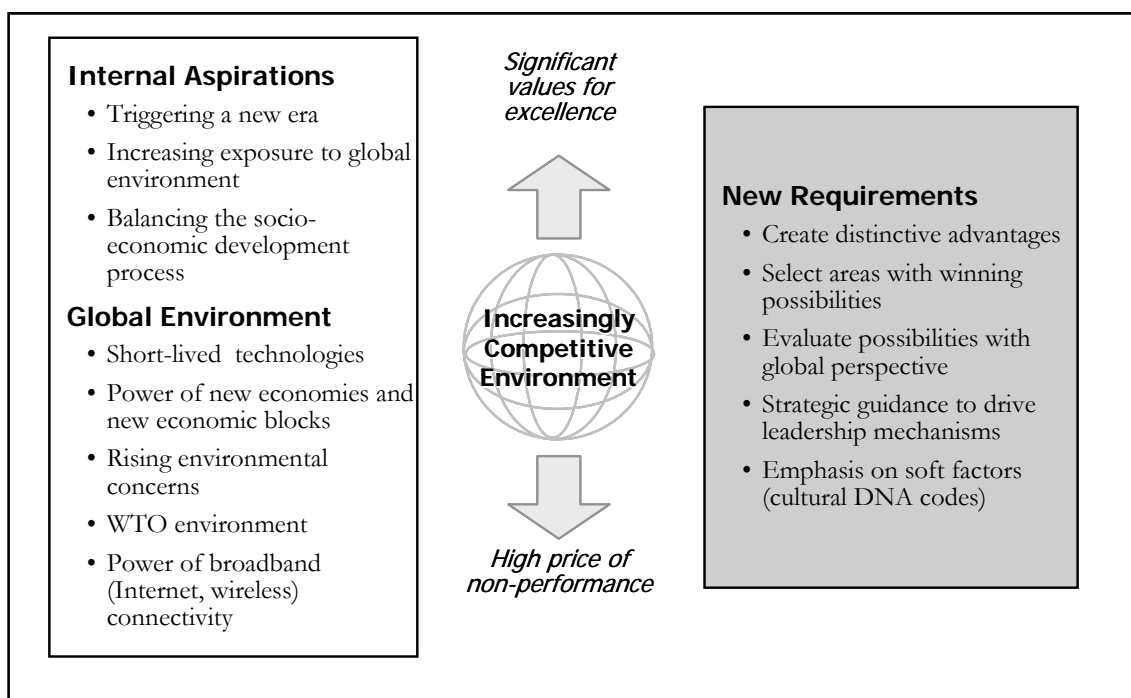
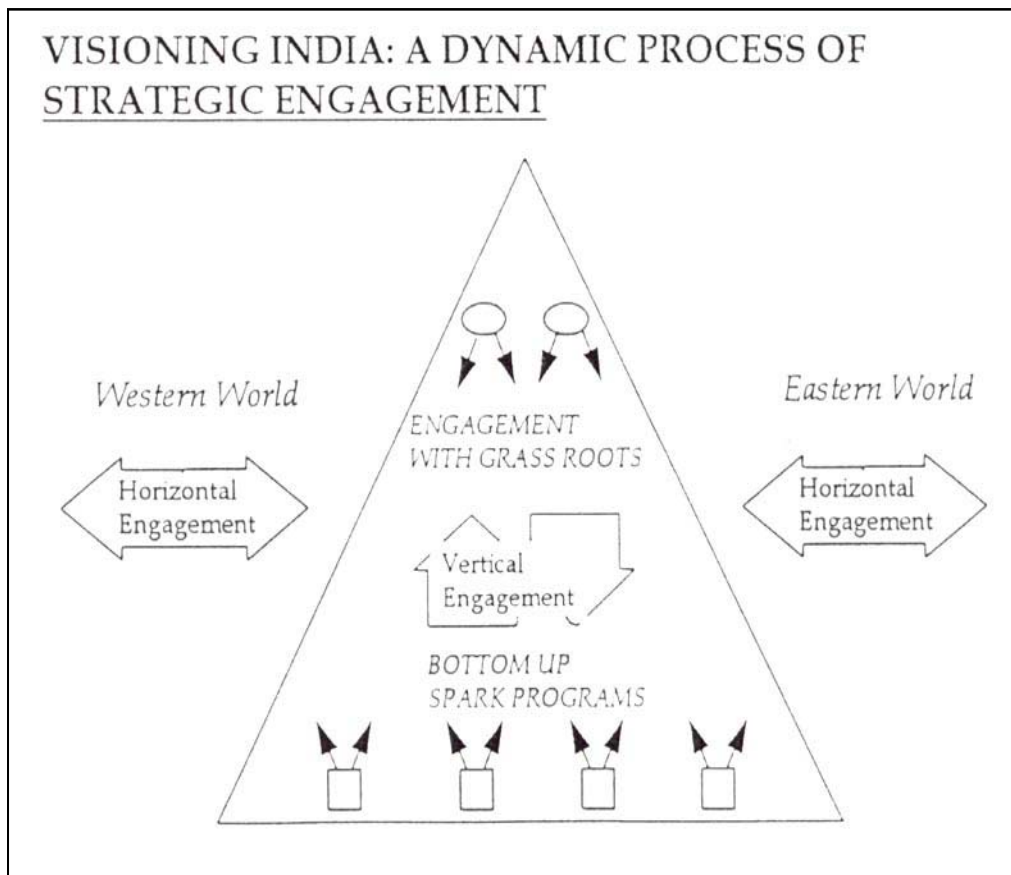


Exhibit 2 explains how the new forces will make the new requirements increasingly significant; if we could engage with them with full commitment, and if we could continually update ourselves with the changing global dynamics, the *significant values could be created*. On the other hand, if we fail to generate the new dynamics within the minds of the leaders of the state and the leaders of industry, the *price of nonperformance will be very high*.

## **VISIONING A DYNAMIC ENGAGEMENT PROCESS: TOWARDS A FORWARD LOOKING SOCIETY**

In order to take full advantage of the new requirements, West Bengal must now consider to define a socio-economic process that would enable a "bottom-up" as well as "top-down" advance. This section examines the two-level approach, the visioning process as well as the principles behind the visioning process.

### **EXHIBIT 3**



## The Two level Approach

The proposed two-level approach shown in Exhibit 3 has to be organized in such a fashion that the "top down - bottom up" engagement is *dynamic and truly synergistic*. At the same time, as we enter the borderless world, the initiatives at the two levels must also engage with the world outside in a dynamic fashion.

Since resources of any developing economy is limited, West Bengal will need to be more specialized as it broadens and deepens its economic activities in the global marketplace.

The state must choose specific industry sectors based on West Bengal's distinctive advantages. It must consider to promote these sectors in attaining global respect. However, even in those specific industries, it cannot attempt to do all things. The state's future success will depend largely on how it could stay away from "metoo" strategies and is intelligently able to identify "micro-niches" where it could excel.

Even companies, both large and small, must *carefully select the right products* to produce and devote their resources towards the development of delivery systems that are globally competitive. The state must now divorce itself from the classical Indian cliché that products should be promoted on the global stage when only exportable surpluses are available *In the proposed mode of thinking, West Bengal must develop the courage to produce quantities which enable economies of scale in the select group of industries. At certain times, it could imply that the total production be 8 to 9 times the domestic demand.*

For example, South Korea, decided upon the automotive sector as one of the priority sectors in the mid-seventies. Even though domestic demand was less than 100,000 units at that time, it developed an export led automotive industry that has now become one of the key economic drivers of the country. Such successes in countries like Japan, Korea, Taiwan and China, have all been driven by a clear definition of a vision, specifying economic, social and infra-structure

priorities.

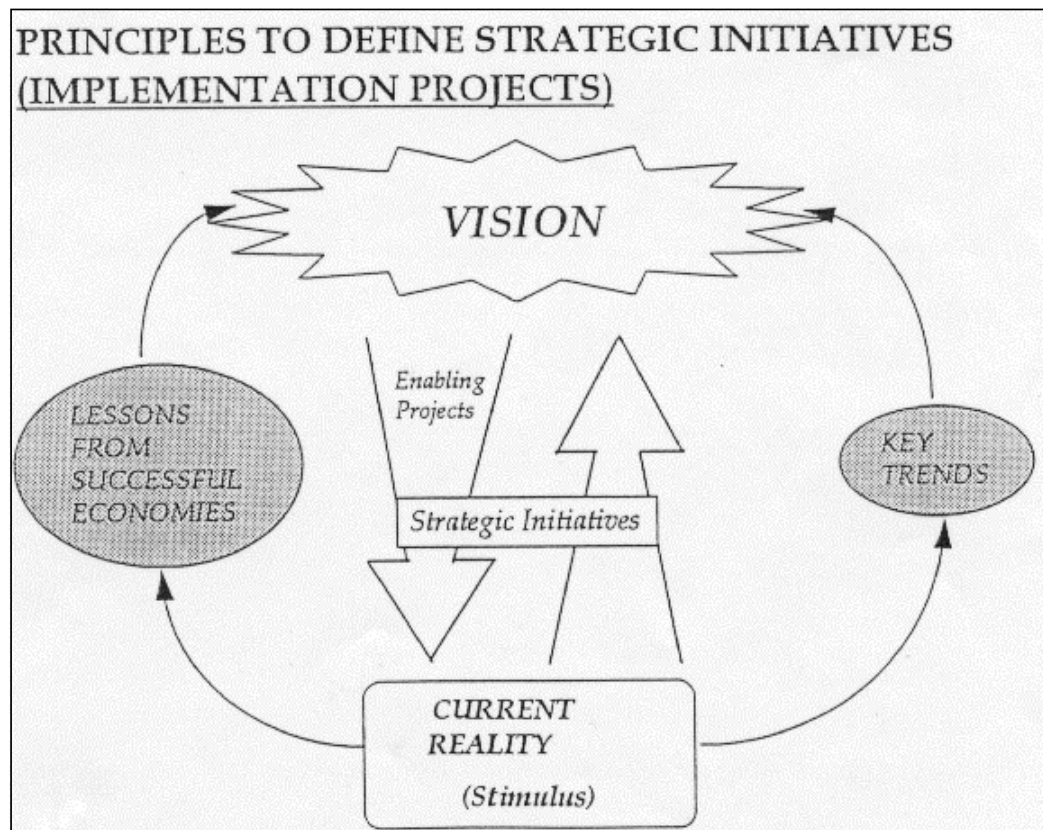
We must provide strategic guidance to entrepreneurial initiatives while building the future West Bengal. The dimensions of the initiatives can be different - they could be in industry, infrastructure building, education, or culture. We must envision the

use of self-regulatory market mechanisms based on free competition, as well as ensure that the vision of future includes an appropriate process of governance to that end.

### The Visioning

Process As shown in Exhibit 4, *the process of visioning should be a continuous and committed effort. It should firstly develop an understanding of the key trends and secondly assimilate and build upon the experiences of successful economies. Further, the process would define how specific strategic initiatives should be shaped such that it will take West Bengal towards this shared vision.* While it is a "future in" process, it is also a process which links the current realities with the hopes and aspirations of what West Bengal would like to be. Of course, each district has its own culture and respect for differences among them is essential for defining a harmonious state vision. It is important to note that as market mechanisms in today's world go beyond boundaries of nations and cultures, the districts' initiatives should also be shaped with global benchmarks within the overall state vision\_

EXHIBIT 4





*It is our hope that as this vision unfolds, West Bengal should try to match Thailand as it stood in 1993 (per capita income - \$2315, literacy - 93.8%) in the next 10-15 years. If such a target is achieved, it should aim at reaching the level of Japan in 1970 (per capita income - \$5600, complete literacy) 25-30 years down the road.*

## EXHIBIT 5

### **Eight Beliefs Of Partha S. Ghosh & Associates**

1. “**Wealth creation** in an equitable fashion” to enable people advance at all levels of society is the primary purpose of regional (country or state) socio-economic strategy.
2. Leadership group’s **vision**, values, and symbolic actions (including monuments, “visible wins”) are the energizing forces, which need to be **continually** reviewed, challenged and evolved.
3. Macro social and **economic policies / strategy** (taking advantage of global mega trends) should precede economic plans / budgets.
4. Socio-economic strategies take advantage of **competitive dynamics** between regions, such that the State could draw **capital, technology** and management skills to foster development of competitive industries (which are sustainable, value creating on a global scale).
5. Creativity, commitment and discipline, not luck, are the **scarce resources** to leverage existing strengths and build new ones.
6. Innovative organizational mechanisms to enable superior **fact based** and **hard nosed** execution to reach targets underlies most **successful strategies**
7. Targets, tasks and action programs should be defined and religiously adhered to with clearly defined **responsibilities and accountabilities**
8. Development of Human Capital including skills, **work-ethics and hope** should be at the **core** of the key components of a sound socio-economic strategy.

## **Principles of the Visioning Process**

In accordance with the proposed mission, the West Bengal leadership must first agree with the principles underlying the exercise, as shown in Exhibit 5. These principles are based on our firm's analyses of successful economies.

Such principles have been applied to specific policy making processes in successful economies. Deeper analyses of the East and South Asian economies indicate the success of these principles in contributing to the management of sustainable development.

Examples of such countries are Japan (in the fifties and sixties), Korea, Taiwan, Hong Kong and Singapore (from the sixties through the eighties), ASEAN nations (from the sixties to the nineties) and China (from the eighties to the present). The type of policies adopted, the nature of institutions that were built and the results that they achieved are summarized in Exhibit 6.

EXHIBIT 6

**Asia's Approach To Development**

	Four Tigers					Asean			China
	Japan	Korea	Taiwan	Singapore	Hong Kong	Thailand	Malaysia	Indonesia	
<b>Initial Inputs</b>									
• Natural Resources	L	L	L	L	L	H	H	H	M
• Foreign Aid	M	M	H	L	L	L	L	L	H
<b>Policy Drivers</b>									
• Emphasis on Human Capital	H	H	H	H	H	H	H	H	H
• Outward Orientation	H	H	H	H	H	H	H	H	H
• Selectivity	H	H	M/H	M	L	M	M/H	M	M
• Directed Credit	M	H	M	L	L	L	M	L	H
• Import Openness	M	M	H	H	H	M	H	M	H
<b>Stability</b>									
• Political	H	H	H	H	H	M	H	H	H
• Macro-economic	H	H	H	H	H	H	H	H	H
<b>Key Institutions</b>									
• Central Economic Ministry Influence	H	H	H	H	L	M/H	H/M	M	H
• Strength of Bureaucracy	H	H	H	H	H	H	M	M	H
• "Visionary Leadership"	H	H	H	H	L	M	H	M	H
<b>Outcomes</b>									
• Growth in the 60s	AA	H	AA	H	H	AA	H	AA	A
• Growth in the 70s	AA	H	A	AA	H	AA	AA	AA	AA
• Growth in the 80s	A	H	A	AA	AA	AA	AA	A	H

<b>Key</b>	A (Average) = 4.5% - 6.0%
	AA (Above Average) = 6.0% - 8.5%
	H (High) = 8.5% - 12% per annum
	L = Low      M = Medium      H = High

## EVOLVING STRATEGIC INITIATIVES

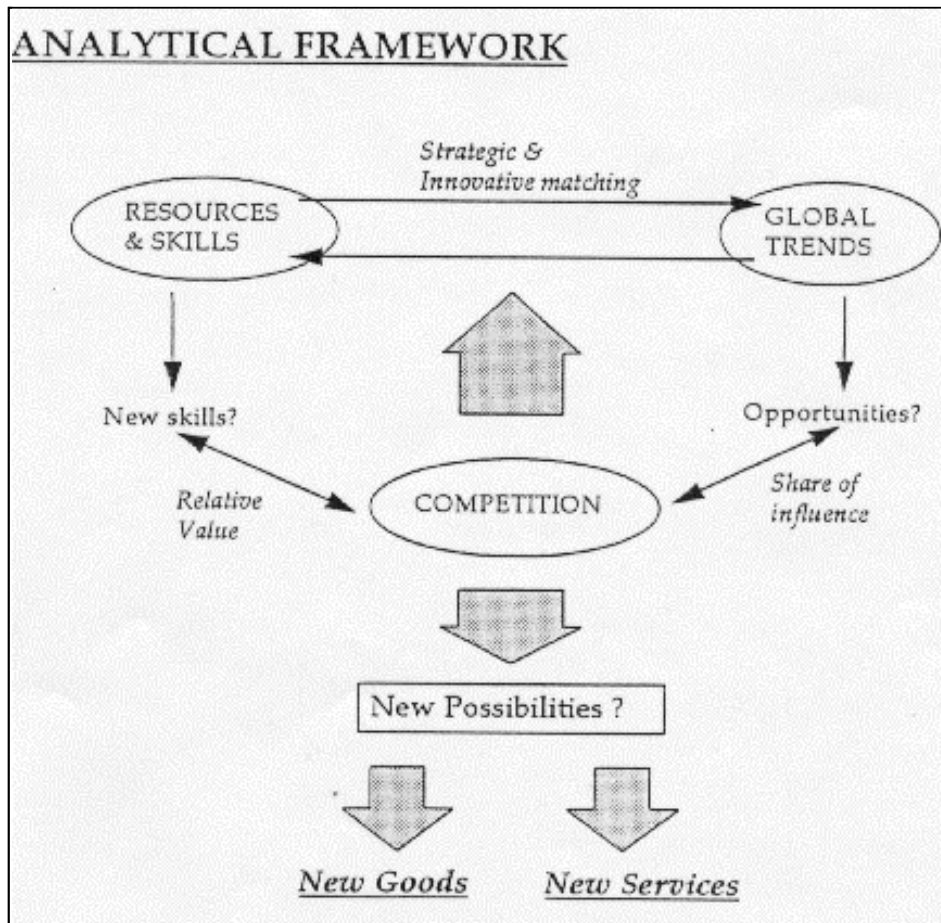
The success of the economic policies adopted by South and East Asia suggest that State-led initiatives serve to accelerate and sustain economic growth. A detailed look at the nature of suitable initiatives consists of five aspects. These aspects are as follows:

- Need for Strategic Initiatives
- Mechanics of Strategy Development
- Agriculture as the Mainstay
- Key Success Factors for Competitiveness Tomorrow
- West Bengal's Value Propositions

### **Need for Strategic Initiatives**

South and East Asia's economic policies indicate that State-led initiatives should necessarily be strategic and focused in nature. As a pre-condition for formulating a strategy for the state, it is useful to understand the analytical framework that would be applied, as

### EXHIBIT 7



well as the type of assets that are available for harnessing.

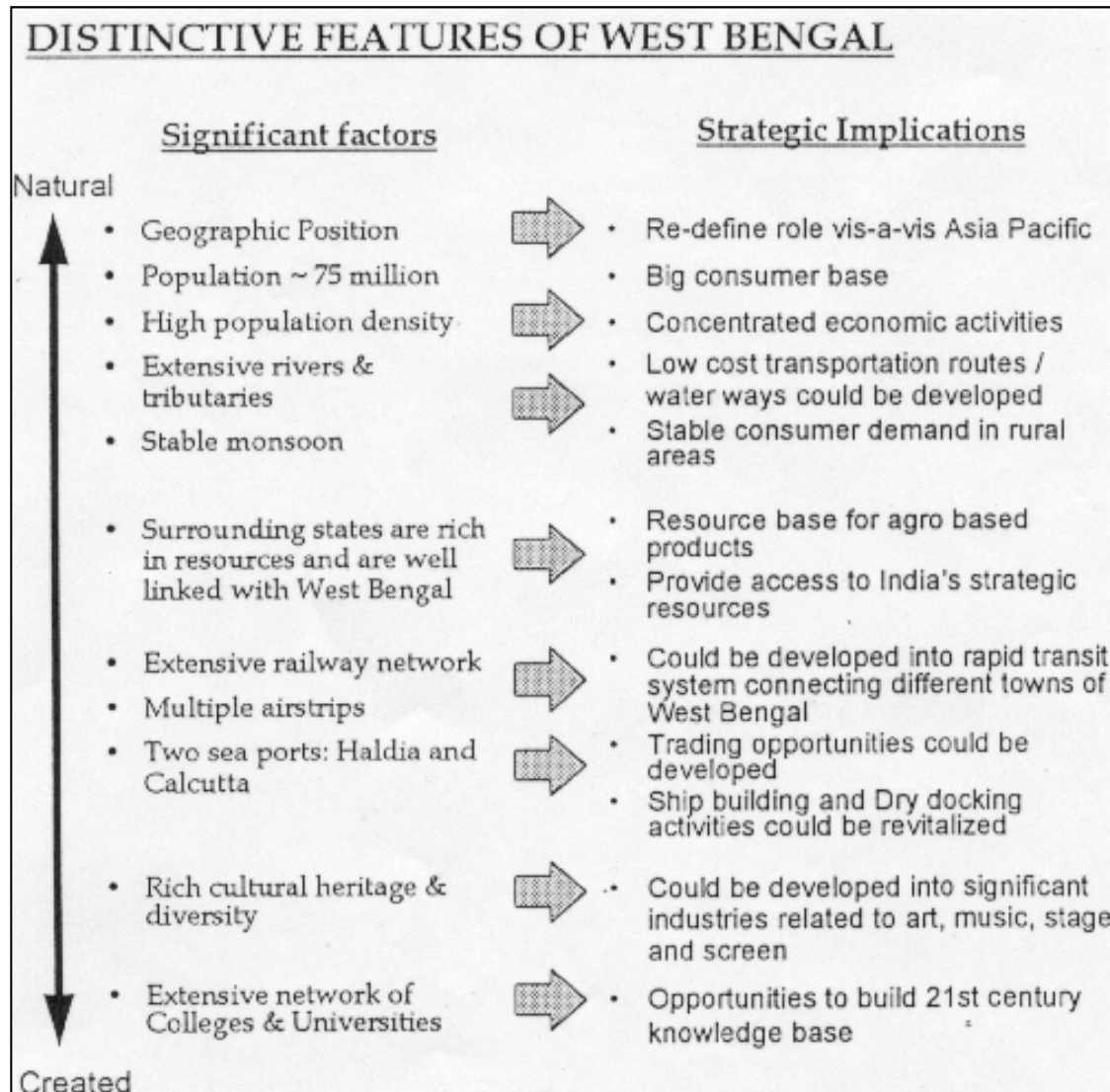
**The Analytical Framework**

The resources of the state and the skills of the masses need to make a significant impact on the markets of the world. Exhibit 7 shows how to catalyze these potential assets with global trends, in a strategic and innovative fashion. For example, South Korea, China and their likes in South-East Asia effectively developed labor-intensive goods for the markets of the developed countries. This was done just after the second oil shock, just as the developed world started searching for low cost options. It gave a boost to many skills and served to build up hard currency surpluses to finance infrastructure requirements.

**Relevant Assets**

The increased intensity of competition requires a strong dosage of novelty to harness skills and reconstitute resources. This will enable West Bengal to leverage the opportunities thrown up by the environment. Exhibit 8 indicates how distinct features of West

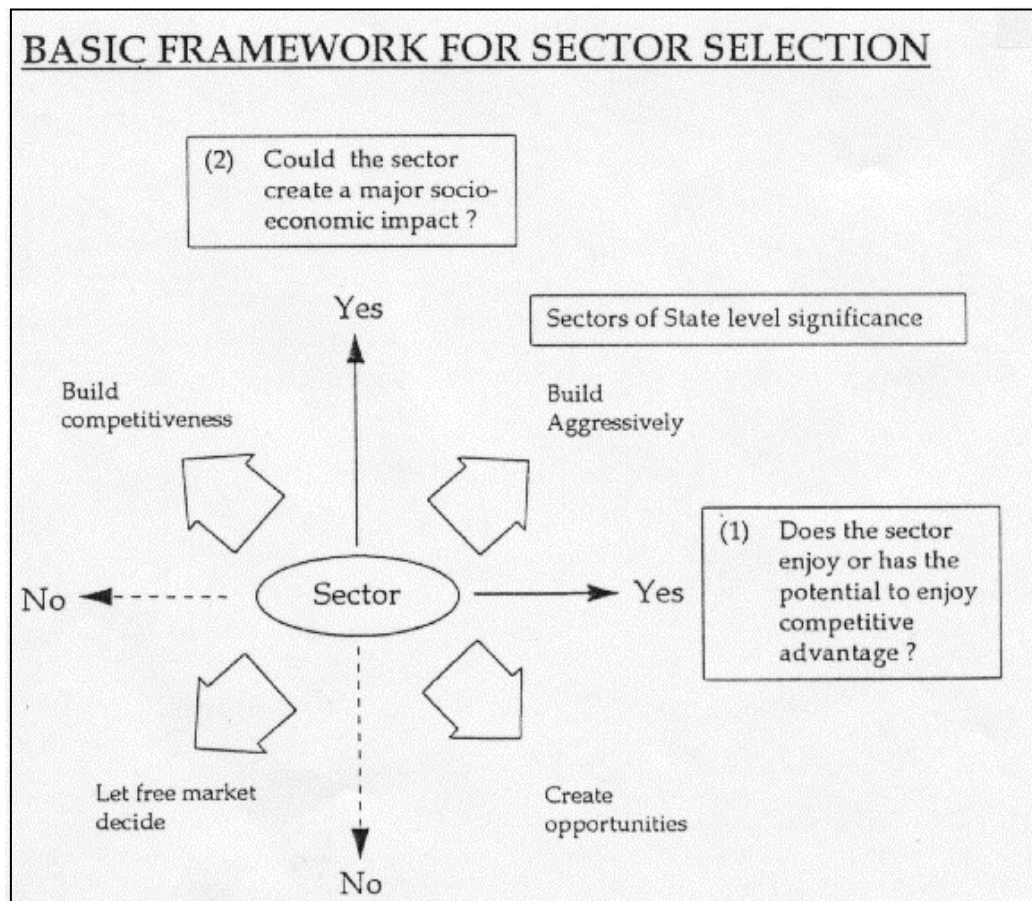
EXHIBITS



Bengal might be strategically utilized in building the new dynamics.

For example, the extensive rivers and tributaries as well as the ponds and lakes of West Bengal can be utilized in multiple ways, other than as ready sources of irrigation. Fresh water fish and algae cultivation, if encouraged, would provide useful inputs in raising the value and quality of various products that come out of the villages today. Moreover, they can provide channels for cheap inland water transport and be centers for water-based sports in certain cases. Further, West Bengal has an extensive railway network that is the most dense in the country. It is an asset that to be put to use to the fullest extent. Trains today run at 300 km/h to 400 km/h in developed countries. West Bengal must consider deploying high speed trains that will run at 150 km/h, as a possible first step. Such moves would integrate Calcutta with other towns. If the steps are coordinated well with rural development programs, it will develop the towns and relieve pressure on Calcutta.

EXHIBIT 9



## **Mechanics of Strategy Development**

Based on our post-war analysis of the success stories of Japan, Korea, Taiwan and China, Partha S. Ghosh & Associates has evolved a framework to examine various sectors of economic activities. Exhibit 9 brings out the two major dimensions: 'Socio-economic Impact' and 'Competitive Advantage'. We then examine the grid or the framework as a whole, the components of the grid and the significance of applying this framework to West Bengal.

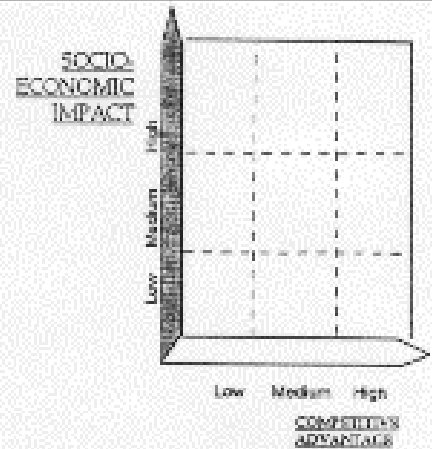
*The Grid* The sectors are classified into different quadrants; they call for different approaches by the State. The different stages of development of the economic activities (in terms of maturity and in their ability to contribute to society) require the State to adopt varying policies. No doubt the most significant are the activities in the top right hand quadrant. Industries in the top left hand quadrant, in contrast, will require a systematic approach of enhancing competitiveness to global levels such that potentials are fully realized. Industries in the bottom right hand quadrant are those where West Bengal could well enjoy competitive advantage, but require a different kind of initiative: how to ensure that the benefits of economic activities flow to the constituents of society at large. If the industries in this quadrant are systematically developed, they may have a tremendous impact on the state's socio-economic development.

As an example, the majority of Thailand lived on subsistence type agriculture in the early sixties. Once the government of Thailand decided to create a competitive advantage in this sector, Thailand gained significant visibility in the world. The achievement of agro-based prosperity has reduced the number of farmers, while Thai rice has gained a reputation for desirable attributes.

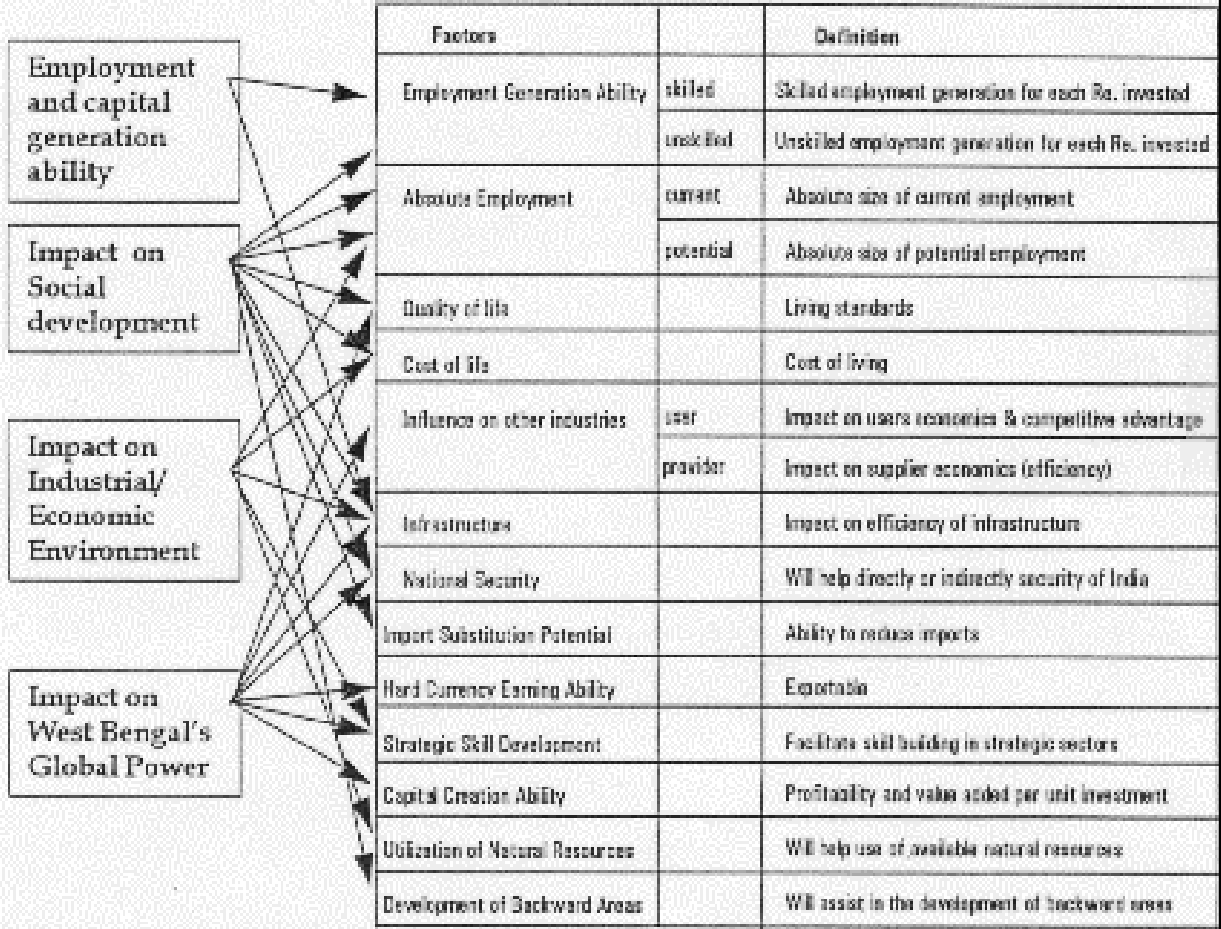
## *Components of the Grid*

As shown in Exhibit 10 and Exhibit 11, each of the two critical dimensions is a combination of various factors. Each industry can be measured qualitatively and quantitatively, in order to classify industry strategically. The multiplicity of factors is an indication of the broad nature of the major issues in question. It is also an indication of the decision-making process that would follow when scoring economic activities along the proposed axes. *Such a process may be time consuming when followed rigorously, but the requisite transparency will enable consensus building. This consensus is invaluable for the latter stages that require a smooth and speedy implementation.*

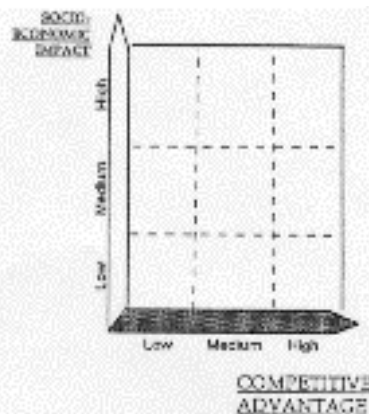
# DEFINITION OF FACTORS DETERMINING SOCIO ECONOMIC IMPACT



## Key Building Blocks



## DEFINITION OF FACTORS CONTRIBUTING TO COMPETITIVE ADVANTAGE

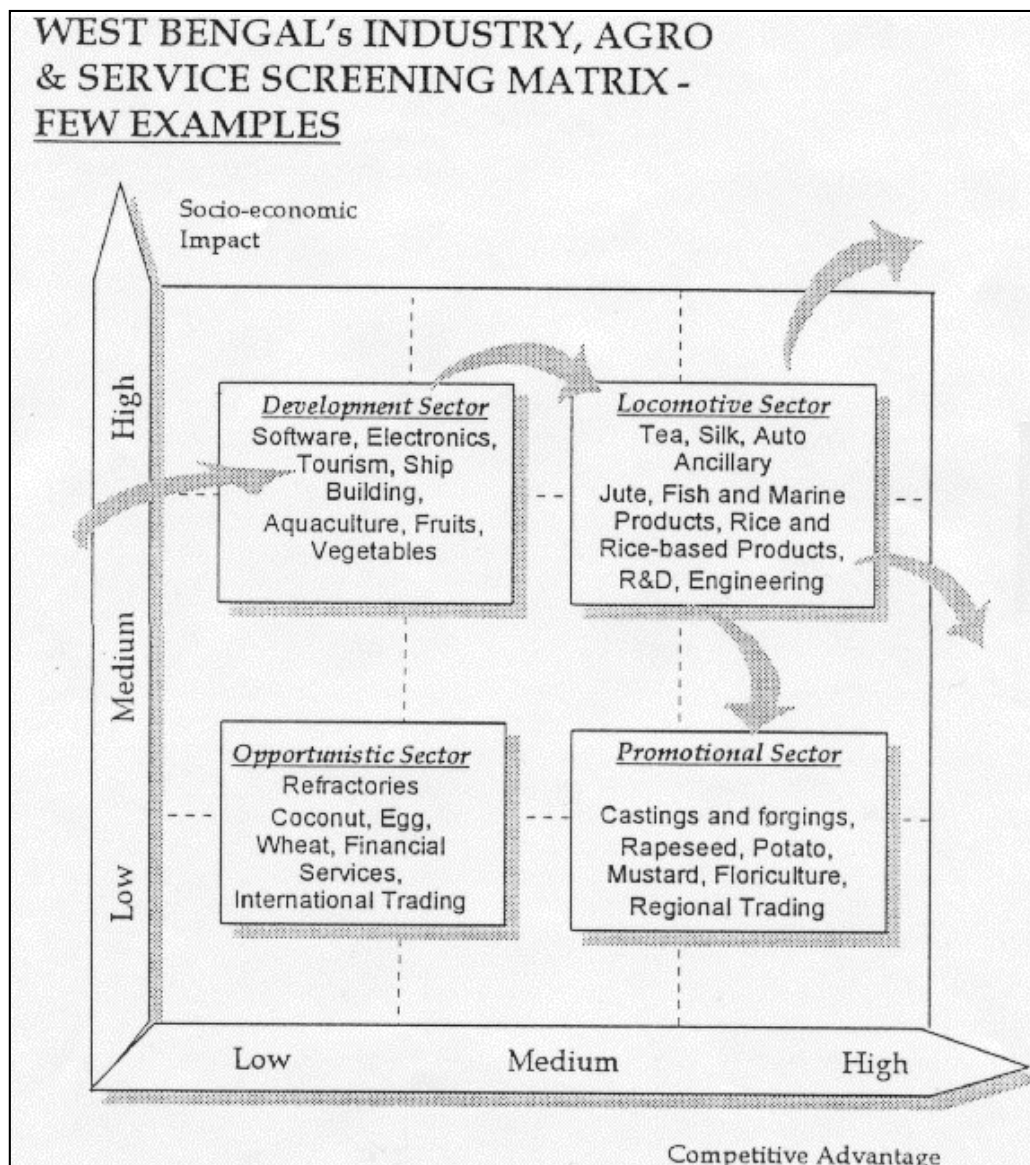


Key Building Blocks		Factors	Definition
Competitiveness of input factors	→	Labor Cost (Wage rate)	Unit labor cost (\$/u, ¥/u, Rs./Day)
		Labor Productivity	Value added per employee
		Capital Cost	Interest rates and capital requirement
		Quality Standards	Attained quality levels relative to international standards
Stage of development and uniqueness of the industry	→	Specifications	Degree of development vis-a-vis international standards
		Uniqueness	Uncommon / Special character of products/ services of a nation
		Access to Technology	Ability of co.s in scanning, choosing and infusing new technologies
		Skill Availability	Readily available skilled labor and knowledge
Domestic Environment	→	Infrastructure	Current status of highways, energy, railroads w.r.t. other nations
		Raw Material Access	Availability of raw materials as natural endowment
		Dynamics of Domestic Competition	Internal competition, monopolistic, oligopolistic, perfect
Global Links	→	Country Image	Global credibility and acceptance of the sector
		External Network	International transportation, communication facilities and West Bengal memberships (formal and informal in international institutions and commercial relationships)
		Location	Value of geographical position in relation to competing nations

We have identified several industries in which the state could for West Bengal make a major commitment to create "mega possibilities" ahead. The industries, shown in Exhibit 12, were arrived at by examining (i) the progress made by the different industries and (ii) the latent potentials in each - primary, secondary and tertiary. Of course, the quality and the nature of emphases on the industries, will be

different. The industries in the "locomotive sector" are best placed to act as engines of growth as they enjoy global competitive advantages and have the potential to have a large impact on society. In contrast, the industries in the "development sector" are to be actualized to develop their competitive advantage. The industries in the "promotional sector" have to be consolidated and /or clustered so as to increase their favorable impact on society

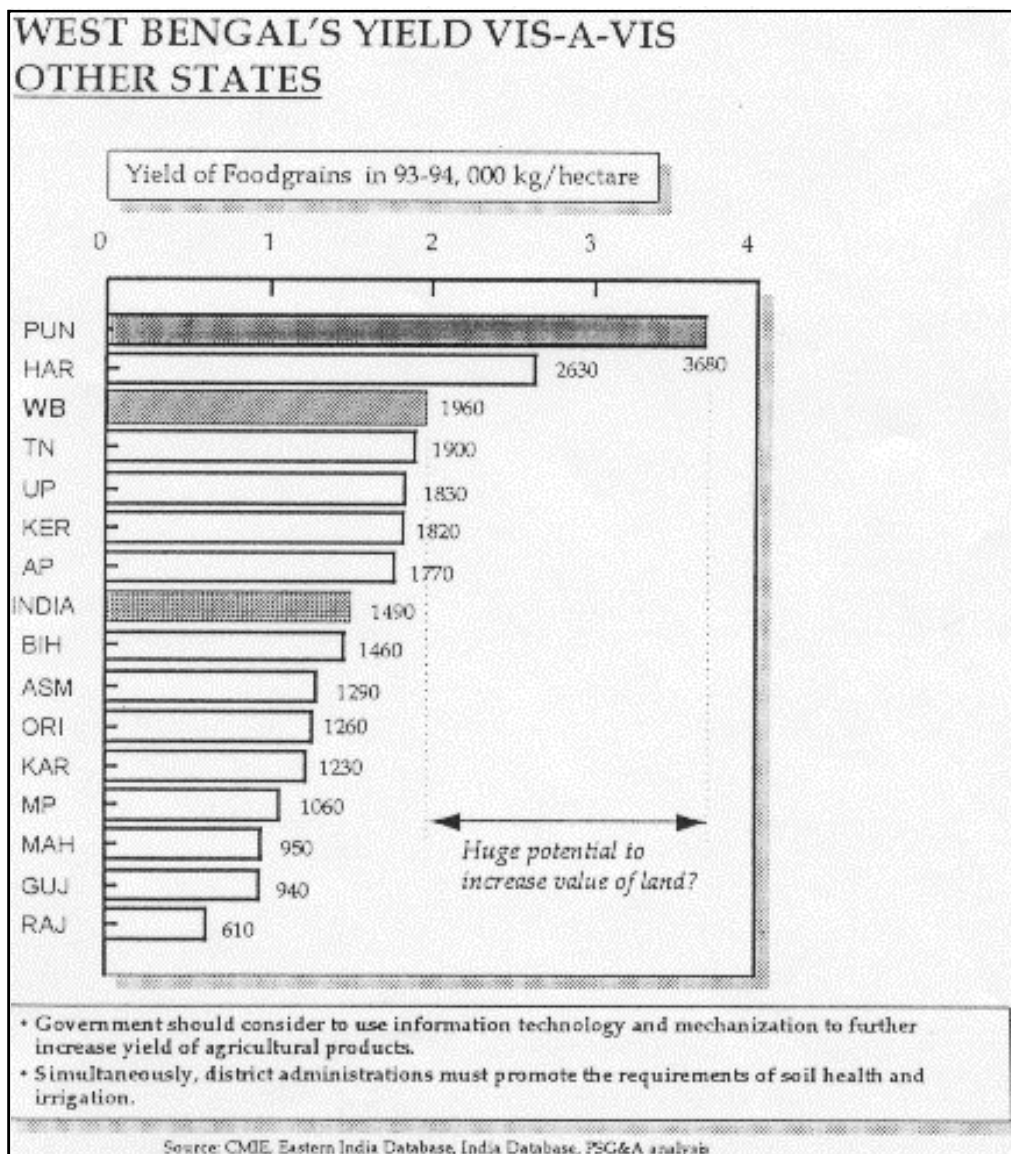
EXHIBIT 12



**Agriculture as  
the Mainstay**

About two-third the workforce of West Bengal is dependent directly or indirectly on agriculture. In fact, the share of workforce employed in agriculture and related activities has increased since the last decade. The share of agriculture in the state domestic product has also increased. Below, we investigate the feasibility of an agriculture based strategy for West Bengal.

EXHIBIT 13



**Dominance of  
Agriculture  
in the state**

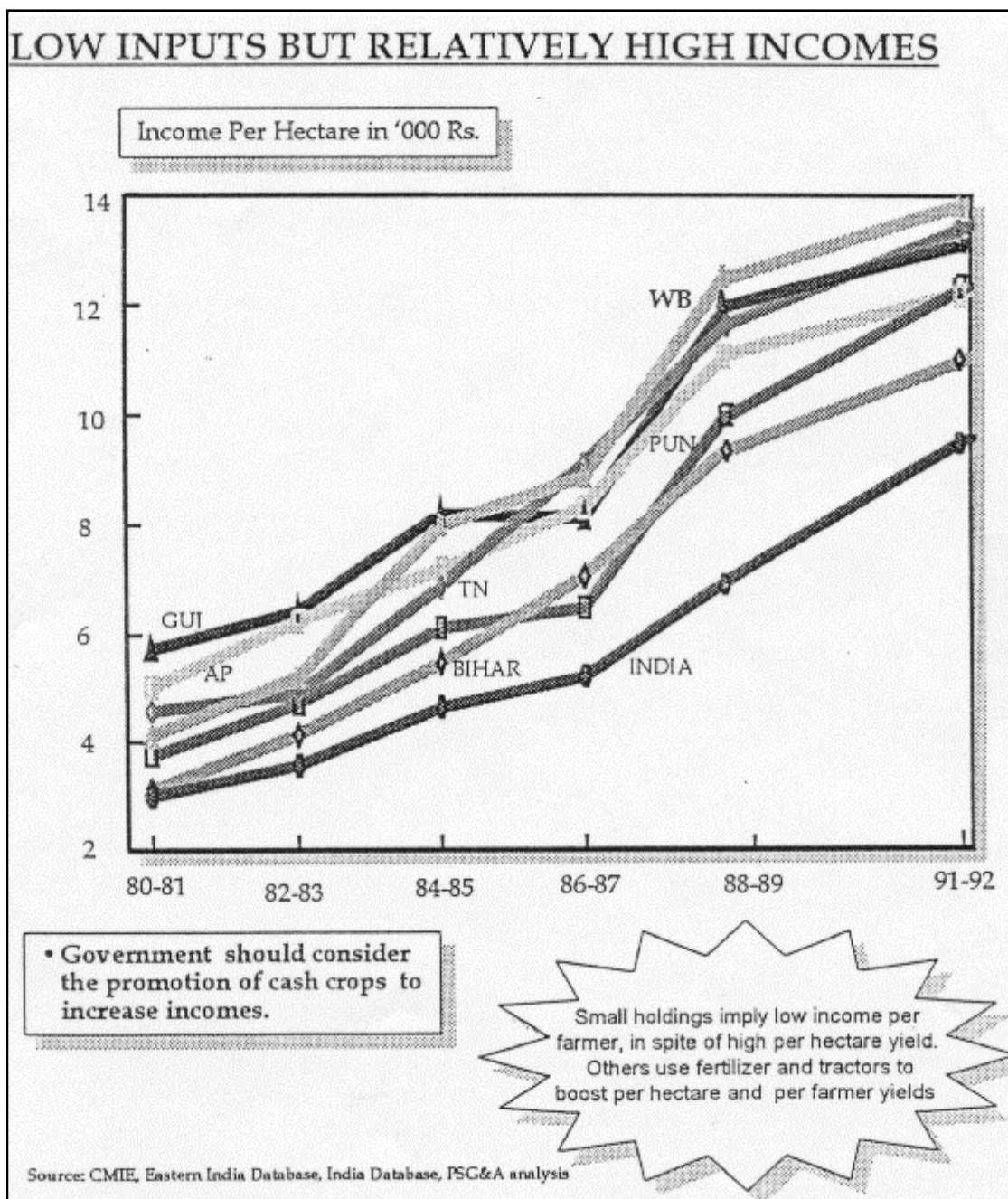
West Bengal has a relatively high yield in the production of a variety of crops, as shown in Exhibit 13. With more emphasis on land productivity campaigns, the state can put itself in a position that generates surpluses. These surpluses can be channeled towards

increasing productivity and improving the quality of consumption for the masses.

***Propensity for Agriculture***

The comparative advantage of West Bengal is that farmers have relatively high incomes despite low inputs, as depicted in Exhibit 14. This advantage suggests that West Bengal should continue to develop agriculture, but with a style that seeks to maximize the potential benefits that can come from agriculture and agricultural technology. As developed nations turn towards nature based goods, West Bengal with its *rich*, fertile soil and its superior access to

EXHIBIT 1.4

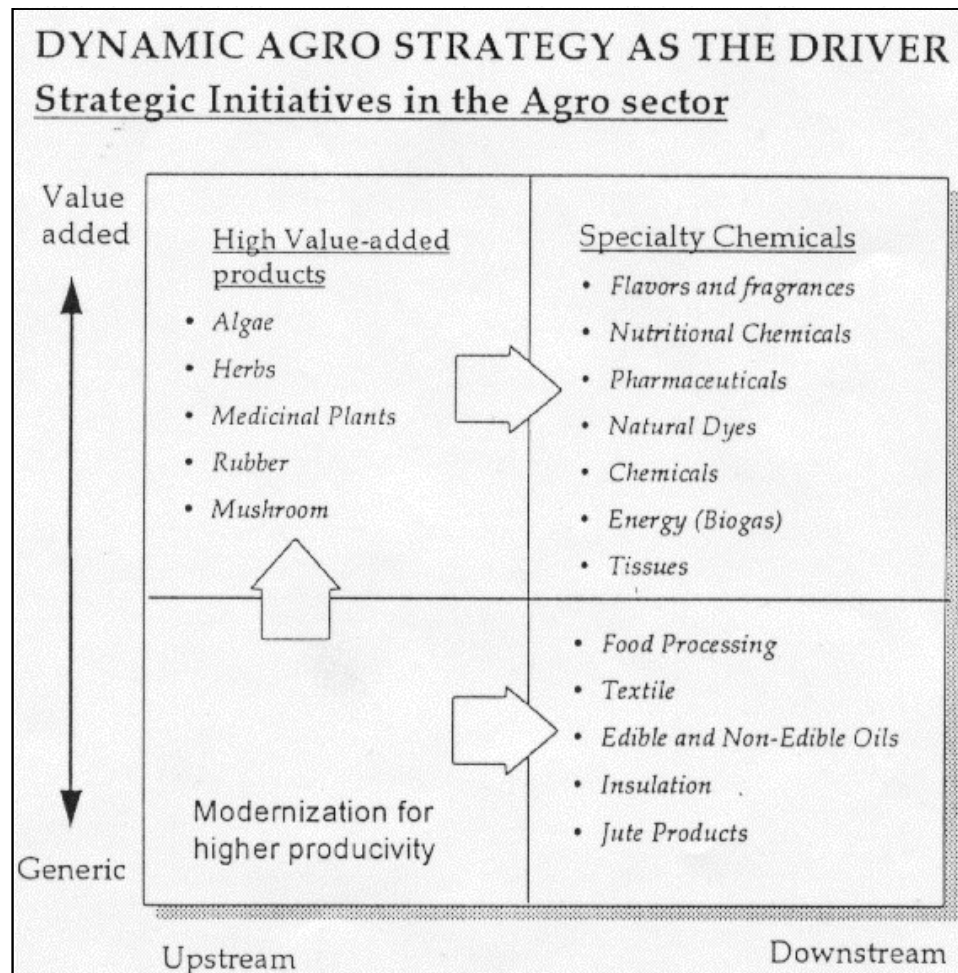


fresh water is ideally placed to take full advantage of the emerging opportunity.

*Agricultural Sector as the Driver*

Exhibit 15 suggests two possible directions to nurture the skills required for achieving and sustaining higher productivity. These skills will play a critical role as West Bengal seeks to maximize the benefits of its strong agricultural base. High value-added products call for refined skills in traditional agricultural engineering and management; they also need skills in influencing customer behavior. These products form the base for the rapid development of specialty chemicals in different functional applications such as pharmaceutical and personal care.

EXHIBIT 15

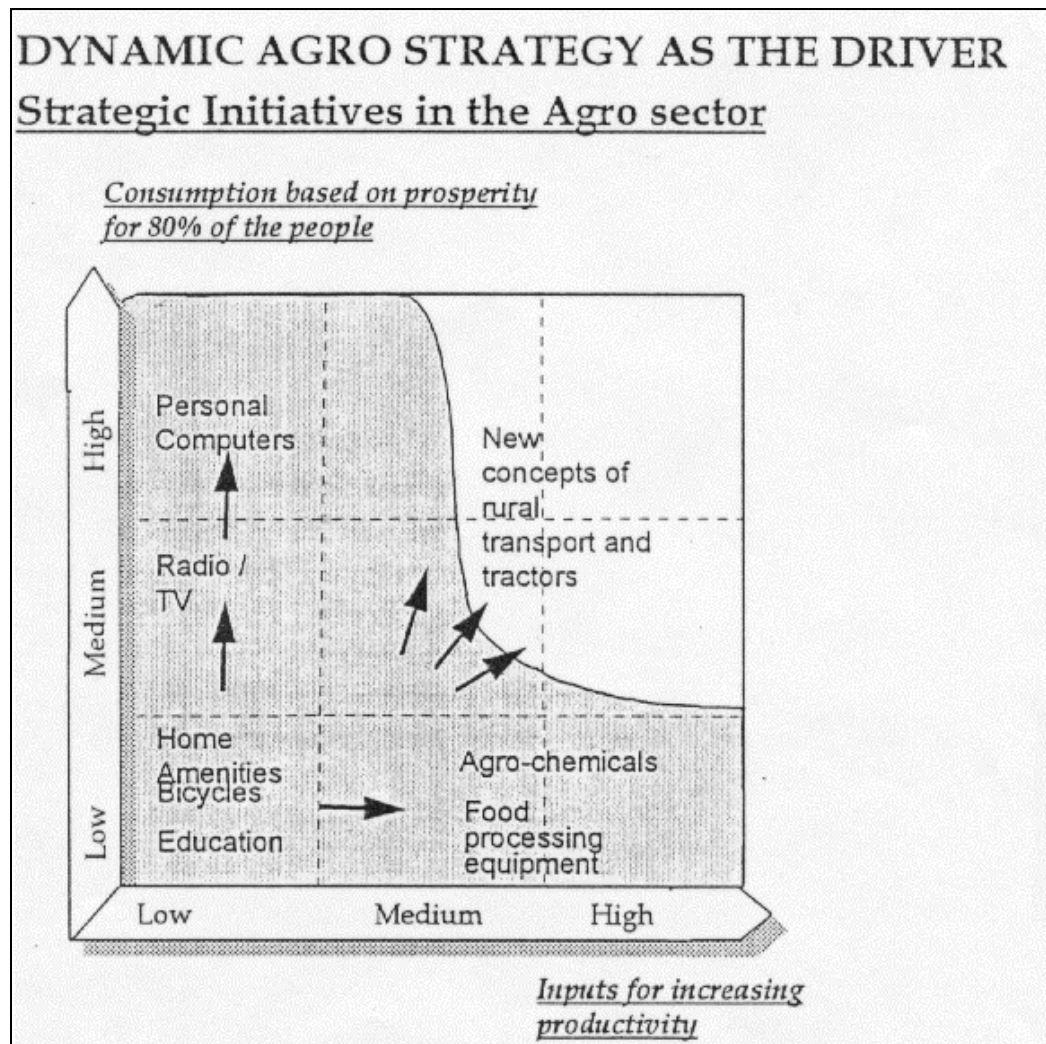


These require expertise in tissue culture, micro-propagation research, genetic engineering; perhaps soil and bio-engineering too. Getting large numbers of qualified personnel from different disciplines to Work together will become increasingly important. In addition, conventional upstream products must find ways to secure more value by utilizing opportunities to set up processing units that

can take advantage of economies of scale. Increased production of the upstream products also opens up a variety of end-products that require continuous and consistent inputs - opening up a wide array of demand-led industries.

As shown in Exhibit 16, the scope to produce goods priced at lower levels for mega-markets is unlimited; there is no doubt that the skills acquired in marketing and engineering such innovative goods will create the requisite skill base for capturing more sophisticated foreign markets. This has been the typical strategy of the Japanese and the Koreans, when they challenged American and European car producers with Toyotas and Hyundais.

EXHIBIT 16



The integration of the secondary sector to the primary sector in an innovative and appropriate way requires an understanding of the linkages between the different stages. The understanding should

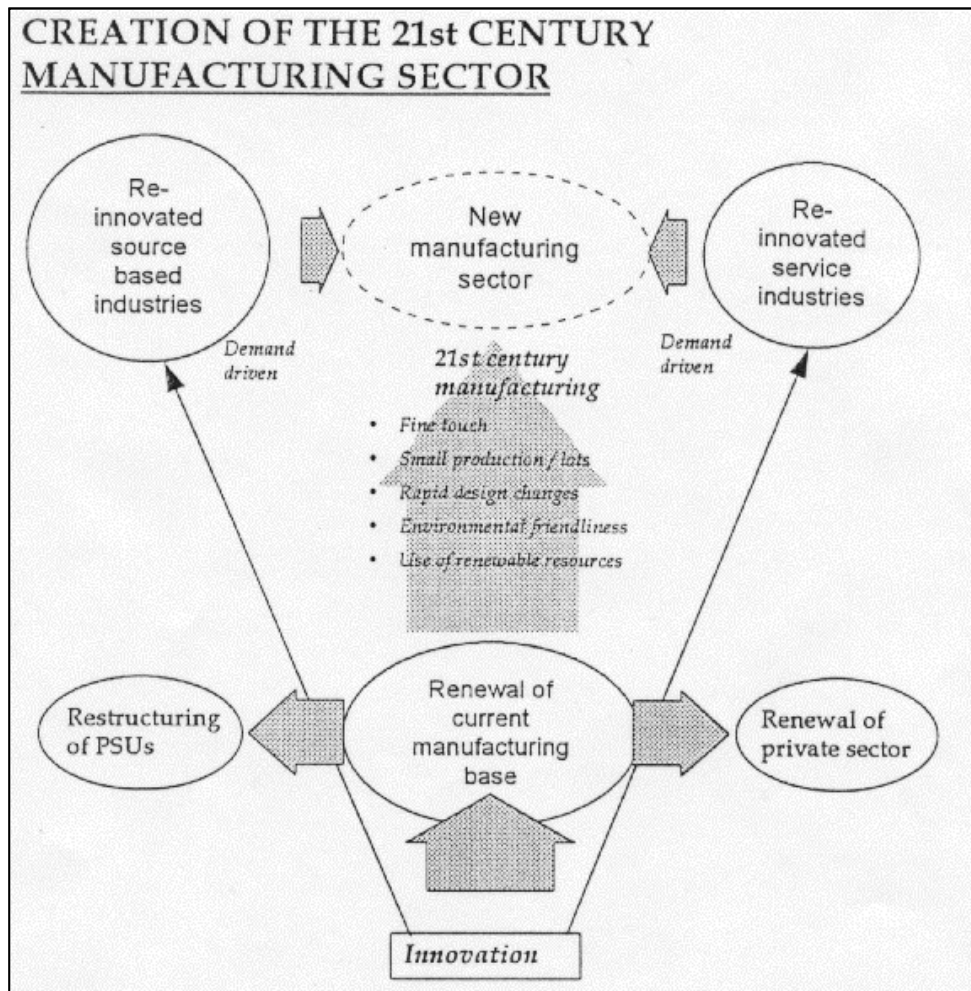
extend from the raw material to the finished and delivered product and/or service. There should be art appreciation of economies of scale, appropriate technologies and the underlying logistics systems of the products and intermediates. The mechanism of how they relate to the outputs of the primary sector as well as to the economic balance between centralization on one hand and decentralization on the other hand should be very clear. Since strong linkages need to be developed between the primary and the secondary sectors for a truly world-class industry, it is certain to require an enormous degree of support from the tertiary sector. *And it is the State that must oversee the development of these linkages.*

For example, Malaysia's management of its rubber industry highlights the critical role played by government bodies in bringing together the varied interests of the diverse constituents in the industry. *Laissez faire* would not have been able to combine these interests to the same conclusion. There are more than a few similar situations in West Bengal today, especially in non-cereal crops and rural skill based industries. Some examples of these industries are handlooms, handicrafts and initiatives related to culture.

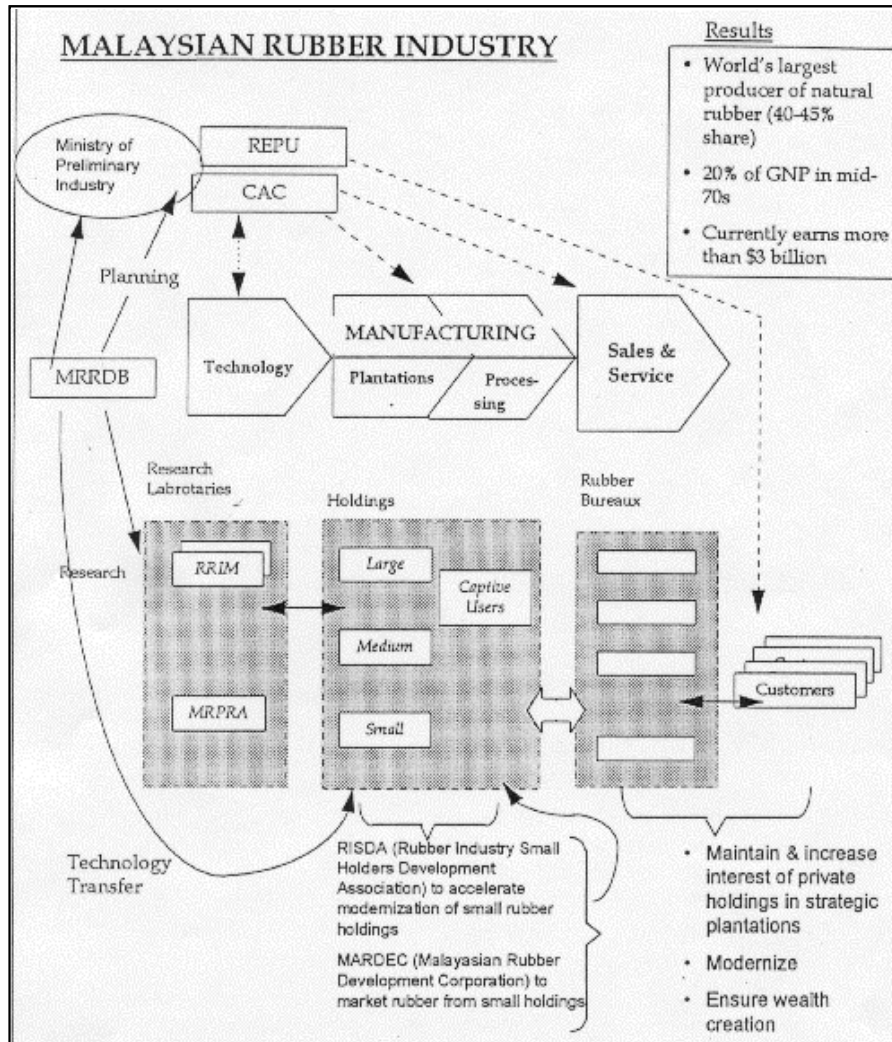
***Key Success  
Factors for  
Tomorrow's  
Competition***

*Innovation* stands out as the most important requirement. In fact, innovation can be planned as a base for succeeding with emerging technologies, even where the dependence on primary sector is not applicable. Exhibit 17 illustrates the basic concept of *how the manufacturing sector should be renewed*. There is particular emphasis on *the potential direction that the new industries of the 21st century* might develop.

*Organizations need to be restructured to promote innovativeness and strategic thinking*, whether they are in the private sector or in the public sector. Given the opportunities ahead and the nature of obstacles that need to be crossed, the *State could promote innovativeness* by emphasis on appropriate *microeconomic incentives* like tax holidays and patents; with the objective of developing the importance of an "industrial society of innovators" in contrast to a "society of contented and secure citizens



Analogy As the new process develops, industry should be re-oriented towards priority sectors. *The State should then provide industry specific support* to enable the full development of the agricultural sector. The example in Exhibit 18 indicates some of the mechanisms used to promote the rubber industry in Malaysia. The Malaysian government organized several initiatives with a view to continually provide technology inputs to the rubber plantations and to the processing units. The government also organized the practices of small plantations and marketed latex, and other rubber products, in global markets.



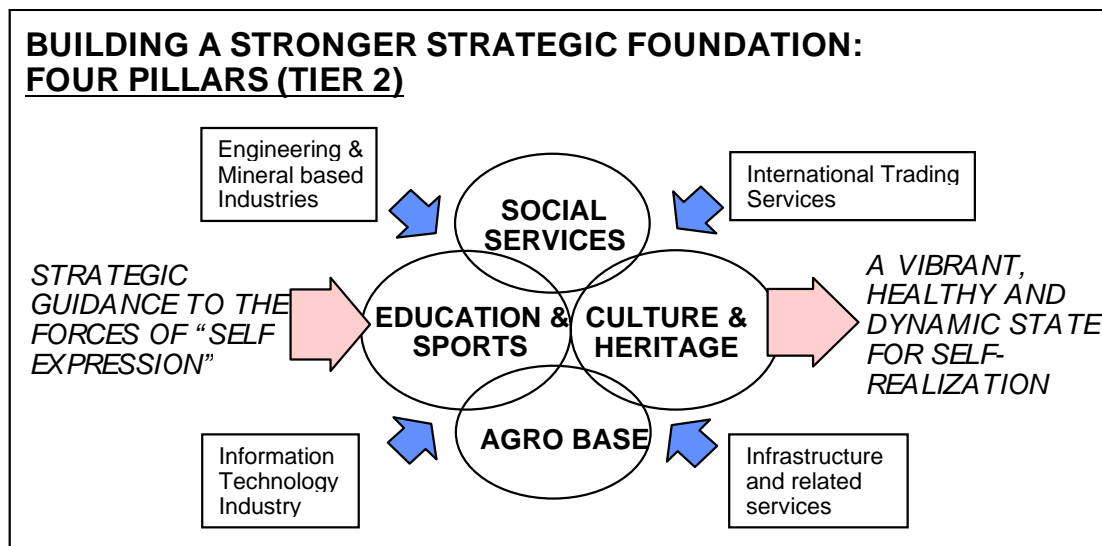
Overall, for the state to progress smoothly and rapidly, *the vision and the mission must specify areas or activities that are to be the pillars of progress.* The sector screening mechanism and the emerging trends that might shape the new **business** concepts of the

future can assist in narrowing down the list of "winning industries", Thus, it is possible to identify suitable thrust areas. Given the broad variation of the resource base present within the state, one can go further and demarcate a set of economic activities for different zones.

**Four Strategic Thrust Areas**

We propose four *strategic thrust areas* for the state: Agro-base, Education & Sports, Culture & Heritage and Social Services. The relationships between the thrust areas are portrayed in Exhibit 19. For each of these pillars, we think West Bengal has a lot to offer to the world. At the same time, they are also expected to increasingly influence future business concepts.

EXHIBIT 19.



The four strategic thrusts should guide the forces of self expression towards a healthy and dynamic state. In order to build these strategic thrust areas, four strategic "facilitator industries" and services must be developed in West Bengal. Specifically, these are information technology industries, mineral based industries, engineering industries and international trading services. In our future recommendations to the Government 'of West Bengal, the initial proposals will be detailed further.

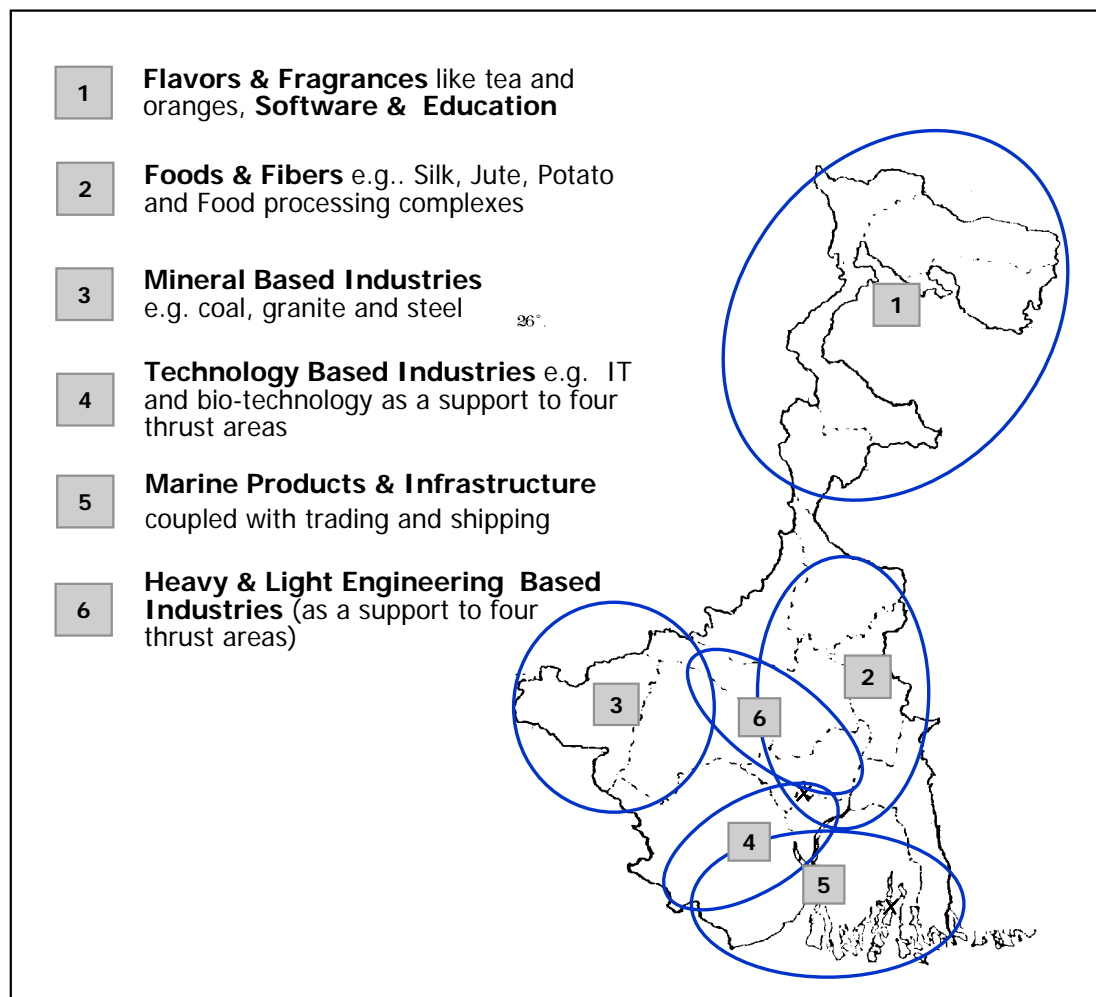
**Six Economic Zones**

Our firm proposes that West Bengal may Consider to develop six region-based industrial zones. These zones will contain clusters of industries strategically structured for proper downstream and upstream linkages. Such a structure will help the state to secure economies of scale from the proposed industries and to take full advantage of their potentials. These zones are depicted in Exhibit 20. The appendix indicates how different industries will be cultivated in different districts.

EXHIBIT 20

CREATING CONDITIONS FOR AN ACCELERATED TAKEOFF

**West Bengal: Proposed Economic Zones**



In order to create the right thrust in the selected areas and to begin the journey to the proposed vision and mission of the state, the leadership must work on several fronts:

- Building Human Capital
- Creating Customer consciousness in Government departments and Financial institutions
- Restoring Law & Order and providing a "safety net"
- Ensuring Connectivity
- Innovating local infrastructure and putting Calcutta back on the World Map

I will briefly touch upon each of these points.

**Building**

**Human Capital**

As West Bengal enters the era of knowledge based competition, it will focus on value added employment industries. At the same time, *human capital of the state will need to be developed in a competitive fashion.* The state leadership must realize that in leveraging its natural resources, West Bengal will require

*increasing inputs of knowledge in the socio-economic process;*

today it lags behind countries like Myanmar and Vietnam (Exhibit 21) and several other Indian states (Exhibit 22) who are in the same economic league.

EXHIBIT 21

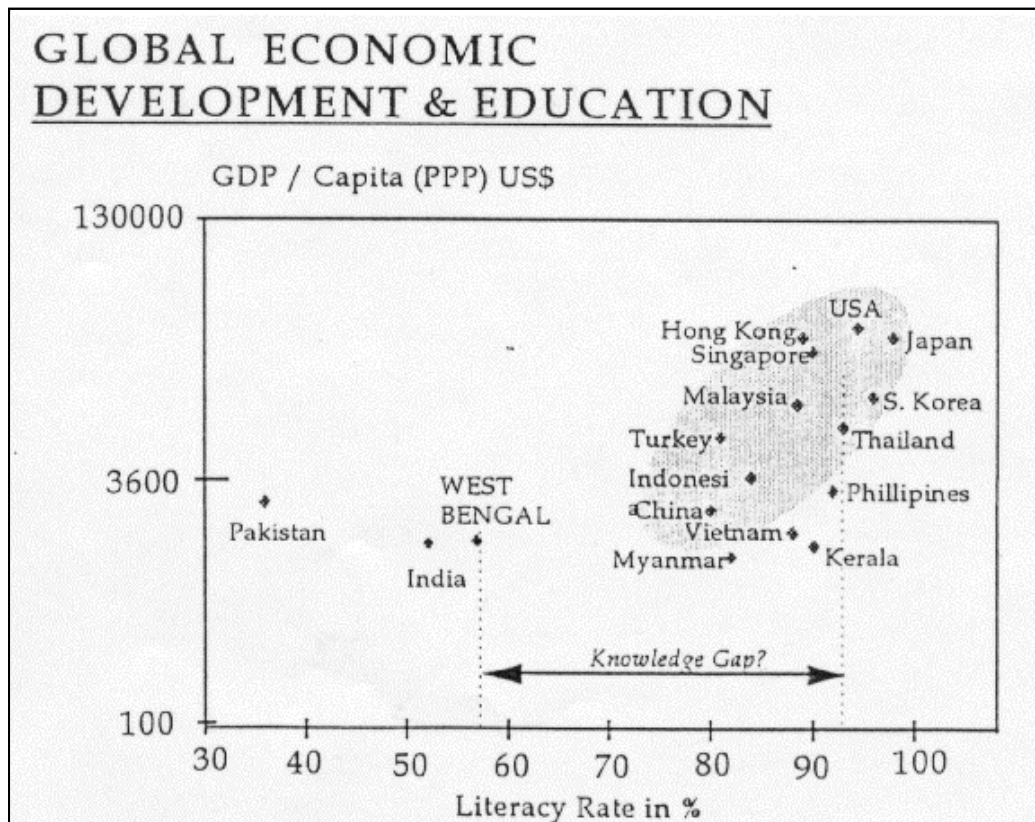
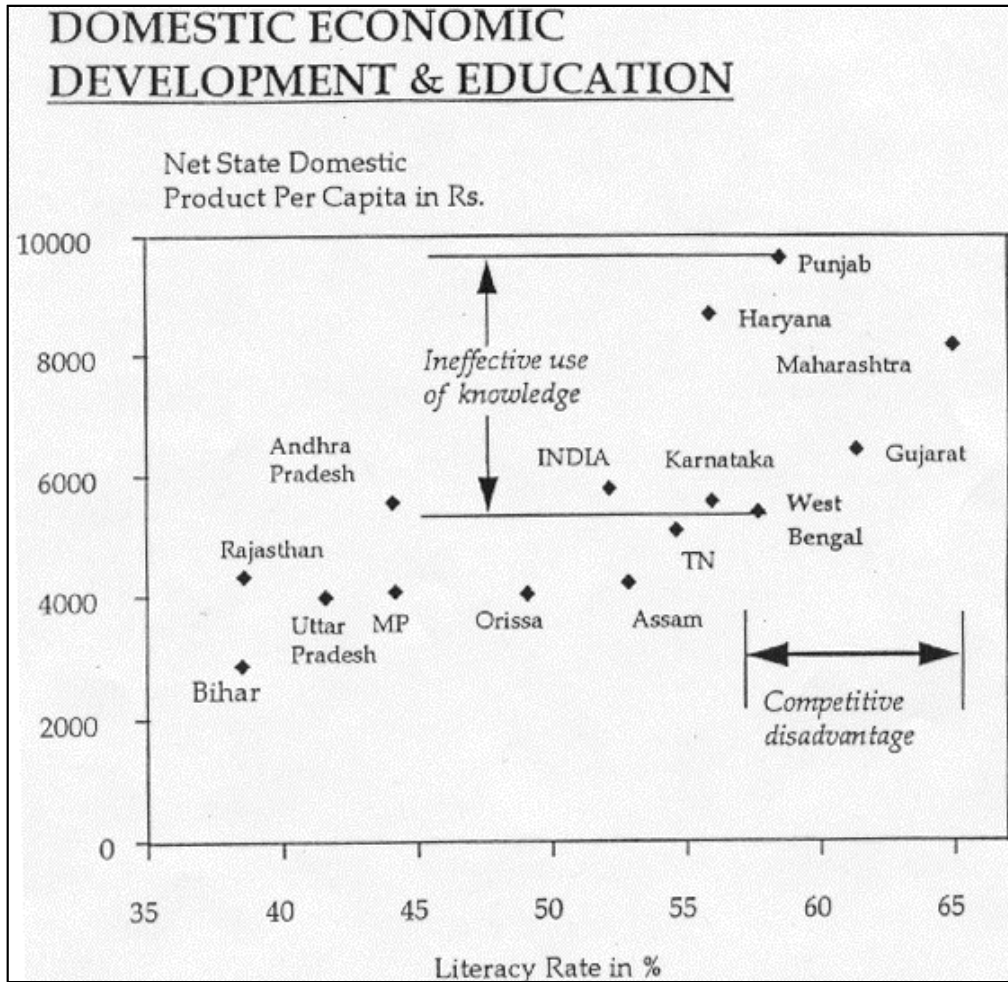


EXHIBIT 22



*Total literary program* must be emphasized and re-programmed to increase both coverage as well as to enhance effectiveness. In the same spirit, programs *to develop problem solving skills* must be introduced. Emerging opportunities could be competitively tapped, *if the industry and government machinery* are targeted by such programs

Our firm has developed several modules on leadership that could be tried.

Creating Customer  
Consciousness

Given the stage of development India is in, the role of the government will continue to be significant despite the degree of economic liberalization. *Government of West Bengal must ensure*

*that each one of its departments develop and adopts program so that every interface with general public is "user friendly"*

If the administrators of the state could make this switch toward "*customer orientation*" better and faster to take on the regions who are West Bengal's major competitors, mega gains could be secured --- to increase the public's trust in Government, to enhance decision making speed, and most importantly, to create a dynamic where government (as public servants) and public (as a community of nation builders) could work as partners, not as adversaries.

Our firm will propose three modules, to be adopted over a period of 18 months, with a view to bring about a new "*customer orientation*". This process would build *a new sense of responsibility and accountability* in government departments.

### **Restoring Law & Order and Providing a Safety Net**

During our district visits and of course in Calcutta it was noticeable that people of West Bengal have lost respect for rules - leading to major erosion in civic sense. It is important that a special campaign across the state is immediately undertaken so that *in day-to-day life there is more respect for each other*. At the same time, improved *quality services* should be provided to *individuals* when unfortunate incidents occur. The state will thus develop an *identity* which will stand for *discipline and safety* through this process. This identity is essential for accelerated socio-economic advance.

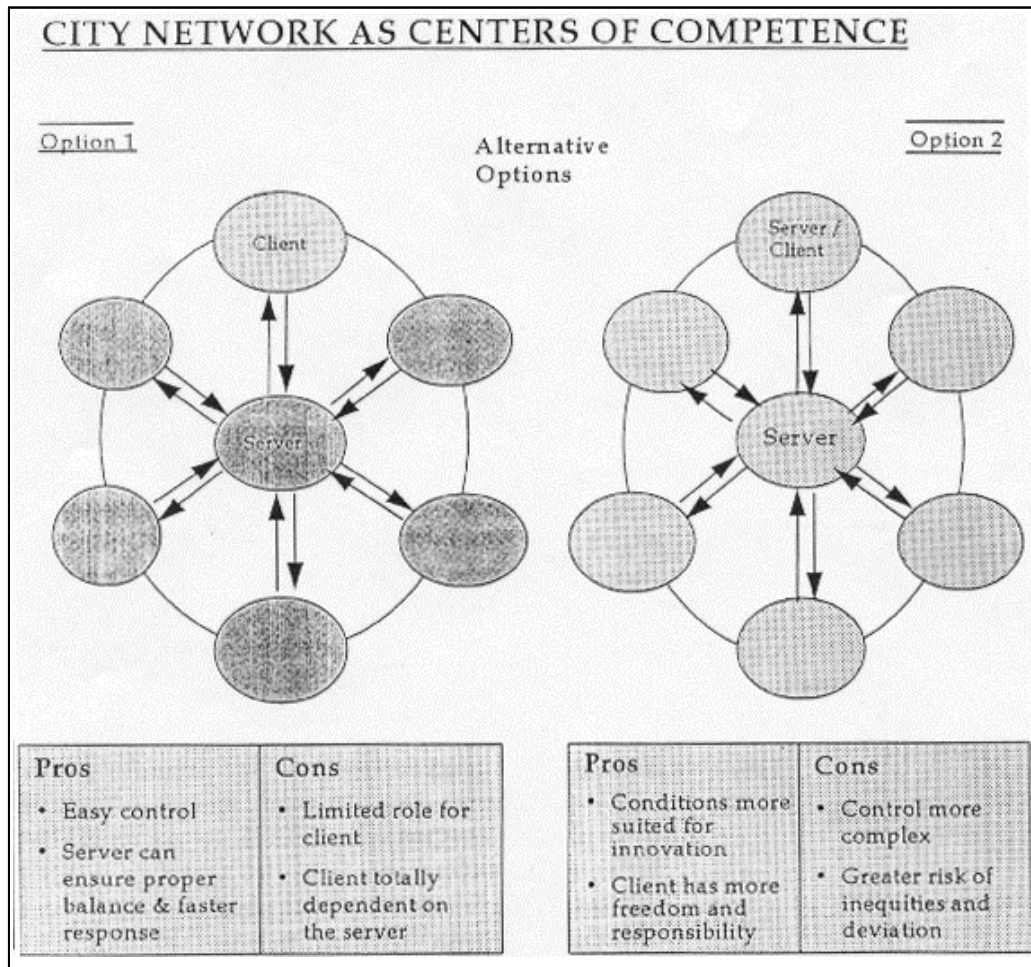
### **Ensuring**

**connectivity** Telecommunication connections have improved considerably. However, coverage needs to be improved by promoting *access to public phones on national roads, in small towns and in villages*. Even more importantly, physical connectivity for transportation between the towns and from the towns to Calcutta needs to be significantly improved. West Bengal must consider ways to introduce *high speed trains between the key cities in the early mornings and late afternoons* to enable faster and better mobilization of people, goods and thoughts. Leasing rail track space on time basis to private companies desiring to run special trains could increase State revenues significantly, *reduce time lost in transportation for millions of people*, facilitate easier movement of perishables, (particularly important for a state with an important

agricultural base) and most importantly, reduce load on national highways.

Instead of hoping that private sector funding of major four-lane highways will solve the state's road transport problems, *govern men! should improve the maintenance and discipline of the current highways first.* It is our observation that the road traffic between towns is still relatively low. Improved road conditions and *innovative debottlenecking of crossroads* will result in significant gains.

EXHIBIT 23



West Bengal, however, must work on creating people's infrastructure so that pedestrians, cycles, carts do not slow down the flow of car, truck and bus traffic on the roads. Further, the state must find ways to utilize its river ways and canals as means of low

cost transportation and reduce load on roadways. It has almost ready-to-use airstrips in various districts like Midnapore, Burdwan, Birbhum, and Malda. The State should *find ways to activate the airstrips*, in concert with private investment. Concurrently, the State can *encourage airlines to develop air transportation within the state of West Bengal for both cargo and passenger services*.

Of special importance from the administrative point of view is *the way Calcutta could connect with neighboring towns, and in turn, how the neighboring towns could connect with the smaller towns that surround them*. The objective of such a connection is to establish a mode for planning and executing the various activities that affect human life in the concerned towns and cities. Exhibit 23 proposes two options.

The first option is a relatively centralized approach. It is modeled on the client-server relationship popular in computer networks. There are distinct advantages in the initial stages to centralized planning but, in the later stages, aspirations of the surrounding towns may develop. They could then desire a leader's role in specific industries and/or functions. In such cases, the second option, with its relatively decentralized approach giving more freedom all around, is likely to be more popular.

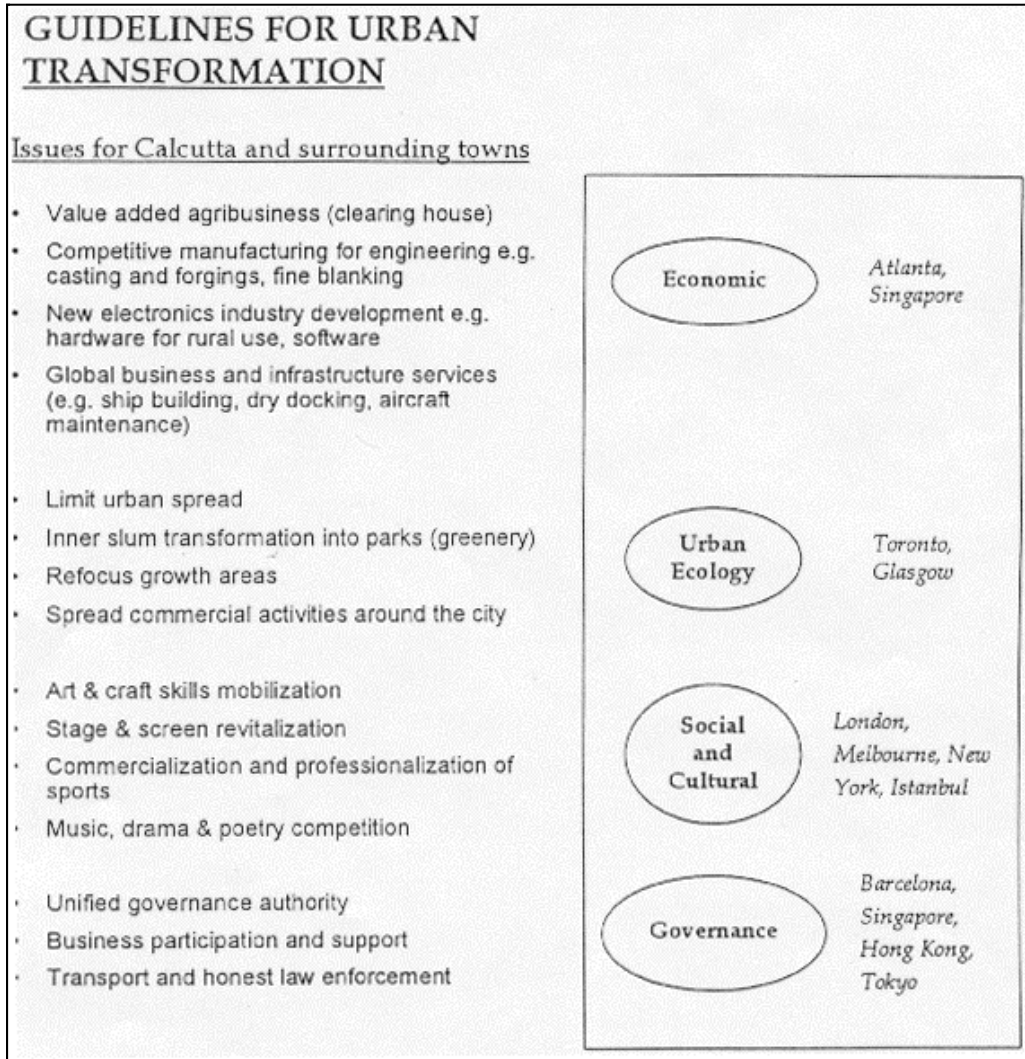
### **Innovating local infrastructure & putting Calcutta back on the World Map**

As the State addresses the connectivity issues simultaneously, it must emphasize the development of new blueprints for its urban centers and villages with 21st century requirements in mind. Exhibit 24 highlights the issues for Calcutta and surroundings.

Four broad topics are of paramount importance:

- what principles and resultant guidelines are going to determine the urban ecology
- which type of economic activities would be encouraged where
- what would be the distribution and location of various social and cultural activities, and
- what could be a better administrative setup under the new circumstances.

EXHIBIT 24



*Resolving  
Urban  
Ecology*

The three hundred odd years of Calcutta's history stand stark testimony to decades of ambiguous vision and resultant planning. Even after attaining a glorious status during the earlier half of this century, the city has since dipped, depriving its residents of even the basic amenities. A complete transformation of Calcutta, therefore, needs the determination to plan afresh. This plan needs to cater to the millions who depend on daily work in the city for their livelihood. *A caring attitude in such a plan would be critical in generating a positive attitude among the residents.* In turn, Calcutta would benefit immensely from their contributions.

Calcutta cannot encourage every type of economic activity, if it is to limit its growth. Choosing the activities that would be allowed must be a process executed with careful thinking with the picture of the future Calcutta in mind. The most important, among other considerations is the future ecology of the city. *Providing a few more green lungs in the old central part is not possible without a dramatic shift of its current character.* The European practice of banning vehicular traffic in the city center is an useful model to be studied. *Many fine buildings from the British era survive; their restoration combined with appropriate pedestrian zones would revolutionize the expectations of tourists* while boosting the number of tourists who visit. The prominent commercial activity in the city could be segmented by industry and spread to all parts of the city, especially the outskirts.

*Zoning of economic activities*

In this context, the newly built areas provide a fresh occasion opportunity to develop a focused character. Areas like Salt Lake, Narendrapur, Patuli, the Madhyamgram - Barasat - Shyanmagar triangle and Joka-Amtala on the road to the Falta Export Processing Zone can specialize by permitting a set of different but pre-determined economic activities. For example, Salt Lake could focus on providing a world-class ambiance for corporate headquarters and for certain types of electronic products.

*Location of other activities*

Calcutta has always been a powerhouse of varied social and cultural activities. The more sought after of these could occupy part of the freed space in the center, while different zones in the city could specialize in distinct types of social and cultural activities. Commercialization of the numerous performances, competitions and exhibitions is one more way to generate new Jobs and more state revenues. In turn, it generates positive attention of the world to the city.

*Administration for the new Setup*

The problems in the city's administrative setup are too well known. *Many of the ills of the city are to be attributed to the lack of honest enforcement of existing laws, as well as to the lack of definition of precise responsibilities due to the multiplicity of administrative bodies.* A transformed Calcutta, would at the very least, need to address these issues from a long-term perspective. A unified governing authority should be responsible for the metropolis as well as the immediate suburbs. This concentration of responsibility may put Calcutta in a better position under the new circumstances. Such an administrative body would have to specialize in many aspects of city life; the model to follow would be very close to a corporate organization that is looking after many diverse businesses simultaneously.

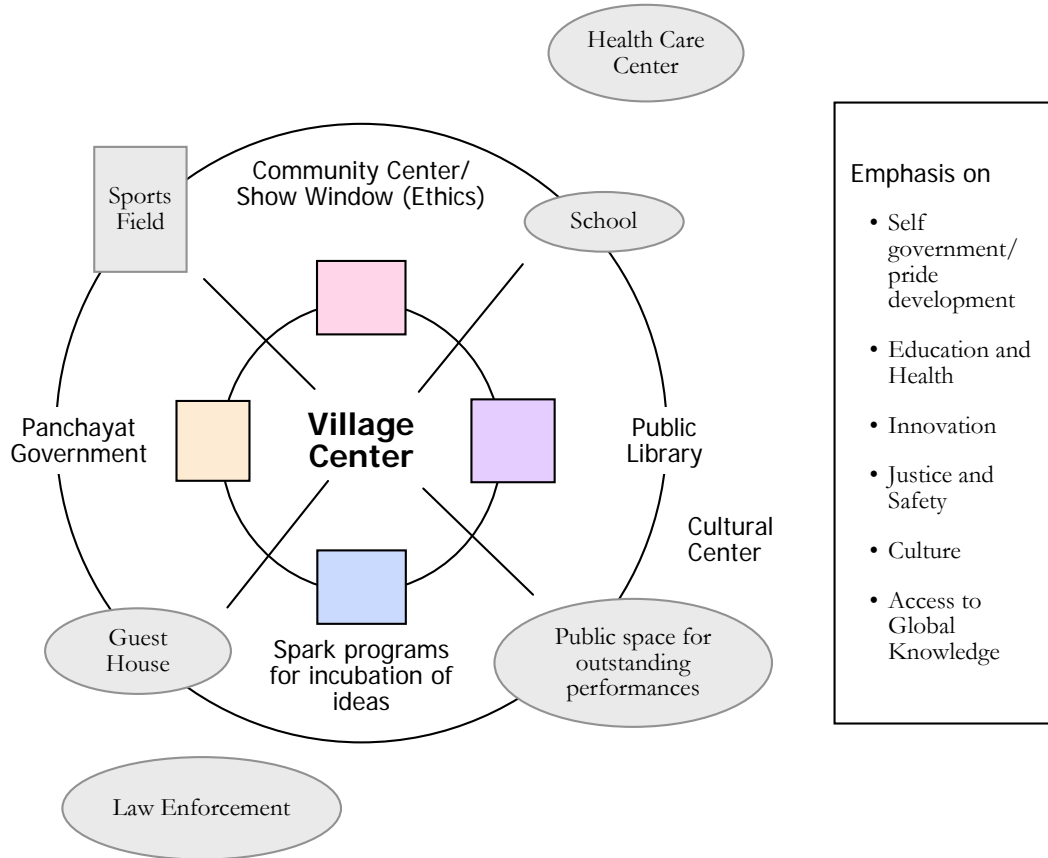
The crucial role that will be played by public spirited citizens and political leaders to bring about this transformation cannot be overestimated. It is their initiative and their desire to move towards the vision of a better Calcutta that will ultimately be critical in resolving the different interests in the city as it goes through a major upheaval.

*Re-constituting villages*

Even as Calcutta is transformed *the problem of migration to Calcutta from the villages* has to be addressed. One of the main causes of such migration is the lack of facilities and the poor standard of living in villages. Exhibit 25 proposes a new concept that could become the model of the village community in the next century.

EXHIBIT 25

**Concept Of 21st Century Village Community**



Salient features include basic amenities such as a sports field, school, public library and a community center, all spread around the village center. Due attention must be given to providing some more facilities that are important but are not found in many villages. These include facilities such as health care centers. In addition, un-established facilities such as guest houses, community centers and public spaces for outstanding performances should be set up. These facilities, though novel, have their own logic. They play a crucial role in integrating village life with the inhabitants of the village. Simultaneously, it provides outsiders with an opportunity to contribute to the development and to the progress of village life in a sustained fashion.

Apart from improving material life, these initiatives are designed to address softer factors that motivate the behavior of individuals. These facilities will permit more self-expression. Consequently, a sense of ownership towards their village can be generated.

Overall, the government could focus on fixing the essential requirements. The financing of these requirements with public bonds and overseas fund raising mechanisms is certainly a possibility. It is only then that the future of West Bengal could indeed take on a new meaning.

## INITIATING THE CHANGE

We suggest the Government of West Bengal initiate the change process, based on the strategic blueprint our firm is developing. The government can further fine tune the strategy by working together with prominent thinkers and industrialists of the state to build a consensus. It is important that the spirit of the undertaking is taken forward at the micro level both within the corporate offices of the companies in West Bengal as well as in small and medium organizations at the districts.

The change process should be guided by the proposed committee under the leadership of the Chief Minister and the Minister for Commerce & Industries to ensure that all the programs are in concert with each other and are implemented in time bound and professional fashion. The process of managing this movement itself should be an example of the mode in which the state must function.

In addition, we as a firm, are planning to launch three programs; with the help of the state government and industry. A firm like ours could play a positive and beneficial role in taking these programs towards a fruitful implementation.

**F E E L** Foundation for Economic & Ecological Literacy will aim to create the much needed awareness for value of time, resources and people besides developing a new consciousness towards ecologically balanced economic initiatives.

**S P A R K** Strategic Program to Actualize Rural Knowledge will work towards helping entrepreneurs in the districts utilize and upgrade their knowledge as well as their skills to develop and sell products with global benchmarks with a strategic perspective.

The two programs will be first introduced in those districts where we will possibly note greater support and enthusiasm.

**L E A D** Learning Experience for Accelerated Development programs will be tailored to work with Chairmen and Chief Executive Officers of organizations that are head-quartered in West Bengal. The programs aim to nurture in them the confidence and core processes (decision making, planning, etc) to enable them position brands on the global stage.

It is our belief that "Operation FEEL<-->SPARK<-->LEAD" along with other initiatives already adopted by the Government of West Bengal (e.g. Total Literacy Movement) and by industry (e.g. TQM practices) could create in West Bengal a new dynamics which will begin the journey towards excellence, *which* our future generations will be proud of

As I end my talk today, both in the spirit of the session as well as in the spirit of the current strategic exercise we are conducting, I will like to draw your attention to what Swami Vivekananda had to say:

*'Man is man, so long as he is struggling to rise above nature - both internal and external ... and if we read history of nations between the lines, we shall always find that the rise of a nation comes with an increase in the number of such men ...*

Then, of course we should realize, what President Nixon once emphasized

*'A man who has never lost himself in a cause bigger than himself has missed one of life's mountain - top experiences... '*

And, finally to get started, Benjamin Franklin's statement:

*"Well done is better than well said"*

Let these be a source of inspirations to begin the journey towards excellence. Could the people present in this session pledge a level of commitment and dedication to take the spirit of these thoughts forward.

Thank You