Between fixing and forecasting : provincial Ahmedabad brokered into a bridgehead for globalization from below

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BETWEEN FIXING AND FORECASTING

Provincial Ahmedabad Brokered into a Bridgehead for Globalization from Below

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BETWEEN FIXING AND FORECASTING

Provincial Ahmedabad Brokered into a Bridgehead for Globalization from Below

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad van doctor
aan de Universiteit van Amsterdam
op gezag van de Rector Magnificus
prof. mr. P.F. van der Heijden
ten overstaan van een door het college voor promoties ingestelde
commissie, in het openbaar te verdedigen in de Aula der Universiteit
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door Harald Margreta Johannes Cornelia Franciscus Bekkers
geboren te Haelen

Promotores:

prof. dr. O.D. van den Muijzenberg
prof. dr. M.A.F. Rutten

Faculteit der Maatschappij en Gedragswetenschappen

For my parents
who gave me the freedom to find my way
(which somehow led from Haelen to Ahmedabad)

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ABBREVIATIONS and GLOSSARY

AMA	Ahmedabad Management Association
ATIRA	Ahmedabad Textile Industry Research Association
BALCO	Bharat Aluminium Company
BCAS	Bombay Chartered Accountants' Society
BIS	Bank for International Settlements
BJP	Bharatiya Janata Party
BSE	Bombay Stock Exchange
CA	Chartered Accountant
CBI	Central Bureau of Investigation
CDC	Consultancy Development Centre
CEI	Confederation of Engineering Industries
CEO	Chief Executive Officer
CII	Confederation of Indian Industry
CMC	Certified Management Consultant
CMIE	Centre for Monitoring Indian Industry
CRISIL	Credit Rating Information Services of India Limited
CRM	Customer Relationship Management
Crore	ten million
DFI	Developmental Financial Institution
EDII	Entrepreneurship Development Institute of India
ERP	Enterprise Resource Planning
ET	Economic Times
FDI	Foreign Direct Investment
GCCI	Gujarat Chamber of Commerce and Industry
GDP	Gross Domestic Product
GEB	Gujarat Electricity Board
GIAN	Gujarat Innovation Augmentation Network
GIIC	Gujarat Industrial Investment Corporation
GITCO	Gujarat Industrial and Technical Consultancy Corporation

GSFC	Gujarat State Finance Corporation
G8	The seven major industrialized democracies and Russia
HRD	Human Resource Development
ICAI	Institute of Chartered Accountants of India
ICICI	Industrial Investment and Credit Corporation
I(C)T	Information (and Communication) Technology
IDBI	Industrial Development Bank of India
IIM–A	Indian Institute of Management–Ahmedabad
IMCI	Institute of Management Consultants India
IMF	International Monetary Fund
INDEXT-B	Industrial Extension Bureau
ISO	International Organization for Standardization
Lakh	hundred thousand
MBA	Master of Business Administration
MMCB	Madhavpura Mercantile Cooperative Bank
MNC	Multinational Corporation
NGO	Non Governmental Organization
NID	National Institute of Design
NPA	Non Performing Asset
OECD	Organisation for Economic Cooperation and Development
PSU	Public Sector Undertaking
RBI	Reserve Bank of India
Rs.	Indian Rupee (exchange rate at the time of research 46 to the US $)
SEBI	Securities and Exchange Board of India
SME	Small or Medium Enterprise
SIDBI	Small Industries Development Bank of India
SSI	Small–Scale Industry
TCS	Tata Consultancy Services
TOI	Times of India
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
WTO	World Trade Organization

PREFACE

A book always carries fewer names on the cover than the number of persons who have contributed to its creation. Also this book on service providers brokering provincial Ahmedabad into a bridgehead for globalization from below is the product of a wider environment, which I want to acknowledge here.

In 1996 a plan was conceived at the University of Amsterdam to bundle the expertise on various regions of Asia into comparative program on how provincial Asia was being integrated into the process of economic globalization and which actors played a pivotal intermediating brokerage role in this process. This resulted in the international research program ‘Brokers and Capital and Knowledge: Producer Services and Social Mobility in Provincial Asia, 1960–2000’. The overall aim of the program was to test two pairs of hypotheses. A ‘polarization’ hypothesis, in which a well-connected, established business elite is best equipped to benefit from new global opportunities and consolidate their position, was juxtaposed by ‘open economy’ hypothesis, in which ‘neutral’ global business standards and forms of operating make local patronage and ethnic ties less relevant and offer opportunities to ‘new’ people. Secondly, an ‘elite continuity’ hypothesis, in which successful brokers originate from established families, was juxtaposed by an ‘new opportunities, new people’ hypothesis, in which local–global brokerage is a new avenue of social mobility for relatively unconnected people. The program was awarded funding by the NWO/WOTRO in 1997. Field research was conducted in Singapore and in four secondary-level cities in provincial Asia: besides Ahmedabad also in Macassar (Van de Port in preparation), Metro Cebu (Sajor 2003a; 2003b), and Penang (Visscher in preparation). One edited volume has been published (Dahles and van den Muijzenberg 2003); another one is in preparation (Visscher and van den Muijzenberg).

This book identifies the brokers and brokerage mechanisms that make provincial Ahmedabad into a provincial bridgehead for globalization from below. At the same time, it represents a fourth generation of research by the University of Amsterdam on the process of economic development and industrialization in Gujarat. The need to reconcile this anthropological tradition grounded in empirical detail with the more theoretically informed perspective of the research program has also made me a broker of sorts. The struggle to achieve in this reconciliation has shaped this book. I hope it has made the book better and not a weak compromise.

I want to thank the following persons, in order of appearance, for making this book, as well as the research on which it is based, possible. To start of, I want to thank Otto Hospes for alerting me about the vacancy in the brokers program and for taking the time to help me redraft the application letter that finally got me accepted at the University of Amsterdam. I want to thank the 'brokers group' for giving me their confidence and the opportunity to take up this challenging research. In particular I want to thank Ot van den Muijzenberg and Mario Rutten for their interest and their efforts making me into a more complete social scientist. Also I want to thank Ab van Eldijk for putting me on the right track, 'in search of service providers', and Paul Richards for his numerous encouraging comments, which gave me the confidence that I was doing something good. I want to thank Pepijn van de Port, Edsel Sajor and Sikko Visscher for the numerous discussions and the equally numerous coffee sessions we shared discussing the program and our individual projects. Finally, I want to thank Mark Rutherglen (2000) for his useful pre-study for this book and Michiel Baas for spending too much time behind a copying machine for me being such a talented researcher himself.

Numerous people have made my stay in Ahmedabad and India an unforgettable experience. I want to thank Dinesh Awasthi and Amita Shah for taking care of me in Ahmedabad. I want to thank V. Padmanand, Umesh Menon and UNIDO for giving me the opportunity to participate in their cluster development programs and training courses. I want to thank Anil Gupta and Sunil Parikh for their interest and intellectual support despite their hectic schedules. I want to thank Meine Pieter van Dijk for sharing *one* beer with me in Ahmedabad (my monthly quota had run out). I want to thank the staff of EDII for making me feel at home there and for—it should not be left unmentioned—extra fillings of highly appreciated *chai* with every round. A special thanks goes out to Hunsabhen Shah, who took me in her home after Ahmedabad had been struck by an earthquake in January 2001 and who paid to me regular visits to see how I was doing, during which her servant would go on a cleaning spree and turn the apartment into a cloud of dust. Another special thanks goes out to Gauri

Wagenaar, who took me to a doctor when it was needed, and to Jolly Joseph, who mobilized a small army of relatives for making transcriptions of taped interviews. Finally I want to express my gratitude toward to all those who invested time in this research and were willing to put up with my incessant questioning. I hope I do justice to the insights they shared with me in the chapters that follow.

Finally, I want to thank Gerrit, Stefan, Paul and Fiona, for their hospitality, offering me the opportunity to unwind in Delhi whenever that was necessary. I want to thank again Stefan and Pieter for a most enjoyable Holi. I want to thank Alex and Alex for a wild half week in Mumbai and Ahmedabad, which started off with 9/11 and ended with the unlikely event of a concert of the Vengaboys at Ahmedabad's Karnavati Club. Also I want to thank Albert, Sander, Willem and Annick for visiting me in Ahmedabad. I want to thank my friends for being so patient with me and apologize for my absenteeism, the fact that I was either in Ahmedabad or on a conference or meeting a deadline. Special thanks go out to Hotze who has been a very good friend, a too good squash partner and a mental coach in one. Another special thanks goes out to my parents for being there for me when I needed them. Finally, the last spot on such a list is always reserved for the one who has suffered the most from the author's ambitions. Chantal was excellent company over the email while staying in Ahmedabad but proved to be even better company in real life back home. It has made me more than happy hat she has accepted this preoccupied researcher with an uncertain future in her life.

Rotterdam, February 2005

EMERGENCY

CHINESE LAUNCH MASSIVE, SIMULTANEOUS ATTACKS IN NEFA AND LADAKH. Newspaper headlines can appear to exult. In Madras, where I was, the waiters at the hotel read the news to one another in corridors and on staircase landings; and in Mount Road the unemployed boys and men who usually stood outside the Kwality Restaurant, offering to fetch taxis and scooters for people who had had their lunch, gathered round a man who was reading aloud from a Tamil newspaper. On the pavement women dished out cooked meals for labourers at a few annas a head; in side streets, amid buses and cars, bare-backed carters pulled and pushed at their heavy-wheeled carts, grunting, the carters between the shafts disguising their strain by light-footed, mincing walk. The setting mocked the headlines. India did not qualify for modern warfare. 'She, whose only peer was the Holy Roman Empire, she shall rank with Guatemala and Belgium perhaps!' So Foster's Fielding had mocked forty years before; and after fifteen years of independence India remained in many ways a colonial country. She continued to produce mainly politicians and speeches. Her 'industrialists' were mainly traders, importers of simple machinery, manufacturers under licence. Her administration was still negative. It collected taxes, preserved order; and now to the passion of an aroused nation it could only respond with words. The Emergency was seeking for precedents, the issuing of a correct Defence of the Realm Act, complete with instructions about gas masks, incendiary bombs and stirrup pumps. The Emergency was suspension and cancellation; censorship which encouraged rumour and panic; slogans in the newspapers. The Emergency became words, English words. THIS IS TOTAL WAR, the Bombay weekly said on its front page. 'What do I mean with total war?' the IAS candidate said, replying to a question from the examining board. 'It is a war in which the whole world takes part.' The news grew worse. There were rumours of Gurkhas sent up to Ladakh armed only with their knives, and men flown from the Assam plains to the mountains of NEFA clad only in singlets and tennis shoes. All the swift violence of which the country was capable was gathered into one ball; there was a feeling as of release and revolution. Anything might have happened; if will only counted, the Chinese would have been pushed back to Lhasa in a week. But from the politicians there came only speeches, and from the administrator correct regulations. The famous Fourth Division was cut to pieces; the humiliation of the Indian Army, India's especial pride, was complete. Independent India was now felt to be a creation of words – 'Why didn't we have to fight for our freedom?' – and it was collapsing in words. The magic of the leader failed, and presently passion subsided into fatalism.

V.S. Naipaul, *An Area of Darkness*

INTRODUCTION

1. BROKERING LOCAL CONTROL OVER GLOBAL MARKET FORMATION

Globalization can be defined as a process whereby chains of interaction lengthen and speed up until they enable two–way interaction in real–time. To this most will agree. The arrival of jumbo–jets and container shipments has increased the mobility of goods and people around the globe. Information and Communication Technologies (ICTs) have facilitated the accessibility of knowledge, information and the exchange of symbolic goods: concepts, styles, practices and more formalized institutions. However, beyond the *technical innovations* fuelling the process, globalization should also be understood as a process requiring *social innovations*. Increased interaction and exchange implies that when a particular 'local' or 'internal' reality is increasingly influenced by 'global' or, at least, 'external' actions and institutions, some form of *institutional compatibility* or *convergence* will both be the logical outcome of and a necessary precondition for spatial and social integration (unless actively resisted). This is an aspect of globalization that may be less agreed upon and which has received much less attention in the literature. Institutional compatibility and convergence are necessary for 'globalization from below' to take off.[1] This book is about how social innovation to achieve institutional compatibility and convergence is brokered by professionals in the periphery.

[1] Note that 'globalization from below' normally refers to local–global 'counter–governance' by transnational grassroots movements or by urban regimes (see, e.g., Brecher *et al.* 2000, Dallmayr 1999, Sellers 2002). Here, however, the term refers to the ability to independently take part in, and not be excluded from, economic globalization (for which local urban governance is only *one* resource, next to access to knowledge, information and services). Sellers provides an example of institutional convergence when he describes how urban regimes converge under the pressure to attract global flows (2002:389).

This book will not follow the dominant perspective on globalization, in which globalization is reduced to a 'seamless' flow *inside* global chains and networks, control over the process is confined to particular nodal points like global cities and their subsidiaries, and the relation with the 'outside' is restricted to an *extension* of these chains and networks into a particular locality that is measured in purely spatial and technical terms: Internet bandwidth, international airline connections, multinational headquarters, *etcetera* (e.g., Castells 1997, Sassen 1991; 2002a). Effectively, such a perspective 'freezes' globalization, which should be seen as a *process of* (uneven) *integration*, into a *static division* between 'the global' and 'the local'.[2] As a result, the relation between the global and the local, of central importance for understanding the exact workings of globalization, remains unclear (see De Swaan 2002). Similarly, such economic–anthropological and developmental questions as *how* to integrate the global and the local, how to *become* global or local, how to *globalize* or *localize*, remain unanswered.

To open up the global–local black box and provide answers to the questions raised, this book will approach globalization from the 'bottom up', investigating the *frayed edges* of the process rather than its internal *flows*. Here 'outsiders' become integrated into a larger, globalized space or seek access to particular global chains and networks. Here problems of (in)compatibility arise and pressures for convergence are most felt. Here also brokerage activities are most likely to be found, dealing with these problems and pressures and working toward compatibility and convergence. Investigating these problems, pressures and processes toward compatibility and convergence will offer a more dynamic, encompassing perspective on globalization from below. This will be the perspective employed in this book: to describe such problems, pressures and processes at the frayed edges of globalization in Ahmedabad, a 'provincial', secondary–level city in the state of Gujarat in Western India and a potential bridgehead for globalization from below.

The book will focus on the economic side of globalization, because there are no social activities, aside from perhaps warfare, that require as much innovation and compatibility as market competition. A market is governed by a *single* standard of competitiveness, set by the most competitive product in that market. The 'competitive edge' of this product is based upon a particular combination of price, quality, service, *etcetera*. This standard can be met or beaten through a different combination of characteristics, a different strategy: to be more of a price fighter or a service champion or just a better balancer of all necessary basics. If you are unable to be at least compatible with your competitor, however, if your product is priced higher and your quality and service are less, if you have no 'unique selling points',

[2] Thereby following a *single* dialectic network logic: either you follow the dominant logic of the network or you do not; either you are connected and global or you are not (Castells 2000).

then you are bound to lose market share. What happens with economic globalization, with the integration of particular local and regional markets into a global market, or with the penetration of a new competitive product into the local market, is that a different, global standard of competitiveness comes to apply locally. As a result, the issue of compatibility arises: how to meet this new standard? This pressure for compatibility translates again into a need for convergence, to 'copy globally in order to cope locally': the local adoption and/or adaptation of global, external market institutions and best business practices. The standardizing quality of global competitive pressures warrants the term 'global market formation' instead of the much looser term 'economic globalization'.

Within a local market system, pressures for institutional compatibility and convergence work at four categories of institutions:

(1) On a macro–level one can distinguish institutions that, following North (1985; 1990), reduce the transaction costs of exchange for a given product within the market place and thereby contribute to the creation of wealth.[3] Such institutions are property rights, governance structures (e.g., enforcement of rights, the regulation of competition) and exchange regimes (e.g., product standardization).

(2) On a meso–level one can distinguish institutions that, following Porter's (1990) theory of 'competitive advantage', contribute to the creation of new production factors (e.g., specific knowledge, management tools, technology), and thereby to new products.[4] Such institutions are 'clusters' or, more generally, inter–firm business networks, consisting of firms, associations, research institutions, banks and (local) government, that facilitate learning and innovation through the exchange of knowledge, information, services and technology. Taken together they form what Whitley (1992; 2001) has labeled a 'business system'.

(3) Descending further from market to firm another category of institutions that can be added are concepts and tools for business management such as 'just–in–time' production, 'total quality management', 'organizational learning', *etcetera* (e.g., Bessant 1991, Best 1990). Here, cost reduction and quality management are important issues, in addition to managing change and innovation.

Pressures toward institutional convergence and social innovation are felt on these three levels, from the government's liberalization policy to the association's networking strategy, to the entrepreneur's quality management. Indeed,

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[3] In a stricter sense, such institutions are a prerequisite for the impersonal exchange that distinguishes a market economy from the geographically more confined, more 'clientelistic' 'bazaar economy' and thus can be considered fundamental to economic growth.

[4] Instead of the older *comparative* advantage, based on a given factor endowment.

developmental interventions take place in all three categories by disseminating governmental and entrepreneurial best practices to support local competitiveness in the context of global competition (e.g., UNIDO 2002, World Bank 2002). There exists, however, a final institutional category, which can work to *absorb* pressures from global market formation.

> (4) Along with institutions that *increase competitiveness* and *competition*, that help to 'sharpen the weapons' and 'heat up the battle', Fligstein distinguishes 'conceptions of control', institutions that *decrease competition*, that work to limit the 'attrition rate' among firms by creating a degree of stability in a particular market (2001:33). Conceptions of control are a form of local knowledge about order in a particular market, about the hierarchy between firms and about the 'rules of engagement', the tactics for competition or cooperation, what is 'done' and what is not. Fligstein states that these stability creating institutions are of particular importance in times of instability, when new markets are being formed or when existing markets are being invaded by new, external competitors (2001:35). One could add to this list a fourth form instability: a state drastically changing the formal rules of engagement in the competition game.

All categories of institutions are relevant for this book, but the latter is of particular importance because all causes of instability listed above came together when India opened up its economy in 1991.

One thread running through this book deals with the problem of transition, of competition and markets as well as society at large being 'out of control', and with local projects attempting to regain control. Local control over global market formation, however, requires more complex control projects than the examples Fligstein (2001) provides: mechanisms for dictating local price levels and setting local industry standards. As mentioned, the complexity of global market formation lies in the fact that external standards come to apply locally. Control projects cannot, therefore, be limited to local *power* brokerage, for instance in the form of an association or, more illegally, a cartel. Indeed, networks are necessary, but through these networks a professional *content* must flow that enables the local to meet the standards of the global. In other words, to gain local control over global market formation, *local power* must be supplemented by *global knowledge*. A cluster can be understood as a concept of control that brings together the power to *regulate* local competition with the knowledge and services to meet global standards (e.g., Holmström 1998a, UNIDO 2001). In Ahmedabad local and global market pressures result in process of simultaneous de–clustering and re–clustering, of old institutions and support networks losing their relevance and new ones taking their place. Whereas competitiveness, compatibility and convergence refer to *technical* and *economic standards*, to best practices, control refers to the *social project* that seeks to incorporate these best practices into a local context in order to cope with change and to *become* compatible. These projects are forms of social innovation.

The second thread running through this book addresses the problem of *re–embedding* at the interface between professional best practices and local best practices, as well as the institutional *reach* needed to bring these professional practices 'down' to local entrepreneurs. These again are forms of social innovation. Institutional compatibility and convergence should not be confused with a simple and straightforward process of global homogenization. Rather, this is an argument for *context–based modernization*, for *local* solutions *based upon global* solutions. The idea is that, at times, local actors must come be creative and come up with original ideas but that, at other times, there is no need to reinvent the wheel and much can be learned from global examples.[5] It is a difficult balance between global market institutions and professional best practices and Ahmedabad's indigenous business culture (that gave birth to a modern textile industry!) without lapsing into a celebration of local entrepreneurship or relapsing into modernization theory.

Hefner (1998) undertakes a similarly difficult balancing act between institutional convergence and local creativity when he seeks to explain the apparently successful re–embedding of a *universal* capitalist logic into a *particular*, local (East Asian) market culture. He more or less manages to circumvent the issue by describing it in terms of a 'merger', a 'melting' of the one into the other. However, such terms are black boxes in themselves if not explained. The key for understanding globalization from below lies in understanding *how* global standards and institutions and professional best practices melt into local culture and creativity. Instead of speaking of a merger process or, for instance, of a diffusion process, this book sees the interaction between global standards, institutions and professional best practices on the one hand, and local standards, institutions and practices on the other, as a process that needs to be brokered at the 'local–global interface'. How they are brokered and by whom in a provincial yet entrepreneurial city like Ahmedabad, at the frayed edges of globalization, in a country that has opened up its economy after four decades of relative economic isolation, is the story told in this book.

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[5] Whereby it should be acknowledged that some institutions leave more 'room for maneuver' than others. Relatively strict are, for instance, the 'Core Principles for Effective Banking Supervision', as laid down by the Basle Committee on Banking Supervision (see www.bis.org), product chain specific quality management standards (e.g., *'Keten Kwaliteit Melk'*, a milk quality chain management system in the Dutch diary industry, see www.kkm.nl), or standards and quality certification systems like that of the International Organization for Standardization (ISO) (see www.iso.ch). In auditing there is a more informal move toward convergence to facilitate the international comparability of accounts, accepting the generally accepted auditing practices of the United States as informal standards (see www.ifad.net). Best practices like just–in–time of course remain mere management principles to be applied according to local possibilities.

The first aim of this book is to identify the local–global brokers in Ahmedabad working on institutional compatibility and convergence to meet a single standard of global competitiveness, thereby adopting and adapting, balancing and blending global and local best practices, but also breaking 'open' the process of global market formation for globalization from below, and to understand why precisely these actors play this brokerage role. The second aim of this book is to describe how Ahmedabad is global*izing*, the processes of social innovation and institutional convergence it goes through to become institutionally compatible and economically competitive, and, on this basis, to position 'provincial' Ahmedabad within this process of global market formation and comment on theories that reduce globalization to a process of concentration confined to a particular global infrastructure. Thus, while Ahmedabad is the *object* of study, the brokers of Ahmedabad are the *subjects* of study in this book. Focusing on brokerage activities will reduce the macro–level, political–economical abstractions of globalization, of flows and networks, to more concrete, micro–level, economic–anthropological transfers and translations, providing building blocks for a more dynamic understanding of globalization from below.

2. Two Examples: Gillette's Mach 3 versus India's Small–Scale Industries and Quality as a Management Miracle

Two brief examples may clarify the abstract formulations so far. In line with the first thread running through this book, the introduction of Gillette's 'Mach 3' razorblades provides an example of the unsettling consequences of a new, global standard of competitiveness being set for India's small razorblade manufacturers, illustrating the need to adapt and reorganize, as well as the push toward institutional convergence that may result from that. In line with the second thread running through this book, the implementation of an ISO quality management system in a small–scale assembly plant for medical disposables (e.g., blood bags, intravenous injection sets) provides some insight into the changes in business practices and culture that result from the implementation of such a system.

The subject of Gillette's Mach 3 versus India's small razorblade manufacturers was an issue that often came up in discussions about on globalization during fieldwork. It seemed to symbolize the Indian case of David and Goliath: how could India's Small–Scale Industries (SSIs), having developed in a relatively protected environment, having grown 'weak' in a seller's market, never having gained much experience with marketing, never having felt the pressure to go for drastic product innovation, still producing the same old double–edged razorblades as 30 years ago, compete with a Multinational Corporation (MNC)? This single question encapsulates the whole issue, of how the global market pressures set new standards of competitiveness, of the need for compatibility, of the development toward institutional convergence, and of the issue of how to broker new business practices for local control over global market formation.

A qualifying remark should be made about the extent to which the 'small–scale razorblade' competes head on with Gillette's Mach 3, as each caters to different market segments, resulting from differences in price–level, in 'brand image' and, possibly, in distribution networks. Nevertheless, as Fligstein (2001) emphasizes, there is nothing more threatening to a firm than when a new player enters the market that uses a different business model. This 'upsets' the relation between price and quality, thereby setting a new standard of competitiveness to which all market participants somehow must adjust. In other words, if competition from Gillette's Mach 3 would start to hurt, India's small–scale entrepreneurs might feel pressured to cut costs and become a price fighter, or to restyle and start thinking about branding, marketing and packaging to gain a similar 'foreign', sophisticated appeal. They may even start to copy the Mach 3 design altogether. These responses may in turn require outside expertise to identify 'cost centers', to design a new company logo, or to advise on new machinery. Any marketing consultant hired by the small–scale entrepreneur will likely be a cheap, lower–end version of the high–end, and maybe more sophisticated, marketing agency hired by Gillette. Both will have read the same marketing 'bible' by *'guru'* Philip Kotler, however, and both will speak the same language, using the same concepts and best practices.[6] The result may lead to institutional convergence in the form of a professionalization of entrepreneurship.

Another common subject in discussions on globalization in India was quality.[7] Quality comes with craftsmanship and is therefore 'old', but control over quality in an industrial process of mass production, ensuring the consistency of a particular quality level between different batches, is something 'new'. Consistent quality should therefore be perceived as something of a 'management miracle', not as something 'given'.[8] While visiting 'Stainless Surgicals', a factory for medical disposables on one of Ahmedabad's industrial estates, I wanted to understand the change in business culture this local company had gone through to manage its quality according to global ISO standards. ISO certification is considered a first

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[6] See Kotler (2000). Although their style of operating, related to the different environments they work in, may be very different (see Part Two of this book).

[7] Expatriates commonly complained about first shipments of excellent quality that deteriorated with each following shipment. This, however, cannot simply be dismissed as 'cheating' on the part of the Indian entrepreneur or as some sort of cultural 'flaw', the twaddle one hears at Embassy receptions about Indians not being able to honor a contract, *etcetera.* Instead, the complexity of maintaining consistent quality and the absence of quality management systems in companies that, until recently, operated in a seller's market, and therefore had no need for such systems, is a more appropriate subject for discussion.

[8] It is also something that easily is compromised. Bidding for an order under spot market conditions can lead to promises that cannot be kept beyond the first shipment. See Knorringa (1996) for the relation between spot markets, buyer–supplier relations and product quality.

step toward international quality, to be followed by more stringent, chain and product–specific quality management systems.[9] The company's marketing person, who held a bachelor's degree in commerce, described why they had decided to aim for ISO standards, who had provided them with advice, and what had changed:

> Before, we were only thinking locally; we thought that whatever was accepted in India, would also be accepted abroad. This was indeed the case in Africa, to which we were exporting, but in an unorganized fashion. The Indian market is divided in two. In the metropolitan areas, hospitals prefer imported quality; beyond the metros only the lowest possible price counts. We were, so to say, stuck in the middle. Exports to Europe and a tie up with a MNC would open up new markets with better margins for us, as well as boost our local credibility in the metropolitan market. It was a consultant who opened our eyes. You could call him with regard to the specific requirements of a product in the US, quality, dimensions, *etcetera*, and within ten minutes he would provide the answer. For something as simple as the chamber of an intravenous injection set there are so many different options and quality requirements! But we did not know these; we were simply making our sets. He has taught us the different standards we are required to follow. And he has marketing contacts the world over. The set–up of the factory has remained the same. The most important that has changed is our mindset.

Though the basic technical steps in the process had remained the same, change in the production process had been more profound than the marketing person acknowledged. There had been investments in new sterilization equipment, in equipment to measure pollution in the assembly halls, and in equipment to maintain an overpressure in these halls to keep pollution out. All this required more specialized, trained handling. Also, cleaning had been upgraded from being the lowest of jobs to a relatively important one. But most significantly was a change of guard with regard to quality control, the final check before sending production out. Previously, the owner–manager, had carried this out. He had done so by making a personal assessment of acceptability, feeling the rubber, checking the finishing, rather than by following any formal procedure. Also, he had done so only in the afternoons, when he would visit the factory. Such a system is not likely to be watertight. Following the changes, quality control became the responsibility of a 'lady'(!) with a bachelor's degree in pharmaceuticals from a local college. She gave me a tour around the facility, assisted by the marketing person. She was almost too shy to speak, but at the same time very confident and self–assured when it came to answering my questions on the procedures for guarding quality. Such a change of guard is remarkable in an entrepreneurial culture referred to as a

[9] For example *Keten Kwaliteit Melk*, mentioned above, or, in this case, the good manufacturing practices for the pharmaceutical industry as issued by the United States Food and Drug Administration (see www.fda.gov; www.gmp1st.com), the World Health Organization certificate for pharmaceutical products (see www.who.int), and then there are also standards for the production of plastics for instance.

'*shetia* culture', in which the owner–manager takes all the decisions and no authority is delegated. This is an example of the social innovation required for local competitiveness. This particular medical disposables factory evolved from a fairly basic assembly plant of generic plastic components into a much more specialized producer and packager of standardized, sterile products. Such a transition cannot be accomplished alone; it requires new social relations, with staff, with a consultant, with a local college (e.g., to train staff), and with a local research institution (e.g., for advice on how to improve the quality of plastic). In a provincial bridgehead for globalization from below such a configuration of service relations should be available and accessible.

3. Central Argument and Outline of the Book

Brokering provincial Ahmedabad into a bridgehead for globalization from below does not happen through the work of the same service professionals who make global cities as described by Sassen (1991). Sassen's 'forecasters' and their universal–professional best practices require an equally professional business environment in which to operate and do not automatically 'fit' into Ahmedabad's indigenous–entrepreneurial business culture. At the same time, brokering Ahmedabad into provincial bridgehead is also not the work of fixers—dealers of exclusively local, 'inside' information—because the production of globalization from below builds on the re–embedding of global or exogenous best practices in a local context. The key brokers in this process in Ahmedabad combine elements of both and operate 'in between' fixing and forecasting. They are *hybrid* local professionals, mostly consultants, who marry a global horizon and universal–professional *content* to indigenous–entrepreneurial *culture* and can be said literally to *embody* the local–global interface. They 'read' globally, bring down and re–embed locally by emulating local role models that better fit within Ahmedabad's indigenous–entrepreneurial business culture. Also, as part of the process of data collection and symbolic analysis, these local professionals do legwork and 'cobble together' an informal service configuration where a more formally organized knowledge network is lacking. Brokerage and coordination by local professionals who cobble together an informal service configuration is the mechanism by which provincial Ahmedabad is *being remade* into a bridgehead for globalization from below. Both these local professionals and the service configuration which they cobble together can be considered forms of social innovation: old actors undertaking changing roles through which they build tighter networks that allow for the circulation of exogenous, universal–professionals resources in provincial Ahmedabad. In other words, the phrase between fixing and forecasting refers to a distinct intermediate *brokerage position* between global and local, between universal–professional and indigenous–entrepreneurial, and cobbling together refers to the ability to develop institutional reach and organize the required translation steps to bridge the gap between them.

Cobbling together an informal service configuration between fixing and forecasting, however, also refers to the *style of brokerage* that is required for the development of a bridgehead for globalization from below that is *under construction* and going through a process of simultaneous de– and re–clustering. Ahmedabad is a city well–endowed with institutional capital stemming from, amongst other things, its long tradition in trade and industry, which resulted in an indigenous textile cluster based on indigenous institutions, and from India's efforts to develop its indigenous industrial base after independence. At the same time, Ahmedabad is a divided city as a result of global and local pulls and pressures. Here, the standardizing pressure of global market formation intersects with the de–linking of professional elites, a developmental bureaucracy that is unable to keep up with the process of global market integration and the changes it brings, and a local maturing of the market that leads to cutthroat competition, which in turn puts more pressure on Ahmedabad's institutional fabric, re–enforcing the process of disintegration. Consultants step into the resulting gap and provide informal brokerage and coordination where more formal mechanisms are absent.

The conclusion this book reaches is two–fold. On an individual and informal level, Ahmedabad is able to cope with the pressures of global market formation, because it produces social innovations through which exogenous, universal–professional resources can circulate locally. On a collective level, however, the city is provincializing, because it is unable to regulate this flow of intangible resources and, therefore, control local competition. Nevertheless, provincial Ahmedabad is being made into a bridgehead for globalization from below. This book demonstrates the local dynamics that contribute to this process, which in turn require a critique of theories that reduce economic globalization to a process of concentration controlled from within global cities. The case of Ahmedabad illustrates the need for a more layered perspective, in which a variety of differently organized global chains and networks, top–down AND bottom–up, depart from and connect with global cities, 'relay cities', provincial bridgeheads or backwaters.

This book is organized as follows. The first part of the book describes the tension between global standardization and local context. These tensions are embedded in the process of globalization from below and continually test and tear up the social fabric of the city. The second part of the book describes the arrival of local professionals between fixing and forecasting and the formation of an informal, cobbled together service configuration—the social innovations required to fill the gap between global standards and local contexts. The third part, finally, attempts to draw some conclusions from these otherwise seemingly ambiguous empirical findings. Individual chapters are introduced in the separate parts of the book.

PART ONE

BETWEEN GLOBAL STANDARDS AND LOCAL CONTEXT

Globalization from below does not refer to local knowledge as the 'weapons of the weak' (Scott 1985) against the pressures of global market formation, nor does it intend to give rebirth to a blueprint approach to development. Instead, it is something in between: globalization from below is about local coping strategies based on global knowledge and best practices. In a graphical presentation, the arrow would go up from local to global in search of relevant knowledge and practices, then go down for re–embedding, and then go up again to compete on the global market place, hopefully being compatible with, but most likely also converging a bit more with the global. This first part of the book seeks to *conceptualize* and to *contextualize* this process. The aim thereby is two–fold.

The first aim is to stress that globalization from below is a *local process* that takes place under a *global horizon*. Conceptualization (beyond drawing a few arrows up and down) helps to understand how globalization from below can take shape. Contextualization shows how globalization from below, whatever shape it takes in real–life, may be *molded* by the pressures of global market formation, but moreover will be *grounded in* and *grow from* a particular political–economic and socio–cultural environment. Both are needed to understand the brokerage landscape described in Part Two. The second aim of Part One is to show how *difficult* globalization from below is to achieve. If the standardizing pressure of global market formation requires institutional compatibility, perhaps even convergence, but certainly also local control, interaction at the local–global interface seems to result in the opposite: a loss of local control and a loss of ability to translate and re–embed. Tensions can arise out of the need to adapt to global markets pressures and to adopt 'foreign' best practices; out of the need for transition, the need to reshuffle the old order without knowing what the new order should look like; out of the absenteeism of local elites, the 'natural' guides in this process, who might be more pre–occupied with their own global mobility or at least might feel locally more displaced than in a more globalized environment; and finally, of increased local consumer aspiration levels lured by the global goody bag. In short, the global *pulls* and *pushes* the local, testing and tearing up local order, creating a gap. In the context of India and Ahmedabad these forces are supplemented with strong local mobility patterns. Thus, Part One of the book describes a 'pressure cooker' in which all these tensions boil. Here, brokers are born.

The first chapter aims to present the research locality: Ahmedabad, a relatively unknown, provincial yet, in its own way, modern and cosmopolitan city of millions in India's industrial belt stretching from Mumbai up north into the state of Gujarat. More importantly, it is a city with a centuries old trading culture and a city in which a modern, indigenously owned textile industry was set up during the colonial era. As such, Ahmedabad has been as a case refuting the *old* model of economic globalization, of dependent peripheries being controlled by dominant metropoles (e.g., Frank 1969; 1978, Lakha 1988, Wallerstein 1974). This raises the questions of how to position Ahmedabad in the 'current wave of globalization', and what the implications of this would be for the *new* model of economic globalization, describing it as a process of concentration managed from within the global city (Sassen 1991, Wallerstein 2000). On the one hand, Ahmedabad has inherited from its industrial past a plethora of business institutions, which could all be relevant for brokering global standards and best practices in the local business community. On the other hand, the order of the old indigenous textile cluster has ceased to exist and Ahmedabad appears a divided city, a city 'out of control'. Has Ahmedabad become just another provincial city or can it (still) be considered a local bridgehead for globalization from below?

The second chapter aims to provide a transactional approach to globalization from below, a theoretical framework for understanding the interface between the global and the local and the role played by brokers at this interface. The aim of this framework is to explore how economic globalization can be more than a process of global–local subjugation and concentration (see the authors cited above). In contrast to theories envisioning 'vertical' subjugation, there are alternative perspectives on globalization that celebrate the emancipation of the local versus the global, suggesting that it facilitates 'horizontal', egalitarian exchange of information and symbolic goods (Robertson 1992; 1995). To understand the position of Ahmedabad in the current wave of globalization, however, one needs to steer in between these vertical and horizontal perspectives to find a middle ground to the debate underlying these perspectives: to what extent is globalization the extension of modernity or the extension of heterogeneity and hybridization [Giddens (1990) versus Robertson & Khondker (1998)]? Such a middle ground is reached by regarding globalization as a process that needs to be brokered at the local–global interface by local professionals standing with one foot in a standardized, formalized, global body of knowledge and with the other in local coordination and control networks.

The third chapter describes India's 'opening up', its transition from a regulated, protected economy to global market competition and the catalyst of *change* in this book. Opening up exposes local entrepreneurship to the pressures of global market formation and requires other business support institutions than those geared toward 'entrepreneurship development' within a regulated environment. At the same time, however, the chapter aims to describe the tension between this radical change and the *continuity* of India's growing crisis of governability. It is this tension between economic change and political continuity in economic governance that results in the dynamics described in Part Two of the book, the formation of a new, informal service configuration.

Figure 1:
Location of Gujarat and Research Localities in India
(Adapted from www.mapsofindia.com)

CHAPTER ONE

AHMEDABAD: A PROVINCIAL BRIDGEHEAD FOR GLOBALIZATION FROM BELOW?

Ahmedabad never had a sizeable English business community, as did other cities of its size and commercial and industrial importance. The Ahmedabadis kept them out. . . . There were never many English civilians or soldiers in Ahmedabad. The station did not enjoy a good reputation: it was unhealthy, there were few amenities for Europeans, and the dust and the climate were trying, especially the furnace of May and June.

Kenneth L. Gillion, *Ahmedabad: A Study in Indian Urban History*

1. INTRODUCTION: PROVINCIAL EXCITEMENT OVER A METROPOLITAN MULTIPLEX

In August 2001 the first escalators arrived in Ahmedabad, a city of around 4.5 million inhabitants in India's western state of Gujarat. They came in eight: four transporting people up and four transporting people down Ahmedabad's newest and biggest 'multiplex' called Fun Republic. It was a shopping mall after the American model, with a fast–food 'bazaar' selling Chinese and Italian–style food, retail stores selling Western clothing brands like Levi's, and, literally on top of this all, four movie theatres. The whole complex had central air–conditioning. Whereas older cinemas were sweaty and filthy and the walls stained red with the spit from beetle nut chewing visitors, this was middle class 'poshness', complete with Pepsi and popcorn. It was a big hit. On Sundays crowds gathered, not to shop, because prices were prohibitive, but to get a taste of this 'metropolitan' marvel. In front of the escalators, blockages developed as ladies, fearing for their *saris*, hesitated, unsure how to get onto them. Guards had to be put in place to help them as they jumped for the moving steps. At the end of each escalator, rubber mats were rolled out to prevent people from slipping when jumping off again.

This is not a book on the 'air–conditioned lifestyles' of the Indian middle class, nor on escalators for that matter (van Leeuwen 1997). Nevertheless, the 'escalator scene' has been chosen to open this first chapter, because it captures an ambiguity pervading the central exercise of this book: to position a secondary–level city in Asia and its elite within the larger process of economic globalization. Should Ahmedabad be regarded a 'cosmopolitan' city, with its (services) elite fully in touch with global events, and thus a veritable 'bridgehead' for venturing out onto the global market, for globalization from below? Or should it be considered a 'provincial' backwater, left out of the process of global integration, lagging behind in the competition with more 'metropolitan' Indian cities like Mumbai, Delhi or Bangalore?

The escalator scene shows Ahmedabad at its most provincial or 'unsophisticated', at least by *Western* standards: such unfamiliarity with and excitement over something as 'ordinary' as escalators! Indeed, Ahmedabad has always been known as a rather traditional city and is still referred to as a bit of a 'quiet place', with relatively few hotels and restaurants. Influenced by the frugal lifestyle of its culturally dominant Jain community, 'Ahmedabadis' generally prefer to eat indoors with their families and to have guests staying in their homes. It has only been over the last ten years or so, due to the influx of migrants from other states, that eating outdoors has become more accepted–hence the success of Fun Republic. Restaurants that serve non–vegetarian food, however, still need two separate kitchens to attract customers. On a domestic flight to Ahmedabad you still will not find the well–groomed hopeful models you will encounter during flights to Mumbai. Nor will you find boisterous youths in roaring sports cars handing out flyers for a fancy club like you would in Bangalore. To a large extent, modesty and mopeds still rule on weekend nights when the Ahmedabadi youth drive around in endless circles between Municipal Market and Law Garden in search for something to see or do.

Global city theory describes globalization as a process of concentration—of knowledge, information, financial resources and infrastructure—in a few key management and control centers around the globe: New York, London and Tokyo as first–tier global cities, Los Angeles, Paris and Singapore and the like as second–tier cities, and cities like Mexico City, Sao Paulo and perhaps also Mumbai or New Delhi as third–tier or fourth–tier global cities (see Sassen 1991; 2002a). King (1990) describes how many of the cities in this network originate from what previously were imperial and colonial metropoles. Ahmedabad has never been part of this network. Ahmedabad is India's seventh largest city, but unlike India's other major cities, Mumbai, Chennai, Bangalore and to some extent also New Delhi, it was *not* founded by the colonizer, and thus it has never been as Anglican or Westernized as the others. This might explain its lack of metropolitan flavor, defined by the Concise Oxford Dictionary as "belonging to, forming or forming part of, the motherland as distinct from its colonies". In this respect, the characterization of 19th century Ahmedabad as provided by Gillion (above) still holds truth today: the 'furnace' is still on in May and an 'expat community' is still virtually non–existent. Ahmedabad is certainly not a global city in the conventional sense, harboring the headquarters of MNCs, but to what extent can it serve be a provincial bridgehead for globalization from below?

Lacking a metropolitan flavor and appearing a little provincial does not imply that Ahmedabad is not a modern city by *Indian* standards, nor that this urban space is devoid of any 'cosmopolitan capital'.[1] Ahmedabadis (and Gujaratis in general) are certainly no strangers to the world at large. Gujaratis form a large share of the Indian diasporas and 'Patels' can be found in East Africa, the UK and the USA.[2] Also, by Indian standards Fun Republic is nothing less than a smaller version of the Crossroad shopping complex on Tardeo Road in Mumbai, one of the—if not THE—most glamorous shopping complexes of India, where fashion retailer Mango opened its first foothold on the South Asian continent. Another source of local pride is Ahmedabad's C.G. Road, laid out with parking facilities on both sides(!) and lined with national and international retail outlets.

Although Ahmedabad scores low with regard to what can be considered the 'easiest' form of globalization, that is the free–for–all exchange of cultural symbols and style icons, this does not imply that Ahmedabad is disconnected from global events.[3] In fact, Ahmedabad has served in the literature as an example of *indigenous*, but also by Western standards modern, Fordist industrialization in textiles under colonial rule (Lakha 1988). This challenges the older models of worldwide economic interdependence, of dominant cores and dependent peripheries that were in fashion a generation ago (see Frank 1969; 1978, Wallerstein 1974).

Ahmedabad and its trading elite have in the past always combined a certain modernity and cosmopolitanism with a certain degree of provincialism or lack of metropolitanism, remaining rooted in a strong local culture. It is precisely this

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1 See Weenink (2003). See also Noller and Ronneberger, who define cosmopolitan capital as '*ein specialisiertes kosmopolitan Wissen*' (1996:213).

2 'Patel' was originally an administrative title granted by the colonial rulers to village headmen collecting the colonial taxes and originating from the Patidar (land–owning) community in what is now the state of Gujarat. Over the years the name 'Patel' has become a widely 'adopted' family *cum* caste name, because it stands for rapid upward social mobility. As a result, in New York for instance, 'Patel' has become a synonym for a person originating from India (see Rutten 1995, Rutten & Patel 2002).

3 The difference between 'easy' cultural globalization and more complex economic globalization will be further elaborated upon in Chapter Two.

historic combination of cosmopolitanism and modernity with provincialism that makes Ahmedabad such a suitable *décor* for this research on 'global networks–linked cities–new (services) elites'.[4] To what extent is this provincial city in the hinterland *beyond* the national metropolis able to play a role in the 'informational' era of globalization similar to the role it played in the era of industrialization and Empire building, namely to be a center of indigenous modernity and cosmopolitanism and thereby to function as a provincial bridgehead for globalization from below (Castells 1996)? More precisely, to what extent do professional business services located within this city generate a new elite able to operate as knowledge brokers at the local–global 'interface', mediating between global market standards and local business practices (see further Chapter Two)? This first chapter serves to introduce the research locality and to (further) answer a single question put to me many times during fieldwork when I explained the general purpose of this research: 'why Ahmedabad?'

2. Glancing back at History: A Tradition in Independent Trade and Industry

Ahmedabad, founded in 1411, is a city little known outside India. Even tourists, who may flock in great numbers around the wonders of the Mogul era in Agra and Delhi, leave Ahmedabad out of their tour schedule.[5] What they miss out on are Indo–Saracen monuments, famous for their distinct early fifteenth century architectural blend of Muslim and Hindu motives; the equally famous old inner city with its unique spatial pattern consisting of *pols*; Jain temples hidden below the surface in cellars to protect their riches from raiders; but also some famous modern architecture by Le Corbusier and Louis Kahn.[6] The city's architecture brings together the same mixture of old and new, tradition and modernity that characterizes Ahmedabad society as a whole. My intent is not to sound like a travel guide, only to stress the point that before the rise of Mogul Delhi and Agra in the 16th century, Ahmedabad was probably the finest city on the South Asian subcontinent, its population size comparable to that of London and Paris (Gillion 1968:15, Godhale 1969:189).

[4] Paraphrasing Sassen (2002a).

[5] Gujarat's Chief Minister expressed his hope that the glossy attractions of 'Fun Republic' might lure tourists to the city, thereby perhaps miscalculating the stylish appeal of escalators to Westerners: 'Will Multiplexes Bring In the Tourists?', *Times of India (TOI) (Ahmedabad)*, June 14, 2001.

[6] *Pols* are more or less self–contained occupational community housed along a narrow lane with one, guarded, defensible entrance closed during the night. Ahmedabad's best known modern architecture includes the Mill Owners Association building and the Indian Institute of Management campus.

Situated on a crossroad of trade routes connecting it to most of the Indian subcontinent, Ahmedabad has always been a center of craftsmanship (its 'three threads of fortune' being gold, silk and cotton), trade (textiles, indigo, and later also saltpeter and opium) and finance.[7] *Hungis*, indigenous bills of exchange, were used to facilitate long–distance trade, the network of 'correspondents' stretching as far as Constantinople (Gillion 1968:15). Ahmedabad's merchant bankers, *sarafs*, controlled the funds that financed Mogul armies and, later, European traders (Lakha 1988:21). The Gujarati ports of Bharuch, Cambay and Surat were important entrepôts in the sea trade between the South Asian subcontinent, Eastern Asia (China, the Southeast Asian Archipelago) Western Asia (Persia, the Middle East) and Eastern Africa until late in the 17th century. Consequently, the first European 'factories' (trading posts) on the subcontinent were established there (Schrader 1997:262–64, Tripathi & Mehta 1990:37).

As the subcontinent became incorporated into the 'modern world system' in the 'long sixteenth century', the Gujarati ports declined and the British 'creations' of Bombay, Calcutta and Madras started to flourish (Frank 1998:21, Gillion 1968:40, Lakha 1988:33, Wallerstein 1974). First, European trading companies took over the East Asian sea trade. Then, from the 1750s until 1813, the British East India Company monopolized most South Asian foreign trade. Thereafter, this monopoly was abolished once again to create new markets for England's new industries under a liberal free trade regime (Schrader 1997:264–65, 271). Trade patterns reversed: after 1816, the subcontinent, a former exporter of textiles, became an importer of finished goods and an exporter of raw material (e.g., cotton), resulting in indigenous de–industrialization and de–urbanization.[8]

Ahmedabad, by contrast, revived when it came under British Direct Rule from 1817 onwards, after a century of decline mainly due to continuous warfare between the Mogul empire and the Marathi kingdom (Lakha 1988:36). Gillion describes how Surat was too close to British Bombay to survive the competition; how Dacca, another great center of textile production, was too dependent on a single export product that was priced out of the market by cheaper British machine–made textiles; and how Murshidabad could thrive only as long as it was a court city, surviving on the rents extracted from the surrounding countryside and the trade that passed through it, lacking the business institutions to generate its own wealth (1968:37–40). By contrast, Ahmedabad's local textile crafts were shielded from British competition due to poor communications with British ports,

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[7] Westbound to Multan, northbound to Agra, eastbound to Malwa and southbound to the Gujarati ports and beyond (Lakha 1988:30).

[8] However, the extent to which de–industrialization occurred is a matter for debate (Frank 1998:26, Lakha 1988:44, Schrader 1997:272, for Gujarat see also Streefkerk 1985).

but also managed to adapt to the new competition by switching over to a cheaper coarse cloth. British demand for indigo, raw cotton and opium also offered new trade opportunities. Though this required Ahmedabadi traders to shift to Bombay to follow the pattern of trade, they managed to maintain more control over their export trade than other Indian traders, forced into the role of inland brokers, *compradores*, for the British companies located in the ports.[9] Thus, whereas Ahmedabad never regained its position as an international trading center and instead became a regionally oriented center for manufacturing, both the city and its trading elite did do relatively well under British rule.

Losing the international trade to Bombay provincialized mercantile Ahmedabad, but through this same development investment capital became available for the city's modernization: its transformation into industrial Ahmedabad (Lakha 1988:61, Leadbeater 1993:80, Tomlinson 1979). Initially, as abundant capital was searching for investment opportunities, speculation on future commodity prices became widespread (Gillion 1968:52). When industrial textile production had proven itself profitable by 1890, Ahmedabad invested its wealth accordingly. Thus, Ahmedabad's industrialization was less the result of a drive toward modernization, following the British example, than a weighing of alternative investment opportunities. The new industry did not supply yarn to the British mills as other mills in India did, but, instead, became a competitor of the British in the Indian home market. "Ahmedabad developed by recapturing the home market from the near monopoly position held by British imports" (Leadbeater 1993:90).

All this characterizes Ahmedabad: maintaining independent trading instead of becoming inland brokers for the British; the weighing of the advantages of industrialization instead of blindly following the new, modern way of doing things; and the creation of a niche for itself in the market instead of supplying to the British. Thus was produced "one of the few examples of indigenous capitalist industrialization in the colonial Third World" (Lakha 1988:1).

Already in 1861 the first British–made, but indigenously financed, textile mill was set up. This was only seven years after the first mill had been established in

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[9] Typically, they did not settle permanently in Bombay and maintained close contacts with their hometown (Gillion 1968:54; 77, Lakha 1988:48). *'Compradores'* is a Portuguese term initially applied to Chinese who operated as middlemen for European firms in the Chinese market (Schrader 1997:96). *Compradores* are defined as being engaged in the importation of manufactured commodities from the metropolitan countries and the export of local raw produce (Levkovsky 1966:312). This is a rather technical, economic definition, missing out on the social dimension of relations: the interdependence between the colonial power without local knowledge and the local knowledge provider, who is one of many, but who is able to rise because only he is able to utilize that local knowledge.

Bombay and three years before railways reached the city.[10] The railways brought foreign competition to the city more directly, increasing the pressure on crafts and pushing Ahmedabad toward industrialization further (Gillion 1968:70). After a hesitant start, the textile industry expanded rapidly from 1891 onwards. The *swadeshi* movement, which had gained momentum in the protest against the partition of Bengal in 1905, bolstered industrial expansion by promoting the consumption of indigenous rather than British products. World War One pushed up profits. Mahatma Gandhi, who settled in Ahmedabad in 1915, was instrumental in setting up Textile Labour Association, which, in turn, contributed significantly to creating relatively peaceful, cooperative labor relations in the industry (S. Patel 1987). India's fiscal autonomy in 1921, allowing for the protection of infant industries, further improved the industrial investment climate.[11] As a result, by 1933, Ahmedabad had become the 'Manchester of India' (Spodek 1965).

After 1933 no new mills were set up due to the Great Depression and due to restrictions on construction materials needed for the war effort (Spodek 1965:483, 487). After India's Independence in 1947, the new government declared Ahmedabad a 'textile surplus area' forbidding further expansion (Spodek 1965:489). Textiles would remain Ahmedabad's most important industry, however, until the second half of the 1980s, when the industry collapsed for various reasons: managerial neglect, lack of innovation, and competition from cost–competitive small–scale, informally organized weaving units (Breman 2004:144, Leadbeater 1993:236). The textile industry faced difficult times all over India but, perhaps with the exception of Mumbai, no city was hit as hard as Ahmedabad, (Breman 2001:2; 2004: 144, see also Mehta & Herode 1998).

Here, the story of independent, indigenous industrialization in Ahmedabad ends. Whereas especially the older literature on Ahmedabad focused almost exclusively on capturing the history of this 'miraculous' 'theory–defying' development of independent, indigenous industrialization, more recent studies on textiles and Ahmedabad (need to) tell different stories. Without wanting to rewrite the story of 'independent' Ahmedabad, the next section *refines* Ahmedabad's history of independent industrialization by describing the indigenous institutions

[10] Plans for textile manufacturing had been made even much earlier, in 1847, well before the creation of the first mill in Bombay. In 1861 the machinery had to be towed on bullock carts from the harbor of Cambay, over one hundred kilometers away. An earlier shipment had been lost in a storm, and the first British engineer intended to install the machinery died of cholera (Gillion 1968:69, Tripathi & Metha 1990:41–45).

[11] This reflected the changing relation between the colony and the motherland, whereby surplus was no longer extracted from India in the form of supplying cheap raw materials and serving as a guaranteed market for British products, but whereby India became a debtor, paying interest to the motherland (Leadbeater 1993:42, Schrader 1997:134).

that support it in more detail. Present–day Ahmedabad's adaptation to global market integration will be based, at least in part, on the same set of institutions and therefore may be characterized by the same strengths—*and* weaknesses—as old Ahmedabad's adaptation to British Direct Rule more than a century ago. In the sections thereafter an indeed much less 'glossy' picture of present–day Ahmedabad is painted.

3. OLD AHMEDABAD: INDIGENOUS INSTITUTIONS MAKING A MODERN INDUSTRIAL CLUSTER, BUT *WITH* EXTERNAL INPUTS

While describing Ahmedabad's economic history, writers invariably stress the same characteristics. Gillion (1968) refers to the continuity of its economic development despite political–economical upheavals; Spodek (1965) to the relevance of its mercantile tradition for industrialization; and Lakha (1988) to the indigenous orientation of its capitalist elite, being relatively independent *vis à vis* the core, the Empire. Gandhi apparently established himself in Ahmedabad—and not in for instance Bombay or Delhi, the commercial and political centers of India—exactly because of Ahmedabad's 'independent' capitalist elite, whom he regarded as a source of political and financial support for the National Congress movement.[12] Ahmedabad thus is pictured a city of pioneering and innovation, with regard to industrialization in India, but also with regard to formulating a political agenda for independence.

Leadbeater explains the concurrence of economic and political innovation within the same city by pointing at Ahmedabad's market position, being in competition with rather than supplying to the British mills (1993:90). This market orientation, however, should be regarded more as the *product* of an embeddedness in particular local institutions and as a sign of independence from external influences than as the cause of it. Ahmedabad's ability to adapt, innovate and pioneer came from 'within'. Gillion (1968) touches upon the essence of what this 'within' exactly entails when he remarks that, with regard to the industrialization process, Ahmedabad harbored no locational advantages: the only fuel to fire the boilers available in the vicinity was wood; there was no suitable port nearby; and though Ahmedabad was a cotton–growing area, the local variety was not suitable for processing by the new textile machinery. Instead, the advantages of

[12] Although the Ahmedabad elites had to manage their nationalist sympathies very carefully, so as not to alienate themselves too much form the British, on whom they were dependent in many practical ways: for shipping, importation of machinery, access to foreign markets and concessions for new ventures. At the same time they had to take care not to alienate themselves from the population at large, which could perceive them as profiteers (Lakha 1988:101, 133).

Ahmedabad were *social* and *moral* (Gillion 1968:76–77). Ahmedabad's competitive advantage was in the following indigenous business institutions:

(1) Investment capital could be brought together with relative ease. In the mercantile era, a depository system developed, in which individuals entrusted their money to *sarafs* and merchants, who could use the money at their discretion. The system was based on a high degree of personal and business trust, encouraged by a stringent business ethos stressing frugality and honesty. Huge transactions could be executed by verbal agreement alone (Gillion 1968:60, Spodek 1965:486). In a similar fashion, a system of public subscriptions was used to finance the first mills (Leadbeater 1993:76).

(2) Relations amongst the industrial elite were close–knit. In the mercantile era also *mahajans* developed, guilds for particular traders that settled disputes, kept up standards, determined wages, fixed price levels and represented traders' interests toward the government. Different castes could be member of the same *mahajan*; one caste could be member of several *mahajans*; distinctions and relations between caste and guild were vague and complex (Gillion 1968:23–24). These *mahajans* began to lose their influence toward the end of the 19^{th} century, but the tradition of cooperation and mutual assistance continued into the industrial era with the creation of new associations like the Millowners Association, founded in 1891.[13] Merchants had little to fear in terms of competition, because the market was large enough, and much to gain from cooperation, by investing in each other's projects and sharing management experience and knowledge (Spodek 1965:485, 488). The nature of Gandhi's Textile Labour Association, stressing harmony and cooperation, can be understood from this background (Spodek 1969:M30, see also S. Patel 1987).

(3) Business leaders were closely involved in civic life and urban governance. This shows most clearly in the position of the *Nagar Sheth*, an informal position, usually inherited, and occupied by the head of the Jain community, who was also the head of the *saraf* guild *and* the wealthiest banker in the city. The *Nagar Sheth* could convene meetings of the heads of the *mahajans* and through this was able to organize a form of civic, but also 'corporate' governance for Ahmedabad (Gillion 1968:23–24, Spodek 1969:M28). This tradition continued into the industrial era. Kasturbhai Lalbhai, member of the family that still owns Ahmedabad largest textile mill, The Arvind Mills, and descendent from what is believed to be the first *Nagar Sheth*, was involved in the Nationalist movement,

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[13] For instance, the role of the *mahajans* in dispute settlement eroded when individuals could seek protection from the colonial courts (Gillion 1968:61, Spodek 1969:M30).

became the representative of the Millowners Association in the Central Legislative Assembly, and was a founding member of the Gujarat Chamber of Commerce and Industry (GCCI) in 1949. He was also active in social (relief) work and religious organizations (Spodek 1965:488, Tripathi 1981, Tripathi & Metha 1990). The deeds of Dr. Vikram Sarabhai, from another leading Jain and Nationalist business family and owner of the once innovative and sophisticated Calico Mills will be discussed in a later section of this chapter.

(4) In the family firm, ostensibly, all leading positions were occupied by family members. Spodek (1969) is relatively more critical about this indigenous business institution. According to him, the combined need for long–term family security and profitability resulted in a conservative approach to business. Also, the fact that the family firm served as the business school for its younger members restricted exposure to new technology and information (Spodek 1969:M28). In their 1927 and 1932 reports on the textile industry, the Indian Tariff Board praised the Ahmedabad mills for their management, but warned of a lack of innovation, putting too much stress on returns on investment (Spodek 1965:487).

Whereas the authors mentioned so far, especially Gillion and Spodek, but also Lakha and Leadbeater, extol Ahmedabad's virtue of indigenousness based on these four institutions, Oonk (1998) argues that Ahmedabad's 'independence' was not based on 'indigenousness' alone. Indeed, notwithstanding Ahmedabad's indigenous institutional strength from 'within', the first two mills were erected by relative *outsiders*, by a Brahmin and a Patel, *not* by Jain *sarafs* or Hindu *banias*.[14] Moreover, in the management of the mills, other outsiders, *foreigners*, played an important role.

Oonk's (1998) comparison between the Bombay and the Ahmedabad pattern of industrialization helps to make the distinction between independence and indigenousness. Ahmedabad's elite was not the 'dependent' Parsi elite of Bombay, nurtured by the East India Company to literally populate the British center of commerce and overtake indigenous commercial centers like Surat (Oonk 1998:71–77). Ahmedabad's elite did not originate from former brokers for British business houses that identified themselves strongly, both in economic and cultural terms, with the Empire (Oonk 1998:87). This does not mean, however, that British influence in Ahmedabad was completely absent. Besides *Pax Britannica* and competition, the British also brought best practices and technology to India and,

[14] Ranchhodlal Chhotalal and Bechardas Ambaidas Laskari. The more established business families would follow after, funding the boost between 1891 and 1905 (Spodek 1965:484).

indirectly, also to Ahmedabad: the steam engine and the concept of an industrial production process for textiles. Oonk uses the metaphor of an 'ignition' for describing the influence of for instance British attempts to mechanize a paper factory in Ahmedabad.[15] Beyond igniting industrialization in Ahmedabad, the British remained active as managers and technicians in the newly founded industry. In 1920, almost 50% of senior staff (managerial or technical) was European (Lakha 1988:149). One reason Lakha gives for this is that Europeans were better able to deal with the colonial government. Indian businessmen were also reliant on British machinery suppliers, however, and although this has never been stated explicitly, this was probably another (and for this book more important) reason for maintaining foreign staff.[16] Thus, although the Ahmedabad textile industry was built by indigenous financial and organization institutions, the 'modern', technical–managerial, *professional* inputs into the process were, to a substantial degree, external.

To conclude, Ahmedabad indigenous business institutions constituted what can be described in terms of a 'cluster'. Close networking among business families, the regulation of internal competition, exchange of business information and the schooling of each other's sons, the consensual labor relations through the Textile Labour Association—all of this represents the indigenous institutional strength on which industrial Ahmedabad was built (Lakha 1988:71, Spodek 1969:M28). At the same time, the semi–dependence (without becoming 'dependent' in a neo–Marxist sense) represents a weakness of this indigenous cluster. This latter pattern is still seen today, the former, unfortunately much less. As such, it signifies the decline of industrial Ahmedabad.

4. Present–Day Ahmedabad – I: A Local and a Global Explanation for Disorder and Decline

Whereas the literature on old Ahmedabad could basically indulge in celebrating the harmonious business institutions of an indigenous cluster, the literature on

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[15] Also, for instance, the founders of the first two mills had wide large exposure to the British: Ranchhodlal as a civil servant, Berchandas as supplier of agricultural produce to the East India Company (Oonk 1998:95, 105–06, 114–15).

[16] British 'managing agencies' often functioned as brokers here, between British suppliers and even banks and (foreign staff of) Indian businesses (Lakha 1988:70). Managing agencies can be described as management companies that manage other companies on behalf of the owner or investors. In Ahmedabad the managing agency was normally the (Ahmedabadi) promoter of an undertaking, managing (also) on behalf of the public that had invested in the undertaking. This system enabled a small group of managers to be responsible for a number of undertakings. This again underscores the point that managers in India were in short supply (see Oonk 1998:121).

present–day Ahmedabad is, by necessity, very different in tone, more ill at ease with what is happening in Ahmedabad (see Breman 2001; 2004, Kundu & Mahadevia 2002). There is an almost tangible painfulness shining through in these titles, mourning the decline of the old order and the collapse into disorder.

Spodek (2001) captures best the atmosphere in present–day Ahmedabad when he describes it as a city 'out of control', a city living through V.S. Naipaul's (1990) *India: A Million Mutinies Now*. Illustrative of the breakdown of social order is Spodek's analysis of the inability of a number of Non Governmental Organizations (NGOs) and representative bodies to file for Public Interest Litigation and act collectively against the local authorities. On July 13, 2000, the city sewage and drainage system proved inadequate for channeling away the monsoon rains and, as a consequence, ten people drowned in the flooding that followed. Spodek distinguishes the following different lines of reasoning that led to inactivity: (1) recognition of the fact that Public Interest Litigation carried risks in terms of political and economic retaliation by powerful government officials; (2) skepticism about forging alliances across class and caste boundaries; (3) a lack of trust in the sincerity of the leaders of NGOs and representative bodies (would Public Interest Litigation work for the benefit of the public good or for their personal aggrandizement?); (4) recognition of the fact that a substantial proportion of the property lost was illegally constructed; (5) and finally, recognition of the fact that the ineffectiveness of the legal system would make a court procedure useless in practical terms. All these apprehensions made one alternative all the more attractive: to accept *ad hoc* financial relief and soft loans (Spodek 2001:1628). In other words, the public authorities were able to buy their way out of responsibilities.

This was indeed also the atmosphere encountered in the city during fieldwork in 2001: a great deal of suspicion that everything was politics and 'hanky panky', that all was corrupt and that 'corners were being cut' everywhere. Spodek considers the craving for more accountability, more transparency, more efficiency and more professionalism in the public sphere one of the most important trends of the last decade in Ahmedabad.[17]

In an earlier article Spodek (1989) also described what could be considered as the watershed event signaling the disintegration of old Ahmedabad: the riots

[17] See Spodek (2001:1627). This craving also seems to be somewhat superficial: the same person who had complained so honestly about all that was wrong with Ahmedabad could five minutes later talk unconcerned about the driver's license he had obtained through the back door to speed up the process; he was so lucky to know someone there. Ahmedabad has perhaps become something of an institutional and regulatory jungle, but people have also learned to live according to its laws. If you have connections and servants to navigate your 'inconveniences', jungle life is not that hard.

beginning in February 1985 and lasting for almost half a year (see also Engineer 1985a; 1985b). The lengthy interruption of business and social life that followed caused Ahmedabad's 'center of gravity' to shift westwards, with offices being closed on the east bank and being relocated to the west bank, boosting the development of a 'new' Ahmedabad, although violence also spread to this middle class part of the city. The immediate cause was a conflict over caste interests, articulated in a government proposal to increase the allocation of seats for 'backward castes' for government positions and all educational institutions by 18% to 49% in total. Ahmedabad had seen riots before and also in 1981 riots had broken out for exactly the same reason, the reservation policy, but these had lasted for 'only' three months.[18] Conversely, the 1985 anti–reservation stir evolved into communal riots between Hindus and Muslims and developed overtones of a professionally organized campaign in which the police were accused of being an accomplice to the violence rather than suppressors of it.[19]

In the article on 'Ahmedabad 2000', Spodek only briefly touches upon the sources of disorder and breakdown in Ahmedabad: (1) cultural clashes between the new Hindu nationalists middle class supporting the Bharatiya Janata Party (BJP) and the establishment of upper–class Congress secularists; (2) caste violence; (3) the widespread evasion and defiance of the law; (4) the growth of a class of 'quasi–criminal' entrepreneurs engaged in illegal activities, mainly in construction and smuggling; (5) and, finally, factional patronage and political corruption replacing the old consensual '*mahajan* culture'.[20] In his analysis of the 1985 riots, however, Spodek provides a more comprehensive analysis of the social mechanisms that led to the breakdown. He describes the following institutions that had previously been 'forces of peace', but by 1985 were 'conspicuously absent':

> (1) The political chain of command, notably that of local Congress chiefs, had been eroded. On the one hand, their local autonomy was undermined by the leadership in New Delhi (see also Kohli 1990). On the other hand, new middle classes, feeling threatened by Congress' pro lower caste strategy, united under the Hindu nationalist BJP banner.

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[18] See Patel (2002) and Varshney (2002) for an overview of riots in Ahmedabad. See Desai (1981) and Engineer (1982) for reports on the 1981 riots.

[19] The 1985 scenario resembles what happened again in February 2002. At that time, the immediate cause (pretext?) was not anti–reservation protests but an attack on a train with Hindu volunteers returning from Ayodya by Muslims (see, e.g., Breman 2002, Dayal 2002, Varadarajan 2002).

[20] Consequently, he refers to Coleman (1990), North (1990) and Putnam *et al.* (1993) as authors having described the difficulty and long historic struggle of building up 'social capital' and effective social institutions (Spodek 2001:1629–30). Though not stated explicitly, the message seems to be that those institutions that brought about Ahmedabad's prosperity have broken down and will be very difficult to rebuild.

(2) As a result of the decline in textiles and the a severing of ties with the political (Congress) establishment the Textile Labour Association had ceased to exist as a force that could maintain peace.[21]

(3) New industries that were set up during the 1980s no longer abided by the balanced occupational distribution of jobs along caste and community lines as had always been the practice in the textile industry.

(4) With the decline of textiles, Ahmedabad grew beyond the control of a small, old elite. The developmental activities of the Gujarat state and the various Developmental Financial Institutions (DFIs) falling under the central government in New Delhi created opportunities for newcomers. As a result, there was no longer anyone like Kasturbhai Lalbhia, who was a civic business leader in the tradition of the *Nagar Sheth,* to call for calmness.

(5) The resettling of Ahmedabad's leaders from the old city to the new middle class suburbs in western Ahmedabad created room for illegal activities in already impoverished neighborhoods (Spodek 1989:774–88).

What Spodek (1989, 2001) provides here is what can be labeled a *local* explanation for the breakdown of order in Ahmedabad: the blossoming of a multi–polar society from the old singular one: so much social mobility in Ahmedabad, such a large struggle for resources, but also so many new opportunities because of government reservations and new government credit schemes, but also because the old business elite was unable to adjust and modernize![22]

However, to this local explanation for disorder in Ahmedabad Mahadevia (2002a; 2002b; 2003) adds a second, more *global* one: Ahmedabad's breakdown occurred during the 1980s, at the same time that the city became integrated into the global economy when India undertook its first steps toward economic liberalization.[23] Mahadevia sees local breakdown as a result of the pressures of global integration on two levels:

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[21] The Textile Labour Association had been, according to Spodek, "the institutional synthesis of (1) traditional caste and community representation within the labor union; (2) labor union representation within the city government and Congress; and (3) Congress representation within the nationalist movement—all infused with a Gandhian ethos of social work, social harmony and peaceful arbitration of industrial disputes—[that] gave Ahmedabad social as well as industrial peace" (1989:780).

[22] Thus one could say that whereas before Ahmedabad was a frontrunner with regard to industrialization and in participating in the nationalist movement, now it appears to be a frontrunner with regard to a newer aspect of Indian society: the shaping of a middle class society, in which the key battle is fought between the lower castes pressing to move upward and the established upper–middle classes preserving their privileged positions (see Mukta 2002:60–61).

[23] This process of liberalization and global market integration will not be addressed in this chapter on Ahmedabad, but, rather, in Chapter Three of this book.

(1) On an *urban* management level locally oriented developmental efforts lose out to globally oriented investments in urban infrastructure and city beautification, as a result of cities competing with each other for the same Foreign Direct Investment (FDI). In other words, running a city becomes a business in which there is no room for social policies to hold the city together. In Ahmedabad, this, for example, can be seen in the forfeiting of future tax collection revenues to secure (commercial) funding for such projects, thereby effectively disabling the city to react to future developmental needs (Mahadevia 2003:265–75).

(2) On an *industrial* management level Fordism loses out to informality. The elaborate industrial setup of the indigenous textile cluster described above was 'stripped down' to a landscape of low–cost, flexible and informal SSIs engaged in 'hyper–competition', having to make use of whatever opportunities and regulatory loopholes were available to them.[24]

In Mahadevia's view, the shift in urban management, the pain of the economic transition, and the lower wages, poverty and vulnerability that resulted from the casualization of the labor force all have contributed to instability in Ahmedabad.

What is important here is not to choose between these two explanations, but rather to understand how the local and the global explanations reinforce one another: with global pressures mounting on the one hand and local institutions being broken down on the other, brokering local control over global market formation becomes all the more difficult and diffuse. It is this condition that characterizes present–day Ahmedabad and that is described in this book.

5. Present–Day Ahmedabad – II: The Bright and the Darker Side of Re–Development

A researcher from the Centre for Environmental Planning and Technology remembered that a seminar was organized around 1988 with the ominous title 'Is Ahmedabad dying?' It has not. Population–wise, the city has continued to grow with a steady decadal average of around 35% from one million inhabitants in 1951 to 3.3 million in 1991 and to 4.5 million in 2001.[25] Industry–wise, the number of

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[24] See Held *et al.* (1999:260), who refers to: 'Hyper–Competition Closes In', *Financial Times (London)*, Supplement: Mastering Global Business, Part Two, February 1998. Hyper–competition refers to the ability of Small or Medium Enterprises (SMEs) to compete effectively with MNCs on the basis of their capacity to copy and produce cost–effectively, thereby forcing multinational corporations to speed up the pace of innovation and the designing of new styles.

[25] See Rani & Unni (1999:27) and Population Census 2001 figures (www.censusindia.net).

Factories increased sharply between 1980 and 1990, from 1,855 to 4,114, but has remained fairly constant since, with 4,150 in 1997.[26] The number of SSIs has risen from 10,919 in 1980 to 29,661 in 1990 to 58,332 in 2000.[27] Employment in Factories declined marginally between 1987 and 1995, implying that both the massive lay off of textile workers (100,000) and population growth have been absorbed by the SSI and informal sectors.[28] Indeed, in 1976–77 the informal sector contributed to 41% of the city's income and to 36% of its employment; in 1996–97 this had increased to 77% and 47% (Rani & Unni 1999:49). This is, therefore, another dimension of a city being 'out of control': perhaps murkier, more exploitative, and more polluting, yet energetic growth, boosted by the liberalization of the economy. In 2001, this new-found wealth was 'shown off' through the flourishing of Fun Republic, despite its expensiveness, and by the fact that social clubs in the city were booming.[29]

This re-development is not the work of 'the old'—the Congress, the Textile Labour Association, the textile elite, Gandhi—but of 'the new'—new industries, new entrepreneurs, new middle classes, the BJP. The old elite left behind industry to start, for example, travel agencies, motor showrooms or NGOs. Similarly, yesterday's role models, the Sarabhais and the Lalbhais, have been replaced by new ones like Dhirubhai Ambani, who founded Reliance, the company that in 2002 became the first privately owned Indian company to enter the Fortune 500. He can be seen as a personification of a new business model, stretching and bending rules where necessary. According to Piramal, he has grown so big because he recognized that the most important external environment determining entrepreneurial success or failure is government (1996:19). Thus he, for instance, managed to 'persuade' the

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[26] See Government of Gujarat (1999:12). The Factory Act applies to companies employing 50 people or more, with electricity, or 100 people or more without. For companies employing ten with/twenty without clauses partially apply. SSIs are not categorized on the basis of the number of employees, but on capital invested. Units with investments in plant and machinery less than Rs. one *crore* (ten million) are considered SSIs. An informed guess is that Factory and SSI categories have a 25% overlap. At the time of research in 2001, the exchange rate was 46 Indian Rupees to the US dollar.

[27] See Government of Gujarat (2001:S59). Whereas other industrial centers in Gujarat have benefited from the location of Gujarat state Public Sector Undertakings (PSUs) (Vadodara) or MNCs (Surat), Ahmedabad is characterized by indigenous growth, translating into the creation of new SSIs.

[28] See Rani & Unni (1999:28). Mahadevia describes how on the one hand the Workforce Participation Ratio has increased between 1987–88 and 1992–93 in Ahmedabad and that unemployment has decreased between 1983 and 1992–93 (2002a:62–63). She adds that this can be explained by a casualization of labor: if overall duration and payment of work go down, you arrive at a situation where you cannot afford to be unemployed and take whatever work you can get.

[29] 'Get Paid to Relinquish Club Membership', *TOI (Ahmedabad)*, December 5, 2000. On the other hand, it might also be possible that such 'new' consumer luxuries are only bought with 'old' black money, stashed away during the years before liberalization, when there was little to spend it on. Another option is that these new consumer luxuries are paid for with equally new consumer credit and credit cards, introduced in India only after liberalization in 1991. In general, it was a common subject for gossip: who could afford what and why? Was Ahmedabad squandering its wealth, living on debt, or making new fortunes?

Gujarati government to recognize his composite (large–scale) textile mill as a (small–scale) power loom unit, thereby enjoying tax exemptions and a flexible labor regime.[30]

Another new role model is Karsanbhai Patel, the founder of Nirma. He managed to compete with Hindustan Lever, selling soap, a product process requiring relatively unsophisticated technology, at one–third of the price of the MNC. His success has been achieved through technological innovations—inventing a cheaper production process requiring less intermediate chemicals and designing a lighter way of packaging—but also by *not* hiring expensive Masters of Business Administration (MBAs), by using a network of relatives as sales agents, and, like Ambani, by maintaining the status of a small–scale industry to cut costs (Spodek 2001:1633–34, see also Kalwar 2000).

Finally, while The Arvind Mills, a denim producer owned by the old Lalbhai family is struggling, Ashima, another denim producer founded in 1982 by Chintan Patel, is doing well (Spodek 2001:1633). There is no more powerful symbol of the decay of the old and the rise of the new. Other industry sectors that have seen profit are chemicals (amongst them azo dyes, banned in Germany since 1994); pharmaceuticals (mainly producing cheap versions of patented formulations through a process of reverse–engineering); foodstuffs; construction (the development of west Ahmedabad); and services (see van Dijk 2000, Government of Gujarat 1999, Rani & Unni 1999). The rising number of SSIs, new role models and diversification into new industrial activities—it represents the 'sunny' side of Ahmedabad's re–development, the image of entrepreneurship and vibrancy with which the city and the Gujarat state like to identify themselves.

There is, however, also another, darker side to Ahmedabad's re–development. I was introduced to a 'top of the bill' financial consultant, mainly active in the field of project finance, "if necessary by raising money in the City of London", as he proudly proclaimed. His office was a miniature version of the offices of international service providers I would see later in Mumbai: stylishly decorated with art. The consultant had this to say about the quality of Ahmedabad entrepreneurship after the decline of textiles:

> Here in Ahmedabad, people have lost the ability to take risk. With the closure of the textile mills, they lost part of their capital, but still there is a lot around. They might have invested in shares and, after that market slumped, in real estate, in the high–rises of western

[30] After venturing into textiles, Reliance set up India's largest oil refinery, followed in 2001 by telecommunications. The general opinion in Ahmedabad was that such large–scale investments were only possible with 'money power' and the right connections, which, for instance, made it possible to lower import duties temporarily in order to import certain equipment for a refinery cheaply.

> Ahmedabad. Now this market is saturated too and jewelry and gold is popular again. This is how capital moves around here. They also might have invested part of their capital in a new venture, in chemicals or pharmaceuticals. And for the rest they sit on it. The whole business structure of Ahmedabad has been disrupted. Unless all this money is re–invested, the city and the services sector will not develop. But people now live a docile life here, lackluster. They will spend a fortune on a home theater for their son instead of kicking him out on the street to do something. And if there is an investment opportunity, then everybody jumps into that. The herd mentality is enormous. See what is happening with the multiplexes: three we already have, five are still being built.[31] What can Ahmedabad do with all these? People make no projections; they don't look at the market potential. The basic problem is education. IIM–A trainees don't stay in the city. Less educated people live in a smaller world, think easier they know it all. Businesses are still not willing to outsource or hire professionals for an outsider's perspective. Instead, they prefer to sit on their business secrets—which are often more known then they think—and thus to keep only expensive, unproductive in–house staff. With software industries and newer industries in general, this is different, but in the more traditional manufacturing industries this is certainly the case. Then, an entrepreneur gets caught up in his own little world: inspectors, electricity bills, *etcetera.* But these are not the real problems. They complain about the Chinese threat while they themselves have lost sight of WTO.[32] Though due to travel, the Internet, and a better–educated second generation of entrepreneurs, things are improving.

Likewise, following the official interview, a counselor with the Confederation of Indian Industry (CII) in New Delhi had the following to say about Gujarati entrepreneurship:

> Those Gujaratis are very smart people, and they will always look for the cheapest ways of doing things. They will not hire a management consultant: in their view that is a way of spending money instead of earning it. Instead, what they basically try to do is to learn from each other by discussing what everybody is doing. But there is no industry that is really doing well now. Even textiles are dying. Actually, the biggest industry there is the stock market. For this you don't need management skills. You just have to study the scripts and they are very smart at that: all stock market scams come from them: Ketan Parekh and Harshad Mehta for instance.[33] Gujaratis are the ones that create those scams that shake up

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[31] See 'Flip–Side of Multiplex Businesses: Too Many, Too Soon', *TOI (Ahmedabad)*, July 31, 2001; 'Foundations of 'Multiplex Capital' Shaking, *TOI (Ahmedabad)*, November 26 2001.

[32] World Trade Organization. That is, they have lost sight of the implications of India joining the WTO, see also Chapter Three.

[33] Both are Gujarati stock market traders who illegally diverted bank funds to buy up stock at rock bottom prices to create a bull market and then off–loaded them again at a high profit. Harshad Mehta managed to divert banker's receipts to his own account with the help of bank officials. When the scam burst in 1992, the Bombay stock exchange crashed. In 2001, Ketan Parekh played the market with funds from the Ahmedabad–based Madhavpura Mercantile Cooperative Bank (MMCB). This bank had lent him such high amounts that it collapsed when he was not able to repay his loans (see, e.g., 'In Harshad

> our economy. Actually, we are very surprised that Gandhi came from that state: everybody else is a broker or investor. Gujaratis are no real industrialists: the moment a business is not as profitable as the stock market, they will leave it immediately. I provide counseling on total quality management and I cannot give any details, but what I tell you is that demand for such professional services is very low in Ahmedabad compared to other parts of the country. It is at the bottom of the list. They are a very self–driven kind of people. This is no official viewpoint of course.

Finally, Spodek describes Ahmedabad as a city in which:

> Crime, especially economic crime, had become a way of life. Economic pressures were such that honest compliance with the law had become difficult. (Spodek 2001:1632)

Criminalization in Ahmedabad shows in the 'obvious' illegal activities such as bootlegging (Gujarat is a 'dry' state); the smuggling of narcotics and weapons (oversea, via Gujarat's long coastline, or overland, from Pakistan en route to Mumbai); and in unauthorized real estate development.[34] But Spodek also mentions the evasion of taxes of all kinds, something 'anybody' can engage in. Therefore, the question arises whether this results from a lack of enforcement or because it has it become an entrepreneurial survival strategy, a necessary tactic for a business strategy commonly based on low margins?[35] Spodek does not elaborate about where the economic pressures to which he refers come from. In this book Chapter Three will provide a more comprehensive picture of market developments in Ahmedabad and Gujarat. Two keywords to keep in mind, however, were contained in the above comments: herd mentality and market saturation.

Ahmedabad's decline and re–development should not be understood as the mere chronological stages in an economic cycle, with all ending well. Instead, they should be considered as two sides of the same coin: a process of social, cultural and economic transition, breaking down the old and making room for the new, but also

Mehta's Wake', *Frontline (Chennai)*, January 19, 2002; 'It is a Tangled Web Out There, and Spreading Fast', *Economic Times (ET) (Ahmedabad)*, April 2, 2001; 'CBI Finds Collusion Between Ketan Parekh and MMCB Officials', *ET (Ahmedabad)*, June 14, 2001 (HB: CBI = Central Bureau of Investigation).

[34] See Spodek (2001:1631–32). Such illegal construction practices were made public during the earthquake that hit Ahmedabad January 26, 2001, when many of the buildings that collapsed were relatively new high–rises. Almost none of them had been built to plan; for instance, illegal floors had been added to the original design. Few high–rises had their paperwork in order, see 'Only 10 of Ahmedabad's 1000 High–Rises have BU Permission', *TOI (Ahmedabad)*, February 13, 2001 (HB: BU = Building Use).

[35] As Kalwar notes: "The business philosophy of swapping volumes for margins is very much a part of Gujarati ethos. . . . Whether it is textiles or pharmaceuticals or clocks, most big business houses in the state have been built by targeting the mass market, which means low margins and high volumes and a focus on producing value–for–money goods for the common man" (2000:16).

making Ahmedabad distinctly *different* from what it was: new pillars have been added to the old ones, but the connections between these pillars are not (yet?) well–developed. This can be seen in the types of re–development that have taken place. Present–day Ahmedabad is a city with a few bright entrepreneurial stars high up in the sky, a lot of small–scale scuffling down below and, most interestingly, a *fragmented social fabric in between*. Thus, there is a final feature of present–day Ahmedabad that should be therefore described: division and disorientation.

6. PRESENT–DAY AHMEDABAD – III: DIVISION, DE–LINKING AND DISORIENTATION

The city I encountered during fieldwork in 2001 was a city of many borders. Some had geographical dimensions: the ghettoization of Muslims and the separation between blue–collar decline and white–collar (re–)development, with the Sabarmati River running in between: on the east bank the crumbling historic city center and commercial district, the shawls of the (textile) laborers, the bankrupt textile mills (but also new small–scale industry beyond that); on the west bank the new business district, the fancy new shopping streets, the institutional area and the new residential high–rises.[36] Whereas other recent literature on Ahmedabad (notably Breman 2001; 2002; 2004) predominantly focuses on the decline of the old industrial Ahmedabad on the east bank, this research is situated on the west bank, trying to make sense of the new Ahmedabad that is emerging there in the midst of India's liberalization and globalization.

Other borders were less geographical, less visible, more social in nature. Time and again, informants would refer to the 1980s, when the city was still a small town (at least in their *perception*; the city then had a population of at least two million), when people still knew each other, and when business was still done by word of mouth. With the decline of the textile industry, however, and the arrival of a multitude of more informally organized SSIs, Ahmedabad apparently became a

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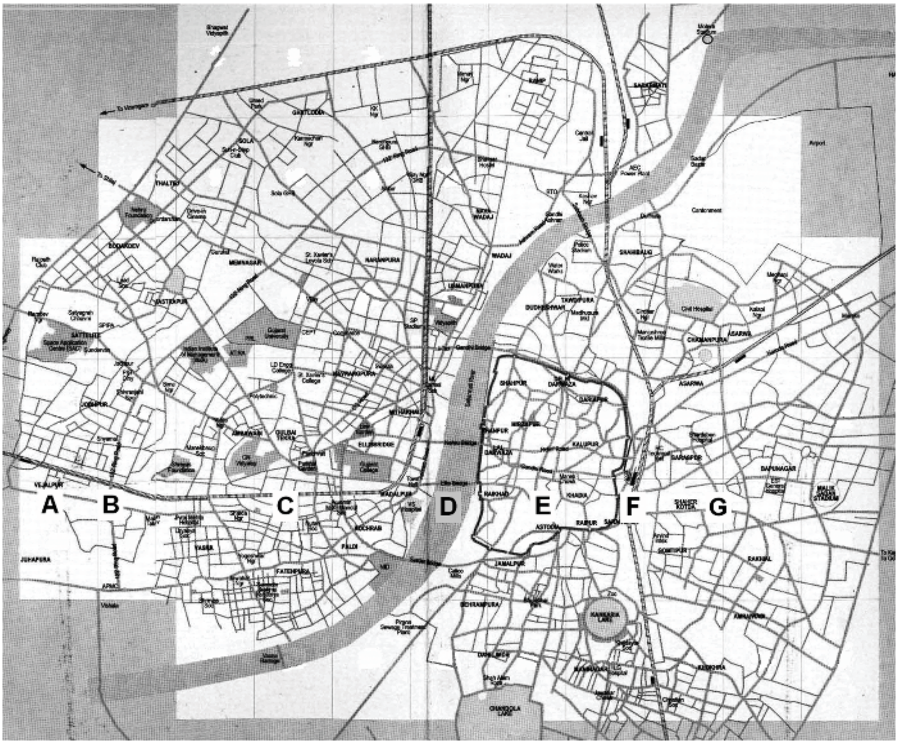
[36] There is no need to insert photos here: the photo book 'Working in the Mill No More' (Breman & Shah 2004) illustrates in painful detail the division between east and west Ahmedabad. Ironically, walking through the old, crumbling center with its intricate *pol* structure is like walking through a well–organized city. Despite its narrow medieval character, it is this part of the city where roads are best planned and where, for instance, rainwater is still collected in underground storage tanks, essential in a semi–arid environment. By contrast, the new western part of the city may look modern, but here roads are largely laid out without plan and every apartment complex drills its own borehole to pump groundwater, causing its level to decline at an alarming rate. Nevertheless, a student doing a pre–study for this research concluded that in Ahmedabad dual developments are taking place, with the western part of town departing from the eastern and leaving it behind (Rutherglen 2000).

different city. For instance, R–World, another up–market cinema *cum* entertainment multiplex, located several kilometers outside the city, would advertise all activities other than their regular film screenings only *inside* of its building, with the exception perhaps of a sophisticated bookstore, which meant that one had to go there to know what was happening. The 'masses' were kept out.

Figure Two shows the social map of Ahmedabad one informant, formerly employed as a technical engineer by The Arvind Mills and at the time of writing was working as a consultant in Human Resource Development (HRD), drew for me:



(A) The new western middle class suburbs
(B) Gandhinagar–Sarkhej Highway
(C) The new business and commercial district (Ashram Road, C.G. Road)
(D) The Sabarmati River
(E) The walled city: the old, medieval business and commercial district
(F) The railway line
(G) The old industrial (textiles) belt and slum area

Figure 2:
A Social Map of Divided Ahmedabad
(Adapted from Setu City Map, Setu Publishers, Ahmedabad, 1998)

This was his explanation:

> G is the industrial area and residential area for laborers. People do not go there at night. Before, I used to go there, but not anymore. E is the old, congested, polluted commercial area. Since the goods are also available in new Ahmedabad I also don't go there anymore. A is only a middle class residential area. So this means that I hardly leave C. All the persons of importance live here: businessmen, politicians, and also consultants. In this confined area, everybody knows everybody, perhaps not directly, but always indirectly, through others. Ahmedabad has this well–developed network. It is something that Ahmedabad has inherited from its old trading culture: if you scratch my back, I will scratch yours.

Yet, the network described by the consultant is a highly confined network. When I asked him if there were also people being excluded from this network, he said he did not think so, but only minutes later he indirectly confirmed how confined it actually was:

> You may find it strange if I say this to you, but you should notice the traffic: once you cross the bridge to the old city, it becomes more chaotic. People there are less disciplined, less civilized.

In short, the city I encountered was a divided city in which the elite showed signs of alienation and had retreated onto the west bank of the Sabarmati River, into their networks, their attempt to escape disorder resembling a lizard shedding its tail in order to survive: there is a process of de–linking at work.[37]

Division is not confined to east versus west Ahmedabad or blue collar versus white collar workers: within Ahmedabad's confined professional world there is further fragmentation as institutions originate from different 'parents' and date from different epochs. The following 'pillars ' of institutions can be discerned:

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[37] The creation of new NGOs can be considered as another form of de–linking besides the retreat on the west bank: if public governance fails and/or is politicized, private governance takes over. In Ahmedabad, to set up one's own institution is a retreat into a smaller, better controllable world (see Spodek 2001:1636). An informal meeting on the improvement of Ahmedabad, to which I was invited, offered another example of elite alienation, besides the comments on the civilization level on the east bank of the Sabarmati River. The handful of people present were influential enough to be able to invite over the Ahmedabad Chief Transport Commissioner. The discussion, however, dealt with garbage in the streets, traffic behavior and the construction of illegal speed breakers, which had already caused one fatal accident: the swim teacher from the Ellis Bridge Gymkhana, one of Ahmedabad's most prestigious social clubs, "whom we probably all know". In the light of the more serious problems that Ahmedabad faces, the discussion was heartbreakingly innocent but also a bit other–worldly: middle class frustrations projected on a city out of control. A final example alienation and de–linking offers Baas' (2003) description of feelings of displacement among IT professionals in Bangalore, who aspire, despite their privileged existence in India, life in a more organized society abroad.

(1) A first pillar of institutions was set up in the wake of India's independence, when the textile industry was in need of *Indian* professionals: the legacy of old heroes. Dr. Vikram Sarabhai, already introduced above as owner of the innovative Calico Mills, is celebrated as Ahmedabad's institution builder (see Spodek 1965:487). He fathered four major institutions: the Physical Research Laboratory and the Ahmedabad Textile Industry Research Association (ATIRA), both in 1947; the Ahmedabad Management Association (AMA) in 1956; and the Indian Institute of Management–Ahmedabad (IIM–A) in 1962.[38] All these efforts were part of what one informant called 'Sarabhai's freedom movement', seeking to 'free' the textile barons from traditional management mindsets. Kasturbhai Lalbhai was his main collaborator herein. In 1949, Lalbhai was also a founding father of GCCI.

(2) The Gujarat state business support network forms another pillar of institutions, which were created to industrialize Gujarat after the creation of the state in 1960.[39] This support network comprises of such institutions as the Gujarat State Finance Corporation (GSFC), created in 1960; the Gujarat Industrial Development Corporation, created in 1962; the Gujarat Small Industries Corporation, also created in 1962; the Gujarat Industrial Investment Corporation (GIIC), created in 1968; the Industrial Extension Bureau (INDEXT–B) and the Gujarat Industrial and Technical Consultancy Corporation (GITCO), both created in 1978; and the Entrepreneurship Development Institute of India (EDII), created in 1983.[40] This list is not exhaustive. Rather it provides an overview of the core institutions in what can be considered the core developmental business of the Gujarat state until the 1990s, when attention shifted toward infrastructure development. Note that whereas the first pillar is more academic and *managerial*, representing *established* and already (partially) *professionalized* (big) business, this second pillar is more *entrepreneur*–oriented, focusing on *new SSIs*.

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[38] He was also instrumental in setting up the Nehru Foundation for Development, an umbrella organization for such organizations as the Centre for Environment Education. Finally, he also fathered the Indian space program resulting in the Indian Space Research Organisation.

[39] In 1960, the Bombay state was divided along linguistic lines into a Marathi–speaking Maharastra and a Gujarati–speaking Gujarat. After much hesitation, the 'mixed' city of Bombay was assigned to Maharastra, thereby separating the new Gujarat state from its most important economic base. This left only Ahmedabad as an industrial center and, at the time, Gujarat ranked only 8th on the list of India's most industrialized states.

[40] Though EDII is a national rather than a state–level institution, it is a direct offshoot of Gujarat playing a leading role in entrepreneurship development and thus can be considered as 'part of the family'.

(3) A number of national institutions located in the city, mostly created by the Central Government in New Delhi or the Government of Gujarat, can be grouped together in a third pillar: the National Institute of Design (NID); the B.V. Patel Pharmaceutical Education and Research Development Centre; and extension centers of the Central Institute of Plastics Engineering and Technology and the Central Glass and Ceramics Institute. Also the Gujarat office of CII can be put into this category.

(4) A final pillar constitutes the new business schools that have been set up in Ahmedabad. In 1994 the Institute of Chartered Financial Analysts of India started a business school, which opened a branch in Ahmedabad in 1995. In 1996 the Nirma Institute of Management and the Som Lalit School of Management Studies followed.[41] In 1998 the Navanitlal Ranchhodlal Institute of Business Management, the Shri Chimanbhai Patel Institute of Management and Research and the S.K. Patel School of Management and Computer Studies were opened.[42]

What these institutions do and how these pillars are (not) interrelated will be discussed in the empirical chapters of this book. What is important to note here is that all these pillars, all these institutions and the capital concentrated in them, could serve to broker local control over global market formation and that, also here, signs of de-linking surface. After the 1985 riots the *Times of India* reported: "The institutions which Ahmedabad has nurtured seem curiously irrelevant to its present agony; islands in a rising tide of alienation."[43] In addition, Spodek remarks: "In their suburban seclusion, many of them seem not tightly tied to the life of the rest of the city" (Spodek 1989:785).

These comments mainly refer to the first pillar of institutions described, and for each pillar there is a different story is to tell. It is nonetheless revealing that (in Spodek's view) some of Ahmedabad's most cosmopolitan institutions do the opposite of what they were created to do: instead of being locally oriented, working to *localize* modern learning, to marry the modern to the indigenous, and to help to further develop an indigenous industrial base, they appear to have distanced themselves from local reality and thereby to have lost their local relevance.

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[41] In 1994, Karsanbhai Patel had stepped into the shoes of the old elite by establishing the Nirma Education and Research Foundation, which in turn set up the Nirma Institute of Technology and the Nirma Institute of Management.

[42] This list is not exhaustive. Other rarely mentioned institutions like, for instance, the Asia Pacific Institute of Management and the Somaiya Institute of Management exist next to these more known ones.

[43] 'Ahmedabad: A Culture of Confidence', *TOI (Ahmedabad)*, August 24, 1986.

I met a former vice–president of Larson & Toubro—often referred to as India's 'most professional' company—who became a consultant on energy and infrastructure after his retirement and worked from his apartment in Ahmedabad. Being Gujarati, he described the gap he saw between Ahmedabad's 'world–class' professional business institutions and Gujarati entrepreneurs and the *lack of business cosmopolitanism* and global *disorientation* that seemed to result from their differences as follows:

> AMA, IIM–A, NID—these are maybe word–class institutions, but they cater only to non–Gujaratis. Gujaratis do not go there. It is a Gujarati thing: they are not association members. They believe they can do it on their own. Keralites and Tamils are very different in this respect. And so you have a paradox. Gujaratis control the grain market, the bullion market, and the stock market. They own massive real estate: look at the empty blocks they have put here in the western part of the city! They probably own most of the black money in India. But there is no new industry except Nirma and Adani. There are approximately one million non resident Gujaratis living in the UK or the US. Because of all these relatives abroad, in social or cultural terms they are very globally oriented. But business–wise they are not. Gujaratis are traders, entrepreneurs, but with an idea of globalization equaling nothing more than buying foreign consumer goods: Levis, Ford, *etcetera*. New in the city are these multiplexes. They are packed every day. And they are very expensive. Whereas I, after a life of hard working in a high position, treat myself to a visit once a month, I see whole families go there, eating, visiting, buying, at least spending Rs. 2,000 per visit. People do not earn such amounts, at least not honestly. So I wonder: is this development? Globalization has created such high expectation levels. India is drifting into a dangerous direction, in which only dishonesty and corruption can sustain such ambitions. States' internal debts are massive, financial institutions are in trouble. I fear that the day will come that the Reserve Bank of India (RBI) itself will default.

This is not a 'neutral' comment. He, like the two professionals in the previous section of this chapter, also criticizes Gujarati entrepreneurs perhaps a little too rashly and with too much bias for wanting to do things among themselves. Yet, the issue is genuine and one that resurfaced throughout the fieldwork period: there is a gap between professionals and entrepreneurs, as well as gaps among the various professional business institutions. It is in these gaps that the different dimensions of present–day Ahmedabad come together: the decline of old institutions, the re–development by new entrepreneurs in a more divided city, signs of de–linking on the one hand and disorientation on the other, and the rise of economic pressures and economic criminality.

A well–known Ahmedabadi urban planner stated that perhaps the single biggest difference between Ahmedabad and the other Indian 'mini–metros' of

Bangalore, Hyderabad and Poona is a lack of vision with regard to a new, global Ahmedabad.[44] Indeed, informants would recall with clarity the deeds of Vikram Sarabhai and the thriftiness of Kasturbhia Lalbhai, but were much less clear about what Ahmedabad was becoming beyond a middle class shopping paradise. The most concrete 'political' idea was the clamor about Ahmedabad as the multiplex capital of India (see Note Five). A former manager–owner of a textile mill, who is well connected to Ahmedabad's old elite and at the time of writing a professor at IIM–A, agreed that Ahmedabad still seemed to be recycling its old identity as the Manchester of India and confirmed that the city lacked a 'clearing house'—also informally—for the exchange of ideas on a future Ahmedabad. As there was nowhere for groups to come together, consensus among them was never achieved.

Molotch (1976) developed the concept of the 'growth machine', a city–based elite pushing an agenda of change, supported by an ideology or a local belief system about progress, perhaps for their own private benefit, but also for the better of the community as a whole.[45] Such a concerted effort, or *focus*, is missing in Ahmedabad. Spodek (2001) seems pleased with this, concluding that the decline of old Ahmedabad has created space for a new multi–polar Ahmedabad, but he does not take into account the *negative feedback* that results from Ahmedabad's loss of order and the particular shape its re–development takes. Equally, Mahadevia (2002a) appears more concerned with the victims of Ahmedabad's particular re–development than with the *underlying mechanism* creating these victims. This book will address this lacuna by describing movements toward further de–clustering and re–clustering in Ahmedabad, as well as the fragmented, informal service configuration that has evolved as a result. Here brokers can be found working not only on India's transition from local market regulation to global market competition, but also *in between* the different institutional pillars described above, *in between* elite de–linking and entrepreneurial and overall urban disorientation.

7. Questions for the 'Ideal Case' Ahmedabad

Ahmedabad is in many respects a Janus–faced city: in the colonial era, *independent* in trade and industry yet to some extent *dependent* on British peacekeeping and industrial ignition; built on *indigenous* institutions yet with the help of *external* managerial–technological inputs; in the modern era, *well–networked* in certain circles yet as a society *breaking up* and *disoriented*; business–wise *re–developing* yet

[44] Indeed, a comparative study between these cities shows no 'shocking' discrepancies between Ahmedabad and the other cities (see AMA 1998, Rutherglen 2000).

[45] See also contribution to the volume edited by Jonas & Wilson (1999) for elaborations and evaluations of such themes as 'territorial ideology', 'urban imagineering' and 'inter–urban competition'.

criminalizing; in outlook *cosmopolitan* yet (apparently) also *provincially ignorant* with regard to global professional quality *management* standards; not a transnational 'hub' yet also not isolated from the pressures of global market integration, becoming visible in elite de–linking and the overall increase in competitive pressures. However contradicting and confusing this picture may seem, it is 'ideal' for research on brokerage at the local–global interface, for the following reasons:

(1) Janus–faced Ahmedabad, neither excluded nor included, echoes the same *intermediate* position—geographically isolated from too much competition (no harbor, no railways initially) yet exposed to exogenous ideas and practices and indigenously institutionally able to incorporate these—that allowed old Ahmedabad to refute the old model of global market integration, which can be understood as a *single* process of capitalist expansion controlled from within by the 'dominant' metropolitan core, thereby reducing the remainder of the world to a 'dependent periphery'. Though phrased in a different language and describing a different logic, 'new' models of global market integration, notably Sassen's (1991) work on the global city, echo this older model when describing globalization as a process of concentration: as global production chains become longer and more complex to manage, the knowledge, information, and services required to do so become more concentrated in a few global cities. What is concentrated in the centers are the managerial–technological tools that have been identified as THE weakness of Ahmedabad capitalism and entrepreneurship. Is present–day Ahmedabad, therefore, 'provincialized', to say nothing of criminalized, as a result of this process of concentration, or can it *continue* to occupy an intermediary position at the frayed edges of globalization similar to that held by old Ahmedabad, being in touch with yet not being fully dependent on what is happening at the other end of the chain and function as a local bridgehead for globalization from below? The answer lies in how local–global brokerage is organized in Ahmedabad.

(2) Janus–faced Ahmedabad reflects the pressure of having to meet global standards, having to generate social innovation, and therefore the complexity of *globalizing*. There is a need for *local–global brokerage* to counter the process of concentration and re–embed a Western–universal professional business grammar into provincial–indigenous Ahmedabad business institutions. There is also a need for *local–local brokerage* to overcome division and disorientation. And there is a need to broker India's transition from local market regulation to global market competition: Ahmedabad entrepreneurship, molded by a particular, relatively regulated and protected local market economic environment, now needs to re–orient itself to the very different standards of

competitiveness governing the global marketplace. What form of social innovation is generated in Ahmedabad to deal with this triple complexity, able to fulfill the brokerage needs, and to make global tools of competitiveness locally available? Also, by whom is this social innovation generated? The answer lies in the emergence of new, more professional yet often informal business support networks, in which old, local actors play changing roles.

(3) Janus–faced Ahmedabad characterizes the field of tension in which local–global brokerage is embedded: the unevenness of local adaptation to global standards as a result of fragmentation. Different entrepreneurs have access to different networks and institutions, each reacting differently to Ahmedabad's 'globalization'. Who is included and excluded from access to the new professional networks being formed and how does a lack of access feed back into the criminalization addressed above?

To answer these questions, this research focuses on the *availability* of professional business services in Ahmedabad, but even more importantly, on their *accessibility* and *relevance* in the context of globalization (see Sen 1981). Since Ahmedabad's history cannot be understood from a strict world systems perspective Lakha argues the following: "To understand Ahmedabad, one needs to go beyond global analysis based upon external relations, and *instead* focus on the question of class" (1988:1, my emphasis). Here Lakha takes his argument too far; instead of using 'instead', he should have used 'also'. The critical conjuncture is the interplay between global market standards and local elite strategies.[46] Both will serve as building blocks for a transactional approach to globalization from below, which is outlined in the following chapter. In the final section of this chapter, a brief description of fieldwork in Ahmedabad is given.

8. In Search of Brokers: A Brief Description of Fieldwork in Ahmedabad in 2001

The aim of fieldwork in Ahmedabad in 2001 was to identify exactly where new ideas, concepts and tools related to India's global market integration entered the Ahmedabad atmosphere. From the minute I landed in India I was surrounded by local anxiety about the fate of Indian industry in the face of global competition. In particular, it was feared that China would put India out of business—hence the

[46] In a similar fashion, Bottenburg (2001) has described the global rise of and local reaction to sports, combining a world systems model for diffusion of essentially English sports throughout the world, with elite strategies facilitating or obstructing diffusion to the masses and the combination of both transforming particular sports into 'global games'.

choice of motto for this book.[47] Therefore, I wanted to identify the resources locally available in Ahmedabad and able to (help) prepare Indian entrepreneurs to withstand this global threat. These resources, however, should include more than knowledge about global market standards for competitiveness. They should also *broker* this knowledge, not only to a highly professionalized upper layer of Indian business, which have networks in place, but to the *average* SSI. This is an important factor of distinction, as this book will show: one has to be able to *reach out* in order to *convince* entrepreneurs of the *need for change*. Also, the need for change, and the necessary investments that come with it, is best brokered in an environment in which finance is available to facilitate investments and in which rewards can be reaped in the form of new clients. In other words, local–global brokerage starts off with the dissemination of information but, ideally, ends with the ability to provide a package deal. I was looking for these providers. As I soon found out, though there are many organizers of seminars, there are few real 'package' brokers.

The research population was not narrowly defined in advance, because this is a research situated in a context of transition from local market regulation to global market competition in which old institutions become obsolete or change color and old networks break up or realign themselves around newly emerging actors. Locating nodal points in this state of flux would not work if the research protocol was too static. As it turned out, different parts of the package described above were provided by different institutions, thereby more or less forcing me to cast my net wide to see how and where the package was put together. Locating these nodal points, accumulation centers of old and new capital, and the inter–connecting configuration around them has been the guiding principle to avoid getting lost while doing qualitative anthropological research in a city of millions. Insights were derived, not from researching variation within a statistically significant portion of a research population, but by *continuously* seeking out informants with different characteristics for the sake of comparison: the established service provider catering to established companies; the established service provider *also* catering to new, small companies; the established service provider *only* catering to small companies, *etcetera.* As a result, the n–value for every population category is minimal, but the overview should be extensive. What is lost by this approach is an in–dept understanding of a particular research *population*; what is hopefully gained, is an in–dept understanding of a *process*: local–global brokerage for globalization from below. Of some informants, who apparently occupied key positions within this process, case studies were made, involving multiple visits throughout the research

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[47] Ironically, four years later, as I finish this study, it is apparent that China's economic boom has pulled India's economy out of the slump it had been in since after 1996–97.

period, meeting clients or members and following their network of associates. Some of these key informants make, under a different name, their appearance in this book.

This is deliberately not research about a particular industrial sector or about entrepreneurs, though they were part of the research group, especially in the context of two cluster development projects in medical disposables and rubber. Well–established entrepreneurs showed me the way to service providers. Typically, these entrepreneurs had a professional infrastructure within their company, to which they could delegate routine work, enabling them to spend their own time outside the company being active in their industry association, attending seminars at the management association, *etcetera*. They invested their energy here for one simple reason: exposure to new people and new ideas. I chose to follow this trail, focusing on these public and private service providers, some of which cater to a specific sector, while others do not. These service providers have been the focus of research instead of a sector. Whereas all better–established entrepreneurs had these institutional connections, smaller entrepreneurs, who were more tied down to the internal management of their firms, completely lacked them. Small entrepreneurs in general knew all but nothing about the activities of these service providers; some did not even know they existed.

Besides service providers, there exist, of course, other sources of information: suppliers, traders, colleagues, friends and family, which are especially important for smaller entrepreneurs. Suppliers can be relevant for particular knowledge and technology transfers, but the more well–established entrepreneurs—the ones who have such foreign linkages—did not depend on these inputs only. There was a need to learn more about other technological developments, about what India's globalization would mean to them, and about how things were done in China. As a (potential) bridgehead for globalization from below, Ahmedabad depends on the ability to provide this know–how locally. Traders were always dismissed as a source of relevant market information: they only talked about lower prices. Finally, the paradigmatic transition from local market regulation to global market competition requires more than the endless recycling and copying of business models that is so ostentatiously visible in Ahmedabad and which only leads to cutthroat competition.

Service providers come in all shapes and sizes. The landscape includes government offices, research institutions, NGOs, bodies for collective representation like chambers of commerce and industrial associations, financial institutions, and a veritable 'jungle' of private consultancies, ranging from international consultancy firms like McKinsey or PricewaterhouseCoopers to scores of 'unorganized' 'one–man–shows'. Equally diverse are the services provided, ranging from strategic market projections to industrial espionage and the bribing of a customs officer. During a typical day of fieldwork, I might spend the morning talking to an office–less former bank employee, who specialized in banks liaisons and who used his informal network of former colleague–bankers to check the creditworthiness of particular entrepreneurs for his clients, and the afternoon with a high–profile investment banker in a nicely decorated office talking about the complexity of making techno–economic feasibility studies in the era of globalization.

To add to this variety, research was conducted in four cities. Ahmedabad was, of course, the main research locality. From here linkages were followed to Delhi, where government offices and the headquarters of national representative bodies were located; to Mumbai, for international consultants and headquarters of banks, but also to get a feel for a different business culture (Mumbai is supposed to be India's most 'professional' city, as opposed to the 'traders' mentality of Ahmedabad); and, finally, to Cochin, to observe 'live experiments' with cluster development. The yearlong fieldwork period involved at least 234 different events: 'visits', interviews, presentations, a 'Training Programme for Cluster Development Agents', a 'Training Programme for Executives of Industry Associations', a 'Revitalization Programme for Established Entrepreneurs in the Rubber Cluster at Kochi (Cochin) and Kottayam', a visit to an international rubber trade fair with an incumbent small–scale export cluster and another one on coir products, a management lecture on 'Discovering the Eternal Relevance of Indian Wisdom', a marketing workshop on 'Advertising and Sales Promotion—Emerging Challenges', and seminars on the 'Budget 2001', 'IT: why not in Gujarat?' and 'How to Export to China'. Of a total number of around 150 informants, about 100 are directly referred to in this book.

The format of interaction with informants depended on their styles and preferences. Some interviews were semi–structured with the help of small questionnaire *cum* 'facts sheet' that provided a social profile and some first answers on important issues that might be elaborated upon during the remainder of the interview; others were completely unstructured. Some interviews were taped, whereas notes were not even taken at others to preserve the informal character of the get–together and the flow of insider information. Consultants and representatives preferred a 'professional' approach, which seemed to reflect their desire to display the image of the busy professional. Here, a questionnaire with clear–cut questions and a tape recorder on which they could boost about their school grades, their business experience, and the other 'feathers in their cap' worked well. Second visits were usually more informal, though invitations 'to have diner with the family' remained rare. Observing training sessions by consultants in companies was possible; being present at the difficult first meetings between consultants and clients, where they felt out each other and discussed the terms of the assignment (e.g., where the required information should come from: books or a neighbor's talkative employees) proved much more difficult. Only once I observed cash being transferred across the table. Entrepreneurs were the opposite of professionals. They were much more tight–lipped at first, but were more open after spending some time with them at, for instance, a trade fair. Bankers and government officials were willing to talk about the difficulties banks and government institutions faced as a result of India's opening up, but certainly not on the record. Here interactions needed to be kept as informal as possible. We normally just sat at desks, had *chai* (milk tea), and talked about their difficulties.

Interview subjects were sensitive. Do entrepreneurs benefit from consultants or are they exploited by them, being forced to accept them as directors, thereby losing entrepreneurial autonomy and having to share profits? Are consultants fixers who facilitate the informal flow of information in Ahmedabad, thereby contributing to the copying of business models and cutthroat competition, or are they forecasters, adding new cosmopolitan capital to the local stock? Do banks know how to manage their risks in a liberalized, globalizing market environment where India's Five–Year Plans have ceased to serve as relevant guidelines or have they come to depend on consultants for market intelligence? Do associations extend services and information to their members or do they monopolize these on behalf of a small clique forming the committee? One representative of an industrial association explicitly invited me to his house to spill his guts about 'what really went on'. Another representative of an association kicked me out of his office when I asked too directly about 'what really went on'.

The fieldwork consisted of three phases, roughly coinciding with the three empirical chapter of this book (though in reverse order). Fieldwork was initiated by visiting academics, entrepreneurs and officials and representatives of Ahmedabad's most known institutions infrastructure (pillars one to three, see Section Six). I started with academics to find out what was already known with regard to business services and local–global brokerage in Ahmedabad, which it turned out, was not much. I was directed to what I came to recognize as the 'usual', 'old' direction of associations and chambers of commerce and industry. Before liberalization, they had been important brokers between government, regulating the economy, and entrepreneurial interests. Brokerage of collective interests *vis à vis* government is, however, very different from the brokerage of individually applied business services. I was not directed to consultants as providers of these individual business services because consultants are not generally recognized as being too relevant: they are seen as fixers and nothing more.

Some entrepreneurs acted as described above, freeing their own hands from day to day management, studying the changes taking place, keeping themselves informed. Here, there was no need for brokerage, because these entrepreneurs were brokering, filtering and translating themselves. Most other entrepreneurs, however, complained about the new burden of globalization: the price of Indian electricity (compared to China); the cost of Indian labor (compared to China); the lack of disciplined labor (leaving for a better job once they learned something); government not doing enough to protect them from the Chinese threat; paperwork and inspectors; corruption; high interest rates; in short, about the ineffective governance of Indian democracy (compared to China). As for the solutions to these problems, most pointed in the 'old' direction, to government. Associations were also referred to, but also complained about: if the association organized a visit to a trade fair, nearly all seats were usually already taken by the committee before others were even informed about it. With regard to consultants, the main issues were apparently price and reliability. Overall, there was little in terms of a new strategy for responding to the pressures of a globalizing market environment in their accounts.

Visits to Gujarat state–level developmental institutions felt like stepping back into the old India prior to liberalization in 1991 and the paradigm of entrepreneurship development with its particular state–controlled toolkit: tax exemptions, cheap credit and courses to teach the trade to disadvantaged groups. There was room within this old paradigm for new 'gadgets' such as venture capital, but within the equally old bureaucracy there was no room for new specialists to manage such a complex financial instrument. References to quality certification, management and efficiency were absent. All this reflected the old paradigm in which competition and competitiveness were of little concern.

The contrast with CII could not have been bigger. Here, the new, globalizing India was taking shape. Young professionals radiated dynamism and offered much talk about all that I had found lacking on the state level. Other doubts emerged here, however: how far did all this 'new' knowledge and information reach into the business community? There seemed to be a pattern: the old developmental infrastructure out of touch with the new market environment and virtually exhausted; other, more professional institutions very much in touch with new market conditions but out of touch with the large majority of entrepreneurs. It left me with a gap, also in my understanding of Ahmedabad, for the city might be criminalizing, it was certainly not dying. Reality, however, proved not a zero–sum game and there was more interaction than there had seemed at first sight—though perhaps through very fragmented, informal networks.

This signaled the beginning of a second phase in fieldwork during which I looked more closely at consultants, some with posh offices at premium locations, most others tucked away in small, crammed offices off the main road. Consultants *did* interact with entrepreneurs (it was their 'bread and butter') as well as with all kinds of institutions where they had been employed before or where they rendered unpaid services, organizing activities for the 'public good', but also polishing their private reputations. Consultants were, therefore, 'natural' intermediaries. The best among them had roots in the old system and knew its workings and problems, but thought in new terms, with new strategies, new tools, new networks and changing roles for themselves. Public opinion, however, was not kind to them: Consultants' bad reputation appeared to be based in particular upon their supposed 'wheeling 'n dealing' in financial institutions. Consultants were seen as fixers who arranged credit that would never be repaid rather than as forecasters.

This signaled a third research phase in which the aim was to understand the 'nexus' between consultants and financial institutions. If consultants were such abusive manipulators, where did their power come from? And why had financial institutions abolished the empanelment of consultants, about the only form of transparency that existed in the market for consultancy? Here I entered a world in which the transition from local market regulation to global competition and the resulting need for market intelligence was just sinking in. Indiscriminate financing following India's liberalization in 1991 had first fuelled a boom that filled India's demand–supply gap and then, when efficiency started to matter more, had resulted high percentages of Non Performing Assets (NPAs). Again I saw changing roles emerging for 'old' consultants, in new network relations between them and financial institutions. It demonstrated the value of professionals in the periphery.

Access to these actors and institutions was not difficult to gain. From the EDII, home base and starting point for fieldwork, I could snowball to entrepreneurs, associations, heads of chambers, the Gujarat state business support network, academic institutions, some consultants and the occasional banker. Bankers put me in touch with Chartered Accountants (CAs) and they, in turn, introduced me to other CAs with whom they cooperated and to other bankers at the headquarters of financial institutions in Mumbai. The Institute of Management Consultants India (IMCI) had a chapter in Ahmedabad and a list of members. From that I could find other management consultants, international consultants in Mumbai, AMA representatives and teachers at Ahmedabad's new business schools. From AMA again, it is a small step to IIM–A. This is the Ahmedabad paradox: on the one hand, there was always somebody who knew somebody in Ahmedabad, on the other, there were reasonably well informed professionals who did not know what, for instance, AMA was doing. Consultants would often not know their own colleagues, who would otherwise be introduced to me as 'leaders' in their field.

There are certain limitations to this research. It has not covered all of Ahmedabad and it was especially difficult to make contact with anonymous consultants at the 'low' end of the consultancy continuum and equally anonymous SSIs. Also, the search for variety, the aim to capture a process on the level of the city as a whole, and the focus on networks accessible to the average SSI, prevented a thorough investigation of Ahmedabad's darkest recesses of power. It was more important to 'feel' blockages than to understand everything behind them. Politicians, for instance, do not play a significant role in this book. Finally, as already mentioned, the precise power relations between entrepreneurs and consultants (who controls who), between consultants and financial institutions (again who controls who) and between associations and members (who monopolizes what) were difficult to triangulate other than by piecing together gossip and the occasional 'confession' of a key informant.

Finally, some 'issues', like family relations, never became as important during fieldwork as was expected beforehand. Within family firms brothers and nephews keep (basic) know–how within the family by becoming accountants and engineers but, when they need to go outside the firm for further orientation, they must contact 'outsiders', thereby diminishing the relevance of family networks. Also, caste never became an 'independent' issue during fieldwork. No doubt, the fractured nature of networks described in this book is caused in part by differences in social origin, but these are caste *and/or* class–based. The dividing line running through this book is not caste *per se*, but being 'professional' or not. Finally, non resident Gujaratis were almost never mentioned, though globalization and doing business abroad was a constant subject of discussion. Though there were speculations that Gujarati diasporas would 'somehow' contribute to Ahmedabad's global awareness and, indeed, one entrepreneur did business in the US market through the wife of this brother, it never became more concrete than this.

CHAPTER TWO

BROKERS AT THE LOCAL–GLOBAL INTERFACE: A TRANSACTIONAL APPROACH TO GLOBALIZATION FROM BELOW

Our continuing inability to distinguish between the "modern" and the "Western" is surely the cause of some of our grief. If we could only accept that a great deal of modern Western culture is no longer the property of West but a universal, critical way of thinking which belongs to all rational, civilized human beings, we would not suffer quite as much. We would conserve our energy for better things rather than waste it on swadeshi, Hindutva, national language debates, U.S. –bashing, multinational–baiting, and other futile activities.

Gurcharan Das, *India Unbound*

1. INTRODUCTION: THE RELATION BETWEEN THE LOCAL AND THE GLOBAL

The opinion offered here by Das, a former Chief Executive Officer (CEO) with Procter and Gamble India, is pro–Western and pro–business. Irritated by Indian politicians who constantly meddle with the market and notions of Indian national identity to protect 'the local' and 'the indigenous' against 'the foreign' and 'the feared', Das raises an issue that is central to this chapter: the relation between globalization and modernization, between 'the universal' and 'the local'. Is globalization, in fact, a process of modernization, a process of global integration in which Western standards attain universal significance, also for particular non–Western localities? Not surprisingly, Das, who embraces it wholeheartedly, clearly thinks so.

De Swaan (2002) argues that, to understand globalization at large, one needs to understand the interconnection and interdependence between the local and the global, between spaces and flows, between locality and hyper–mobility. Following this line of argument, the answer to the question about how globalization relates to modernization and Westernization can be found there where the local meets the global. The key issue then becomes *how* this interconnection is made and, as an economic anthropologist doing research on brokers must add, *by whom*. These questions are central for understanding the transactional approach to globalization from below, which is developed in this chapter.

Two directions can be distinguished in the relation between the local and the global: vertical and horizontal. From an economic perspective, the relation between the local and the global is perceived to be one of vertical imposition. The local is subjugated by the global and globalization is the global *extension* of a *single* system (or network). Consequently, depending on political preferences, globalization is considered as either bringing the blessings of free market exchange or the curse of exploitative global capitalism. It may be a CEO's dream or an anti–globalist's nightmare, yet this idea of singular subjugation and extension is too simple.

From a more socio–cultural perspective, a vertical relation of subjugation—translated in cultural terms as 'Americanization' or 'McDonaldization'—can be offset by a more horizontal, egalitarian relation of exchange between *different* systems, one referred to as 'global', others referred to as 'local' (Ritzer 1993). Globalization then becomes a process of reflexivity and learning, adoption and adaptation, resulting in the localization of what is global and the globalization of what is local. This leads to such 'postmodern' scenes as the one observable on the beaches of Goa: 'drop–out hippies' from the 'materialistic' West imitating *sadhus* (mendicants) from 'spiritual' India, who are, known for their drugged but 'trendy' partying, in turn being imitated by rich kids from India's 'Victorian' upper classes. This is the 'creolized global ecumene' as described by Hannerz (1992:264–65).

Hannerz's (1992) acknowledges the difference between economic and socio–cultural directions in globalization, thereby distinguishing a market framework for the globalization of culture, which brings standardized McDonaldization, from a more culturally diverse 'form of life' framework. However, he does not explain the different logics of these frameworks. Free–for–all 'cultural copying 'n pasting', the mechanism underlying the form of life framework, does not work in the market framework: a publicly manifested lifestyle is considerably easier to copy than business secrets; and a faulty interpretation of an Indian tradition of renunciation and retreat into meditation as the fourth and final stage in life (*sanyas*)—as opposed to *starting* adult life with it—causes considerably less harm than a misunderstanding of the importance of ISO certification for entering the European market or an underestimation of competitive threats from the world market after the lowering of import barriers under a WTO regime. Contrary to culture that can be *fragmented* endlessly into varieties of subcultures and sub–subcultures, a market essentially *brings together* diverse product flows under a *single* standard of competitiveness. It is this essential difference between culture and market that explains the difference between economic and socio–cultural perspectives on local–global relations as described above.

Neither of these two directions will allow for an understanding of the position of Ahmedabad in the process of global market formation. The development of a modern textile industry in Ahmedabad at the time when it was part of a colonized periphery has proven that with world market expansion the local is not necessarily subjugated to global—read Western—capitalism and that a *single* standard of competitiveness can be achieved through different *varieties* of capitalism, with different *combinations* of market institutions and styles of entrepreneurship. A different approach to globalization is therefore needed, one that is positioned between vertical subjugation and horizontal exchange and combines elements of the standardizing quality of the (global) market with the diversity of culture and the contextuality of the local.

De Swaan (2002) also argues that the difficulty with globalization lies in defining what exactly constitutes the global. Here the global is not seen as something amorphous or virtual, but as rather concrete and specific instead. The process of global market formation provides a particular context or horizon for a particular business system, with its specific requirements in terms of knowledge and information systems, institutional and technological standards and codes of conduct (see Daniels & Lever 1996, Whitley 2001). Also, it has a specific 'production site', the 'global city', and it has a specific infrastructure in product chains or the 'space of flows' (Castells 1996, Sassen 1991). For globalization *from below*, access to this infrastructure and the knowledge of standards and practices that govern it is of the essence. Therefore, between this particular global business system and a particular local (in this case Ahmedabadi) system, at the 'local–global interface', *brokerage* by human agents is required to translate differences in standards, practices and conditions and facilitate access and exchange. These are the *transactions* required for globalization from below to occur.

Interaction at the local–global interface—as the Ahmedabadi business arena becomes integrated into or Ahmedabadi entrepreneurs venture out onto the world market—will, however, not take place on equal terms. The global is *dominant* here because it sets the standards for the interaction, with regard to market competitiveness and technical compatibility, because it designs most 'best practices' to meet these standards, and because it serves as the 'overarching' social and technological superstructure for most local–global interaction, functioning as the medium of global exchange. However, the global is not seen as *determining* (or subjugating) because the global cannot control the content flowing through it, because local practices can also be very competitive, and because the local can learn, adopt or adapt from the global and, through the global superstructure, from other 'connected' local systems. De Swaan (2002) captures this difficult, balanced relation between the global and the local in the 'formula', 'overall homogenization–

local heterogenization'. The extension of global standards creates overall standardization but provides local enrichment through the same process. It is positioned exactly in between globalization as the vertical extension of a single system and globalization as free exchange between different systems.

De Swaan (2002) follows this formula with a call for empirical research on those who 'carry' these standards to interfaces between local and global networks: experts, officials, media celebrities, but also, one could add, buying agents, subcontractors, extension officers and consultants. This chapter provides a conceptual framework for such a project. Hannerz positions professionals and technocrats from the South in the middle of his cultural continuum between metropolitan (or global city) elites and the 'untouched' isolated locale (1992:232). Indeed, these professional groups are important for the transactional approach to globalization from below as outlined here.

This project is also positioned *vis à vis* the work of Sassen on the global city (1991; 2002b). Sassen's work is of particular importance to this project because she identifies professional business services as the 'managers' of the process of globalization. Consequently, the question arises as to how and what extent the same service providers, albeit with a local quality, could serve as brokers facilitating globalization from below in provincial Ahmedabad. At the same time, Sassen's understanding of economic globalization, as a process of simultaneous concentration and dispersal, controlled by advanced producer services in global cities and 'descending' to incorporate other strategic places around the globe into a 'global grid', reproduces the same 'vertical' Euro–centric modernization perspective this project seeks to refine. Sassen's perspective should not be dismissed, but rather seen as a *particular* form of economic globalization. This project seeks to complement her one–sided, top–down perspective with a 'mirrored', alternative, bottom–up approach to globalization.

2. Global Cities, a New Elite of Professional Business Services and the Provincialization of the South

Sassen's global city theory (1991) essentially brings together two strands of thinking, on the position of cities in the world economy, and on the position of services within cities (e.g., Daniels 1985, Friedmann 1986, Friedmann & Wolff 1982, Gottmann 1983, Marshall & Wood 1995). Global city theory highlights the strategic role of a new *professional* elite in a globalizing world economy.[1] This new elite

[1] Sassen (1991:334–35) considers this new professional elite, however, not as a new 'power elite': "They are ultimately a stratum of extremely hard–working people whose alliance to the system leads them to produce far more profit than they get back in their admittedly very high salaries and bonuses. . . . While their earned income is too little to be investment capital, it is too much for the basically thrifty savings–oriented middle class."

consists of professional business service providers such as management–accountants, marketeers, brand developers, advertisement specialists and financial and legal service providers.[2] They possess the managerial–technological ability to 'produce' sophisticated, innovative practices of control, essential to the globalization of business operations in an increasingly complex, globalizing market environment:

> The maintenance of centralized control and management over a geographically dispersed array of plants, offices and service outlets cannot be taken for granted or seen as an inevitable outcome of a "world system". The possibility of such centralized control needs to be produced. Central to its development is the production of a vast range of highly specialized services and of top–level management and control functions. (Sassen 1991:325)

Sassen stresses the fact that globalization is not only about hyper–mobility, about flows and networks, but also about places—and, one could add—about people and practices. Global cities like New York, London and Tokyo are the production sites of global control over the lengthening production chain, of which "even industrial home workers in remote rural areas are now part" (Sassen 1991:4–5). The geography of economic globalization is therefore perceived as a "complex duality: a spatially dispersed, yet globally integrated organization of economic activity" (Sassen 1991:3). This concentration as the outcome of globalization can be explained as follows:

(1) To start, financial service providers concentrate around financial markets. These service providers are the main users of international law firms. Headquarters of multinational companies 'flock' around these services to access capital and to forge mergers, acquisitions and alliances. These headquarters bring their management–accountancy firms and marketing firms along with them. As a result, an industrial (central business) district is built up (Sassen 1991:168–75; 2002b:23–24).

(2) The complexity of global control requires an 'innovation milieu' of dense networking and face–to–face contact among specialized business services to produce new managerial–technological 'solutions' (Sassen 1991:93–108, see also Aydolat 1985, Boden & Molotch 1994, Castells 1996).

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[2] Sassen refers to professional business services as 'advanced producer services', the terms also used most widely in the literature. In this project however, the preferred term will be 'professional business services' because, in my opinion, the term 'professional' most clearly expresses the specialized level of skill that distinguishes these services from relatively 'lesser skilled' services like administration or catering for instance. Likewise, the term 'business' most clearly expresses the focus of these services: objectifying the 'art' of doing business by providing professional strategy, 'tools' and information. Hanlon (1999) uses the term 'commercial professionalism' to distinguish 'new' management professionals and their commercial and entrepreneurial skills from the 'old' social service professionalism, based on technical skills.

(3) Global control also depends on hyper–mobility and hyper–connectivity. For this purpose, a specific, high–tech infrastructure is required, which will predominantly develop around large agglomerations to attain the necessary economics of scale (Sassen 1991:109–10, see also Moss 1987).

(4) This hyper–connectivity furthers concentration, because it works as a feedback mechanism: due to their connectivity, global cities have become market places for information, the processing of which again requires more face–to–face contact (Sassen 1991:110, see also Thrift 1996).

(5) Next to finance, specialized services, and a specific logistical infrastructure, globalization also requires a transnational elite, a *social* infrastructure with a specific 'denationalized' agenda and horizon, cultivated in a cosmopolitan environment (Sassen 2002b:21–25, see also Sklair 2001, Wagner 1998).

Connected to the three global cities Sassen sees a 'global grid of strategic places', the infrastructure of globalization, including secondary financial centers, innovation centers, 'relay cities' and export processing zones.[3] However, articulation of such places onto this global grid goes together with disarticulation from the local, regional economy.[4] Also, global articulation goes together with a denationalization of national territory and a transfer of sovereignty to transnational institutional arenas.[5]

Beyond this global grid, Sassen sees a process of peripheralization and exclusion, the reverse of the process of global articulation and concentration:

> Alongside these global and regional hierarchies of cities and high–tech industrial districts lies a vast territory of that has become increasingly peripheral, increasingly excluded from the major economic processes. . . . A multiplicity of formerly important manufacturing centers and port cities have lost functions and are in decline. (Sassen 1998:xxvi)

Thus, Sassen (1991:102) sees severe discontinuities in urban hierarchies between the cities with their new global status and old industrial centers. Whereas producer services become concentrated in global cities, you will find mainly consumer services in the periphery. In Manchester, for instance, producer services have been

[3] See Sassen (1998:xxv). Silicon Valley is, of course, the prime example of such an innovation center. Mexico City is an example of a secondary financial market and a relay city between the global city and the manufacturing sites in the Mexican hinterland (Parnreiter 2002:175).

[4] See Sassen (2002b:15). The relay function of particular sites within Mexico City can be understood as such, because these sites are no longer geared toward the needs of the local, regional economy (Parnreiter 2002:175). Another example is the Manhattan Central Business District with its internationally leading credit rating agencies and investment bankers and law firms specialized in transnational legal issues (Sassen 1996:28–29).

[5] An export–processing zone, where firms are exempted of specific national regulations, is an example of a de–nationalized national territory. The creation of the World Trade Organization represents the transfer of national sovereignty to a transnational body (Sassen 1996; 2002b:15).

decimated along with a decline of industry (Sassen 1991:165). This makes one wonder if the old nickname of Ahmedabad, 'Manchester of India', once a source of pride, could now prove to be a sign of what one could call 'provincialization', lacking sophisticated services and becoming increasingly backward in terms of business strategies and market developments.[6]

While Sassen's writing about the *global city* and the role of professional business services herein goes unchallenged here, her understanding of *globalization* should be questioned. Peripheralization and exclusion is not *necessarily* the reverse of articulation into the global grid and concentration of managerial control in global cities (see also Scott 2001, Sellers 2002). Globalization as a process is not confined to the hierarchy of global cities and the global grid of strategic places attached to it. What Sassen describes is not globalization *per se*, but should be considered a very *particular* form of globalization, probably best described as the *global* form of globalization.[7] This is what you are likely to see doing research in a global city.

Such a top–down perspective of globalization fits into a larger tradition of writing on world economic relations. Ahmedabad poses a challenge to this tradition because of its history of indigenous industrialization under colonial rule in the periphery. The purpose of the transactional approach developed here is to establish how globalization from below, from a provincial city, may take shape and how Ahmedabad again may serve to refute a simple top–down perspective on globalization.

3. The Top–Down Euro–Centrism of Theories on Economic Globalization

Ideas about global economic interconnections preceded the arrival of the concept of globalization in the early 1980s by approximately a decade. In the early 1970s neo–Marxist writers produced 'world systems theory' (Wallerstein 1974), the 'articulation of modes of production' (Rey 1973), and the 'dependencia' model of capitalist underdevelopment (Frank 1969; 1978) to explain the failure of the Third World to develop after gaining independence. Wallerstein explains the continuing (post)colonial influence over Africa, as well as the similarities in economic

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[6] 'Peripherilization', the terminology Sassen uses, has a predominantly neo–Marxist connotation of exclusion, while I, by using the term 'provincialization', want to draw attention not to exclusion, but to 'just' becoming backward, staying behind, lacking sophistication in terms of business services available, and thus losing touch with market developments, more or less similar to a farmer in the province having no clue of trends at the latest Paris fashion week. Like Sassens' global control, global inclusion also needs to be *produced*.

[7] Sassen writes that regional disarticulation and denationalization, characteristics of the global grid, are confined to a "highly specialized functional or institutional realm" (1996:29). This is the realm of multinational corporations, FDI, international service providers, and credit rating agencies. These corporate actors more or less constitute Sassen's global grid. *Intra*–firm trade accounts for 40% or more (depending on the source) of international trade (Sassen 1996:9).

(under)development between the newly independent African and Asian states and the much longer independent Latin American continent, as being a result of their 'articulation' with the 'modern world system', that is European capitalist expansion from the 15th century onward (1974:5–7). Rey (1973) understands this articulation as the interpenetration and undermining of non–capitalist modes of production by the dominant logic of capitalism. Frank (1969; 1978), finally, explains the undermining characteristic of articulation as the result of the chainlike extension of three contradictions inherent in capitalism from the metropolitan core through local, national metropoles to peripheral satellite areas: extraction of surplus from satellite to metropole, resulting in polarization between the (national) metropole and the satellites resulting in turn in the satellite's (elite) economic dependence on the metropole. From a neo–Marxist perspective, globalization as such is nothing new, but rather an acceleration of an 'old' process of economic articulation, reaching the 'asymptotes' of its development and facing a crisis of accumulation.[8] In this light, a neo–liberal pro–market ideology is a final effort to expand business and keep up profit margins.

The first reference to 'globalization' that could be found dates from 1983 and originates from a very different ideological environment: the Harvard Business Review.[9] Here one finds no neo–Marxist discourse of capitalist underdevelopment, but a (neo)liberal discourse of market conquest:

> Companies must learn to operate as if the world were one large market – ignoring *superficial* regional and national differences. . . . A powerful force drives the world toward a *converging* communality, and that force is technology. . . . The result is a new commercial reality—the emergence of global markets for *standardized* consumer goods on a previously unimaginable scale of magnitude. . . . The same countries that ask the world to recognize and respect the individuality of their culture insist on the wholesale transfer to them of modern goods, services and technologies (my emphasis). (Levitt 1983:92–93)

Economic globalization as a concept has its origins in marketing strategy and thus, not surprisingly, the central dilemma within this strategy is the same as the central problem with regard to the scientific understanding of globalization. Within marketing strategy, Hindle (2000:106–08) distinguishes the 'American' strategy of 'global standardization' (see Levitt above) from the 'Japanese' strategy of 'world–wide localization' (e.g., Ohmae 1985). This standardization–localization debate reflects the same difficulty of balancing between overall homogenization–local

[8] Thereby disregarding for a moment the differences that do exist among these authors about the exact nature of the global–local articulation (see Wallerstein 2000:258–61).

[9] That is for the term 'globalization', in the Dutch inter–university digital library Picarta. See Held *et al.* (1999:1) for even older origins, albeit in the non–economic sphere.

heterogenization as formulated by De Swaan (2002) at the beginning of this chapter.

Two decades after Wallerstein and one after Levitt, Sassen fits very well into both traditions of writing on economic interdependence when she more or less 'unites' a neo–Marxist world order with neo–liberal global capitalism. Her understanding of globalization as a process of mutual concentration and dispersal—lengthening production chains organized through a pyramid of global cities—strongly resembles the 'dominant core–dependent periphery' hierarchy of the 1970s neo–Marxist writers before her. But her discourse is a very different, technical–managerial one, like that of Levitt: the "focus is not on power but on production" (Sassen 1991:6). In the global city, attention is not directed to the exploitative capitalist but to 'scientific' management and 'advanced' or 'professional' business services.

Wallerstein, Levitt and Sassen, neo–Marxists, neo–liberals and 'managerialists'—what they all share is that they argue from a similar perspective that may be labeled 'Euro–centric'.[10] Capitalism, a liberal market economy, or managerialism—invariably these institutions have their origin in the West. The discussion about 'varieties of capitalism' in this respect does not go much further than acknowledging institutional, historical differences between countries while staying within the same Euro–centric paradigm (see, for example, Hall & Soskice 2001). The periphery has no other role than to passively await its incorporation. A genuine comparative perspective that recognizes the intrinsically different characteristics of market organization in non–Western contexts is missing. Consequently, globalization becomes the top–down imposition of a particular business system on a locality. It is globalization according to the MBA handbook of Harvard business school.

The goal of the transactional approach to globalization from below is not to replace this global form of globalization, but to complement it. While its dominance is acknowledged, its existence as the only form of globalization is not. From a sociological perspective, Robertson & Khondker eloquently criticize this reductionist perspective:

> When globalization is seen as an obliterating tidal wave, it is frequently represented in primarily economic or politicoeconomic terms—as a new form of economic and cultural imperialism, as Westernization, as Americanization, or simply as colonialism in a new disguise. . . . Casual and ill–informed participants in discussions of globalization assume and/or explicitly assert that globalization means global homogenization. . . . This is *not* to deny . . . that there is a considerable degree of isomorphism with respect to institutional arrangements across societies. . . . But this isomorphism does not in itself constitute global

[10] See Enteman (1993) for an analysis of the managerialist ideology.

> sameness. . . . Globalization actually involves the promotion and 'invention' of difference and variety. (Robertson & Khondker 1998:27–31)

Robertson and Khondker also struggle with the same difficult relation between the global and the local, between overall homogenization and local heterogenization, here captured as global institutional isomorphism rather than global sameness.

The transactional approach to globalization from below seeks to acknowledge both the relevance of modern institutions and local entrepreneurial culture. Globalization from below will not depend on either the training of new MBAs in Ahmedabad or Ahmedabad's 'traditional' entrepreneurial culture, which once established an indigenously owned textile industry under British colonial rule, but on a fruitful *blending* of the two. It depends on accessing new expertise about doing global business and on integrating that knowledge into the particular Ahmedabadi context while preserving its unique characteristics (and sources for competitiveness). This is the balance between isomorphism and variety that Robertson and Khondker describe. The exact nature of this balancing and blending will be further discussed below, but its general absence in the literature on economic globalization provides a niche for the approach developed here. Discussed next are the 'glimpses' of discussion about globalization from below that can be found in the literature.

4. Glimpses and Ingredients of an Alternative Bottom–Up Perspective on Globalization

Doing research on globalization from below in a provincial city offers a decidedly different perspective from the view from the top in a global city. What may look like pheripheralization from a top–down perspective—not being articulated into the global production chain—may be seen as an alternative strategy to venture out into the global from a bottom–up perspective. Also, what may look like provincialization from a top–down perspective—not operating according to the 'professional' MBA business code and not utilizing the same 'sophisticated' services infrastructure as in global cities—may represent an alternative, local business code and alternative services requirements from a bottom–up perspective. Whereas service requirements in global cities may be related to the complexity of reaching out to the local, requirements in the provincial city may be related to the complexity of venturing into or facing competition from the global. Whereas the global may be confronted with a lack of local, non–formalized 'insider' information and may face problems localizing, the local may be confronted with an abundance of qualitatively very diverse public information about the global—but still face a lack of truly 'inside' information—and may face problems globalizing. The local form of globalization is as particular as the global form described above, but globalization from below is not the reverse of globalization from above. However, this distinction, and with it an alternative bottom–up perspective, is missing in the literature.

In 'Locating Cities on Global Circuits' Sassen (2002b) discusses the articulation of the 'global South' with the global grid. But while she moves beyond the first–tier global cities of New York, London and Tokyo to second–tier cities in the global hierarchy like Mexico City, Sao Paulo and Shanghai, the perspective remains rather top–down: her descriptions of these cities focus on how they serve as 'relay cities' by providing a suitable environment for the location of regional headquarters of MNCs.[11] Less top–down than the articulation of the global south is what Sassen (2002c) refers to as the 'counter–geographies' of globalization. The central notion, important also to my transactional approach, is that the institutional infrastructure that generates a geography of globalization (e.g., financial flows or manufacturing networks) also generates global 'counter–flows'. Thus, for instance, FDI not only localizes employment in a cheap labor reserve, but also adds to the global mobility of the same labor reserve through the interconnections that develop over time between the capital exporting country and the labor reserve. In other words, global–local interaction creates a 'global space' through which local–global mobility can take place. The strength of the concept is that it allows for upward local–global movement through the chain unchecked or uncontrolled by the global 'host' at the top, but its weakness is its dependent perspective on globalization from below. Globalization from below is more than an, often illegal, counter–movement in the 'slipstream' of the global form of globalization. Also, globalization from below is not dependent on the global landing locally before the local can take off into the global.

Other glimpses of globalization from below can be found in rather general references, not backed by any empirical description, to SMEs venturing out onto the world market. Dicken's work on 'webs of enterprise' acknowledges that the global economy is made up out of local clusters, which are embedded in corporate supply networks, but questions with regard to how this geography has developed and how local clusters get access to larger production networks remain unanswered.[12]

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[11] Parnreiter (2002), for instance, very clearly describes the transformation of Mexico City from the industrial engine of an import substitution economy to a services center for global production chains reaching out into the Mexican hinterland. As a consequence, "companies dominated by international capital are much more likely to locate in Mexico City than are Mexican–owned private firms" (Parnreiter 2002:158). Having described the making of global Mexico City, Parnreiter concludes that "although the Federal District (HB: in which Mexico City is located) specializes in the organizing, controlling, and servicing foreign trade . . . , we know little about other cities involved in commodity chains that connect Mexico to the world market" (2002:173). See also other contributions to Sassen (2002a).

[12] See Dicken (1998:238–40). Instead Dicken merely reiterates a conclusion reached by Hymer (and one that already points toward the more refined conclusion reached by Sassen in 1991: "The [trans]national corporation tends to create a world in its own image by creating a division of labour between countries

Held *et al.*'s (1999) work on 'corporate power and global production networks' offers a little more detail about the role played by SMEs in the global market place. They refer to the 'global commodity chain approach', which describes how SMEs 'fit' in producer–driven commodity chains (MNCs coordinating production through subcontracting the production of components to SMEs: e.g., the automobile industry) or buyer–driven commodity chains (SMEs producing finished goods according to the design of brand–named retailers: e.g., Nike or Benetton) (Held *et al*. 1999:256, see also Gereffi & Kaplinsky 2001, Gereffi & Korzeniewicz 1994). Held *et al*. also state:

> While those SMEs locked into global production networks have no direct control over them, new modes of communication have encouraged *cross–border networking between SMEs themselves* through the establishment of cooperative ventures in several sectors and the creation of market niches (my emphasis). (Held *et al.* 1999:257, referring to Castells 1996, O'Doherty 1995)

In contrast to sources described so far, Held *et al*. describe an independent local–global venturing out into the global market place (instead of a dependent global–local incorporation). Unfortunately, no other empirical descriptions can be found, not even in, for instance, Castells' (1996) 50–page long chapter on the 'network enterprise'.

The global commodity chains approach provides another clue in the form of a critique on understanding the global commodity chain as a simple "cumulative chronology in which production is analyzed as a succession of input and output" (Rabach & Kim: 1994:124). Instead, Rabach and Kim draw attention to the 'missing link' *integrating* and *coordinating* the increasingly fragmentized and globalized production sequence: services. It is an argument that *appears* similar to that of Sassen. Services create control over the production by managing: (1) what is produced (design, research and development); (2) how it is produced (choice of technology, organization of production); (3) spatial coordination (transportation, telecommunication); (4) facilitating services (finance, accounting, legal advise insurance); and (5) marketing (Rabach & Kim 1994:129). Whereas Sassen concentrates these services in the global city however, Rabach and Kim locate *control* in the core, in the form of 'systemic core niches', and let *services* permeate the chain.[13] Also, control is less absolute, because services not only extend control,

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that corresponds to the division of labour between various levels of the corporate hierarchy. It will tend to centralize high–level decision–making occupations in a few key cities (surrounded by regional sub–capitals) in the advanced countries, thereby confining the rest of the world to lower levels of activity and income" (Hymer 1972:59).

[13] "Systemic core niches are highly capital– and technology intensive, and thus not open to broad competition. The products made by these niches are often defining of an industry" (Rabach & Kim 1994:132).

they also, for instance, work to standardize first–mover technology and thereby make it accessible to suppliers and competitors (Rabach & Kim 1994:136). Taken together this makes their 'grand scheme' of how global production is organized much more 'open', allowing the local to employ services independently to access bottom–up a 'higher' production stage. Indeed, services together with the new communication modes referred to above, which provide access to information, the 'raw material' for services, will prove to be two of the three ingredients of globalization from below.

Knorringa (1996; 1999) offers the third ingredient for understanding globalization from below in his detailed, empirical study of the Agra shoe cluster. He describes the Agra market as a continuum with traditional craft production in an auction or spot market environment at the one end and the most professionalized production by newcomers in a network environment at the other. Interestingly enough, these professional outsiders do most of the direct exporting. At the networked end of the continuum, services are at work, albeit in this particular case not as an independent entity. Strategic information on shoe design is 'transferred' on a regular basis from Europe to Agra, 'embodied' by sales representatives visiting their suppliers. Knorringa describes how more professional entrepreneurs meet with these sales agents on a more equal footing, which allows them to develop a more collaborative relationship, build up more confidence in each other, and thus are able to cope better with the continuous design change (1996:115). In other words, both parties *share* a *technical system* for dealing with change along with a more *personal attitude*, an approach to business, a language. Whereas the technical compatibility in the interaction is assured by services, the personal compatibility is assured by a common style: professionalism.

In the remaining sections of this chapter, the ingredients for understanding globalization from below will be molded into a transactional approach, in four steps: (1) *globalization* will be conceptualized not as the one–way extension of a single system, but as a two–way process of reflexivity and learning; (2) *local–global interaction* will be conceptualized as an act of brokerage at the local–global interface, between global standards and local context; (3) the *local–global interface* itself will be conceptualized as a multi–layered knowledge geography, indicating more precisely where different forms of brokerage are required; and (4) *brokers* are identified. First, however, in the following case, the localization of a global company is juxtaposed with the globalization strategy of a local Ahmedabadi institution. This will shed further light what constitutes globalization from below and how professional business services can play a brokerage role in it.

5. The Dabhol Power Company and the Honey Bee Network: The Localization of the Global and the Globalization of the Local

When the Indian economy was opened up in 1991, FDI was welcomed in the field of electricity generation. Enron, the US power giant that was to collapse in 2002, was one of the first to show interest and erected the Dabhol Power Company ('Dabhol' in short) in 1993. The project ran into trouble from the start. First, there were accusations of bribes being paid to the outgoing Congress–led Maharastra state government. In reaction, the new *Shiv Sena* and BJP–led government threatened to stop the project. Negotiations followed, the deal was redrawn, and the project continued. Then, in 2000, a more serious problem arose when the Maharastra State Electricity Board wanted to cut back buying Dabhol's expensive electricity, the price of which had risen well above the fixed (not liberalized) price the Board could charge its clients. In response, The Dabhol Power Company reminded the Board that it had a 'take or pay' purchase guarantee for 90% of Dabhol's capacity. Hence, the purchase of electricity continued, but toward the end of 2000 the Board could no longer pay Dabhol's bills. Then, the Dabhol Power Corporation invoked another guarantee—this time for payment—and bills were settled, at least partially, by the Maharastra state government. The situation remained the same, however, and the problem arose again, now for the remaining sum. When the Maharastra state government refused another bail out, the Dabhol Power Corporation again invoked a guarantee: a counter–guarantee from India's Central Government. Enron did receive its dues but realized that things would not improve in the future and in April 2001 Enron announced that it wanted to sell Dabhol.[14]

This is an anecdote about 'standard' economic globalization: an MNC from a Western country, moves into a liberalizing, developing country, lured by tax benefits in export processing zones, cheap labor or a new consumer market. This is the 'global shift' as described in detail by Dicken (1998) and that is managed from within Sassen's (1991) global city. It is a form of globalization that can run into serious trouble when needing to localize in a different business environment, where contracts may be more difficult to enforce, where intellectual property rights may be more difficult to protect, and where Government guarantees may guarantee less than expected (even if you have three of them). Enron was not the only MNC having trouble adapting to India: in the aftermath of Enron more MNCs began leaving India, either disappointed in the purchasing power of India's urban

[14] See, e.g., 'A Disastrous Deal', *Frontline (Chennai*), February 17, 2002; 'Power Struggles, *Frontline (Chennai*), April 28, 2001; 'The Dabhol Mess', *Frontline (Chennai)*, May 12, 2001. See also Roy (2001) for a very critical exposé of Enron's 'power play'.

middle class or frustrated by the difficulties of getting production organized and patents protected.[15]

The Honey Bee Network represents an alternative way to conceive globalization. Here the head office consists of few rooms in the IIM–A; its staff consists mainly of volunteers, students from the IIM–A, inspired by their professor Anil K. Gupta, the visionary behind this NGO. Nevertheless, from its humble, 'local', Gandhian roots, its aspirations are global. Set up in 1989, the aim of the Honey Bee Network was to build a horizontal knowledge network, to 'cross–pollinate creativity' and exchange ideas in order to "build upon a resource in which poor people are often rich: their own knowledge" (Gupta 1997:36, see also Gupta *et al*. 1995). Originally, the 'Honey Bee' was a publication through which local innovations, 'harvested' by students in the 'field', would be disseminated. In this way, solutions thought out in rural Gujarat or any other locality might help improve conditions in any other part of India, Africa or wherever the solution might be applicable: for instance a Mongolian cure for vitamin E deficiency in horses that, through Honey Bee, came to the attention of native Canadian tribes facing a similar problem (Slater 2000). At the time of writing the Honey Bee Network was developing a web–based database with a multilingual, pictorial user–interface, which will be, in principle, even accessible for those who are illiterate.[16] As professor Gupta explained his vision to me, one of the ultimate goals would be to have user–friendly touch–screen Internet boots in villages to make such a globally composed database of local innovations locally accessible word–wide.

For innovations requiring bigger investments, the Honey Bee Network produced an offshoot in 1997: the Gujarat Innovation Augmentation Network (GIAN).[17] Again operating from a modest apartment, its young CEO, a 'technical MBA', explained to me that GIAN's aim was to develop innovations to make them commercially viable, to be a 'clearing house for innovations' resembling the functioning of an 'incubator'. On behalf of the innovator, who may lack contacts and skills, GIAN first applies for loans with the bank and approaches professional engineers or consultants to solve technical 'teething problems' with the original design.[18] When the innovation becomes a commercially interesting product, GIAN

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[15] See, e.g., 'A Second Quit India Movement by Multinationals?', *TOI (Ahmedabad)*, November 4, 2001; 'The FDI Departure Lounge's Humming', *ET (Ahmedabad)*, November 20, 2001.

[16] SRISTI, meaning 'creativity' in Sanskrit, stands for Society for Research and Initiatives for Sustainable Technologies and Institutions. It was founded in 1993 as a more formal structure to back the Honey Bee Network (see www.sristi.org for further details).

[17] 'GIAN' means knowledge in Sanskrit. In 1999, the Honey Bee Network produced a final offshoot for stimulating innovativeness: the National Innovation Foundation. See Prasad (2001) for further details.

[18] GIAN has a number of Gujarat state–level secretaries as members of its governing board, which allow them to mobilize capital and provides them with the power to twist arms to encourage risk averse banks to be more lenient.

files for patent rights and, if the innovator himself does not want to start production, invites entrepreneurs to purchase a license. Again the aim is global, to bring together the 'golden triangle of creativity': (1) innovations (for the moment 'harvested' only in India); (2) entrepreneurship (from wherever an entrepreneur wishes to purchase a license, knowing local demand); and (3) capital (from wherever capital is abundant). GIAN's light three–wheeler tractor, for example, may be of no interest to large–scale, 'developed' agriculture, but could be highly economical on India's small plots, as well as in other densely populated regions of the world where farmers might require a smaller, cheaper tractor than the standard ones produced by, for instance, American companies. Accordingly, products incubated by GIAN have, for instance, been sent to Africa as part of Indian trade exhibitions to open up new markets.

At first sight, it may seem odd and perhaps even inappropriate to compare a large MNC like Enron with a volunteer project like Honey Bee. Perhaps this is because economic globalization is always considered the exclusive domain of big companies. However, compared to the global form of globalization, the local form of globalization takes a distinctly different shape, though not necessarily the specific 'alternative' form of the Honey Bee Network. Nevertheless, this small project possesses all the necessary features to facilitate globalization from below.

Whereas Honey Bee's horizontal knowledge and information exchange network and GIAN's golden triangle of innovation, entrepreneurship, and capital are fascinating concepts, what makes this initiative global in reach are not the ideas *per se,* but the larger institutional infrastructure in which the initiative 'embeds' local innovations. This embedding can be understood as a 'mold' that transforms a local innovative idea into a globally accessible innovation. Thus, one can perceive the Honey Bee initiative as a 'golden triangle' in itself, combining grassroots innovations that have 'unique, *local* selling points' with the global horizon, by taking advantage of the ICT revolution and academic vision, and with particular *services* to bridge the gap between local innovation and the global horizon. Here the three ingredients identified in the previous section return: information (global academic exposure); professionalism (GIAN's technical MBA); services (financing, patenting, re–engineering).

Only by letting formal–professional expertise mold grassroots–local knowledge is the local able to access a global medium of exchange (e.g., the Word Wide Web), comply with international legal requirements (e.g., patent law) to be able to sell licenses globally (which, in turn, makes an innovation more commercially attractive and can attract global capital), be technically compatible and able to comply with international quality standards, and, finally, be competitive and commercially viable. It is also this molding that is the most difficult aspect of the project. Whereas *exchange* of ideas is relatively easy through different media, a *transformation* from local into global requires more patience. As the technical consultant who had re–designed the three–wheeler tractor confessed, he had been charmed by the design but, since it was built up from old spare parts picked up everywhere, it was impossible to put it into production. The supply of parts was not guaranteed. It took him quite a few hours to re–design it.[19]

The Honey Bee initiative consists of a chain of institutions that were erected to provide these services. Through these institutions and services, Honey Bee has bridged the gap between local and global, but also between grassroots and professional. Put differently, it is only because the gap between local knowledge and professional knowledge could be bridged, that the gap between local and global could be bridged. This makes the participants in the Honey Bee true brokers at the local–global interface.

The Honey Bee initiative should also be recognized for the *newness* of all the institutions involved. The fact that a whole new initiative was needed implies that globalization from below and its brokers will less easily identifiable in Ahmedabad beyond this initiative. Nevertheless, this case is enough to illustrate the more abstract reasoning outlined here.

6. Allowing for Globalization from Below: From One–Way Global – Local Subjugation to Two–Way Reflexivity and Learning

Having described a case of globalization from below, now the task arises to conceptualize this approach, which means returning to where this chapter started, to the relation between the local and the global. To allow globalization from below to take place, globalization must be a two–way process: while chains reach down from the global city into the local, local networks like Honey Bee will also reach up into the global.

Held *et al*. distinguish three positions in the globalization debate: (1) the 'hyper–globalist', embracing or fearing a new 'borderless' capitalist world order; (2) the historically oriented 'scepticist', doubting the existence of such a new world order; (3) and the 'transformationalist' (1999:3–10). Only the transformationalist perspective allows for a conceptualization of globalization as a two–way process. Going beyond the narrow, economic perspective of the other two positions, it sees globalization as a process of unprecedented interwovenness and interdependence among all domains of society:

> At the heart of the transformationalist thesis is a conviction that . . . globalization is a central driving force behind rapid social, political and economic changes that are reshaping

[19] For this reason GIAN has so far been able to commercialize only a limited number of innovations. In addition to the three–wheeled tractor, for instance, there is a cotton stripper for removing kernels out of raw cotton, which is adjusted to the particular, drought resistant variety of cotton grown in Gujarat and

> modern societies and world order. . . . Complex global systems, from the financial to the ecological, connect the fate of communities in one locale to the fate of communities in distant regions of the world. Global infrastructures of communication and transportation support new forms of economic and social organization, which transcends national boundaries without any consequent diminution of efficiency or control. Sites of power and the subjects of power may be literally, as well as metaphorically, oceans apart. (Held *et al.* 1999:7–8)

Instead of focusing on market forces, it is *interconnectedness* per se that makes globalization a force of *societal transformation*. Held *et al*. consider Sassen (1991) an important representative of the transformationalist thesis, because she describes how the uneven relation between the core and periphery is increasingly being reproduced in the core through a process of polarization between 'high' and 'low' service jobs.[20] In my opinion, however, Sassen still confines herself too much to a particular form of globalization and lacks a perspective on broader global interwovenness *beyond* the economic domain. Other authors, with a broader sociological perspective on globalization, are better able to explain the dynamics by which globalization becomes a 'central driving force' behind societal change and are, therefore, better able to provide basic theoretical support for the transactional approach advocated here. Sassen's spatial terminology is useful for *mapping* globalization, but a more institutional approach, of standards and systems, is needed for understanding the 'transformationalist' working of it.

As a first step, there is what Harvey (1989) has labeled 'time–space compression': as time is reorganized and the time taken to do things is reduced, the constraints of space are reduced and, consequently, the experiential distance between points in space becomes less. This allows for a 'stretching' of social relations, which Giddens (1990) represents through the twin concepts of 'distanciation' and 'disembedding': distanciation refers to "the conditions under which time and space are organized so as to connect presence and absence", while disembedding concerns the ways in which social relations are lifted out of their local contexts and restructured "across indefinite spans of time–space" (Giddens 1990:14, 21). Giddens also identifies 'symbolic tokens' and 'expert systems' as two mechanisms for disembedding (1990:22). Indeed, one can perceive the standards that Honey Bee's grassroots innovations have to comply with as symbolic tokens, making the quality of the product more generally recognizable, and the services provided to meet these standards as expert systems. Both work to dis–embed innovation from the local context and lift it up to a more universal, global level.

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parts of Africa (cotton machinery is normally designed for a different hybrid, that is less of a drought–resistant variety) and a tilting bullock cart (see www.gian.org for more innovations).

[20] Together with Castells (1996) and Rosenau & Czempiel (1992); where Sassen focuses on financial markets and services, Castells focuses on technology and information, and Rosenau and Czempiel on new forms of governance.

Standards and services are the disembedding concepts for globalization from below.

There is a debate between Giddens (1990) and Robertson and Khondker (1998) with regard to the relation between modernization and globalization. In Giddens' theory of modernity, the stretching of social relations triggers 'reflexivity'. Dependence on less near, less known, more distant expert systems and 'guaranteed' symbolic tokens (Giddens gives the example of money) requires a constant reassessment of practices on the basis of new information to build up trust and monitor risk. Hence Giddens' reflexivity is oriented toward the institutions of modernity that shape a larger, less known life–world: capitalism, industrialism, a bureaucratic control over society, and a centralized government with a monopoly on violence (Giddens 1990:29–38). Consequently, if the combination of time–space compression, distanciation, disembedding and reflexivity allow for the development of complex relations across distance, globalization could be understood as the direct consequence of modernity and as the extension of the institutions of modernity.

Robertson and Khondker criticize Giddens for reducing globalization to a process of modernization and, consequently, Westernization.[21] Rather than considering globalization as the consequence of a process of modernization that has developed within the institutional framework of the nation–state, Robertson and Khondker see the nation–state as the outcome of local reflections on global differences: nations are formed in the face of external interaction and competition (1998:30). Globalization thus predates modernity. Reflexivity is as central to Robertson and Khondker's global life as it is to Giddens' modern life, not in regard to the position of the self within the system, but in regard to the position of the local within the global. Robertson envisions globalization as "a two–fold process involving the interpenetration of universalization of particularism and the particularization of universalism", leading to the 'globality' of locality (1992:100). Later he goes as far as to practically merge the global with the local into a process he labels 'glocalization' (Robertson 1995). Globality and glocalization result in what Albrow has labeled 'globalism', the 'tuning' of local values and behavior to copy or defy imagined or real conditions across the globe (1997:44). Appadurai, finally, gives this globalism its most anthropological form by discerning disjunctures between different global flows, 'scapes', and locality, in which locality comes to signify not a geographical area, but a social construction, built around the individual's social ability to 'navigate' these scapes.[22]

The position taken here is that globalization should be understood both as a process of time–space compression, creating room for globalism, for local–global

[21] Giddens himself disclaims any intention to imply such a reduction (1998:31, see Tomlinson 1991).

reflexivity and learning, but also as a process in which a newly expanded, more global space is 'filled' with new institutions. On the one hand, globalization can be defined as a process of increasing interaction between different geographical spaces (global, national, local), because different societal domains and processes (political, financial–economical, social–cultural, environmental, criminal) increasingly transcend particular spaces, as a result of which globalization is also a process of reflexivity and learning from societal differences among different locales, in which local distinction is both blurred and bolstered in a dialectical process of adoption and rejection. On the other hand, new global spaces or scapes, for instance the global market place, will require new institutions for ordering and governance.

Allowing for globalization from below depends less upon the local ability to access the global: globalization is a transformationalist presence pervading all societal domains. Therefore, reflexivity and learning is not confined to the global cities and the grid of strategic places attached to it. Other, 'provincial' places will also experience time–space compression, increasing interaction with other more or less globalized localities and will have opportunity to do so. Globalization from below depends much more upon the local ability to meet the standards of the global. While this ability is certainly not confined to a few global cities, it is also not something that is available 'just' everywhere.

7. Producing Globalization from Below: Brokerage between Global Standardization and Local Contextuality

Having moved from viewing globalization as a process of one–way subjugation to a two–way process of reflexivity and learning, the next step is to understand how this two–way process is organized and how globalization from below is being produced. Sassen's global production chain confines globalization to a spatially confined 'vertical' process in which particular standards and institutions are extended from one system into the other, creating a 'colonial' type of inequality. In Robertson's 'the glocal', the process of globalization is 'everywhere', the global is merged with the local and within this 'one place' there is horizontal, egalitarian diffusion.

Spatially, globalization from below is not confined to particular chains and is thus more in line with Robertson's the glocal. Global interwovenness means that all but the most isolated corners of this world are connected to other parts of the world. See, for instance, how the Honey Bee Network connects rural India with horsemen in Mongolia and an Indian tribe in Canada. Whereas global connectivity may not be a problem, however, global compatibility is a different story.

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[22] Appadurai discerns an ethnoscape (flow of people), mediascape (information), technoscape

Institutionally, globalization from below is less in line with Robertson's perspective and more so with Sassen's. Instead of Robertson's egalitarian exchange, globalization from below requires that the institutions of the local are adapted to the standards set by the global to be economically competitive and technically compatible. Therefore, global inclusion from below, like Sassen's global control from the top, needs to be *produced*, and indeed *can* be produced, *actively*, although this is not recognized by static core–periphery models.

The *activity* that is required for producing local–global inclusion is different from either Sassen's model of the *extension* of management control through the global production chain or Robertson's universal–particular *diffusion* model. The activity is *brokerage*. Whereas *diffusion* occurs within a given system, brokerage is about bridging a gap between two different systems.[23] Whereas *extension* is related to formalized, professional expertise 'driving out' non–formalized, local knowledge and thereby extending one system at the expense of the other, brokerage is about mediation and translation (Jamous & Peloille 1970). Professional knowledge is an important resource for globalization from below, but this resource needs to be adapted and re–embedded rather than extended 'blindly'. Long (1989) developed the 'interface' as a methodological concept for helping to understand differential outcomes of developmental interventions in rural settings, resulting from negotiation, maneuvering and resistance between the *extension* officer and the farmer, both of whom have their own resources and knowledge systems.[24] One could understand the encounter between a professional management consultant and a local entrepreneur with his particular trading background, as is the case in Ahmedabad, in the same manner.[25]

(technology), finanscape (financial capital), and ideoscape (images) (1996:30–38, 178–80; 2000:5–6).

[23] For understanding the difference between diffusion and brokerage, McAdam *et al.* are helpful: "Diffusion involves the transfer of information along established lines of interaction while brokerage entails the linking of two or more currently unconnected sites. . . . The diffusion pathway will not easily transcend the typically segmented lines of interaction that characterize social life. Brokerage by definition brings together different actors with frames and forms of action that cross these segmented lines. . . . Diffusion requires a much lower investment of time, entrepreneurship and frame translation than brokerage. It follows that brokerage, though much less common than diffusion, is likely to be far more consequential" (2001:333–35, see also Rogers 1995).

[24] Long defines an interface as "a critical point of interaction or linkage between different social systems, fields or levels or social order where structural discontinuities, based upon differences of normative value and social interest, are most likely to be found. . . . Interface analysis, then, is essentially a methodological devise for studying linkage structures and processes and should not therefore be confined to study the minutiae of social interaction, but should situate these within the broader institutional frameworks and power fields" (1989:2).

[25] Of course, encounters between 'the local' and 'the global' do not necessarily take place at a single interface. Interaction between the local and the global goes through a series of interfaces, each, however, essentially comprising an encounter between two different systems requiring brokerage. Direct interaction between a global city and a rural hinterland is less likely then via the national metropolis and/or a provincial city like Ahmedabad. With each step, though, some familiarity is lost and some more translation and adaptation is required.

Globalization from below is produced through an act of brokerage at the local–global interface. This brokerage is not only a bridging between two systems, but also a balancing between global standardization and local contextuality. Economic globalization can be described as a process of 'global market formation' that shares many similarities with a process of (welfare) state formation as described by De Swaan (1988:52–66). He describes this process as the creation of a new social figuration, a new network layer built upon a *standardized* language and formalized, universalized *professional knowledge*.[26] It is through and within this new, more formalized layer that the process of state formation takes place, because what it creates is a new, larger, standardized space, mainly to the benefit of the state bureaucracy and business. One can also find the same ingredients, standardization and professional knowledge, in another process of upscaling: global market formation.[27] Degnbol–Martinussen considers this even as THE distinguishing feature of economic globalization: its institutionalization in transnational bodies like the WTO and its (technical) standardization through, for instance, the ISO (2001:211, see also the Introduction). Garcia consequently considers globalization as a process that, on the one hand, *reduces* transaction costs through processes of institutionalization, regulation and standardization, and, on the other, also *increases* transaction costs through a loss of embeddedness (2002:61). Here the need for brokerage rises, *upwardly*, to adapt to these new standards and institutions, and *downwardly*, to become re–embedded again: the globalization of the local and the localization of the global.

The issue of *standardization* has been elaborated by De Swaan in 'Words of the World', wherein he describes the development of 'the global language system' in which English has become a 'supercentral language', the universal standard for communication, thereby creating a new, enlarged space for interaction (2001:5). This is an understanding of globalization as ordering global diversity around *one particular standard*, one hyper–collective or hyper–common good, rather than the global and the local dissolving into Robertson's (1995) *one place*.[28]

With regard to *professional knowledge*, Waters distinguishes a global 'organizational ecumenism', which is a collection of expert concepts for the management of enterprises that has gained world–wide adherence.[29] Here the

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[26] Education is the new institution for spreading new knowledge in a new space (the classroom) beyond traditional transfers of knowledge like, for instance, in the form of an apprenticeship for learning a craft.
[27] Note how standards and professional knowledge correspond with Giddens' (1990) mechanisms for disembedding: symbolic tokens and expert systems.
[28] Hyper–collective and hyper–common goods are goods of which the value increases rather than decreases with usage. The difference between hyper–common goods like standards and networks and hyper–collective goods like languages is that while from the latter exclusion is not possible (everybody can learn a language), from the former exclusion is possible, though perhaps not desirable.
[29] Such as strategic management, just–in–time management, total quality management, *etcetera* (1995:80–85, see also the Introduction).

explanation is not based on the hyper–commonality or hyper–collectivity of service goods, but on the search for *best practices*. In the process of global market formation, different business practices need to face a *single* standard of competitiveness (whereby competitive advantage can, of course, lie in many different factors). The fact that the market is a single platform on which competing products come together under a *single* standard of competitiveness results in organizational–institutional convergence, because everybody facing the same competitive pressure is looking for the *single* best practice to manage with this pressure.

Global–local integration brings inequality—that was the lesson already learned from world systems theory, dependency models, and also Sassen's global city theory. Bourdieu labels this inequality, embedded in 'universal' values and standards and is thus also in a process of global standardization, as the 'imperialism of the universal' (1998:19). Integration, however, also brings opportunities and social and spatial mobility, provided one is able to meet these standards and able to utilize the knowledge available for this purpose to one's advantage. This makes the production of globalization from below an act of brokerage between professional expertise and local knowledge, whereby room for maneuvering is defined by the *room* provided by reflexivity and learning and the *containment* of having to comply with certain standards and being relatively dependent on particular professional business practices to meet them. To produce globalization from below, it is, therefore, required to reach out beyond the boundaries of the local into the global; to identify standards one has to meet for global compatibility and competitiveness; to identify global expert knowledge helpful for meeting these standards; to implement and where necessary translate this knowledge into the local; and, thus, to produce the local capability for globalization from below. GIAN, the incubator of the Honey Bee Network was set up to act as a broker between local creativity, tradition, or simply knowledge and professional expertise to meet particular global standards.

Castells' (1996) vision of a 'network society', rather than Sassen's (1991) or Robertson's (1992; 1995) framework, offers the theoretical 'space' for the brokerage perspective of globalization from below that has been developed here. In the network society, Castells distinguishes the 'space of flows' from the 'space of places'. The space of flows is defined as the "material organization of time–sharing social practices that work through flows" (Castells 1996:412). It can be understood as that part of the network society that most pervasively embodies its three distinguishing features—global, informational and networked—and wherein social practices, in their form, function and meaning are most attuned to the overarching structure of the network.[30] The most important flows that 'run' through this space are capital, information, technology, organizational interaction, images, sounds and symbols (Castells 1996:410–12). Castells describes the standardization of social practices to make them globally compatible and form a new, globally overarching social configuration: 'the global'. The space of spaces is that part of the network society that is not (yet) connected to, or resists to be connected with, the space of flows and is defined as "locale[s] whose form, function and meaning are self–contained within the boundaries of physical contiguity" (Castells 1996:423). This is 'virgin' locality, untouched by the standardizing influence of the space of flows, where disembedding mechanisms are not yet at work.

In the relation between the global and the local, between the space of flows and the space of places, Castells sees the former as dominant and the latter not as simply dependent, but as providing a balance similar to that between global standardization and local brokerage, reflexivity and learning. Castells sees two alternatives to the dominant space of flows and the interests embedded in it: the exit option or fighting the system from within (1997:6, 354–62). The exit option implies the retreat into the space of places, into 'communal heavens', disconnected from the network and its logic. Fighting the system from within implies adapting to the organizational logic of the network, but resisting the values embedded in the network and building 'resistance' identities around alternative cultural codes as a result of increased awareness and self–reflection, made possible through the information available on the network, in the space of flows.[31] It is this latter alternative 'electronic grassroots' form of globalization that is of critical importance to this project, because it provides the theoretical space for globalization from below. The Honey Bee Network, with its ideology of supporting local creativity *vis à vis* solutions offered by MNCs, is an example of such grassroots globalization.

8. The Three Layers of the Local–Global Interface: A New 'Knowledge Geography' for Achieving 'Globaliteracy'

Acknowledging the need for a transactional perspective like the one developed here, Appadurai states that globalization from below will depend on the local ability to 'navigate' the global, the space of flows (2000:5–7). This ability determines whether globalization is experienced as a disruptive force of disjunctural flows or as a 'new knowledge geography'. The ability to access and navigate the space of flows depends on the ability to access the three layers that make up this space: the infrastructure carrying the space of flows, the content

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[30] The familiar examples of these most globalized, informationalized and networked social systems are financial markets, transnational production networks, and media systems (Castells 2000:14).

[31] Castells considers the globally networked cacophony of single–issue environmental movements, based on particular project identities as being closest to a new electronic grassroots democracy.

flowing through it, and the professional elites encoding and directing these flows from above and decoding them from below (Castells 1996:412–16). These three layers of the local–global interface can be seen the make–up of Honey Bee Network: global connectivity and exposure, professional knowledge, local expertise. Together they build up a 'globaliteracy', the ability to produce globalization from below.

Appadurai's knowledge geography first of all depends on physical incorporation, of being connected with or at least having exposure to the space of flows. Here, there is a debate to what extent ICTs contribute to a process of centralization or decentralization. On the one hand there is the notion that the availability of a (sophisticated) ICT infrastructure is a *reflection* rather than a *facilitator* of intense social networking (Graham 2002:75–76, Meyer 2002:251–52). This may be true with regard to the 'backbone', the most expensive, sophisticated part of a network. Equally true, however, is the relative 'openness' of current ICT–based technologies when compared to earlier 'revolutions' like the telegraph and the railway, which were more 'closed', that is, more 'point–to–point' and more restricted in functioning to perform a single, predetermined task (Garcia 2002:400). Similarly, Sassen correctly argues that one should not underestimate the attempts made to control, privatize, and commercialize the most open of all networks, the Internet (1998:185–86). Nevertheless, in Ahmedabad, media connectivity as such is not a problem, as it is organized by small local companies that provide Internet dial–up connections and cable TV, complete with illegal screenings of the latest Bollywood blockbusters and C–grade movies that are less strictly censored than the official copies, and CNN/BBC World. It may not be sophisticated, but for developing a global horizon, this will do.

Two qualifying remarks need to be made. It is no coincidence that the term 'global village', with all its neighborly notions, comes from media studies (McLuhan & Powers 1989). The media and information scape, powered by the ICT revolution, is likely to be the most developed global space. Compatibility in another global space, the global market place for example, will be more problematic. The second qualifying remark relates to this. To be connected only covers half of the meaning of 'access'—the receiving end of global–local inclusion. Globalization from below, however, also requires reflexivity and learning from media penetration, adapting to the standards embedded in the space of flows, and being able to make use of the space of flows from below, to *inter–act*. The ability to broker this 'other half of access' depends on the second and third layer that make up the local–global interface.

The second layer of the local–global interface consists of the content flowing through it. Here the balance between inclusion and exclusion depends on the nature of the content, with an important distinction between *knowledge* and *information*. Porat defines information as "data that have been organized and communicated" (1977:2). Castells describes how the public availability of this organized and communicable data has dramatically increased with the rise of mass media, with the Internet being the most suitable medium for the storage of publicly accessible information databases and the interactive exchange of information (1996:336–40, 355–64). Within the field of 'information' Stoffaes (1981) makes an important distinction between information that is cheap and easily available—'raw material' like newspapers, encyclopedias, databases—and information that is 'refined', expensive, and difficult to obtain. This is a distinction between quantity and quality: a surplus of unstructured information can be worse than the absence of information, while valuable information matches a specific requirement. Consequently, Delaunay & Gadrey (1992) make a further distinction between information and the services that produce, order, and analyze it. This sort of knowledge is, in a sense, the opposite of information: while information is easy to communicate and decontextualize, knowledge is much more 'sticky'. Bell defines knowledge as "a set of organized statements of facts or ideas, presenting a reasoned judgment or an experimental result, which is transmitted to others through some communication medium in systematic form" (1973:175). More importantly, Chataway and Wield distinguish between knowledge that is more formalized and externalized, and knowledge that is more internalized, contextualized, and 'tacit', concluding that "knowledge is complex and contextual, not easily transferred, and not straightforwardly globalized" (2000:809–10). Knowledge is, therefore, in essence *local*. This implies that, while the flow of information and more formalized knowledge will offer scope for reflexivity and learning, the ability to do so will depend on the local availability of global knowledge to understand, dissect and process—in short to *broker*—this 'wall' of information and achieve globaliteracy. For the local availability of global knowledge, the third layer contributing to the local–global interface is important.

The third layer of the local–global interface consists of social elite networks, whereby the balance between global inclusion and exclusion is determined by the local availability and accessibility of these elite networks. In line with Sassen (1991), Castells discerns a global technocratic–financial–managerial elite, who encodes the space of flows:

> Networks may communicate, if they are compatible in their goals. But for this they need actors who possess compatible access codes to operate the switches. They are the switchers or power–holders in our society.[32] (Castells 2000:16)

[32] He continues by giving the following examples: "as in the connection between media and politics, financial markets and technology, science and the military, and drug traffic and global finance through money laundering".

Opposite this *encoding* elite, between the space of flows and the space of places, one can position a *deciphering* elite, without the possibility to control the design and program of the network, but perhaps with the power to restrain the localizing of the space of flows (e.g., restricting movements of capital, goods and people) or to monopolize access to the space of flows. Such restraints and monopolies can be based on the authority of the state (e.g., China with its state control over Internet access), but beyond the state, there can also be locally available experts, who are able to understand the institutions and standards governing the space of flows, to integrate its information flow into their knowledge framework and to decode this expert knowledge so that it can be related to local knowledge. It is this 'knowledge capturing', building up of globaliteracy, that is the key to producing globalization from below (see Chataway and Wield 2000:805).

Chataway and Wield (2000) identify local consultants as suitable actors for this local–global knowledge brokerage process, but do not explain why. The next section will describe how consultants and professional business services, in general, 'fit' into the literature on brokerage, focusing on their strong and weak points in acting out the complexity of the brokerage role at the local–global interface in Ahmedabad.

9. Professional Business Services: Binding Institutions or Professional Islands?

Service industries have increasingly become a subject of discussion since the second half of the 1960s, when the increasing share of the 'tertiary' sector in the economy led to worries about 'unbalanced growth' (Baumol 1967); to the identification of 'services' as a separate field of study (Fuchs 1968); and to predictions about the arrival of a new 'post–industrial society', built upon knowledge, science and technology and managed by new professionally and technically trained classes (Bell 1973, Touraine 1974). The crisis of Fordism and the consequent need for restructuring beginning in the mid 1970s made it clear that, instead of services replacing industrial production, they were actually part of a 'service intensive' production process, a 'new industrialism' (Delaunay & Gadrey 1992:103, 109). Stanback (1979) and especially Stanback *et al*. (1981) were the first to focus on this 'new' economy and the rising importance of professional business services therein.[33] Their analysis with regard to the US national economy in 1981 was basically repeated by Sassen in 1991 with regard to the global economy.

Stanback *et al*. relate the growing importance of professional business services to the rising complexity of doing business. First, there was an integration of

[33] Stanback *et al.* use the term 'producer services' following the distinction just made before in 1978 by Gershuny between 'consumer services' and 'producer services'. I will continue to refer to 'professional business services' instead.

regional markets into a single national system as a result of an increasing mobility of people and the introduction of a new medium of communication (at that time television). Secondly, in this new expanding market companies grew, diversifying their product portfolios, because larger markets harbored more room for product differentiation and because increasingly prosperous customers demanded more specific life–style products (Stanback *et al*. 1981: 20–31). Both the expansion of markets and the diversification of products required sophistication in terms of *what to produce* and *how to produce.* Professional business services became relevant because they offered 'solutions' for managing this increasing complexity.[34] The same holds truth with regard to complexity that results from being integrated into a global market.

Stanback *et al*. argue the following about the integrating role played by professional business services in an expanding—in this case US—market:

> This process highlights one of the fundamental roles of producer services—that of integrating or "binding" together the increasingly differentiated specialized parts and functions of the market system. (Stanback *et al.* 1981:51)

Though integration is not the same as brokerage, such a notion of professional business services working as 'binders' in an expanding, differentiating market is, of course, of critical importance for the transactional approach developed here. Stanback *et al*. explain the integrating capacity of professional business services in terms of reductions in transaction costs.[35] Following Porat (1977), Gottmann (1983) and North (1990), it can be stated that transaction costs are on the rise due to the increasing pace of innovation, the sophistication of technology, and the increasing complexity of society at large and, as self reinforcing process, due to increasing levels of transactions and networking necessary to deal with this complexity.

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[34] Sophistication with regard to *what* to produce requires services in the field of research and development, designing and packaging, and marketing and advertisement. Sophistication with regard to *how* to produce requires management–oriented services like accounting and costing systems, production, inventory and quality management, and recruitment and training (Stanback *et al.* 1981: 48–49, 51–54).

[35] Transaction costs are the costs related to the risk of exchange caused by problems of market intelligence (information gathering, opportunity identification), market coordination (the actual exchange), measurement of quality (assessing the value of the product), and the enforcement of rights (the initial 'deal'). Stanback *et al.* state: "Recent work by Oliver Williamson (1979) provides a detailed classification and analysis of transaction costs. The implications of his analyses for understanding producer services are extremely important but have yet to be realized. . . . Almost every type of transaction cost identified by Williamson has its counterpart in a specialized producer service. . . . Those factors that affect firms' transaction costs will affect the growth of producer services. They include uncertainty, complexity, asymmetrical distributions of information, and problems of incentives, control, and coordination in business enterprise. . . . The demand for services for system maintenance should increase cross–sectionally with system size. Services assisting system development should expand over time, as a function of firms' growth rate, the uncertainty of their economic environment, and the extent of firms' diversification into new market and product areas. . . . The 'leading edge '[within the producer services industries] should be those oriented toward the development of business systems" (1981:56–57).

North (1990), thus, considers economic performance as a balance between institutional innovations lowering transaction costs and complexity increasing costs.[36] Unfortunately, there have been no publications following up upon Stanback *et al.*'s seminal work on the strategic, integrative, business system developing role of professional business services.[37] It took more than a decade for services to re–surface in this role in the governance of global commodity chains (see Section Four of this chapter).[38]

While the emergence of professional business services in economic literature can be related to rising transaction costs in an *expanding market*, the emergence of brokerage as a sociological concept and transactionalism as a sociological perspective can be related to an *expanding society*.[39] In this context patrons, brokers and 'go–betweens' gained significance as intermediating actors between different social systems—at that time between the state and a local community or tribe; between the city and the rural hinterland; or between 'civilized community' and 'the supernatural' (Blok 1969, Breman 1971, Murphy 1981, Paine 1971). In this expanding world, "brokers . . . stand guard over the crucial junctures or synapses of relations, which connect the local system to the larger whole" (Wolf 1956:1075). They do so for functions that are *critical* to both the local and supra–local system and are *exclusive* in character, and, in order to do so, they move upward or downward (Silverman 1965:280–81). They are "the formal agents of national institutions, who penetrate communities from distant capitals, as well as the upwardly mobile villagers who move into positions in national institutions" (Silverman 1967:280). In other words, in the older literature broker are outsiders with foreign—if not 'alien'—expertise and far–way contacts. They are 'different' in

[36] Such innovations (e.g., contract enforcement by the state) allow for economic development, long–distance trade, non–repetitive exchange with 'unknown' people, and increasing specialization (North 1990:120–22). The efficiency of institutions in lowering transaction costs depends on particular 'technical' innovations (e.g., property rights) and 'civilization', on formal and informal constraints (North 1990:133). Networks of trading minorities and economics of agglomeration are two 'social' means to reduce transaction costs, building trust by sharing values and face–to–face contact (Meyer 2002:251).

[37] Instead of focusing on the transactional, integrating function of professional business services, the spatial implications of the rising importance of professional business services gain prominence. The reason for this is that, as Stanback *et al.* already indicate, that professional business services tend to be highly concentrated (1981:89–93). Their level of specialization requires economics of scale (a large hinterland) and economics of agglomeration (face–to–face contact with other service providers and clients). Professional business services thus have introduced locality as a variable in what was before 'spaceless' economic theory (Stanback *et al.* 1981:5). As a result of this, the subject has been mainly studied by economic geographers like Daniels (1985) and Marshall and Wood (1995). Sassen (1991; 2002a) also displays this spatial interest with her focus on the 'central place' functions of global cities.

[38] Sassen (1991) demonstrates a concern for spatial interest as well as a focus on control. This can be understood as a combination of a geographical and a transactional/governance approach.

[39] Transactionalism represents a move away from the rather formal functionalist–structuralist ordering of society to a more actor–oriented working of society, with seminal work being done by Bailey (1969), Barth (1966), Blau (1964), Boissevain (1966), Silverman (1965) and Wolf (1956; 1966).

terms of class, culture, ethnicity and maybe even mentality. They are Granovetter's (1973) 'weak tie', the minimal interface for crossing Burt's (1992) 'structural hole'.

From this position of *geographical* 'stretching', often literally *bridging* 'real' geographical distance, in the new brokerage literature the focus has shifted to *social* distance and the *integration* of an increasingly *complex* world. Here, instead of *interaction per se*, *communication* and *cooperation* are the critical scarce resources that need to be brokered (Luna & Velasco 2002). The focus has, therefore, shifted from brokers occupying unique positions to brokers possessing a specialized versatility in maintaining connections, from *being* passively a weak tie to *creating* actively a unique weak tie, through networking and providing *services*. With this shift in focus the image of the broker has also changed, from being a 'Janus–faced' and 'marginal man' to being well–networked 'radial individuals' and 'bridging' or 'binding' institutions, providing a 'mixed' ground for better interaction (see Leydesdorff 1997, Paine 1971, Stanback *et al*. 1981, Steward & Conway 1996, Valente 1995, Wolf 1956).

Rather than thinking in terms of 'old' and 'new' brokerage roles, however, both images should be considered as two sides of the same coin. In Paine's 'old' definition of the 'marginal man', both sides are already there:

> The structural position of this marginal man . . . [has] two features: (a) he has vested interests that are separate from yet dependent on those groups to which he is intermediate; (2) he is placed at, and functions as, the *locus* of articulation. (Paine 1971:99)

Brokerage requires, therefore, by definition a difficult combination: being different and offering something different yet being understood or believed and being sought after. If providers of professional business want to broker at the local–global interface in Ahmedabad, they will need to be strong on both points.

In the current phase of geographical expansion, integrating not the nation–state and distant communities or the city and rural hinterland but rather the local and the global, local professional business services could play an important brokerage role here, for five reasons:

(1) Professionals are *local members* of a *transnational sub–community*, similar to an 'imagined community' (Hannerz 1992:234, Anderson 1983). Professionals share the same formalized knowledge base with their global elite 'counterparts' and take part in Waters' (1995) 'organizational ecumenism'. Thus, like in the old brokerage literature, professionals represent an exogenous (knowledge) system in a local context.

(2) Professionals are *translators* between the domain of formal–rational knowledge, abstracted from a particular environment to gain universal relevance, and a particular context in which that formal knowledge needs to be

applied. Freidson has called them 'agents of formal knowledge', engaged in a process of practical, but also arbitrary and subjective translation of formal knowledge into working knowledge.[40] Professionals engage in a process of simplifying and rationalizing formal knowledge and translate it into 'the one best practice' and thus are "deeply involved in the process of establishing the official standards that structure the production of both goods and services" (Freidson 1986:200).

(3) Professionals—whom Reich (1991) has labeled 'symbolic analysts'—are *creative problems solvers*:

> Symbolic analysts solve, identify and broker problems by manipulating symbols. They simplify reality into abstract images that can be rearranged, juggled, experimented with, communicated to other specialists, and then, eventually transformed back into reality. (Reich 1991:178)

(4) Professionals do *network*. This characteristic is already there in Reich's description of symbolic analysts, but comes out more strongly in Coffey's (1996) analysis of professional business services as intermediate services that are entangled in 'forward and backward linkages': specialists seek help of other specialists to solve issues.

(5) Professionals can be independent *disseminators*. Wood describes the professional business services sector as "an important agent for the wider dissemination of information and expertise throughout the economy" (1991:163).

There are, however, also two reasons for doubting the brokerage potential of professional business services:

(1) Professionals maintain a level of *intransparency*. Jamous & Peloille (1970) argue that standardization and best practices are, besides being the result of a technical translation process, also part of a political strategy toward exclusivity. Professionalism, or the professional project, is about maintaining a balance between 'indetermination' and 'technicality'. While the latter is a rationalized, reliable problem solving technique comprehensible to a layperson, indetermination refers to the esoteric complexity of applying this technique, which prevents a layperson from actually using it. Part of the professional ideology is to monopolize a certain activity (McDonald 1995:184, see also Murphy 1988). With regard to the new commercial professions this monopolization is incomplete: everybody can call himself a business consultant

[40] See Freidon (1986: 226–27). This process seems very comparable to what Latour & Woolgar (1979) have labeled 'the creation of order out of disorder' with regard the production of scientific knowledge.

for instance (Hanlon 1999). As a result, the balance between indetermination and technicality will tilt toward the former, requiring that consultants be the 'smooth talkers' they are. At the same time, confidence in these smooth talkers is less, because there are competitive opinions around and because a strong emphasis on 'impression management' can raise rather than subdue suspicion.

(2) Professionals need to preserve a professional *reputation*. This is related to the first point, but touches upon a different issue. Part of upholding a professional image involves smooth talking; another part of it includes refusing a client or an assignment altogether because they are considered unprofessional. If adhering to professional practices overtakes adapting to local practices in importance, professionals either become extenders (instead of brokers) of the 'right' blue–print professional package or lose contact with an unconvinced clientele. Again, this is more plausible in an environment where professionals have to prove and distinguish themselves.

The extent to which local professionals in Ahmedabad broker globalization from below will depend on how these characteristics are balanced. Information and expertise disseminating (reflexivity and learning stimulating), locally networking, problem solving and best practices brokering, professionals can become binding institutions that broker the compatibility of the local Ahmedabad business community with the standards of global market place. If, however, professional style and identity overshadow this capacity, they can also become professional islands. In Ahmedabad, with its strong indigenous and as yet not professionalized business culture, this latter issue will be very important. This is the global paradox: global compatibility and competitiveness requires local networking.

10. Producing Globalization from Below in Provincial Ahmedabad: Theoretical Answers, Emerging Issues

This chapter began by questioning the relation between the local and the global and between globalization and (the institutions of) modernization with the aim of finding space for a transactional approach to globalization from below. Room for local maneuver has been located between theories about globalization as the vertical subjugation of local systems by the global extension of a single system, the control of which is increasingly concentrated in a few global cities, and understanding globalization as the horizontal merger of the global and the local in one place: the glocal. Instead, globalization should be understood as the formation of global spaces, for instance the global market place. This formation is not a neutral process. As with modernization, there are disembedding mechanisms at work for creating this new, global place and the institutions and standards that are formed in this process of creation, which flows over into governance, are strongly influenced by the political agenda and best practices from a particular global business system (shaped by the power plays among the WTO, the 'Washington Consensus', the European Union, G8, New York Stock Exchange, and strongholds of organized labor). While this particular system is dominant, it is not determining.

Integration into the global market place offers scope for reflexivity and learning, for adopting and adapting to global standards and best practices and thus to become locally compatible and competitive with the global. Local professional business services can act as catalysts in this process. Global cities can be perceived as *spill–over* centers of knowledge, information, and practices; 'provincial' Ahmedabad can be perceived as a *spill–in* center for the same. Local professionals, with one foot in the same 'imagined professional community' as their global city counterparts and the other in the local business community, work to standardize this global knowledge, information and practice and to broker them to the local business community. In general, exposure/connectedness, expert knowledge/best practices/services and professionals are the three key ingredients for achieving globaliteracy and brokering globalization from below. This is also true for 'provincial' Ahmedabad and provides a theoretical answer to the question about how to position Ahmedabad n the globalization process.

In reality, however, there are 'issues'. The Honey Bee Network as a whole consists of *new* institutions, one of them being GIAN. It is an example of social innovation, a new institutional infrastructure for incubating local innovations in the context of global market formation. The question arises about what other social innovations can be found in Ahmedabad 'at large' to meet global market standards. Local–global brokerage has two sides: the 'vertical' brokerage of global knowledge, information and practices and the 'horizontal' networking to disseminate these resources. The first issue emerges from the description of Ahmedabad in Chapter One: whereas local–global brokerage requires local networking, Ahmedabad has been described as a divided city, out of control, wherein professional institutions have de–linked themselves, have come professional islands rather than binding institutions. The second issue will come to the fore in Chapter Three: prior to India's opening up, entrepreneurs operated in a very different market environment requiring very different business services provided, most likely, by equally different brokers. What new business support networks will be formed as a social innovation, as an institutional response to India's political–economical transition? Finally, given the professional de–linking taking place in Ahmedabad, who will the brokers in those networks?

CHAPTER THREE

INDIA'S OPENING UP: FROM LOCAL MARKET REGULATION TO GLOBAL MARKET COMPETITION

'We have a man called Ambani here. He's going to become the largest industrialist in India in a couple of years. This man would really give you the true picture of how business success works in India. He is a good administrator and a good manipulator. Those are different words. An administrator organizes his business, a manipulator manages the world outside. Ambani's got the foresight, and finally he's got the aggression. If you compare him to old industrialists like Tata and Birla, he's one generation ahead. Birla had the licenses. He put up industries, he's manufacturing goods. This man Ambani goes one step ahead. He makes and breaks policies for himself'. . . . It was what many people spoke about. It was part of the 'criminalization' of Indian business and politics.

V.S. Naipaul, *India: A Million Mutinies Now*

1. 1991–2001: INDIA'S GLOBALIZATION AND THE NEED FOR SECOND GENERATION REFORMS

In popular Indian discourse, 'globalization' has become the term used to signify the overall societal changes the country witnessed during the second half of the 1980s and especially the 1990s. The same economic reform process that started with cautious internal liberalization had also 'opened up' India to the world, thereby gradually handing over India's regulated, protected economy—negatively known as the 'License Raj'—to market forces. On the streets of Ahmedabad, no distinction was made between these analytically different processes.

To make so little distinction between the opening up of India internally and externally may be more accurate than it first seems. The most radical reforms, which shift the core of the reform program from *internal* liberalization to an *external* opening up, were forced upon India by the International Monetary Fund (IMF) and the World Bank as part of a stabilization and structural adjustment program put into place in early 1991 to counter an acute balance of payment crisis. The immediate cause of this crisis was global turmoil. India's balance of payment had been under pressure before, but this time it collapsed due to the Gulf War and rising oil prices: while India was forced to spend more foreign exchange on oil imports, it earned less as Non Resident Indians working in the Gulf to earn much of India's foreign exchange were expelled from the region.[1] As a consequence a particular 'local' ideology—a `mixed' economic model combining private market competition with public investment planning for indigenous industrial development—was to be replaced by another, more global ideology: the Washington Consensus. 'Self reliance' and 'socialism' were to be replaced by 'world market integration' and 'competition'. By 2001, India's opening up was a decade under way. It made this year a year of retrospection and introspection as reflected in numerous newspaper articles discussing the 'state of the nation' (see references throughout this chapter).

In the first years following 1991, India witnessed high growth rates as a result of a 'once–and–for–all growth splurge' in consumer goods.[2] Many people in Ahmedabad agreed upon that globalization began to hurt from 1996–97 onward, when the economy entered a 'recessionary trend' that continued into 2001 (see table 1, especially industrial production).

Table 1: Gross Domestic Production (GDP) and Industrial Production (IP) in India between 1991–92 and 2001–02 (annual growth percentage)

	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02
GDP	0.8	5.3	6.2	7.8	7.2	7.5	5.1	6.8	6.1	4.0	5.4
IP	0.6	2.3	6.0	9.4	12.1	7.1	4.2	4.0	4.2	6.2	2.9

Sources: Rangajaran (2000), RBI (2002).

Newspapers expressed worries about India's global attractiveness for FDI and its competitiveness in the world market—especially in comparison with China, which attracted so much more FDI (see table 2).[3]

[1] India's balance of payment had been permanently under pressure due to India's poor export performance. This pressure increased further once India became a preferred investment site for foreign capital in the wake of the Latin America debt crises; India used this 'cheap' capital to finance its fiscal deficit, requiring it to spend more of its foreign exchange on interest payments. Also, significant until the collapse of the Sovjet Union in 1990, oil could be bartered against goods. Compared to the oil shocks of the 1970s, the 1990 Gulf crisis was a minor one, but it nevertheless hit India much harder, due to the 'cavalier–like' and, in the end, unsustainable debt financing of growth in the 1980s (Nayyar 1996:3–11, see also Chandrasekhar & Ghosh 1999).

[2] See Chandrasekhar & Ghosh (1999:11). In the regulated economy no scarce resources were reserved for such undertakings as photo laboratories or cinema multiplexes, because they were not considered to be contributions to the industrial development of India.

[3] Between 1996 and 2001 India attracted less than six percent of the FDI attracted by China and also less FDI than many other 'emerging markets'. Accordingly, newspapers ran the following headlines: 'Why

Table 2: Foreign Direct Investment to India and China between 1990 and 2001 (in billion US$)

	1990-95 (ann. average)	1996	1997	1998	1999	2000	2001
India	0.7	2.5	3.6	2.6	2.1	2.3	3.4
China	19.4	40.2	44.2	43.8	40.3	40.8	46.8

Source: UNCTAD (2002).

Worries grew further because India had become a member of the WTO and had agreed to open up its markets by 2004. Non–tariff barriers, however, would be phased out by March 2001.[4] For India, this meant that the 'floodgates' would open in 2001.[5] India's apparent lack of global attractiveness and competitiveness were, above all, blamed upon the still interventionist Indian state and its bureaucratic machinery with its outdated mental legacy and intransparant way of operating.[6] In other words, while globalization had ended the rule of the License Raj in 1991, by 2001 it had not changed the mindset of its administrators. India's political–economical *institutions* had not kept up with the paradigm change in developmental *policy*. The reform process may have been 'well begun', however, it was only 'half done', so 'second generation reforms' were called for to encourage the liberalization process further.[7] This is where this chapter starts, questioning what the content of these second generation reforms should be, and describing the apparent consequences of their absence thus far.

Opening up an economy does not create economic growth by itself, and certainly not when the transitions required are as fundamental as the case of India (see Rodrik 1999). At the peak of the License Raj era, a license determined not only the production volume, but also the production technology, the production location, and the (maximum) quantity of particular (scarce) inputs, effectively 'freezing' the production process in a particular *modus operandi*. At the same time, competition could be frozen by pre–empting production quota (e.g., Paranjape 1985; 1988). SSIs were exempted from such a regulatory regime: they were expected to literally 'fill up' particular reserved market segments, in which no large–scale production was allowed (e.g., Morris *et al*. 2001). All this meant that, while competition was not absent, India was principally a seller's market.

FDI Bypasses India', *ET (Ahmedabad)*, February 26, 2001; 'Reform Lethargy on FDI Front Sees Tiger Economies Roar Past India', *ET (Ahmedabad)*, October 4, 2001. Another worrying fact was that FDI inflow was only roughly between 25% and 50% of approvals, see *TOI (Ahmedabad*), July 21, 2001. India's global competitiveness was questioned in articles like: 'How China is so Very Different from India', *ET (Ahmedabad)*, October 4, 2001; and 'How Competitive Are We?' *ET (Ahmedabad*), November 7, 2001.

[4] Of a total of 1429 products falling under quantitative import restrictions, 714 were liberalized March 31, 2000, the rest minus 45 'sensitive' items followed March 31, 2001.

[5] See 'Opening the Floodgates', *Frontline (Chennai)*, April 27, 2001.

[6] See 'Bureaucracy Blamed for FDI Slowdown', *ET (Ahmedabad)*, April 27, 2001; 'Bureaucracy = Misrule by the Aged', *ET (Ahmedabad)*, November 20, 2001.

[7] See 'Well Begun, but Half Done', *TOI (Ahmedabad)*, July 2, 2001.

Perhaps even more important, however, was the fact that India also had a relative closed economy. A CA, 'Mr. Shah', very clearly described both the 'frozenness' and the local horizon of companies. He was an important informant and a 'showcase' of reflexivity and learning in the face of India's globalization. He will return later in this chapter and in other chapters throughout the book. In his opinion Indians, including himself, had been living like 'frogs in a well':

> Until 1991, India was a closed economy. There were not many opportunities for people coming to or going out of India. There were a couple of MNCs in Bombay or Calcutta, metropolitan areas, but not in Ahmedabad. So around that time the role of consultants was very limited: the preparation of project reports, liaisoning with public institutions, with banks for a loan, preparing a public issue, nothing more. Then, as globalization started, we came to know the various things happening all over the world, what MNCs were doing for instance. You know you have to be as sharp as they are, but Indian companies had no idea of what was happening outside India. And they still have no systems for making quick decisions, evaluating their competitiveness in comparison with other companies. See what happened to the textile industry here in Ahmedabad. They kept on using the same technology for years. They might alter their product mix, depending on requirements, but nothing more. Or take the Ambassador, a 1950's model car that is produced in India, year after year, with only the slightest alterations. Once you had to wait eight years after you had ordered to get one. Now they are loosing market share, because multinational carmakers have entered the Indian market. In response, they have launched the same old model as before, but now with power steering! We were all like frogs in a well: content within our confined little world, busy doing our own thing, not looking beyond the boundaries. That is the big problem, not only here in Gujarat, but all over the country, because we are been nurtured in this protective environment for all these years. And another story about a frog: if you put it in boiling water suddenly, he will jump out. But if you put it into the water and then slowly start to heat it up, the frog will not realize that it is getting boiled, so it does not leap out. It stays in and gets boiled. This is how we reacted to globalization in India.

With India's opening up, Indian producers, large and small, have to adapt to operating in a buyer's market *and* meet a global standard of competitiveness, two steps to competition that did not necessarily need to be taken all at once, but certainly in a relatively short time, following decades of doing things the 'regulated way'. MNCs are now allowed to enter market segments reserved for SSIs. Such a double opening up, together making up India's transition from local market regulation to global market competition, will demand new market institutions and new management tools to bolster local competitiveness and may even challenge existing entrepreneurial business cultures, 'grown together' with the old regulated environment.

India's 'first generation reforms', which occurred in the period directly following the balance of payment crisis, did not deal with transition issues. Neatly in line with neo-liberal orthodoxy, these reforms were all about *deregulation*: less state, more market and (global) competition.[8] 'Second generation reforms' should be less about tearing down protective or restrictive walls—perhaps the easier of the two—and more about building up "an active competitive environment . . . aiding and abetting the process of creating globally competitive firms" (Basant & Morris 2000:2735). In other words, whereas the first generation reforms meant a change from state–led to market–led development, the second generation should be about *organizing* this new market environment and equipping it with the right *institutional infrastructure* to facilitate the transition from local market regulation to global market competition and to bolster local competitiveness.

From experiences with both state–led and market–led development, Degnbol–Martinussen has distilled four categories of institutional prerequisites for industrial development: (1) security of property; (2) a judicial system impartial and capable of enforcing legal entitlements; (3) an accountable, non–corrupt bureaucracy 'insulated' from too strong lobbying pressures; and (4) cooperation between the state and the private sector, for instance in the form of a 'business support network' for SMEs (2001:68–72). In as far as second–generation reforms have been attempted in India, they have focused on areas of legislation and administration, fulfilling the first three categories.[9] Such reforms lower transaction costs and facilitate *market exchange* (see North 1985; 1990). Also, accountability and transparency may make India more attractive for FDI. To create local competitiveness in a global market, however, and ensure that local entrepreneurs survive global competition, other, more business–oriented reforms are needed that provide access to production technology, management tools, and market information. This need for new *networking*—among Indian companies, between companies and public (research)institutions, and between the private sector and the state in general is acknowledged in India.[10] During fieldwork in Ahmedabad, however, only one formal initiative in this direction was observed: cluster development, initiated not by the Indian state but by UNIDO (see Chapter Six).

The aim of this chapter is two–fold. The first aim is to describe *change*: the transition from local market regulation to global market competition. It is the *difference* between these two market environments that requires *brokering*. The

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[8] Measures included abolition of (most) quantitative restrictions on imports; liberalization of the current account allowing for FDI and imports of foreign good and technology; partial liberalization of the capital account allowing for Foreign Institutional Investment; and abolition of the licensing system for investment decisions, the 'flagship' of the regulated economy. For a detailed description see Nayyar (1996), Joshi and Little (1996), and Chandrasekhar and Ghosh (1999).

[9] See Nagaraj (2000:2838). According to Nagaraj, Sebastian Edwards coined the term 'second generation reforms' in an unpublished note in 1996. In this note the term covered central bank independence, budgetary constraints for all levels of government, an efficient civil service, improvement in citizens' security and judicial reforms to strengthen the rule of law.

[10] See, for instance, 'Managing India: a Single Point Plan of Action', *ET (Ahmedabad)*, July 25, 2001, about the need for networking among India's economic shareholders; and 'Innovate or Perish', *ET (Ahmedabad)*, October 10, 2001, about the need for a shared public–private 'roadmap to technology leadership'.

second aim is to show the *tension* between *change* in the *economic* domain and *continuity* in the *political* domain. In all four categories for industrial development summed up by Degnbol–Martinussen, the state has an important role to play, which leads him to the conclusion that "coping with intensified international competition and changing external conditions requires a state capable of facilitating and coordinating industrial change to cope with the context of changing international competition" (Degnbol–Martinussen 2001:224). However, at the time of opening up, India was facing what Kohli has labeled a 'growing crisis of governability' resulting from a "growing disjuncture between weakening institutions and multiplying demands" (Kohli 1990:387). Some form of economic criminalization was already embedded in the functioning of the License Raj. The central question here is to what extent Indian entrepreneurs are pushed further into economic criminalization because they lack the *tools* to *manage* competitiveness aside from simply cutting prices 'by all means possible' to beat the competition in rapidly maturing Indian markets? To what extent is economic criminalization, reported to have become a way of life in Ahmedabad (see Chapter One), the only 'way out' in the absence of a more supportive institutional infrastructure?

2. 1947–1981: From Third Way Developmental Paradigm to the License Raj

Between its independence in 1947 and its opening up in 1991, India followed a distinct path to economic development. Nehru's Third Way did not choose between the market and the state, between capitalism and socialism—the two poles of the then incipient Cold War—but instead aimed to develop a mixed economy. The bureaucratic planning infrastructure that before coordinated India's war effort was to map out Five–Year Plans for India's economic development, in which all players had their particular role to play. This planned, regulated effort at development resulted in an equally distinct political–economic landscape. With India's opening up, this landscape has to reorient itself completely to a new game with new rules: free market competition. The build up of this particular way to development has come to be known, negatively, as the License Raj. An understanding of the License Raj creates an understanding of the depths of the transformation India has been undergoing since 1991 and of the problems that occur when such a transformation is taking shape within what Kohli (1990) has called a crisis of governability.

After a modest first Five–Year Plan in 1951, a second one followed in 1956, accompanied by the 'Mahalanobis plan', a framework that would guide economic policy making until 1991. In the plan, four major goals were formulated: (1) government directing public *and* private investment in conformity with plan priorities through a licensing system; (2) spreading industry to backward areas; (3)

promoting employment–intensive, capital–efficient small–scale industry; and (4) substituting imports with domestic production. Economic roles were 'assigned' as follows: the public sector would concentrate on investments in strategic capital goods; a new class of modern SSIs should develop within 'reserved' market segments, partially originating from the 'traditional' Gandhian village cottage industries, and partially by creating 'new' entrepreneurs; established private producers would concentrate on consumer goods, but their expansion was restricted for the benefit of SSIs; and agriculture would remain in private hands (Rothermund 1993:127–37, Morris *et al*. 2001:46–48). This mixed system, which later would be held responsible for the low 'Hindu growth rates' of between three percent and four percent GDP per year, was then considered a role model for development elsewhere (Nayyar 1998:3124).

Nayyar describes the first period after independence, between 1947 and 1966, as a period in which the state could 'accommodate' tensions between the diverse sections of Indian society: the business, professional and rural elites, and the 'masses'.[11] A 'broad coalition' existed—supported by nationalism and an overall political and economical consensus, and embodied in the broad character Congress—that was stable enough to pursue long–term development planning.

During the third planning period (1962–66) India was hit by crisis. In 1962, the proud young republic devastatingly lost a border war with China, shaking its regained confidence after Independence. In 1964 Nehru, India's first prime minister, died. In 1965, Pakistan invaded India. As a result of the war, foreign aid, on which by 1958 India had already come to rely to fund its ambitious investment programs, was curtailed. In 1966, severe drought hit the countryside and lasted for two years. The planning process was suspended until 1969 and industrial production shrunk for the first time since Independence. In 1967, Congress lost the general elections for the first time. In 1969 the 'Industrial Licensing Policy Inquiry Committee'—or, after the chairman: the 'Dutt Committee'—published a devastating report about the licensing system. In the words of Paranjape:

> In respect of industrial licensing, the Committee had firmly concluded that the system had failed practically on all counts, whether it was regional dispersal, import substitution or preventing concentration of economic power. . . . Moreover, the licensing system could not attain even its specific objectives. "Licenses were issued in excess of capacity targets even in non–essential industries. Influential parties and Large Houses were permitted to pre–empt capacities. The follow–up of licences was unsystematic and licences remained

[11] See Nayyar (1998:3123). In this respect, the Third Way can also be seen as a an 'arranged marriage' between Congress members, largely coming from the professional middle classes, and the business elite, whom they considered as a 'weak and dependent bourgeoisie' since they had emerged 'in the womb of the colonial economy' (Khanna 1987:47–48). Also, within Congress, the Third Way can be seen as a compromise between a 'Nehruvian' vision of a modern, scientific, industrialized India and a Gandhian vision of a return to rural, local self–sufficiency for the masses (see I.G. Patel 1987).

> unimplemented for long periods."(Paranjape 1988:2343, quoting the 'Report of the Industrial Licensing Policy Inquiry Committee', Government of India 1969:184)

Two more committees, one on economic concentration and the other on income distribution, delivered equally devastating outcomes.[12] As Khanna noted: "All this fostered the impression that though the ideology of planning and socialism enjoyed a high degree of 'national' acceptance, in practice the economy had been hijacked by a small coterie" (1987:49). This made an end to the national consensus on India's development.

Indira Gandhi, Nehru's daughter, is the figurehead of a second phase in India's political economy. After Congress lost its first elections in 1967, she won the 1971 elections with a radical–populist rhetoric (*gharibi hatao*: 'beat poverty')—a new left–wing strategy that already had become visible in 1969 with the nationalization of banks and the abolition of the 'privy purses'.[13] These actions were followed by two important acts, which together with the 1956 Mahalanobis Plan can be considered the heart of the regulated economy: the Monopolies and Restricted Trade Practices Act of 1970, followed in 1973 by the Foreign Exchange Regulation Act.[14] Support from a newly emergent agricultural class, which grew in importance during the Green Revolution that followed the food shortages of the mid–1960s, was bought with agricultural subsidies. Poverty alleviation programs were started to gain support from the poor (Nayyar 1998:3125–27). Finally, also in 1973, support for SSIs was reiterated, leading to a continuous up–scaling of what was considered to be an 'SSI' and an equally continuously enlargement of the list that contained items reserved for the SSI sector.[15] Paradoxically amidst the formulation of more stringent acts, the support and enlargement of the SSI sector can be considered as the beginning of the move toward liberalization, as the SSI sector constitutes a relatively regulation–free segment of the economy.

In this second phase of India's political–economic history, Nayyar observes that the politics of accommodation are being replaced by the politics of 'cooption and

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[12] The Monopolies Inquiry Committee found a dramatic increase in assets controlled by India's established Large Business Houses, which were privately owned industrial conglomerates. The Mahalanobis Committee on income distribution concluded that India's developmental planning had resulted in no improvements for the poorest part of the population (see Paranjape 1988).

[13] Privy purses were allotted to princes who lost their political role and formal independence, which they still had enjoyed *vis à vis* British Rule, when joining independent India.

[14] The Monopolies and Restricted Trade Practices Act was a response to the outcome of the Dutt Committee and thus was designed to more stringently regulate (limited) the expansion of the Large Business Houses. The Foreign Exchange Regulation Act was designed to regulate foreign investments in India, thereby further curbing the expansion of foreign firms in India.

[15] See Paranjape (1988:2348). The nationalization of banks should ensure capital for these new entrepreneurs.

mediation'.[16] In the face of macro–economic instability due to rising food and oil prices and increasing political competition amongst political parties and amongst newly emerging social classes, the government lost its ability to stand 'above' the parties and accommodate their diverse aspirations. Instead, it became a less powerful mediator, increasingly concerned with its own position.[17] To keep control, both the state bureaucracy and the Congress party machinery underwent a process of centralization, while "an array of regulatory measures was added to an already over–regulated economy" (Joshi and Little 1994:52, Nayyar 1998:3125). Here, in the tension between the centralization of power at the top, in the 'centre', and the desire to govern the masses below, one can detect the first signs of India's crisis of governability. The irony of this phase is that at a time when the Dutt Committee advised the simplification of the licensing system by reducing its application to a limited number of products for a limited time span in order to limit its abuse and speed up procedures, the licensing system was instead expanded for political control. Implicit in Paranjape's (1985; 1988) account of the Dutt committee recommendations is the notion that the government–bureaucracy simply lacked the capacity or the 'insulation from pressures' to draw clear guidelines based on objective information and criteria for administering a licensing system. I.G. Patel lends further credit to this image when he shows how definitions and categories continuously left room for interpretation because they were open–ended or simply overlapped (1987:356–62). As a consequence, guidelines remained vague and large discretionary powers were left to local bureaucrats, leading to arbitrariness in decision and creating an environment for corruption. Together with 'loan *melas* (markets)' and other all too easy avenues for government 'sobs', these unclear government guidelines became a breeding ground for 'cutting corners' or, in other words, economic criminalization.

In the 1980s this trend was further aggravated when, according to Nayyar, cooptition and mediation turned into 'populism and patronage'—all paid for through the 'channeling' of state resources (1998:3126–27). What had started in the 1970s with the buying of votes, continued in the 1980s with the buying of the support of Members of Parliament. Politicians and the bureaucracy operated like gatekeepers and grant (and receive) 'favors' (Paranjape 1988:2357). India's Third Way to development had turned into a License Raj. At the same time, government expenditure spun out of control, planting the seeds for the crisis of 1991.

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[16] See Nayyar (1998:3125). 'Cooptition' is a contraction of 'competition' and 'cooperation', here referring to the changing coalitions in Indian political life.

[17] The Emergency, lasting from 1975 until 1977, is the prime example of this new situation. The Emergency was declared when *public* unrest over rising inflation and high oil prices met with Indira Gandhi's *personal* uneasiness over accusations of fraud in the 1971 elections.

3. 1981–1991: Early Reforms and India's Growing Crisis of Governability under the Congress

Before India opened up its economy in 1991, there had already been attempts at internal liberalization during the 1980s. Kohli (1990) has analyzed these attempts, because in his view the policy process, initiated by Indira Gandhi and followed up by her son Rajiv Gandhi, demonstrated India's growing crisis of governability. This crisis of governability continued into the 1990s and into the new millennium, putting the events of 2001 into perspective.

After having lost the 1977 election, Indira Gandi regained the prime minister's office in the general elections of 1980. By then India had faced a second oil shock and had borrowed from the IMF to pay for oil imports (Joshi & Little 1994:59–60). The political–economic strategy she pursued was more 'pragmatic' than her 'socialist' path in the early 1970s. Several reasons seem to have contributed to this: (1) conditions for structural adjustment set by the IMF; (2) the realization that socialism—whatever it had meant in practice—had not worked and that industrial growth had come to a near standstill in 1979; (3) the recognition that she lacked support from the newly emerging entrepreneurial classes (Kohli 1990:311). Reforms were initiated, though they were still wrapped in radical rhetoric and, thus, went relatively unnoticed. This appears to have been done on purpose: "Changes themselves appeared largely technical—the lowering of a limit here, an expansion of a restriction there, and so forth. It seems that the aim was to de–politicize economic decisions as much as possible" (Kohli 1990:314).

By contrast, when Rajiv 'inherited' Indira's power after her assassination in 1984, he abandoned her 'disguised' reform path and announced a New Economic Policy, accompanied by a new 'technocratic' rhetoric of deregulation, import liberalization, and utilization of foreign technology. The euphoria over Rajiv's 'new beginning' lasted, however, no more than six months (Kohli 1990:318). Over time, his program of radical change encountered more and more resistance and it was gradually toned down, ending up as an example of the 'muddling through', common in Indian politics, and beating a socialist drum once more. The rationale of economic reforms had come into conflict with the rationale of building popular support: India's political system lacked the strength to change its economic developmental paradigm (Kohli 1990:338). According to Kohli, this demonstrates India's growing crisis of (economic) governability.

The dynamic underlying India's growing crisis of governability is the increasing centralization of decision–making power in the centre, combined, paradoxically, with an increasing powerlessness with regard to the execution:

> India's growing problems of governability are more political than socioeconomic; that is, they are located mainly in India's political structure. A highly interventionist state dealing

> with a poor economy has become an object of intense political competition. (Kohli 1990: ix)

India's democratization, in particular of the lower classes, had broken down traditional patterns of authority and awoken new demands. Also, India's commercialization created a new middle class (Kohli 1990:52, see also Khanna 1987). These twin developments resulted in increased political competition over rights and resources. Unable to meet conflicting demands, Kohl argues that the governance of an accepted national party, the Congress, and an accepted political–economic agenda, the Third Way, deteriorated into populism, clinging more and more to slogans and symbolic promises. Power was maintained through the redistribution of state controlled resources over different interest groups, accompanied by thugs 'mobilizing' voters, and by liberal international borrowing to fund some of the promises made.[18] All this is in line with Nayyar's (1998) theory about the second phase in India's political economy, that of cooptition and mediation turning into populism and patronage. Kohli, however, adds an element to this analysis, which is of particular relevance to this chapter.

Powerlessness with regard to the execution of politics was not only the result of political appeasement politics, but also because 'capable' local leaders in the states had been replaced by those who were 'loyal' to the leadership in the centre: strawmen without a local power base (Kohli: 1990:6). This created an 'organizational vacuum', resulting in two consequences. First, it affected the ability of Congress to channel political demands from the interest groups below to the political leaders at the top through an institutionalized 'conflict resolving' process. As a result, political battles were increasingly fought out on the street. This explains why a relatively prosperous state like Gujarat is hit by rioting as much as a poor state like Bihar: the problem is politics, not economics. This problem occurs in the opposite direction as well: the replacement of 'able' politicians by loyal straw men has limited the possibility for channeling policies designed at the centre down to the states where they should be implemented and where, for instance, most business support institutions operate. Metaphorically rephrasing India's crisis of governability, one could say that India had become 'a head without hands': policies thought out at the top, in the centre, are not implemented below, in the states, for a lack of local politicians and bureaucrats able to do so. This also holds true with regard to India's liberalization process, which means that entrepreneurs

[18] See Kohli (1990:8), Joshi & Little (1994:58–61). For the criminalization of politics see, for instance, *Economic and Political Weekly* (2001), Kumar (2001). The increasing number of products reserved for SSIs; the constant up–scaling of the definition of what constitutes an SSI; the increasing percentages of government jobs reserved for 'backward' castes and disadvantaged groups; and the constant up–scaling of who is officially recognized as 'backward' are all signs of the redistribution of state–controlled resources to mobilize political support.

are hit *twice*: first by the centre's macro–economic reforms, and second by the absence of a response from the support institutions in the states.[19]

4. 1991–2001 REVISITED: CONTINUITY AMIDST CHANGE DESPITE THE ARRIVAL OF THE BJP

Having emphasized *change* and the concomitant need for second–generation reforms in the first section on the 1991–2001 period (Section One), this section will emphasize *continuity*, occurring despite the transition from local market regulation to global market competition and despite the arrival of a political alternative to the Congress, the BJP. Nayyar confirms the presence of continuity amidst change when he distinguishes a third phase in India's political–economical history from 1991 onward (1998:3129). The politics of accommodation, having turned into the politics of cooptition and mediation in the 1970s and 1980s, further sank into the 'politics of segmentation' in the 1990s.[20] This is change that has continuously moved the same direction. This meant that India's transition from local regulation to global market competition was not embedded in a similar transformation with regard to political–economic governance:

> The economic liberalisation, which was introduced after 1991 and gathered momentum thereafter, was simply not related to the institutional framework of political democracy. It was, therefore, neither shaped by political processes nor rooted in social formations, which could have provided constituencies in polity and society. (Nayyar 1998:3128)

It was thus no coincidence that reforms only lasted until 1993, the time when Congress was doing well in state elections (Kulke & Rothermund 1998:315). Bad results in state elections after 1993 meant that further reforms were shifted to the backburner while populism came to the fore again.

Profound change also took place in the polity, namely a change of guard, but interestingly, this did not lead to a fundamental change in economic governance. The 1989 and 1991 general elections brought an end to the Congress majority in the *Lok Sabha* (the lower house of Indian Parliament) and signaled the breakthrough of the BJP on the national stage, though it was only with the 1996 general elections that the BJP won more seats than the Congress and that regional parties became a major force in the *Lok Sabha*, changing the political landscape completely.

[19] See, e.g., 'Begin the Second Stage Reforms With the Political Process', *ET (Ahmedabad)*, December 7, 2001, about the need for political reforms to bring liberalization from the centre down to the states.

[20] In this phase, the former dominance of the Congress was not replaced by a stable (coalition) government. At the same time, longer–term developmental planning has been replaced by a 'short–terminism' in which political battles are fought over new divisive issues related to caste, religion, language and regionalism, and the absence of a broad consensus about India's development has led to increasing conflict between the rich controlling the economy and the poor controlling the government–bureaucracy.

However, since at that time the BJP was not yet recognized as a suitable coalition partner—because of its '*Hindutva* politics'—the first BJP–led coalition government lasted only for thirteen days due to a lack of support.[21] After another inconclusive general elections in 1998, the 1999 elections finally brought the BJP to power as leader of the National Democratic Alliance coalition that still ruled India in 2001.

The electoral success of BJP in the 1990s, after years of relative political marginality, can be attributed to a renewed emphasis of the *Hindutva* agenda within the BJP, but also to the BJP's image of being a 'clean' party and the only liberal, rightwing alternative to the Congress.[22] In other words, by combining right–wing, liberal, pro–globalization elements with populist vote rallying around Hindu issues, the BJP could become a new centrist institution in Indian society able to replace Congress, thereby putting political power in the hands of those previously left out from or disadvantaged by Congress' support building 'arrangements'. A vote for the BJP was a vote for change. Chhibber (1997) shows how being a member of the upper castes distinguished BJP (then *Jan Sangh*) voters in 1967, while in 1991 this had changed into belonging to the urban middle–classes. Indeed, in 2001, Gujarat was the only Indian state in which the BJP could rule without support from other parties. Not coincidently, Gujarat was also an early champion of liberalization, opening up avenues of social mobility for the emergence of new middle classes (see Chapter One, Section Six of this chapter).

Continuity in economic governance despite this desire for a change of guard occurs for two reasons. First, the BJP is entangled in a 'ragtag' coalition, which requires it to bargain with often regional parties that have split from Congress or the left–wing Janatal Dal party. What brings the coalition together is not ideology but pure pragmatism: sharing power and the resources of the centre strengthens

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[21] *Hindutva* stands for the 'Hindu way of life' or 'Hinduness'. As a political agenda, it is devoted to making India a truly Hindu nation, governed by Hindu instead of secular principles. From this perspective, Nehruvian 'pseudo–secularism' appeased and privileged minorities, especially THE minority (read: Muslims) at the expense of the Hindu majority (see Malik & Singh 1992). *Hindutva* is the political agenda 'preached' by the *Sangh Parivar*, the 'family' of Hindu–nationalist front organizations around the *Rashtrya Swayamsevak Sangh* ('National Volunteers Society'), an organization with an agenda combining a cultural–nationalist ideology aimed at revitalizing Hindu culture with a social ideology of providing services to disadvantages groups. Founded in 1925, it has taken its inspiration from mass movements in Europe with a similar combination of ideologies. Its two most known front organizations are the *Vishwa Hindu Parishad* ('World Hindu Council', devoted to a revival of Hindu culture) and the *Bajrang Dal* (the paramilitary 'youth' organization 'footmen' for providing 'services and security'). The BJP can be considered the political arm of this family. The BJP split off from the Congress (as the *Jan Sang*: 'People's Party') when the secular wing under Nehru won influence at the expense of a more religiously inspired ideology favored by Gandhi (see Gillan 2002:320, Chhiber 1997:635).

[22] See Malik and Singh (1992:335). The renewed emphasis on the *Hindutva* agenda resulted in the start of the *'Ram janam bhoomi'* campaign to build a Hindu temple at the purported birthplace of Rama in Ayodya, at the sight where Muslim invaders supposedly had destroyed a previous temple and built a mosque, the *Babri Masjid*. As a result, the mosque was stormed and broken down in December 1991. Also, after the corruption and criminalization of the Congress era, the BJP sought to introduce a moral revival: *Ram Rajya*, living according to the lost values of the age of the god–hero Rama.

their regional power base (Banerjee 2002). Consequently, what keeps the coalition together is a 'minimalist agenda' of commonly agreed upon initiatives (Rangajaran 2002). Second, the BJP itself is rather ambiguous about India's globalization, despite its right–wing liberal posture. Chhibber (1997), Lakha (2002) and Mayer (2002) all stress BJP's economic agenda shifting leftward from a position that was not so different from Congress's up to the 1970s to a Gandhian *swadeshi* economic nationalism in the 1980s. Chhibber stresses that it was only with the 1991 general elections that the BJP shifted rightward again and became a champion of liberalization (1997:636). Mayer almost ridicules the 'Hindu rate of reforms' under BJP as being not that much different from what happened under Congress in the 1980s (2002:125, see also Nayar 2001). He also recognizes that the BJP took on a strong *swadeshi* stance during the 1998 elections. Lakha finally concludes that "at the economic level the similarities between the BJP–led coalition and its predecessors are more significant than the differences" (2002:102).

To conclude, for the BJP, pragmatism and performing a balancing act to keep coalition partners aboard and the different members of the *Sang Parivar* family happy seems to be the name of the game.[23] While it advocates lifting restrictions for MNCs with one hand, it attacks McDonalds restaurants with the other, along with shops selling Valentine cards and other symbols of 'Westernization' or 'American cultural–economic imperialism'. In the process it started to resemble the equally pragmatic, amorphous, power–driven Congress, only replacing a secular–socialist discourse with a Hindu–nationalist one.

5. India 2001: Anxiety, Hope, Disillusionment and Unawareness after a Decade of Globalization[24]

This section discusses four 'events', which characterize 'India 2001'. These events demonstrate how India's growing crisis of governability continues into the new millennium. Also, they illustrate the effects this crisis has on local business and entrepreneurship, which must deal with change in the face of continuities in—or the absence of—economic governance. Three of these four events were dominant in the news: fear about the local market being flooded with cheap Chinese imports, hope about the start of second–generation reforms, and disillusionment over the scandals that followed. The fourth event, the death of weavers in Andra Pradesh, equally revealing, did not get much press coverage. Describing these events should

[23] See Malik and Singh (1992) for an analysis of the different positions taken on globalization by different ideological factions within the BJP and the *Sang Parivar*, ranging from 'Hindu chauvinists' to 'middle class supporters'. Vishvanathan (2000) goes so far as to claim that the BJP only 'appropriates' different ideologies discourses to keep all factions happy and is not too concerned with executing them.

[24] This characterization of national politics also applies to the Gujarati political arena. The latter will not be discussed separately for a lack of space and to avoid duplication of the argument.

bring to life India's crisis of governability, which is normally described through euphemisms like 'administrative atrophy', 'judicial delay' and 'market imperfections' (e.g., Jalan 1992:202–03, Padmanand & Jain 2000).

(1) *Anxiety.* The year 2001 started with people believing that Chinese goods were 'flooding' the market. On December 24, 2000, the *Times of India* reported:

> Is Chandni Chowk becoming Chinese Chowk? Cheap made–in–China goods swamp India: The Chinese invasion of Indian markets is on. Indian bazaars in big and small towns are fast being transformed into China bazaars with low–price Chinese–made fans, bicycles, toys and batteries, replacing indigenous goods. Customers are happy but industry wallahs are alarmed.[25]

The concern was for cheap, low quality consumer products that offered marginally better, more expensive Indian products competition: Chinese batteries lasting about 20 minutes, sold at Rs. 2 offered competition to Indian batteries, which lasted about twice as long and cost about twice as much. More than anything, it was the visibility of these foreign goods in what had traditionally been protected Indian markets that stirred up the commotion. In the newspaper article, accusations were made of dumping goods below cost and of smuggling them into India, disguised as fake Indian brands with the pretence of further shipment to Nepal to avoid Indian import duties. Once it became clear that the shoddiness of the Chinese goods surpassed the proverbial shoddiness of (some) Indian goods, the commotion settled down a bit. Nevertheless, India was made aware of the fact that it had 'developed' SSIs in areas where economics of scale would otherwise have led to the growth of bigger firms (Morris *et al*. 2001:38). Indian SSIs now faced competition from Chinese mass–production. It was feared that the Chinese would become the vanguard of global market forces and wash away decades of indigenous industrialization in the tidal wave of globalization, just as the British East India Company had ruined India's indigenous crafts centuries before.

In the Gujarat office of the CII, one was happy with the anxiety caused "by a few batteries and plastic toys" as the director phrased it. He felt that CII had not been able to communicate the threat of global competition to Gujarat's business community: "They just don't want to listen. They are not preparing themselves. Hopefully this has made them open up their eyes." It illustrates India's lack of a formal extension network capable of transmitting the message of change. Prior to the upheaval in early December 2000, the director invited me to do a research on WTO awareness. When I met him again in January 2001 he no longer saw

[25] *Chandni Chowk* was once Delhi's silver market and is now a big electronics bazaar.

the need for this: "All this attention for these Chinese goods flooding the market had raised a lot of awareness. In a sense, it has been a gift from heaven."

(2) *Hope.* With the Budget 2001–02, government launched the long awaited second–generation reforms. The *Economic Times* ran the headline: 'Shotgun Sinha–2 Fires Round–2 Reforms'.[26] According to the newspaper, the intended reforms would have meant 'political suicide' in the old 'socialist' India.[27] The Budget was also cheerfully received by the Gujarat Council of the CII, which had organized a special 'budget meet' at the Holiday Inn in Ahmedabad, to which I was invited. The Budget was embraced as a 'CII budget', but there was also skepticism as former budgets had been '95% words–5% deeds'. There had been plans before—getting them executed was the problem.

Indeed, a crack was already appearing in the government's new policy. On February 27, a day before the presentation of the Budget 2001–02, the news was released that the Minister of Railways, Mamata Banerjee (leader of the Trinamool Congress, a populist leftwing party in the BJP–led coalition), would not increase passenger fares or downsize this massive undertaking despite the fact that the railways were making losses and needed additional investments to clear a maintenance backlog. Instead she announced a number of new train services.[28] Also she raised the rates of freight transport, which were already three times higher as the equivalent passenger rates and were already subsidizing passenger transport. Mamata had reportedly refused any other Cabinet position, because, together with the Ministry of Agriculture, the Ministry of Railways enables one to hand out a lot of 'freebies' in the form of jobs, new train connections, and contracts for new railway tracks. With state–level elections approaching in West Bengal, the site of her constituency, she obviously sought to exploit the benefits of her position. Thus, when she announced her plans, the *Economic Times (Ahmedabad)* aptly ran the story: 'Mamata Launches Bengal Poll Campaign' (February 27, 2001). The newspaper article also described how Members of Parliament did not object to her perilous plan *per se*, but only to the fact that West Bengal was lined up to receive too much and their own electoral bases too little. In early 2001 Sinha had launched the Fiscal Responsibility Bill, defining parameters for reducing the

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[26] Yashwant Sinha was India's Minister of Finance. He had also been Minister of Finance between November 1990 and June 1991 in the short–lived Chandrasekhar–led National Front government. Then, in the face of a deteriorating balance of payment, he had also announced reforms. In 2001 he again launched reforms, but now with the aim to balance the budget.

[27] *ET (Ahmedabad)*, March 1, 2001. The measures announced included a downsizing of government, a lowering of taxes for companies and consumers, a further deregulation of particular markets (drugs, fertilizer, petroleum, sugar), new legislation to facilitate the closure of 'sick' industries, and a liberalization of labor legislation, allowing for flexible contract labor.

[28] See 'Mamata Ignores Experts' Advice at Railways' Peril', *TOI (Ahmedabad)*, February 27, 2001.

government's fiscal and revenue deficits over time.[29] Before the Budget 2001–02 was approved, Mamata had already proven the weakness of the Bill and of the coalition government, which was not able to discipline coalition partners.

(3) *Disillusionment.* In the month that followed the presentation of the Budget 2001–02, the hope that had accompanied it was lost as a series of rows and scandals unfolded. First there was a disagreement over the take–over of the state–owned Bharat Aluminium Company (BALCO) by a foreign company, Sterlite, signaling the centre's first major disinvestment.[30] The BALCO sale was concluded on March 3, but controversy had already arisen before the presentation of the Budget: in parliament, the left–wing opposition accused the government of an intransparant 'sell–out'; Chhattisgarh state, in which the BALCO plant was located, threatened to end the company's lease contract with the state–owned bauxite mines if the sale went ahead and offered to buy the plant itself; the labor unions accused the government of violating a High Court ruling in which the government was obliged to inform the unions about final disinvestment proposals; a tribal group claimed that their rights to a percentage of BALCO's future profits had been left out of the deal; the Chhatisgarh court questioned the right of the central government to sell land leased by BALCO from tribals to a private company; and, finally, within Congress, a rivalry broke out between faction leaders over the leadership of the opposition to the deal.[31]

Strikes and accusations of corruption continued for more than two months but in the second half of March BALCO disappeared from the press as new scams surfaced.[32] On March 13 the Securities and Exchange Board of India (SEBI) suspended the president and six directors of the Bombay Stock Exchange (BSE) under suspicion of price manipulation.[33] On March 14 the biggest row of 2001 surfaced: Tehelka. Two reporters from the Internet portal Tehelka had posed as arms dealers and recorded, with a hidden camera, demands for bribes from the president of the ruling BJP for brokering contacts all the way up to George Fernandez, the Minister of Defense. Both the chairman of the BJP and

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[29] See 'Fiscal Responsibility Bill No Magic Wand', *ET (Ahmedabad)*, February 10, 2001.

[30] See 'Sterlite Wins BALCO With Rs 552–cr Bid', *ET (Ahmedabad)*, February 22, 2001.

[31] See 'BALCO Deal Raises Stink', *TOI (Ahmedabad)*, February 23, 2001; 'Sterlite May Have to Give 20% BALCO Profit to Tribals', *TOI (Ahmedabad)*, February 24, 2001; 'BALCO Row Refuses to Fade Away', *TOI (Ahmedabad)*, March 4, 2001; 'BALCO Becomes Show of Strength for Joghi, Shukla', *TOI (Ahmedabad)*, March 7, 2001; 'Centre Secures SC Order in BALCO Case', *TOI (Ahmedabad),* March 8, 2001 (HB: SC = Supreme Count); 'Move to Secure SC Order on BALCO Rocks Houses', *TOI (Ahmedabad)*, March 9, 2001; 'Jogi Pulls a Rabbit Out Of the Hat', *TOI (Ahmedabad)*, March 11, 2001. See also Mayer (2002) for more 'funny', if no less frustrating disinvestment stories, in which accusations of 'undervalutions' and 'kick–backs' have become part of routine opposition resistance.

[32] See 'The BALCO Struggle', *Frontline (Chennai)*, April 14, 2001; 'Fighting On', *Frontline (Chennai)*, May 12, 2001.

[33] See 'SEBI Suspends BSE Brokers, Rathi Debarred', *ET (Ahmedabad)*, March 13, 2001.

the Minister of Defense were forced to step down.[34] On March 15, two weeks after the launch of the second-generation reforms, the *Economic Times (Ahmedabad)* ran the headline: 'Sinha's Reform Dreams Gone Bust'; and six days later: 'Sinha's Vision Ruined'. The political turbulence caused by Tehelka made the Members of Parliament shift their attention away from discussing the technicalities of the new reforms to shouting and booing any government representative attempting to address Parliament and even 'stormed' the Well.[35] It led from one suspension of session to another.[36] Mamata left the ruling coalition to distance herself from such a corrupt coalition to improve her chances in the West Bengal state elections. She returned to the coalition, however, after she had lost them.

In the wake of Tehelka, newspaper articles emerged about corruption, the judiciary system, 'good governance', and morality.[37] But disillusionment was perhaps most strikingly felt on November 11, at the beginning of *Diwali*, the 'festival of lights', when India celebrates the joyful return of the god-hero Rama to Ayodya. Shobhaa De, India's famous writer of tantalizing 'not-all-fictitious' stories about lustful Bollywood life, entitled her column in the *Times of India (Ahmedabad)* 'Murky Diwali'. Another article that same day in the same newspaper asked: 'Dishonesty: Fault or Cultural Trait?' Both articles discussed

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[34] For a more detailed description, see 'Defense and Dissimulation', *Frontline (Chennai)*, March 31, 2001. George Fernandez was reinstated to the Cabinet only a few months later to the same post on the grounds that it had not been recorded that he had *literally* asked for money. From this it was concluded that the accusations had been premature and that he was not guilty. Besides, by that time, the September 11 attacks on New York and Washington had created so much tension in the region that India needed a Minister of Defense again. Interestingly enough, until that time no new Minister had been appointed and the Minister of Foreign Affairs had acted as Minister of Defense. Also, during the whole period, George Fernandez had kept the influential position of 'convenor' of the National Democratic Alliance ruling coalition. Guilty or not, one might conclude that his return had only been a matter of time.

[35] The 'lowest' part of the *Lokh Sabha*, situated between the Speaker's platform and the benches.

[36] The *Lokh Sabha* Speaker at a certain moment even refused to continue to chair the meeting unless Members of Parliament began behaving again. A new code of conduct was as easily agreed upon as it was abandoned again when emotions roan high again over another issue. According to Castells such chaos can be understood as the 'politics of scandal' (1997:333–53). In the battle for media attention, personality and a simple negative message (a scandal) become crucial. It is a result of the public sphere increasingly being dominated by the media. In India, it signifies Kohli's growing crisis of governability in which political parties become weaker at the base–level and thus become more dependent on the media to get their messages across. According to Castells, the politics of scandal result in a crisis of democracy and a crisis of legitimacy. Indeed, during fieldwork, it was common to meet people who became nostalgic when describing the Emergency under Indira Gandhi, when "corruption was absent and papers really moved, because everybody who deserved it was afraid", as one successful medium–scale entrepreneur phrased it. Before the scandals, that same entrepreneur would have probably put his faith in the BJP and its promise of a moral revival rather than in Indira Gandhi (see also Gorter 1996).

[37] See, e.g., 'Inside BJP: Absolute Power Corrupts Absolutely', *TOI (Ahmedabad)*, March 23, 2001; 'Can Corruption be Fought Without Debating Morality?', *ET (Ahmedabad)*, March 23, 2001; 'Culture of Non–Payment & The Unwritten Code of Politics', *TOI (Ahmedabad)*, June 24, 2001; 'A Land Without Any Justice', *TOI (Ahmedabad)*, July 29, 2001; and 'Who Really Gives a Damn for India's Public Goods', *ET (Ahmedabad)*, September 19, 2001.

the 'pollution' of Indian society, which started with corruption, hypocrisy and opportunism in the political system and permeated all public life, where as a 'survival tactic' lies had become common tools to disguise failure.

(4) *Unawareness.* After 'China Chowk', 'Budget Day' and 'Murky Diwali ', the last event to characterize 'India 2001' was relatively a non–event in the media. While in urban India the 'lucky generation', as they are known, were dancing in one of the many new night clubs, wearing imported branded clothes, and paying with a credit card from one of India's new private or foreign banks, *Frontline (Chennai)* ran the cover story: 'Weavers in Distress' (April 27 2001). It told the story of weavers in the backwaters of Andra Pradesh who had lost their markets through a combination of reasons: rising yarn and electricity prices; liberalized imports of low quality, 'dirt cheap' fabrics; and de–reservation, followed by competition from bigger producers with modern machinery that copied their traditional designs at lower prices. Experiencing poverty and starvation and burdened by debt had led many to commit suicide—over 70 in one year. The state–level support institution, the Andra Pradesh State Handloom Cooperative Society, set up in 1974 to help the weavers with finance and marketing, was all but defunct and the weavers' cooperatives had, in turn, gone bankrupt because the Cooperative Society did not pay outstanding bills for deliveries made earlier. The Cooperative Society had gotten into trouble again because other state–level institutions had not paid their bills. A whole support network was collapsing like a set of dominoes. The tragedy displayed a demise of state–level support institutions similar to the one in Gujarat described in Chapter Four.

In globalizing India, elite *disillusionment* about the corrupted Indian public sphere goes hand in hand with an *unawareness* about what is happening in their own society below 'their' level. Likewise, from below there seems to be little *awareness* of what 'globalization' will entail and SSI representatives continue to look to the state for subsidies and exemptions to survive. Aside from the lack of a clear and uncontested economic policy, the breakdown of state level support institutions, and the fact that no initiatives have followed to revive or replace such institutions with other networks more adapted to the 'new competition' is the additional aspect of the crisis of economic governability. The weavers of Andra Pradesh apparently ran out of choices. Before one reaches that stage, however, other less 'final' alternatives will most likely be tested. The following sections describe how India's transition affected SSIs in Gujarat and how economic criminalization fits into this picture as a means of coping with change and increasing competition.

6. 1996: CHANGE AMIDST CONTINUITY OR THE NEW COMPETITION IN GUJARAT

It was not only in Andra Pradesh that SSIs were facing hard times. *The Hindu (New Delhi)* reported: 'SSI in the Doldrums' (May 30, 2001). In Gujarat, the *Times of India (Ahmedabad)* reported: 'Gujarat's Economy in a State of Near Paralysis as Deepening Recession Hits Hard' (September 9, 2001). And the *Business Standard (Ahmedabad)* ran the headline: '85000 Small–Scale Units Closed in State' (September 25, 2001). According to the newspaper article, out of a total of 250,000 SSIs registered in Gujarat, around 30% had drawn their shutters in 2001. The *Times of India (Ahmedabad)* reported that 44,322 SSIs in the state were sick (October 26, 2001). In an article in *Frontline (Chennai)*, an industrialist was quoted saying that even 60% of SSIs in the state was either 'sick' or had ceased to exist (August 3, 2002). After years of high industrial growth rates, in which Gujarat had become one of India's most industrialized states, growth rates had come down to around one percent, 'leaving a wasteland of closed factories'.[38] Table 3 illustrates the slowdown in economic growth in Gujarat after 1996–97:

Table 3: Gross State Domestic Product (GSDP) in Gujarat between 1994–95 and 2000–01 (annual growth percentage)

	94 – 95	95 –96	96 – 97	97 – 98	98 – 99 (P)	99 – 00 (Q)	00 – 01 (Q)
GSDP	18	5.5	14.2	1.5	6.2	- 0.6	2.2

Note: P = provisional; Q = estimate. Source: Government of Gujarat (2001).

It is difficult to estimate the accuracy and importance of these dramatic figures. Streefkerk, for instance, describes how regular closures (and starting anew under a different name) are part of a 'normal' strategy to side step government regulations (2002:135). Also, the survey that produced the figures on which most of the newspaper articles above are based can be questioned.[39] It was exactly this sort of vagueness, which surrounded the fate of SSIs, that was so startling during fieldwork: nobody really seemed to know whether SSIs were closing down or for what reason 'if not to avoid paying taxes'.[40] The Gujarat Government denied the

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[38] See 'A Long Haul for Secularists', *Frontline (Chennai)*, January 18, 2003. See *Economic and Political Weekly* (2000) and Shah *et al.* (2002) for an overview of 'issues' with regard to Gujarat's (economic) development.

[39] The chief industrial advisor admitted that getting the right information had been difficult: "Students have been paid Rs. 25 for each form filled in, but entrepreneurs where unwilling to give information about their products, labor force, *etcetera*. Nevertheless we have achieved a 92% return rate."

[40] The restructuring and the death of SSIs did not seem to be central in people's consciousness in western part of Ahmedabad. It was rarely a subject of conversation. It only came closer to their home following the social unrest and the rioting that took place in Ahmedabad and other places in Gujarat in the weeks and months following February 27, 2002. Breman (2002) attributes this unrest to the pauperization of laborers, which effectively drove them into the hands of *Sang Parivar's* social organizations (see also 'The Hindutva Experiment', *Frontline (Chennai)*, May 11, 2002). This relative silence about SSIs could be seen as a further sign of divisions within the city as described in Chapter One.

closure of SSIs altogether. According to them only nineteen percent of all SSIs erected in Gujarat since 1960 had been closed down; the newspapers had interpreted the figures wrongly. When I met the chief industrial advisor of the Gujarat Industries Department, who was responsible for the survey, he was only interested in telling me success stories of industrialization in Gujarat (see below). When asked about the breakdown of SSIs in Gujarat, he reacted defensively:

> In the survey we conducted in 1988, the closure rate was 36%, so nowadays, with nineteen percent, things were much better. If SSIs are in trouble, this is because of their own mishandling of marketing and labor problems, their lack of management skills. Nothing that government can be held responsible for.

This was a typical reaction, because without any hesitation he put the blame for anything that might be wrong on the insufficient entrepreneurial capacities of SSIs and dismissed the government's responsibility. His attitude was also observed among other government officials: whereas before the government could orderly plan the economy, now all was beyond their control.

A young CA, 'Mr. Vyas', who will return in Chapter Four and Five, seemed a bit more informed and was a bit more specific when it came to the SSI closures:

> Only in the last year have the number of bankruptcies shot up. Before we only knew such stories from Western countries. Half the SSIs have died over the last four–five years. Others have grown bigger. In any other country there would have been uproar, but not here. In the early 1990s, the Ahmedabad economy somehow managed to absorb the unemployed mill workers. Now we face a second restructuring. Why this is happening? Because India learned about globalization the hard way. There is no coordinated policy for SSIs. And the centre and the states are two different systems. On the level of entrepreneurs, the problem is that two Indians do not sit together. It is because of this that we are as defenseless against foreign MNCs as we were against the British East India Company.

Thus, contrary to the regular, 'old' pattern described by Streefkerk, these recent closures are no longer seen as being primarily related to government regulations and loopholes, but to something 'new', to market pressures, to liberalization and globalization. Despite governmental denial of the problem, Gujarat had begun to experience the effects of the 'new competition' from 1996–97 onward.

In the 1960s and 1970s, Gujarat was just beginning to expand its industrial base beyond the textile mills of Ahmedabad. To foster further industrialization the state government set up an elaborate network of support institutions for 'entrepreneurship development'.[41] This support network was more or less put into

[41] The functioning of this network will be described in more detail in Chapter Four.

place around 1980 with the creation of District Industrial Centres. Services and incentives available for new entrepreneurs steadily increased over the years, from simply providing sheds at new industrial estates in the 1960s to subsidized finance and training in the early 1970s to increasing sales tax exemption percentages for an increasing number of eligible companies during the 1980s to extending a full one–hundred percent exemption for all SSIs in 1990. Facilitated by these infrastructures and policies, the number of SSIs in Gujarat grew one hundred–fold between 1961 and 1998, from 2,169 to 222,060 and the number of Factories expanded six–fold between 1960 and 1998, from 3,911 to 25,148, see table 4:

Table 4: The number of SSIs and Factories in Gujarat between 1960 and 1998

	1960(F)/1961(S)	1970	1980	1985	1990	1995	1998
SSIs	2,169	15,849	43,712	72,749	115,384	178,627	222,060
Factories	3,911	6,196	12,456	14,829	16,820	22,387	25,148

Source: Government of Gujarat (1999).

Though it cannot be derived so clearly from the statistics, in Gujarat one often refers to a 'SSI revolution' taking place roughly between 1985 and 1995. In the words of Mr. Shah, the CA who also talked about Indians as 'frogs in a well' at the beginning of this chapter:

> Things are changing very fast now. The transition period between 1985 and 1995 is crucial for understanding the economic scenario in Ahmedabad. Before 1985, businesses were still managed by families who had a track record for generations. Business was done on the basis of trust. People were known. And changes in technology were not that much, see the textiles mills that used the same set up for ages. Then Europe stopped producing certain polluting chemicals and every Tom, Dick and Harry saw an export potential and went into chemicals, also those who were trading, irrespective of whether they had proper training of not. Now their technology has become obsolete, markets have become competitive. Many people did their own in–house study for setting up projects, but now most of them find there are mismatches between their technology and financing and market requirements. So all these projects have started to fail; even *genuine* projects have started to fail.

Aside from government support, five specific factors 'fueled' the SSI revolution:

(1) The emergence of 'new' first–generation entrepreneurs—as opposed to the 'old', traditional business families like the Tata's and the Birla's—from the second half of the 1970s. This coincided with the declining ability of the government to provide opportunities for all and the first initiatives to more actively support small–scale entrepreneurship. The background of those who entered the 'empty' markets reserved for SSIs was very diverse: traders and rich farmers diversifying into small–scale industry; artisans; retired government officials; young professionals from India's new (business) schools unable to find

a job in the civil service; and older professionals from large corporations starting on their own (see Gorter 1996, Khanna 1987, Rutten 1995, Streefkerk 1985). These same emerging castes and classes would support the BJP to access political power.

(2) The 'informalization' of production. Breman (2001; 2004) stresses the point that government policies, which increasingly favored informal, small–scale entrepreneurship, have led to the dismantling of more formally organized capitalist production and the creation of small sweatshops, run for instance by former machine operators (see also Leadbeater 1993).

(3) India's liberalization in 1991. Most products came under 'general license' and thus enjoyed 'automatic approval', creating the opportunity to fill India's chronic demand–supply gap. Liberalization of production was accompanied by liberalization in the financial sector. Production expanded rapidly and the funds to finance this expansion were abundantly available, as 'Mr. Sharma' recalled. He was a former loan officer in one of India's bigger nationalized banks who left the bank to do what he loved most: to teach entrepreneurs how to make decent business plans. He had been disappointed with the 'unprofessional' atmosphere in the bank and now was equally disappointed with the 'unprofessional' demands he received from entrepreneurs (see below). This made him more open with regard to what went 'wrong' in banks and in the 'nexus' between bankers, consultants and entrepreneurs. He gave the following description of how banks reacted to liberalization:

> After the liberalization in 1991 banks were left with a lot of funds to lend. Suddenly the share market was made free and a lot of companies, good and bad, big and small, went there to borrow directly from the public. Before, all this was restricted; companies would borrow mainly from banks. Also, companies were allowed to go abroad and borrow against interest rates half of what they were in India. So our bank gave its loan officers cars to go to the industrial estates, move from company to company, door to door and ask them if they wanted to take money from us.

In a 'bubble' of high expectations banks financed without much discrimination, even to those that in Ahmedabad have become known as 'fly–by–night operators': the apparently inexperienced, unqualified and 'unprofessional' newcomers crowding the market.[42]

[42] According to Sambrani, in Ahmedabad "new entrepreneurs kept the local stock exchanges ringing with an issue–a–day", as a result of which "the old Protestant (read Jain) work ethic, which once characterized Gujarat, gave way to the '*chal se*' attitude. Providers of goods and services, who once wanted to deliver full value for the customers' money, now look to doing the barest minimum acceptable" (2002:1308).

(4) The increasing availability of (business) information due to the launch of business magazines in the 1980s, the spread of television and the development of a telecom infrastructure from the second half of 1980s, an increasing number of joint ventures between Indian and foreign companies after liberalization, the increased opportunity to travel abroad after liberalization when foreign currency became easier to obtain, and, last but not least, the arrival of the Internet in the second half of the 1990s. Not surprisingly, giving his description of Indians as 'frogs in a well', Mr. Shah stressed that I should not underestimate the impact of the 'informational' opening up:

> Until 1985 there was virtually no telecom infrastructure in India, so there was no recent information available. All that was there was outdated by some three–four years. Imagine, it took me weeks just to get a hotel reservation in Srinagar, Kashmir, confirmed by post. Now I can access information from over the world, about what is happening, how things are done, while sitting here in my office!

The increasing availability of information works in tandem with the final point that fuelled the SSI revolution.

(5) The emergence of business consultants. Consultants provide new entrepreneurs with business plans, either by 'accessing' local examples and copying these (cheap) or by translating global information into local best practices (expensive). They also arrange finance, either on the basis of a sound business plan (expensive) or by maintaining 'warm' contacts with bankers (always cheaper). When dealing with a 'promising' client, it was the cheap solution of copying that a banker with GSFC (the term-lending institution within the Gujarat State business support network) seemed to fear the most. As he explained to me afterwards:

> Technology has become so cheap nowadays. There are no business secrets anymore. Like the man just sitting here with us. He claims he has a profit margin of one–hundred percent. If this is true people will find out. They do not need to have the technical qualifications themselves. They hire someone to find out what he is doing and to put together a project proposal for them. The loan for a new product lasts seven years; the secret of a new product will not last for two years. Thus what looks like a promising proposition today, might be killed in competition within a few years. In general, margins are much less than ten years ago.

To sum up, the SSI revolution can be understood as an internal opening up of entrepreneurial potential, financial resources, and information, leading to a maturing of the Gujarati market with cheaper technologies, lower margins and new competition. It is the 'speeding up of the product life cycle', as a marketeer would say, a 'healthy' market reaction to the opportunities available. Together with the external opening up that occurred in 1991 it led to market saturation. Consequently, the year 1996–97, when 'globalization started to hurt' and the economy went into a 'recessionary trend', as it was phrased in the opening section of this chapter, can be understood as the 'symbolic' year when India's, or at least Gujarat's, sellers' market turned into a buyers' market and the SSI revolution came to an end.[43] This is only *one* dimension of changing economic realities amidst political continuities India faced in the transition from local market regulation to global market competition.

However, '1996–97' symbolized more than a mere 'marketing story'. The *other* dimension of economic change, as Parthasarathi (2002) rightly argues, concerns the change in the competition game, which required different entrepreneurial strategies, styles and practices, different tools to boost competitiveness, and different market institutions to provide these tools and to regulate the new competition.[44] In the words of a high–end CA, 'Mr. Iyer', who will also return in Chapter Four and Five:

> Gujaratis are very innovative, they are creators. They are always talking about opportunities here, opportunities there. And they were earning good profits this way. But they have not realized that since 1991 the product life cycle has shortened. They don't have that long–term vision. They just try something and then keep on producing it until so many have entered the market that it becomes saturated. Then they get out and try something new. But now the product life cycle has become so short that this no longer works. Before, one could keep on producing for years and years. Now this moves so much faster that you have to plan to remain profitable in the long run: you have to develop a new product when the older one is still profitable. And for this you need to have a strategy and a system. But they lack this understanding. They don't want to check their vision. They go for cheap short–term solutions. They just want to have things fixed. It is the arrogance of wealth.

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[43] The usage of the exact year 1996–97 to mark the turning point of India's opening up can be tied to the Asian Crisis of 1997 and the devaluation of Asian currencies, making imports to India cheaper and India's exports less competitive. Yet it is partly a symbolic date situated within longer–term processes: the political deadlock in the second half of the 1990s; the absence of second generation reforms and the lack of confidence in a stable economic future; the creation of overcapacity in the early years after liberalization; and the appreciation of the Indian Rupee since 1993, hurting exports (see Morris *et al.* 2001). As a result, Indian business, which initially welcomed internal liberalization, started calling for renewed government interventions to create a 'level playing field ' from 1996 (Nayar 1998:2453–54).

[44] In the words of Parthasarathi: "Our private sector companies are too steeped into their ways of basically being traders. . . . As for our public sector companies, their top managers have continued not to get the kind of autonomy from their predominantly bureaucratic boards of directors. . . . Both sectors need to undertake not only technological innovations, but also four other types of innovations, namely financial, institutional, marketing and more broadly commercial and human resource–related innovations" (2002:353–54).

Thus, after 1996–97, a new entrepreneurial strategy is required, based not only on *finding* niches but also on *creating* them through product innovation, and upon withstanding competition by improving the price–quality relation through efficiency measures and quality up–grading. With the retreat of government and the increasing pressure of the market, the focus of the entrepreneur needs to readjust from the *external* environment—government regulations, tax exemptions, subsidies—to *internal* firm management. Rather than *what* you produce, importance is given to *how* you do it, *where*, and to *whom* you sell it. Different business services are needed with the switch from a local, politically influenceable, personally knowable market to a more distant and abstract global market. Consultants have so far been referred to as *fixers* of bank loans and recyclers of local business information, but in a different market environment they will (also) need to play a different role as *forecasters*, bringing more specialized, new management and market information to the local business community.

The closures of SSIs since 1996–97, as well as increases in cutthroat competition and unethical practice point toward the problematic nature of this transition process. Economic criminalization is the (less healthy) market response to increasing competitive pressures when there are no alternative means to battle against them.

7. Cutthroat Competition: A Lack of Entrepreneurial Quality or a Lack of Local Market Control?

References to 'cutthroat competition' and 'fly–by–night operators' pervaded the discussions I had with entrepreneurs, government officials and providers of business services. Cutthroat competition was understood as, for example, the stealing of business ideas and clients by hiring and hearing out a competitor's former employee or consultant, with the aim to undercut him, that is to approach his clients with similar products for lower prices to take over his market.

Cutthroat competition becomes economic criminality when 'corners need to be cut', for instance by illegally tapping into electricity or by secretly dumping chemical effluents at night to save on production cost, or by bribing an officer in a bank to open his files and provide confidential information on a competitor's projects and customers. The rise of such economic crime in Gujarat was explicitly acknowledged in two newspaper articles in the *Times of India (Ahmedabad)*: 'Economic Offenders Elude Long Arm of the Law' and 'Economic Offences Cell to be Strengthened' (April 24 & July 21, 2001). Also, an Ahmedabad–based CA doing a Ph.D. on Indian auditing standards and financial statements spoke of a 'coming crisis of confidence', because, in general, financial statements in India were *incorrect*. A researcher at IIM–A remarked: "Somehow it seems that every new generation of entrepreneurs is more wretched than the previous one." How can this wretchedness, this cutthroat competition and economic criminality be explained?

Fligstein distinguishes two causes for the continuous high failure rates of firms, the 'final stage' of cutthroat competition and economic criminality: (1) a lack of entrepreneurial quality; and (2) a lack of control over market competition (2001:78). The first, the 'wretchedness' of the 'fly–by–night operator', seemed to be the preferred explanation for cutthroat competition in Ahmedabad in 2001. Old doubts about the quality of Indian (small–scale) entrepreneurship had apparently been re–invigorated by a rise in cutthroat competition, economic criminality, and closure as a result of the new competition.

Researchers at the University of Amsterdam have followed the process of post–independence industrialization and economic development in Gujarat almost from the beginning. Streefkerk (1985) described the early stages of this process, which occurred in the 1970s, stressing the 'commercialist' mentality of the new entrepreneurs involved, who were oriented toward the short–term filling up of supply shortages rather than to committing themselves to longer–term investments in the production process (see also van der Veen 1973). As a result, new industries were characterized by limited, diversified investments in technically not sophisticated processes, requiring only simple, often second–hand and poor–quality, machinery. More than technical know–how, social capital determined entrepreneurial entry into a market: contacts with government officials and suppliers of raw material, the availability of trusted family members for the internal management of the firm, and access to information about (rather than knowledge of) production technology (Streefkerk 1985:160, 180–81). Streefkerk linked this commercial orientation to structural market conditions: competition from larger units, easy entry of new small–scale competitors 'spoiling' the market, dependence on government policy, and a general lack of control over the market. Though he acknowledged the economic rationale of this behavior, he was very pessimistic about the future of these new entrepreneurs, because in his view their commercialism prohibited a move toward a more stable entrepreneurship, that is more specialized and more based on technical know–how.[45]

Roughly a decade later, both Rutten (1994; 1995) and Streefkerk (1992) come to a refinement of this overly pessimistic view.[46] Rutten showed that, in the 1980s, the commercialist entrepreneurs were still 'alive and kicking', expanding their

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[45] See Streefkerk (1985:169). Streefkerk does not follow the Weberian paradigm in which commercialism originates from an oriental mentality, but he does follow the Weberian notion that commercialism is not the same as genuine capitalist entrepreneurship. Also see Holmström (1984) for a similar distinction between 'financiers' and more production process–oriented 'technicians'.

[46] Having done a short follow–up study in 1990, Streefkerk recognized that his negative interpretation of the industrialization process before was colored by the then dominant neo–Marxist paradigm, in which entrepreneurs were easily seen as 'agents of underdevelopment': "My anti–capitalist perspective offered little room for a more sympathetic evaluation of entrepreneurs and their achievements" (1992: M134).

activities through alliances, and making up for their imperfect technical knowledge through the education of the second generation. Also Rutten showed that early European entrepreneurs displayed much of the commercialist behavior described by Streefkerk. In the early 1990s Gorter (1996) described a political battle on an industrial estate between the then established commercialist pioneers from the 1970s and newcomers, during which the former classified the latter as 'trading vultures', 'rent seekers without entrepreneurial skills', and not 'true' small–scale entrepreneurs, seemingly re–using the same slurs that had been used to denigrate them years earlier.

Nevertheless, from the perspective of someone doing fieldwork about twenty years after Streefkerk and as a fourth generation Amsterdam scholar investigating Gujarat's economic development, I find that the pessimism Streefkerk described is still present, recognizable in comments about the lack of 'core competences' (for instance in the dyes industry, see below), as well as in the complaints about the lack of preparedness of new entrepreneurs made by Mr. Sharma, the former bank officer who described how he moved from door to door to 'sell' bank loans:

> To make a decent business plan costs 60 to 90 days. I charge Rs. 2,000 a day. So people prefer not to make a genuine calculation. They hire me for four days, just to make up a nice report with nice–looking figures that will get accepted at the bank. Nothing else. They come here and want money to set up a photo lab without knowing anything about the technology. They haven't even looked at the map of Ahmedabad to identify an area where there isn't a photo lab yet. They only think they know that a photo lab is good business, because they have seen them coming up over the last few years. Even students at the EDII make business plans in which half the figures are missing and the other half is far too optimistic. I do not like it, but I do it: also I need to earn money to pay the monthly rent.

Thus, Streefkerk's 'problem' of the 1970s re–emerges in the 1990s in the era of Gujarat's new competition.[47] After thirty years of industrialization in Gujarat, however, one cannot simply attribute the rise in cutthroat competition, economic criminality, and closure to a general lack of entrepreneurial quality *per se*. Gujarati entrepreneurship has evolved from perhaps marginal and messy beginnings to more sophisticated establishments, diversifying into new opportunities along the way. As has been shown, commercialism should not be understood as a 'predetermined' trait, a sign of *bad* entrepreneurship, but as an adjustment to market conditions beyond the control of the small–scale entrepreneur. In fact, it is a

[47] In the train I met two students doing a two–year course in entrepreneurship. They asked me what they could import from or export to the Netherlands. I asked them about more particular preferences or ideas. There were none. They declared that they were "ready to take up everything", that "anything would do". Like them there were more. Does this approach to business stand a chance in the era of ISO certification, in an era when goods have to meet very precise requirements to fit into the global production chain, in an era when professional business services are a distinguishing feature of global cities (Sassen 1991)?

sign of the opposite, of *good* entrepreneurship. Therefore, as already argued by Streefkerk (1985), one needs to understand the environment that *creates* the 'hyper–commercialism' deplored by the former bank officer and the wretchedness that puzzled the IIM–A researcher above. To do this I want to shift the discussion from the quality of entrepreneurship to Fligstein's second point: a lack of control over market competition.

The difference between cutthroat competition and ordinary competition does not depend so much on the competitive practices that are followed. The tactics described above are part of standard competition strategy.[48] What makes them 'cutthroat' is a feeling of a personal conflict (of interest), beyond the 'neutral' market clash.[49] Under 'normal' circumstances, such conflicts are considered to remain exceptions in market competition, because of what Granovetter (1985) has described as the 'smoothing role of social relations', or what Fligstein (2001) has labeled as 'conceptions of control': market institutions that regulate competition, because market parties generally have a shared interest in stable markets and thus seek to avoid all–out price competition (see the Introduction).

However, Morris *et al*. (2001) show how the existing business support network, originating from India's developmental, 'entrepreneurship developing' past, has contributed to cutthroat *competition in price* between more or less *identical* producers and products:

(1) Indian banks had a preference for 'known', and thus more or less identical projects for the sake of comparison, especially in sectors reserved for SSIs, because known projects were considered less risky.

(2) For these known projects, 'consultants' provided cheap, standardized project reports. Morris *et al*. acknowledge that such practices have lead to over–entry and excess capacity in certain sectors (2001:122–23).

(3) New entrepreneurs entering markets reserved for SSIs were typically less educated, less innovative, having a trading or services background rather than a technical background, and were more motivated by subsidies than other new entrepreneurs.[50]

(4) Considering the importance of government purchase and subsidies for SSIs, contacts with government officials were a more important barrier for new entrepreneurs entering into the reserved sector than was an understanding of

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[48] See, for instance, Porter's (1980) discussion of 'competitor analysis' and 'the need for a competitor intelligence system'.

[49] This personal element is then translated to condemning terms like a 'trading vultures', 'fly–by–night operators', *etcetera*. This happens not only India (see, e.g., Granovetter 1985:501).

[50] Certainly not all SSI production was concentrated in reserved items. Reservation policies began in 1967 with a modest 47 items, but had expanded to 836 items by 1994. Reserved items constituted 28% of total SSI production in 1987 (Morris *et al.* 2001:123, 130).

technology or markets. Consultants could broker these contacts (Morris *et al.* 2001:129).

(5) A reservation policy is "backward looking . . . , taking the market and technology at a given point in time for granted. . . . Reservation can only be a drag on the evolution and unfoldment of the economy as an organic whole" (Morris *et al.* 2001:139). Production thus more or less becomes 'frozen' into a particular—and again 'known'—process.

(6) 'Spill–overs', mostly informal, were the most important sources of knowledge and technology for SSIs, again resulting in imitation behavior (see Desai & Taneja 1993).

(7) Finally, a patent right based on 'process' instead of 'product' further facilitated copying.

Thus, whereas the previous section on the SSI revolution and the *new* competition stressed *easy entry* into the market, this section on *cutthroat* competition stresses the *sameness* of that growth. *Together*, easy entry and sameness create market cycles as described by Mr. Shah, who seemed to have learned from this market development (to be continued in Chapter Four):

> See what happened with dyes. They were all making the same product for the same market. So with the increase in competition from 1990 onward, they increasingly started to undercut each other, lowering prices, lessening quality, engaging in illegal practices of electricity stealing, *etcetera*. They have killed themselves. When textiles were good, everybody went into textiles; when chemicals had good margins, everybody went into chemicals. And then a glut in the market develops and unethical practices begin. Instead, they should need to start cooperating, building strategic alliances, developing core competences. Once you have your core competence, you are not that easily replaced anymore.

Despite the qualities of Gujarati entrepreneurship, most small–scale entrepreneurs seem to be caught in these cycles of creation, sameness, saturation, cutthroat competition, economic criminality, and closure, thereby often being dependent on wholesale traders pushing for the lowest price. In this scenario, commercialism will have indeed been the most sensible strategy.

As part of the Third Way, India sought to develop an indigenous industrial base beyond the control of a few established business families that came up under colonial rule (see Khanna 1987). As a result, the existing elite clusters, consisting of these old families, were gradually dismantled by the competition from the newly created entrepreneurs (see the decline of the Ahmedabad textile cluster in Chapter One). With the rise of competitive pressures, Ahmedabad indeed became a city 'out of control'. As a first step to broker local control over global market formation, India must reorganize its business support network and market institutions and re–establish local control over local market formation. Developmental policies may have required *de–clustering*, but local competitiveness in the face of global market formation requires the opposite: *re–clustering*.

8. From De–Clustering to Re–Clustering to Fill the Gap Between Global Standards and Local Context

This chapter has described change in the economic domain, in two–fold: an internal opening up of the market, resulting in the SSI revolution, and an external opening up of the market, resulting in the arrival of MNCs, ready to compete with 1950s Ambassador cars and SSI products from formerly reserved market segments. Together this has led to a rapid maturing of the Indian market in the 1990s, up to 1996–97, the point when 'globalization started to hurt' and the economy entered 'a recessionary trend'.

This chapter has also described continuity in the political domain, again in two–fold: continuity in the growth of a crisis of governability and continuity in economic governance. These continuities are continuities of change, but made in small steps—with the exception of World Bank and IMF interference following a balance of payment crisis—and primarily in one direction and at one particular level: first–generation administrative reforms aimed at dismantling bits and pieces of the License Raj. There seems to be little political scope for the opposite to occur: the take off of second–generation reforms in order to build up a competitiveness creating environment, as was demonstrated in this chapter when two weeks after their ill–fated launch in 2001 hope had already turned into disillusionment.

Finally, this chapter has described, again in two–fold, the tensions that result from changes in the economic domain and continuities in the political domain. Tension arises when the old developmental infrastructure continues to promote easy entry and sameness in increasingly saturated markets, leading to cutthroat competition and economic criminalization. Tension also arises when there is fear in the office of the CII about the Chinese product invasion and no network is available to communicate this message to the level of SSIs, with the result that these SSIs, unaware about the exact nature of the threat, continue to rely on existing, collapsing networks that fail to provide them with the tools to combat it.

These tools will be discussed in Part Two of this book. As Chapter Four will show, there is little institutional scope for disseminating such tools—or implementing other second–generation reforms—through the Gujarat state business support network. Abolishing economic regulations can be realized by the stroke of a pen, but creating a truly supportive infrastructure that enables Indian business to be globally competitive is much more difficult to realize.

Therefore, here, at the end of Part One of this book, the following should be clear. On the one hand there are the pressures of global market formation occurring just as India has opened up. On the other hand there is a de–linking of professional elites; there is also, for instance, a national chamber of commerce that does not know how to get the message of change across; there is also, for instance, a representative of the state–level government who dismisses any responsibility for any entrepreneurial misfortune, stating that the economy is out of governmental control; and there is a lack of adaptation or even a collapse of old developmental support networks, contributing, if anything, to the opposite of what is needed for local–global brokerage. Thus, instead of the coordination advocated in Chapter Two for the effective re–embedding of exogenous best practices in a local context, local markets and society at large are out of control.

The picture of a gap emerges, which, for instance, underlies the 'weak points' in India's 'competitiveness profile', part of the Global Competitiveness Report 2001–2002: 'social capital', 'business network policy' and 'information infrastructure' (see World Economic Forum 2002). This is also the gap that makes India a laggard in technology diffusion as stated in the Human Development Report 2001: it is not enough to have 'world class' institutions if these institutions are not able to reach out into society (UNDP 2001). Finally, this is also an old gap: according to Degnbol–Martinussen, despite all developmental efforts, India never had a "mechanisms for effectively promoting the development of critical sectors or for increasing exports of manufactured goods", as a consequence of which it still relies "almost exclusively on resource–based and low technology manufacturing and exports" (2001:203, 235). It is, however, a gap that has become more critical now that the issue has shifted from being successful in exports to being able to survive at home. Re–clustering is needed to fill the gap between new global standards and the local context of a commercialist business culture.

It is in this context that private business consultants become important. They are the market response to demands not met through other channels. Paradoxically, whereas in a local context they have been part of the 'problem', contributing to cutthroat competition by recycling local business information, in a globalizing context they are part of the 'solution'. They will be central to the restructuring of business support networks by brokering social innovation in response to the pressures of global market formation, which will be discussed in Part Two of this book: Ahmedabad's informal service configuration.

P A R T T W O

AHMEDABAD'S INFORMAL SERVICE CONFIGURATION

Part One described a pressure cooker with pressures resulting from internal opening up and market saturation; from external opening up and from global market integration, contributing to further market saturation and laying down a new global standard of competitiveness; from the need for institutional compatibility and convergence as a result of that; and from the tension between the need for social innovation on the one hand and the de–linking of the professional elite on the other. It ended by describing the opposite of what in the Introduction was referred to as a necessity for coping with these pressures. Instead of control and a social infrastructure for channeling change, it concluded that there is a lack of control, a gap between professional institutions and entrepreneurs and, hence, the need for new networks.

Part Two will describe how these competitive and institutional pressures work through in the re–configuration of Ahmedabad's business institutions' infrastructure, which was described in Chapter One. It will show where transition tears up the existing social and developmental institutional infrastructure, but also where new networks emerge in response to the tension described above. The picture that will emerge from this simultaneous de– and re–clustering will be one of an informal service configuration, in which old actors play changing roles in new networks. This is Ahmedabad's local social innovation to the process of global market formation. This innovation exists as a (professional business) *services* configuration, because services provide the tools for improving institutional compatibility and economic competitiveness. It exists as an *informal* configuration as a result of India's growing crisis of governability, which leaves little room for a more formal response; as a result of local cutthroat competition, which leads to scarce service resources projects being executed behind closed doors; and as a result of the newness of the networks involved. All of Ahmedabad's four pillars of business institutions have their place herein, but the 'spiders' that weave this 'web' together to formulate the local response to global market pressures are *professionals*, notably consultants. They are the brokers at the local–global interface.

Attributing this key role to consultants in Ahmedabad may come as a surprise. On one hand, it was concluded in Chapter Two that professionals could play an important brokerage role in a provincial bridgehead like Ahmedabad. On the other hand, consultants have been so far described as fixers, arranging access to banks and other government institutions and recycling local business information. Indeed, this is how they are still looked upon in Ahmedabad today. Consultancy is not a respectable profession. The general public 'verdict' breathes mistrust: "anyone can call himself a consultant"; or: "anybody who is unemployed and who cannot get a decent job will say he is a consultant". This is something not confined to India. For instance, in The Economist one can note surprise about the willingness of firms to pay huge amounts for management consultancy, a profession lacking any formal quality standard:

> The management consultancy business is a tale of mystery and imagination. Nobody seems to know quite what it is, let alone whether it delivers value for money. The consultants do their best to maintain the mystique, pleading client confidentiality and hiding behind terms such as "value proposition" and "service offerings". And yet hard–headed business people the world over are willing to spend millions on consultants' advice. It is hard to avoid the conclusion that, along with that advice, the industry dispenses a little witchcraft as well. (Wooldrige 1997:3)

Yet, during fieldwork in Ahmedabad in 2001, consultants seemed to be most 'in touch' with the changing market environment resulting from India's opening up. In them I found my most convincing conversation partners about this change, the most interesting sources of social innovation in reaction to that change and, perhaps most importantly, apparently the only source able to *extend* the implications of that change to the business community at large. In this second part of the book the dynamics are described through which these consultants have come to occupy such strategic brokerage positions in globalizing Ahmedabad. It will show that rather than turning from fixers into fully professionalized forecasters, it is the combination of regulation and relation fixing and market forecasting, of old and new, local and global, that underpins their upward mobility.

Gujarati entrepreneurs generally thought of consultants as cheats and of professional consultancy as nonsense. Their rejection was recognizably commercialist, their reasoning being this: "if these consultants know so well, why don't they start a business for themselves?" Another line of reasoning was that they should not have to pay for consultancy services; normally the buyer, not by the seller, pays a broker. And then there was always the fear that a consultant would learn more from them than they would from their consultant, and that their competitors would be able to buy tomorrow what a consultant has learned from them today. Typical comments about consultants concerned their 'textbook quality', that is their apparent inability to put theory into practice, and their 'double–crossing nature'. If they really needed an outsider, they preferred to hire him on a permanent basis to buy his loyalty and bring him under their control. An EDII faculty member, finally, warned his students never to dependent on a single consultant and always collect information from different sources, thereby ensuring a unique business strategy rather than a 'copied' one and hence a greater change of survival and success.

During a day long visit to his factory on an industrial estate outside Ahmedabad, the owner–manager of 'Bright Chemicals' kept on stressing the importance of doing your own in–house research, not relying on those 'bookish' consultants. It was in the car back to Ahmedabad that he revealed his deeper feelings about consultants:

> See, once I had invested twenty *lakh* in a product.[1] But before I had it in production, my neighbor was already putting it on the market. He was a friend, often visiting the factory, also when I was not around. Apparently this is how he had come into contact with the consultant. And apparently he had offered him something. Firms are looking for short cuts and consultants are very much involved in this. Maybe one percent of them are honest, but the rest are crooks. If they would respect confidentiality for five years, then everything would be fine. One would have time to earn his money. Now a new product is sold also to small firms, for small amounts. All these amounts still add up for the consultant, but the product of course becomes worthless, because everybody is producing it. Now I only approach a consultant for an *existing* product, nothing new.

Their public denouncement of consultants as cheats did not prevent entrepreneurs from hiring them as long as they just cut corners. But they only wanted to pay for 'concrete' results: a bank approval for a loan, getting customs quickly cleared, or getting their competitors' customers lists. At the same time, they minimized their exposure to consultants, giving away as little as possible from their business

[1] A *lakh* equals 100,000.

'secrets'. Thus, for instance, CAs were expected to draw up and sign balance sheets without even seeing the books. Amongst the more professional consultancy services, ISO certification was relatively well accepted, because here the consultant cannot be kept 'out'. A quality consultant remarked, however, that it was part of his trust building strategy to learn as little as possible about a company when implementing quality management procedures. Entrepreneurs preferred consultants not to come too close, to remain at arms' length.

From their side, consultants generally complained that they could not properly deliver services if kept at arms' length and, more importantly, that Gujarati entrepreneurs did not recognize the value of less concrete matters, of information and advisory services. 'Mr. Sheth' was a technical consultant and EDII faculty and an important informant because he so clearly embodied the hybrid character of the 'local professional'. He will return briefly in Chapters Four and Five and more extensively in Chapter Six. He gave the example of making coffee:

> If they do not know how to make coffee and you explain it to them, they will react: "aha, very simple this is, so why do I have to pay so much for this simple trick?" And then they will try to squeeze you. Here in Ahmedabad, entrepreneurs will focus mainly on fees and, as a result of that, will end up with third–grade consultants giving worthless advice. In Bombay, they are more receptive to consultancy. There, they will assess the consultant for his knowledge and are prepared to pay the price for this.

Indeed, business advice and information can also come for free in the form of 'friendly services' from befriended entrepreneurs and relatives.[2] In a business–minded city like Ahmedabad there is an informal flow of business information circulating through it, whisperings of opportunities here and there, which give a strong undercurrent to the copying and cutthroat competition described in Chapter Three. Again recognizably commercialist, Gujarati entrepreneurs seem to rely almost exclusively on this cheap, more or less public business gossip and find it much more difficult to appreciate the value of more expensive, more specialized and scarce information and services.

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[2] This is confirmed by studies on business development services and business support networks in other localities. Awasthi and Pal (1999) describe how small entrepreneurs in Calcutta derive most of their information from their personal network (friends and relatives) and their business network (clients, suppliers). Beyond this there is the purposive support network, to be activated when an insoluble problem arises. Who is part of the business network is of course not predetermined, but Awasthi and Pal conclude that there is an enormous unrealized demand for business development services. The intransparency that entrepreneurs encounter in the market for professional business consultancy also shows through in a chapter on engineering consultancy by Kumar and Walekar (2000). They describe how they found management consultancy too vague a category to do research upon and thus instead chose for engineers. In my opinion they missed the point in doing so, failing to realize that it is exactly this vague, perhaps not clearly outlined, yet creative information juggling quality that make management or professional business consultants so interesting. This makes them brokers.

Therefore, a gap also exists between consultants and entrepreneurs. This was generally denied in Ahmedabad: "an entrepreneur knows how to find a consultant when he needs one." The meaningful smile that would accompany such comments, however, made clear that such consultants were fixers, not forecasters. Nevertheless, some change in the entrepreneurs' attitude toward consultants and services was visible.[3] With vengeance in his voice, a technical consultant in chemical engineering remarked:

> Before I had to bow for an entrepreneur and beg for an assignment. Now they bow for me. I can say: "Go to hell!" And they will still come back to me. They need me, they need new products now. Before there was this herd mentality: everybody jumped into the same product. But that doesn't work anymore: the market has become too tricky. Also, globalization has given us a new idea: if they can come in, we can go out. If you have a good new product, you can become an MNC!

The list of topics covered in a four–day training program for SSIs at the IIM–A gives a good overview of the professional services an entrepreneur may need and which a consultant can provide: (1) marketing management, niche market development and client targeting; (2) pricing and activity–based costing, calculating relevant costs for decision–making; (3) process management, quality management, process analysis and efficiency; (4) human resource management, leadership and organizational excitement, recruitment and employer–employee relations; (5) information technology, enterprise–wide computing, logistics and management information systems.[4]

These tools make a lot of (common) sense. If you want to sell a product, you need to create a market by identifying a target group and tailoring your product to their wishes. If you want to compete on price, you need to know your margins and you need to be efficient. To be efficient you first need to measure inefficiency and locate 'cost centers', because then you know where to start reorganizing your production process. Similarly, if you want to go for quality, you first need to locate from where quality is lost and measure what percentage of production is rejected. Then, to achieve consistency in production, protocols need to be developed and staff needs to be motivated to follow these protocols. If all this is not enough to be competitive, you can go for business process re–engineering, cutting out unproductive steps in the process, introducing new, more efficient technology, and altering the product mix. To support all this, to improve your control over the

[3] Change, a growing interest in services, was also the image that came to the fore in a number of newspaper articles: 'ERP Now Moves into Halwai Shops', *ET (Ahmedabad)*, August 20, 2001, (HB: ERP = Enterprise Resource Planning); 'Making a Beeline for CRM', *ET (Ahmedabad)*, September 13, 2001 (HB: CRM = Customer Relationship Management); 'Up SME Street', *ET (Ahmedabad)*, October 19, 2001.

[4] The Small Industries Development Bank of India (SIDBI) sponsored this course. It was also the only IIM–A activity geared to small local industries.

production process and monitor critical variables, you need to implement a management information system. In short, management is about measurement and motivation, together enabling you to operate in a more *precise* manner, enabling you to compete better in more mature, more competitive markets *by other means* than cutthroat competition or economic criminality.

Improvements in management can start with very basic adjustments (though no less important or rewarding), as 'Mr. Purohit', a consultant who was specialized in 'waste elimination' (efficiency improvement) and 'total employee involvement', showed me when he took me to a factory that makes metal shafts for air–conditioning systems. He was 60 years old and from modest descent: his father was a postmaster, his grandfather a farmer. As Chapter Five will show this was an important characteristic of a good consultant: not being too elitist and over–professional. He had 23 years experience in industry and was a general manager with an 'unlimited expense account' when he decided he wanted to be his own boss. He claimed, and he was probably right in this, that many consultants were not really willing to make their hands dirty spending days in a factory interacting with everybody. This was not an 'easy life'.

One side of the factory had already been reorganized by Mr. Purohit, with benches at fixed distances from each other and clearly demarcated pathways. The other part was still chaotic: one had to climb over half–finished parts to get from one side to the other. This was also precisely the reason for undertaking the housekeeping operation. Climbing over parts means potential damage to the product, which means loss of quality and potential rejection by the customer. Stored items were not kept properly and, as a result, metal sheets were lying around outside in the open air, getting rusty and becoming worthless. Freshly painted parts had to dry next to a dust–generating saw. All this was wasteful and created inefficiency. Consultants indeed would often refer to 'housekeeping' as an indication of how 'sincere' an entrepreneur really was about the product. From his housekeeping they determined whether he really wanted professional advice for improvements or just needed a consultant to cut another corner.

At the same time, even these basic adjustments dealing with the purely *managerial* issue of *how* to produce affects the more strategic, more *entrepreneurial* issue of *what* to produce: a certain (lack of) scale, a certain (outdated) technology, a certain (lack of) quality forces you into certain markets. Mr. Purohit's housekeeping just described was accompanied by training sessions for the different 'departments' of the company—sales managers, designers, the foremen on shop floor, bookkeepers and the managing director—to arrive at a different, more participatory management model. The competition was driving the company into more specialist tailor–made projects. This required that foremen became more sensitive to the particular details of an order, that bookkeepers were able to calculate the costs and margins of different options more precisely, and that sales managers became better informed about technical feasibility, costs and delivery time. What was needed was a different 'task group culture'.[5] The information needed to change existing practices was non–existent or not circulating properly. There were also cash flow problems because of large stocks and bad pricing. Mr. Purohit would spend fourteen days here spread over a year to guide the transformation and to instill a different, more professionalized task group culture. This would signify a major departure from the entrepreneurial culture in which the manager–owner made all decisions. Here, professional practices start *disciplining* the 'art' of Gujarati entrepreneurship.[6]

The relevance of a more professionalized business culture can be illustrated by comparing two images I found on the desks of two very different entrepreneurs, 'Mr. Pandya' and 'Mr. Nagaranjan'. The image of 'A 'burdened' Industrialist' (Figure 3) focuses on the business *environment* of the entrepreneur and shows

Figure 3:
A Burdened Industrialist

[5] The concept of task group culture presumes a specific relation between (a) the size and organization of groups or institutions, (b) type or complexity of information and communication flows, and (c) the specific task and the quality of performance that can be achieved given such a set–up (see McFeat 1974). What makes the transformation to a more professionalized task group culture even more complex is that most management tools have been developed in what is referred to as the 'managed economy', a large–scale, professionalized business environment, which therefore need to be re–embedded into a small–scale, entrepreneurial, not (yet) professionalized business culture (see Audretsch & Thurik 2001).

[6] According to Mr. Purohit, the problem with India was that it had a British government–bureaucracy, a Russian economy, and American management schools like IIM–A, which were of no use locally. He tried to build on indigenous entrepreneurship like that of the Gujaratis, instead of replacing it. But he could not apparently escape foreign examples: to create more total employee involvement in the metal shafts factory, he had introduced a collective morning ceremony with the raising of the company flag and prayers, following a Japanese example.

how an entrepreneur is burdened by this environment, tied down and threatened from all sides. Consultants are but an iron ball around his ankle. Beyond being a very politicized representation of a business environment, however, this image can also be understood as a reflection of a certain self–image. The entrepreneur sees himself as the victim of an over–regulated and corrupt society, powerless in the spot market environment in which he has to operate, the out of control market described in Chapter Three. Listening to Mr. Pandya, on whose desk this image was found I heard a litany of complaints about government, traders, labor, everything else that was *around* him (but never himself).

Now consider the image of the 'Masterkey to Success in 2001' (Figure 4). The difference is striking: here there is no victimization by *external threats*, but a stressing of the need for *internal strength*, based on the four professional pillars of quality, innovation, service and efficiency. This image is also both a conscious public display (though of strength this time) and a reflection of a certain self–image. Mr. Nagaranjan expressed himself as follows:

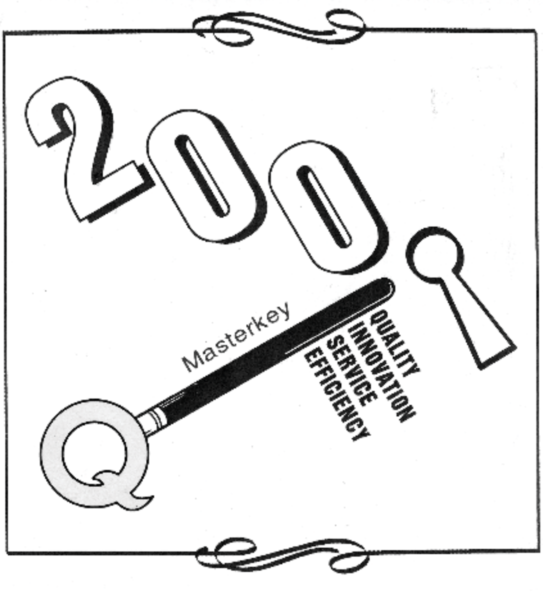

Figure 4:
Masterkey to Success in 2001

> Government is least bothered, banks are least bothered. They are only concerned whether they are getting their taxes and their pockets full. It is all up to us, to our survival instinct, our ability to change, my responsibility toward my employees' families, my ability to react. And for this I continuously need to do the SWOT analysis, need to be aware of modern management techniques and design strategies.[7] I attended a program with a professor of IIM–A. She charged me Rs. 25,000 for half a day and she only was trying to tell me what is strategy, planning, thinking forward. I attended a course at EDII about exports. I am a very active member at AMA where they provide short–duration management courses. I invest perhaps Rs. 400,000 a year on training my staff. Down the line, my company runs professionally, the system runs in an accountable way, by itself. ISO ensures this. I have won the third place in a productivity award contest, but with the same people I still could do three times better compared to US achievements and up to seven times compared to Japanese standards. So team building is

[7] SWOT stands for Strength – Weakness – Opportunities – Threats.

> the biggest thing we as a company are trying to achieve right now. I have found an HRD consultant through reference of AMA. We want to introduce an ownership culture: one should take pride in one's task. Japan has a different culture: they are homogenous, speak the same language, share the same religion, and they were devastated after the war. But I am Indian and I have to work with Indians. This is the ground reality. I have hung my balance sheet on the notice board, I have hung my bank account on the notice board. This kind of openness we are trying to create. And I keep myself informed. I have been a member of the American Management Association. The biggest point of reference for this company, however, if we want to know what is happening in the world, is the Instruments Society of America. Of this society we are still member.

In this story, there are also complaints about government, but, importantly, the story does not stop there. For this entrepreneur, his whole entrepreneurial existence seemed to evolve around 'continuous self–improvement'.[8] He talked about it for two and half hours non–stop. This is the opposite of the style of the first entrepreneur. It is an *internalization of a professional disciplining* for change and adaptation to an increasingly competitive market environment.

The first image displays India's 'old' competition game fought out between entrepreneur and government over market regulation. This battle will not disappear because markets will always (need to) be regulated, but, with liberalization and opening up, such external factors literally take a step back: key decision–makers may reside on the board of directors of the WTO in Geneva instead of 'around the corner' in local government, and the type of regulation changes from direct intervention in the competition game to more distant and indirect demarcation and facilitation.[9] The second image displays the 'new' competition game fought out in a more abstract market place with less visible, less known actors and with rules that are more difficult to influence. Here the relevance of a professionalized business culture emerges. What the professional pillars that are so dominant in this image provide is a level of control over this more abstract, liberalized external market environment through *internal* business operations. In this context professionals broker (the relevance of) a widening, more distant business horizon and the need to react to this by incorporating sometimes equally distant, exogenous tools into local business practices to become more competitive and compatible.

Aside from illustrating the relevance of a professionalized business culture, the images of the 'Burdened Industrialist' and the 'Masterkey to Success in 2001' are also important for illustrating the *differences* in outlook that exist between two entrepreneurs in the same city, who may not be all that different from one another.

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[8] Not coincidently, continuous self–improvement is also part of a Japanese management school, *Kaizen*.

[9] Urry (1999) describes a similar change of governance when he refers to the changing role of the state in the face of global mobilities as a change from 'gardening' (direct, precise) to 'gamekeeping' (more indirect, more correcting).

Here the fragmentation within Ahmedabad's informal service configuration becomes visible.

Mr. Pandya represented the archetypical SSI, with only a handful of trained workers and another handful of casual workers, seventeen in total. He manages his chemical factory by himself, with the help of his father, who founded it, and his younger brother. He is a Gujarati Brahmin of modest descent, with a bachelor's degree in chemicals. His grandfather performed ceremonial work in South Gujarat. His father, with a bachelor's degree in Arts, moved to Ahmedabad to find work, which he found in a chemical factory that produced silicon. When this factory collapsed, his father worked as a consultant for while, advising others on producing silicon, before he felt confident enough to set up his own plant in 1987. He won an award for best non–technical entrepreneur in a technical field in 1992. Setting up your own plant was no longer feasible these days: margins had become too low. In his father's time there had been only three companies in the whole of India producing this silicon, all three located in Gujarat: now there were many more. Also, since 1991 fuel prices had risen sharply: output prices had gone up twice, while input prices had gone up trice. Now he had developed a new, more efficient process that saved him fuel. Unrefined silicon needs to be heated to be able to separate the pure white silicon from the black carbon. He had modified his plant to use rice husk for fuel. This is freely available from farmers and more carbon can be extracted from the ash.

Mr. Nagaranjan was also a Brahmin, a first–generation entrepreneur, also with a technical degree (though a master's instead of a bachelor's), and a migrant from South India who moved to Gujarat because of the good business climate. He founded his electronics company in 1978. His 'breakthrough' came around 1980 with the production of an electronic calibrator for tuning–up machinery, the first of its kind in India. In 2001 he employed about 100 people.

Both these entrepreneurs have a technical background, are innovators and are relatively successful, but Mr. Nagaranjan was relatively established, while Mr. Pandya was still struggling to capitalize upon his process innovation, paying off bank loans. Size will play a role in explaining the difference in outlook: once your company runs 'by itself' you have time to go out and attend workshops at IIM–A. But the single biggest difference between these entrepreneurs was the fact that Mr. Nagaranjan found his way to an IIM–A program, while Mr. Pandya, the Gujarati of the two, did not. Mr. Pandya was a member of the Gujarat State Small Industries Federation and knew EDII, but he was not familiar with all the other Ahmedabad–based business institutions. Because of his lack of connectedness to Ahmedabad's informal service configuration he was negative about chambers of commerce and industrial associations; in his opinion, such institutions only served the purpose of the committee members and did not represent industry at large. In contrast, Mr. Nagaranjan was very well–connected to Ahmedabad's informal service configuration and was able to 'play' it by himself: if he needed a good HRD consultant, he would just pick up the phone and call his 'friend', the secretary of AMA, who would refer him to one—just like he picked up the phone to introduce me to the secretary.

The problem that now arises is that the difference in outlook between these entrepreneurs can be explained by the difference in access to Ahmedabad's informal service configuration, but also *vice versa:* outlook determines access. Here, between the professional domain and the non–professional domain, a *social boundary* exists and brokerage is required. If you are a professional, if you talk the right language, you have access to institutions that will, in turn, broker contacts with reliable consultants. Consultants, in turn, can broker contacts with their associate consultants and with other institutions. All this improves access to services and molds outlook. The other way around, if you are outside the professional domain, you lack the reliable environment that brokers reliable contacts and you remain much more on your own, a burdened industrialist relying on family and the government's developmental efforts. The burdened industrialist can be considered the rule; the well–connected professionalized entrepreneur the exception. The brokers who break down this professional boundary are first and foremost consultants. Not coincidently, Mr. Pandya was 'picked up' by Mr. Shah, the 'learning' CA from Chapter Three with good bank connections. He helped him to finance his process innovation, but they could also be found sitting together in Mr. Shah's office, discussing ways to calculate margins. This case will return in Chapters Four and Five.

To conclude, Ahmedabad's informal services configuration is shaped by the tension between an increasing awareness of the value of professional business services on the one hand, and a lack of access to reliable 'delivery mechanisms' on the other hand. The central paradox of Ahmedabad's informal service configuration, therefore, is that those elements in this configuration that are most unlikely to perform this brokerage function, that is consultants, who are plagued by their lack of credibility, are the ones actually doing it the most. Therefore, Ahmedabad's informal service configuration can be understood as the (largely) *unintended* outcome of individual consultants' local brokerage projects, weaving institutions, entrepreneurs, and fellow consultants and professionals together, thereby balancing Ahmedabad's de–clustering with elements of re–clustering: the creation of new networks. Part Two of this book seeks to explain the paradox of why, among the different business support institutions that make up Ahmedabad's informal service configuration, consultants have come to play this central role.

Chapter Four continues from where Chapter Three ended. It will describe how and to what extent the Gujarat state business support network and India's public banks and DFIs, the 'old' developmental infrastructure of the License Raj, is able to cope with the transition from local market regulation to global market competition, when bureaucratic credit administration need to be replaced by professional market analysis. First it seeks to explain why banks and DFIs have kept on financing cutthroat competition and accepting the fake four–day business plans as described in the Chapter Three, resulting in high NPAs. It will also show, however, how under pressure from mounting NPAs, new relations develop between bankers and consultants in which yesterday's fixers *change roles* and come to play forecasting roles also.

Chapter Five will describe the 'reputation game', the market for professional business consultancy in Ahmedabad. The chapter will describe the gap that exists between consultants and entrepreneurs, but also the brokerage mechanisms that are involved in closing it. Whereas one would expect *'new' professional* MBAs to gain importance as a result of the transition from local market regulation to global market competition, in fact the *less professional, 'old'* CAs and other hybrid 'local professionals' are best able to broker between the universal–professional and indigenous–entrepreneurial domain.

Finally, Chapter Six will describe brokerage and coordination mechanisms that can turn Ahmedabad's de–clustering into a process of re–clustering. The chapter will describe Ahmedabad's de–clustering into cliques organized around business institutions such as AMA, monopolizing access to professional resources as a response to the new competition. The chapter will also describe projects aimed at Ahmedabad's re–clustering, organized by CII, EDII and UNIDO. Re–clustering depends on professional service providers who provide collective services, which in turn create collective interest. Rather than chambers of commerce and industrial associations, these service providers are the nodal points in Ahmedabad's informal service configuration.

CHAPTER FOUR

FROM CREDIT ADMINISTRATION TO MARKET ANALYSIS: WHEN FIXERS ALSO START TO FORECAST

Things are changing. It is clear that the appraisal system of banks is still not good enough, but banking standards are brought to internal level and NPAs are known now: that is change. Also, accountancy standards are brought to international level. Before, a chartered accountant was only acting as auditor. Now he starts to provide an increasing number of financial services and becomes a business advisor.

An Ahmedabad–based Chartered Accountant, July 10, 2001

1. INTRODUCTION: THE CONTRAST BETWEEN 'VISITORS IN THE DARK' AND THOSE WHO SEE THE LIGHT

In the view of 'Mr. Mahajan', a senior partner in an international management–accountancy firm, India was a consultant's paradise, even before India's opening up. The office, well–designed with pastel colored walls and matte white glass doors, appeared as Western and cosmopolitan as my informant himself (and very *unlike* the more modest office spaces of local Ahmedabad consultants described in Chapter Five). His career stretched over 21 years, seven of which were spent abroad with two 'Big Six' management–consultancy firms.[1] His work had taken him to London, Sydney, Dubai, and back to Mumbai. He was a CA and had completed several courses in management and bank strategy. We spoke for about 45 minutes—his tie carefully folded in his chest pocket—the time he could spare to describe the development of management consultancy in India to me.

The constant changes in the market had continuously created new opportunities for growth. The firm for which he worked had come to India in

[1] Ernst & Young, Deloitte & Touche, KPMG, Coopers Lybrand, PricewaterhouseCoopers and Arthur Andersen, the last has since been dissolved as a result of the Enron accountancy scandal early in 2002.

1982–83 when the Indian government unfolded plans to restrict equity holdings of foreign companies in their Indian subsidiaries to 40%. A Bombay office was set up by people of Indian origin who worked for the London office to develop a better local feel of the situation. Before liberalization, they had worked mainly for foreign clients and mainly on accounting and legal matters. At that time, the market had been much slower and less competitive, and growth had often been impossible, because you were either not allowed to expand or because your competitor had pre–empted the market by taking up all the available licenses. Companies could survive on sub–optimal levels of efficiency, though projects still could fail due to mismanagement, to misapplication of foreign technology, or as a result of simply making the wrong product for the wrong price. Generally though, making a reasonable product for a reasonable price was good enough. The management required in such a regulated environment had been first and foremost the management of government: lobbying for licenses, *etcetera*. Other consultancy assignments in those days included the restructuring of companies into apparently independent units to circumvent monopoly legislation and diversification of the product mix through the sourcing of often foreign products that were still 'new' to India.[2] In the latter cases, they would advise on process implementation, organizational set–up, *etcetera*. Then companies still had the time to learn.

A second growth phase began with Rajiv Gandhi's market reforms around 1986, but really took off only with the liberalization of 1991 when companies began to look at the Indian market in a new way: in search of growth. Liberalization created demand on *both* sides. From *foreign* companies there was a massive demand for market research, identification of growth areas, *etcetera*. At the same time, seeing this foreign activity, *Indian* companies wanted to professionalize their business, to move from diversification to reinforcing their core competences and to introducing best practices. Mr. Mahajan considered the latter as still the biggest challenge for consultants, because *one could not leapfrog from one system into the other*: a client should be able to understand a consultant. This growth phase lasted until about 1994–95. Around 1988 their staff had consisted of about 50, some of which were only part–time auditors; around 1993 this had more than doubled to about 100 full–time employees.

The experience of market competition from abroad signaled a third growth phase for the firm. Before liberalization, the Indian government had stimulated import substitution, the growth of SSIs and the regional spread of

[2] Sourcing these technologies from abroad was easier than setting up research themselves or seeking collaborations with Indian research institutes. Foreign companies were happy to issue licenses, as they themselves were restricted from entering the Indian market. Mr. Mahajans considered the absence 'knowledge networks' in India at the time of writing the result of this. There was no experience in India about how to make scientific insights applicable for industry (see further Chapter Six about re–clustering: attempts to develop such networks).

industrialization. As a result, production capacity became very fragmented, with a lot of opportunities for middlemen. When the cost inefficiency of this system became apparent, demand rose for consultancy on streamlining the supply chain. With fragmented suppliers spread over vast areas, with differences in levels of taxation and subsidies between Indian states, with exemptions of excise duties depending on firm size and energy consumption, and octroi points at municipal borders, the Indian market was very complex indeed![3] This was only positive for consultancy, because this complexity made the profession interesting.

In the same central business district I encountered a very different mood when I met with 'Mr. Srinivasan', a top–level banker at one of India's publicly owned banks. Over the phone he had agreed to an interview about his bank's response to India's opening up with a sigh. In his office he came to the point straightaway. He wanted to be open with me; he was planning to leave the bank soon. There was no response. He had served on the board of several PSUs and had lectured for one year at the Stanford Business School before taking up his current position advising his employer on how to prepare itself for the opening up of India's market. At the time it had seemed like an interesting challenge. He had laid out a road map: the bank should invest in training, in research and in information technology, and it should prioritize sectors within the Indian economy, organize them and develop strategies for achieving global competitiveness. So far, Indian industry was only cutting costs. The research department had remained small, ten people in all, and quality was hard to get as multinational banks paid more. Before, India's Five–Year Plans had provided a reasonably accurate projection of future developments. Now they were off the mark: in a fast–moving global economy, a plan once every five years was insufficient. However, his staff was too small to monitor developments in different economic sectors. There were no databases in India like the Internet archive of the Financial Times. Thus he would send them to conferences to collect papers presented to get information from there. What they knew, they knew from interaction with existing clients and through experience in traditional sectors like textiles, cement and steel. As far as benchmarks for global competitiveness and India's market scenario were concerned, they were 'visitors in the dark'. When asked why his road map had not been accepted, he only said he did not want to discuss such 'organizational matters': "What do you want to me to say?" Not being able to keep up with market developments was apparently less painful than revealing the reasons behind it.

The contrast is stark between the 'visitors in the dark' and 'those who (apparently) see the light'; between Mr. Srinivasan, who sees his bank losing its bearings because the predictability of the regulated economy has given way to global market competition, and Mr. Mahajan, who only continues to marvel about

[3] Octroi is local tax levied on goods transported into a particular municipality.

the ever–changing complexity of the Indian market. This stark contrast between 'misery' and 'marvel' can be partly explained by the fact that a consultancy firm can work with the most commercially interesting and viable clients, while the hands of the bank in this respect are tied behind its back. For instance, the bank was supposed to take up film financing as part of a governmental effort to drive black money out of the Bollywood film industry. This was a very risky business of which Mr. Srinivasan admitted that they knew very little and that was certainly not a very healthy addition to a portfolio already burdened with bad loans.

The differences between the banker and the consultant, however, run deeper: there was a real sense of disillusionment in the attitude of Mr. Srinivasan, confessing all that was so hopelessly wrong in the bank as long as I would guarantee his anonymity, whereas Mr. Mahajan was so much more 'alive 'n kicking'. This difference was a motivation for including bankers in this research: to understand why bankers continued to finance projects in already saturated markets, thereby contributing to cutthroat competition, and how consultants were able to get their fake four–day business plans accepted (as described by Mr. Sharma in Chapter Three). The usual, 'easy' answer to this question in India is 'corruption'. However, this chapter will show that this is only one part of the answer. The other part of the answer—the more interesting but also the more complex one—has to do with collecting business *information*, building up *expertise,* and performing *market analysis*. This chapter will demonstrate that these tasks require a *professional* rather than a *bureaucratic* work culture.

Discussions on Indian banking are shaped by the two government–initiated 'Narasimham' committee reports on reforms in the financial system and on the banking sector, and are 'technical' rather than 'cultural' in nature.[4] Pre–liberalization, banking operations were controlled by government's fiscal and developmental policies. Directed credit at low interest rates resulted in a deteriorated loan portfolio, eroded profitability and an undercapitalized banking sector. After liberalization, competition within the sector and adherence to new, *international* prudential norms for banking were meant to replace the old government policy framework and restore efficiency and profitability. Instead, competition between banks caused declining 'spreads' between borrowing and lending, and new norms for classifying NPAs led to huge provisioning requirements, eating into profits.[5] Both reforms therefore eroded the profitability

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[4] These committees were appointed by the Government of India and named after its chairman M. Narasimham, see Nabhi Publications (1998a; 1998b).

[5] Banks need to make provisions for NPAs directly out of their profits. The new norms for NPAs were as follows: loans were downgraded to 'substandard' after six months non–payment of installment and interest; to 'doubtful' after eight months; and to 'loss' after twelve months. Before, it had been only after 30 months that a loan downgraded to 'doubtful'. More importantly, there had been no hard criteria for either provisioning or defining a *final* loss. Instead clients were kept alive by 'ever–greening' loans, that is the issuing of fresh loans to repay old ones.

of banks, but did not translate into sound banking practices. Raje (2000) therefore argues that banking reforms in India have 'missed a turn', by neglecting *bank restructuring* at the expense of *regulatory reforms.*[6]

Instead of discussing 'top–down' parameters for bank performances—how it *ought* to be—this chapter seeks to describe how bankers *in practice* cope with the transition from local market regulation. The aim is to show a system in transition: how India's and Gujarat's old developmental infrastructure adjusts itself to a new market environment in which different tasks are required and, above all, a different outlook—not *backward* to the system that once was and *upward* to the political decision makers that governed that system, but *downward* to the market and *forward* to the developments within this market. The second aim is to show how, as a result of this transition and reorientation, and the pressure of rising NPAs, bankers and consultants develop a new relation in which consultants change role—from being yesterday's fixers into *also* performing forecasting services. Information for this chapter was gathered through a 'bottom up' approach, discussing banking practices with bankers and consultants. Bankers were eager to discuss the changes confronting them, but because they officially needed permission for giving an interview, visits remained limited to brief chats over *chai* after their concerns over confidentiality were eliminated. Whom I was able to interview depended solely on references.

That bankers struggle with market analysis to manage the 'credit risk' related to lending is not unique to India: weak credit risk management practices and poor credit quality are the dominant cause of bank crises worldwide.[7] A bank's key problem is to *access* and update the right kind of *technical* and *market information* to check the probability of failure of invariably optimistic project proposals. In the literature, two responses to this problem of credit risk management can be identified. The first response entails a shift from 'expert' to 'expert system', from experience–based 'guesses' and 'gut feelings' to calculated statistical probabilities whereby a credit rating model replaces the banker.[8] Best describes a second response originating from Italy's industrial districts (1990:214–16). There, financial consortia are formed in which banks use inter–entrepreneurial peer–review to

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[6] And one may say that the debate in the literature has missed the same turn. In an edited volume by Hanson *et al.* (1999), the chapter on 'Financing Indian Firms: Meeting the Needs and Challenges of the Twenty–First Century' only lists sources of funding for firms and does not analyze the internal operations of finance allocation within banks. Also, Jadhav (1996), though comprehensive, reads like a handbook: it explains how things should be, but fails to explore why things work differently in daily practice.

[7] Related to credit risk are the issues of 'asymmetry of information' and 'adverse selection': a promoter is likely to know more about a specific project than a bank and thus is able to conceal blemishes; those projects in which most is hidden are likely to look most 'rosy', but in reality are the most risky (BIS 2000).

[8] Although the translation of qualitative information into a statistical model is difficult, this shift toward credit rating is nevertheless generally regarded as the key to controlling credit risk (BIS 1999, OECD 1995). See Bekkers (2003) for a more elaborate comparison between the two systems.

assess a project, because, unlike bankers, entrepreneurs have the *insight* to evaluate better the opportunities other entrepreneurs have identified. However, Indian banking seems to have developed a third response. With credit rating systems and financial consortia both virtually non–existent, risk management has developed at the interface between banker and consultant, whereby bankers provide access to capital and consultants provide access to market analyses and investment opportunities.[9] This new relation is not unproblematic, however, because a forecaster will always balance his loyalty between the client who pays him and the banker with whom he maintains a 'friendly' relation.

2. PRE–LIBERALIZATION: FROM MONEYLENDERS TO CREDIT ADMINISTRATORS

In colonial times, banks were 'sophisticated moneylenders', without the capacity to appraise a project's profitability, solvency and asset formation; the only mechanism for risk management was lending against collateral (Patel 1978). New entrepreneurs lacked collateral and therefore had no access to bank finance (Schrader 1997). The independent Indian government considered the limited circulation of capital among a few established business families a hindrance to indigenous industrial development and sought to break it open through the creation of DFIs and the nationalization of private, commercial banks.[10] Within this newly formed developmental financial infrastructure there was a division of tasks between banks and DFIs: whereas DFIs provided relatively risky term–loans for investments in plant and machinery, fixed assets, banks provided relatively less risky loans for working capital (shorter terms, smaller amounts, easier to convert from investment back into capital). As a result, India's formal financial sector developed from rather rudimentary levels at the time of independence into having an infrastructure more or less on par with developed economies.[11]

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[9] The absence of proper credit risk management systems in Indian banks was, for instance, discussed in a newspaper article like 'Shape Up, Or Languish: Indian Banks Must Build Strong Databases before Implementing Risk Management Models', *Economic Times (Ahmedabad*), November 7, 2001 (see also Section Five of this chapter). Consortium–based lending has only very recently been introduced in India by UNIDO for a group of small craftsmen in Jaipur.

[10] The two most important DFIs erected were the Industrial Investment and Credit Corporation (ICICI) in 1955 and the Industrial Development Bank of India (IDBI) in 1964. The nationalization of private banks happened in three rounds. In 1955 India's largest bank, Imperial Bank, was nationalized and became the State Bank of India. The nationalization of fourteen major banks followed in 1969; another six private banks followed in 1980. Not all banks were nationalized: 24 minor banks remained privately owned. These are known as 'Old Private Banks' (after banking reforms started in 1993, eight 'New Private Banks' were erected). For convenience's sake, the terms 'banker' and 'Indian banking', as used throughout this chapter, apply to both bank and DFIs unless otherwise indicated.

[11] The number of branches increased more than sevenfold between 1969 and 1991, to a little over 60,000 branches. In 1991 a branch office served 12,000 people, in 1969 65,000 were served. The portfolio of banking services developed from little more than providing working capital finance against collateral in 1969 to including nearly all modern banking facilities by 1991 (Rao & Ter Wengel 2000).

The state's intervention in the financial sector grew along with the changing, broadening scope of India's consecutive Five–Year Plans (see Nabhi Publications 1998a). Banks were obliged to hold different reserve ratios with the RBI, which grew over the years to a combined 53% of their total deposits.[12] The interest rate on these ratios was low, providing the government with cheap funds for its fiscal deficit and for developmental term–lending. Nearly all interest rates were fixed. Also, banks were required to direct a percentage of their lending, initially 33% and later 40%, to priority sectors: SSIs, agriculture, export, and 'weaker sections of society' (Joshi & Little 1996). Thus, over the years an elaborate matrix of specialized institutions, directed capital flows and target audiences were built up, designed to gather deposits with one hand and push down directed finance with the other.

However, the development from a 'rudimentary' to a 'well–developed' infrastructure can be predominantly described as a growth in terms of scope and presence: an increase in the number of branches and different banking activities, a *quantitative* improvement at the expense of a *qualitative* decline in both lending portfolio and staff. Expansion went hand in hand with a process of bureaucratization. An advisor to a DFI, a former chief economist with the Asian Development Bank, was outspoken about this point: "Banking declined, from nationalization onward, and not so gradually; what developed was a completely *bureaucratic* culture." It is necessary to examine what caused the decline in banking in which bankers became 'credit administrators' in more detail to understand the problems currently faced by Indian banking.

Bankers turned from money–lenders into credit administrators for the following reasons:

(1) The speed of expansion and the inability to find qualified personnel to staff this expansion led to the development of *centralized, hierarchical decision making systems* in which projects had to travel up the chain of command through consecutive layers of responsibility for final approval. A survey among bank managers in 1980 showed that 75% of them did not know how to appraise a project.[13] A former GSFC banker, now EDII faculty and a private consultant, explained how rules instead of professional performance offered protection within the bureaucratic control system that developed: deviating from the rule and being innovative meant taking risk. It is this absence of a more 'creative approach', needed to lend to clients without collateral and bring to life well–intended development schemes that Agrawal criticizes most in his 'portrait' of nationalized banks (1979:196–200, 210–12).

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[12] The Cash Reserve Ratio rose from 5% to 15%, its legal limit, and the Statutory Liquidity Ratio from 25% to 38.5% (the limit was 40%) in 1991.

[13] Personal communication by V.G. Patel, who was the researcher responsible for this survey.

(2) A *shortage of capital* meant that there was also no market pressure to develop a more creative approach. As the former GSFC banker continued to explain, the shortage of capital made genuine loan appraisal superfluous. 'Winners' selected themselves: only those who wanted the capital badly enough would get through the system. In this environment a system developed over time that could only be managed by consultants, by fixers.

(3) Within the realm of the public sector, *banking was not recognized as a profession*. Together with the nationalization of banks in 1969, the National Institute of Bank Management was established to train the new bankers, but this nascent professionalization of Indian banking, aimed at breaking open traditional lending practices, could never really take off in the public sector. Within government–bureaucracy, banking was not distinguished from other departments; and within the banking bureaucracy one task was not distinguished from another (Patil 1996). Mr. Sharma, who in Chapter Three described the 'easiness' of banks in selling loans, explained why his demanding position in 'advances' was so little in demand:

> In advances you have to work hard, make long hours, because you have to read and learn a lot: business magazines, bank circulars; you should know about changes in markets, technology, bank regulations; only then you can make a good analysis of a project proposal. You are responsible for the loans you issue, so you face risk. Other colleagues do not face this risk; they are free at five o'clock, and with computerization of banking operations maybe even earlier, but they are paid the same. Also, urgent work in bank administration, payments, *etcetera*, was always given precedence over issuing loans. So there was no encouragement for any hard–working or intelligent person to work in the loan department.

Also, the development of professional expertise was hindered by frequent transfers along similar lines as other parts of the government–bureaucracy, creating generalists instead of specialists. A senior partner in the management–accountancy firm PricewaterhouseCoopers explained that at present they provided training to Indian bankers under the condition that they are not transferred *as long as* they remain in training.

(4) *Bankers lacked the autonomy to develop a 'credit culture'* of constantly weighing the risk involved in lending, a point stressed by Mr. Subramaniam', a CA who was introduced to me by an investment banker as 'well–read, well–preserved' and as 'one of the few good, *selective* consultants in Ahmedabad' and will return below and in Chapter Five. Along with other parts of the government–bureaucracy, banks and DFIs were subject to political control and had virtually no influence on their own functioning. In the face of unrealistic developmental goals, bankers covered up problematic loans by constantly renewing them to

ensure payments on the previous one, the so called 'ever–greening'.[14] In short, allocative and operational efficiency, and thus the performance, profitability and, in the long run, the viability of banking operations were neglected at the expense of developmental policies.[15] That accounting standards were 'soft' and that risk management systems were virtually absent was hence convenient for both the government and for bankers.[16]

To conclude, caught between unrealistic policies that were forbidden to fail and insufficient expertise and absent risk management to execute them successfully, bankers retreated to following procedures and trying to meet targets in a difficult, developmental field of finance. They were not able or expected to do anything else. The bureaucratization of banking created a financial system that looked upward, following the rules and regulations originating from the political top of the system, rather than analyzing the market below. It is this *gap,* created in the pre–liberalization era, that still prevents proper market analysis in the post–liberalization era.

The 'Gujarat Experiments' presented below, were an attempt to shift this conservative, bureaucratic, regulation–based credit administration toward a more professional, creative market and technology–based lending. The case will describe how this highly innovative, but also risky approach became bogged down in the same process of bureaucratization it tried to escape. It was around the same time, as part of the process of indigenous industrialization and as part of this process of bureaucratization, that private business consultancy developed in Ahmedabad.

3. THE GUJARAT EXPERIMENTS TO PROFESSIONALIZE STATE–LEVEL BUSINESS SUPPORT SERVICES[17]

In 1960, the newly founded state of Gujarat was still practically devoid of industry (see Chapter One and Three). GSFC was set up the same year to promote

[14] A regional manager with a New Private Bank, erected after liberalization, explained me that, to avoid such a cover–up culture being imported into their new 'professionally run' organization, his bank preferred not to hire staff previously engaged in public banks, but instead chose to train 'fresh' graduates instead or hire staff previously trained in foreign banks.

[15] Allocative efficiency defines how well available funds are distributed among competing demands. Operational efficiency defines how much overhead costs are made to generate income. Gross profits, that is before any provisioning for NPAs, constituted a meager 1.10 per cent of working capital in 1989–90. Some banks did not even make enough profit to meet the soft provisioning standards of that time (Rangarajan 2000).

[16] Accounting standards were soft because income was booked in an 'accrual' rather than on a cash basis: even if no actual interest was paid on loans, this was shown as income. Therefore, banks and DFIs always made profit, irrespective of actual repayments (see Joshi & Little 1996).

[17] The historical component of the analysis of the Gujarat Experiments in this section is based upon Patel (1978).

industrialization, followed by a number of other support institutions.[18] Developments were sluggish, however, and bankers, including those from GSFC, continued to follow a 'money-lending approach'. This meant that the margins of the unit were known; that the track record of the promoter was known; that the debt to equity ratio would often be one to one; and that only a small minority of the units supported had submitted an actual project report. Innovative, potentially more rewarding projects were not financed. To change this situation, two innovations were introduced: GIIC, established in 1968, and Entrepreneurship Development Programs, in 1970.

GIIC was a remarkable organization, even by 'modern' standards. Whereas GSFC initially distinguished itself little from commercial banks, GIIC was touted as an investment corporation, financing any amount and venturing into any type of project—all to unlock Gujarat's entrepreneurial potential. It was meant to propagate a new, innovative, liberal, flexible culture. To achieve this, GIIC was equipped with highly qualified technical and financial staff—'technical MBAs', for which there is now high demand among investment bankers and management consultancy firms. GIIC could, therefore, be perceived as a 1970s Indian predecessor to the venture capital funds and 'incubators' that gained worldwide prominence in the 'new economy' around ICT technologies in the second half of the 1990s. GIIC's board was made up of government representatives, experienced industrialists, and bankers from the State Bank of India and the Bank of Baroda, who had decided to support the 'silent revolution'.

In 1969, the Technicians' Scheme began. It was the first scheme for liberal financing. Under it no collateral was required and no debt to equity ratio was applied. Instead, it provided 100% financing for a term-loan at reduced interest rates. It basically enabled qualified persons, often employees with technical expertise who lacked capital to set up their own businesses. Instead of collateral, a person's qualifications, his reputation, and a decent project proposal were considered in risk assessments. In 1970, the first Entrepreneurship Development Program began in the form of a three-month course meant to familiarize such technicians with business concepts and to help them prepare a business plan.

Patel (1978) describes how everything worked well for a while. The support network was well-knit: the Entrepreneurship Development Program fell under GIIC; banks were represented on the board of GIIC. It ensured close cooperation and mutual confidence. An appraisal in 1972 counted a failure rate of only 24%. Initial success was followed by an expansion of the program to include also non-technical persons under the New Entrepreneurship Scheme. At the same time,

[18] The Gujarat Industrial Development Corporation to develop industrial estates and provided entrepreneurs with essential infrastructure: sheds, water and electricity; and the Gujarat Small Industries Corporation to provide small entrepreneurs with raw materials in an economy plagued by shortages.

however, cracks in the system became visible and decline set in. An informal but high–level Industrial Extension Team was formed to act as a coordinating body, but, nevertheless, the 'new', creative, flexible culture got lost. Also, GIIC quickly ran out of money and started demanding payment for pre–investment counseling. Consider this account of both developmental zeal and naivety as told by Mr. Sheth, the 'local professional' who explained how entrepreneurs reacted to services in the introduction to Part Two. Before he became EDII faculty and consultant, he was a marketing officer with GIIC:

> GIIC was very dynamic. We would advertise in the news that we would come to Baroda. We would camp in Baroda Circuit House. We would receive the applications in the morning and issue the approvals by evening. But in doing so GIIC has also burned its fingers. It attracted the wrong type of entrepreneur. Also, today this way of working is no longer possible. Then I knew every chemical entrepreneur in Gujarat. Now the market has become more complex, with more producers, more products, and more competition.

Gradually, *financial* capacity again became more important than *entrepreneurial* capacity. GSFC took over the financing of small industries. Norms remained relaxed but were nevertheless less liberal than those of GIIC: ten percent equity investment while five percent was often already equal to an average year's salary of the target group. Project appraisal started with a single page but became increasingly complex. Of the projects proposed by entrepreneurs, 70% had to be rejected. Aspiring entrepreneurs mainly proposed copies of already established projects in competitive markets. Hardly any innovative proposals were made, partly because relevant business information—on raw material, machinery, markets and products—was not readily available, especially not for small industries. GIIC marketing officers, however, lacked the time for decent feasibility studies and were increasingly engaged in bigger projects. They applied for project licenses in New Delhi and consequently sought to develop those projects in Gujarat in cooperation with public or private promoters. Ironically, while the need for support from GIIC increased, actual support decreased: GIIC became a large–scale project developer.

In 1978, the Industrial Extension Team was formalized as INDEXT–B to revitalize the support network. It operated as a nodal agency and as an opportunity identifier, more or less taking over this task from GIIC. Entrepreneurs could visit them for counseling on business ideas, references to decent consultants and to seek INDEXT–B's support in dealing with the other support institutions. One officer, still employed by INDEXT–B in 2001, described how INDEXT–B had to resort to pressurizing the other state–level institutions into a 'cooperative' mode to keep the increasingly bureaucratic machinery moving. INDEXT–B, as an extension of the Industries Department, was 'close' to political power, falling directly under the Minister of State for Industries.

INDEXT–B established a Technical Cell For opportunity identification. A former project officer, who had become a private consultant just like Mr. Sheth and the GSFC banker mentioned above, wanted to share in confidence with me how he had enjoyed his job and what had since happened in the course of time:

> Today, the focus of the organization has changed a lot from what it was. I will not go to that subject, but briefly it is not the same concept and not the same focus area as in the beginning. We had a very flexible and small organization at that time, headed by a very dynamic professional. I was a project officer in a team of about maybe eight to ten officers in all. It was a very flexible and very efficient arrangement to work and we enjoyed it. We used to discuss plans with entrepreneurs until late at night. And we used to monitor studies carried out by consultants. These studies were financed for 80% by GSFC. Unfortunately that scheme discontinued around 1985. We had a panel of good consultants, not formally, but informally. Also, we used to interact with industry, with suppliers of machinery. We used to subscribe to various journals and visit conferences. So we knew what was happening, where opportunities would lie. When an entrepreneur would come to us and say "I want to invest this much, I want to be active in this field", we could advise him on what to do. But then the organization grew and the Industries Department started using it as a secretariat. So its activities got diluted. They stopped hiring professionals. Because it was a successful organization, other people, bureaucrats, sought to be transferred to it. Before, INDEXT–B's skills and manpower were well above the average quality of bureaucracy. But now it is not more than a public relations department attempting to attract investments. I personally feel that there are many limitations to an organization being attached to the government.

At the time of writing, INDEXT–B still lists a number of investment opportunities on its website, but, as someone was willing to admit, the list is not updated nor is it well–researched. The Technical Cell has virtually ceased to exist and the one or two persons who remain lack the capabilities to do so. Also, whereas its former head, who had built up the organization, had been a 'technocrat'—thus a person educated in a technical profession—now it is headed by a 'bureaucrat' from the Indian Administrate Service.[19]

Governmental decay is a sensitive topic in India, but the slow drive toward tougher accountancy standards has brought some things into the open. On July 23, 2001, the *Times of India (Ahmedabad)* reported: 'Things Going Steadily Down for GIIC'. According to the newspaper article, GIIC faced NPAs amounting to 50%.[20]

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[19] The Indian Administrative Service represents the top cadre of the civil service. In contrast with technocrats, its members can be considered generalists, because they are readily transferred from one department to another. See de Zwart (1994) for a vivid description of this 'merry–go–round'.

[20] To put this in perspective, the 'Narasimham Committee Report on Banking Sector Reforms' states that banks should lower the level of net NPAs (that is NPAs taking into account provisioning) to five percent

One day later, the same newspaper reported: 'Another State PSU Comes Clean About its Losses'. According to this newspaper article, GSFC faced NPAs of 36%.[21] Effectively, both institutions had all but stopped lending and were nearly bankrupt.

At the time of writing GIIC's Market Research Department only existed in a 'skeletal form'; it was reduced to one person who also did credit ratings. When I met him he was very busy because there was nobody left but him to do the work; all others had left or had been shifted to the loan recovery department. He very quickly explained the 'art' of market research to me:

> It is not something any young MBA can do. Information is not readily available like in a developed economy, so fieldwork becomes very important. You have to go out and dig it up in chambers of commerce, associations, governmental institutions and even research institutions. For an estimation of demand for a certain product you have to look at all possible applications; you have to look at subsidiary products; you have to look at the industry scenario to distinguish trends for the next few years; and you have to look where demand is located. For an estimation of supply you have to identify who is producing, what is his capacity, how much can he expand without becoming less efficient; you have to look at raw material supply; you have to look at price elasticity between raw material and product; and, of course, you have to look at government policies over the last five to seven years. This enables you to make a forecast for the next three to four year. But this method no longer works. After liberalization you cannot calculate supply anymore, because production and imports are liberalized, and thus you cannot calculate a demand–supply gap. The sellers' market has become a buyers' market. Instead you have to focus more on market trends, fluctuations and the promoter's abilities. Consultancies charge a lot of money for such research nowadays.

When I asked him how GIIC could have acquired such a high NPA percentage using such a methodology, his reaction was very simple:

> GIIC's NPAs are caused by projects where no market research was done.

There would have been two reasons not to have done market research: projects being pushed through by direct political pressure; and priority lending to target groups like female entrepreneurs, a form of lending pushed ahead by indirect political pressure.

The story of the Gujarat Experiments is worth telling for several reasons:

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by 2000 and to three percent by 2002 (Nabhi Publications 1998b). In general an NPA percentage of fifteen percent is already considered 'unhealthy'. NPAs make a bank non–performing for a three reasons: they prevent or delay the recycling of funds; they deny income on assets by way of interest; and they erode profits by way of provisioning (see Raje 2000).

[21] Informally, over diner, one officer admitted such numbers were still fairly 'rosy' and that efforts at re–capitalization stood in the way of more openness.

(1) The Gujarat Experiments illustrate the process described in the previous section: the problems surrounding the professionalization of Indian banking, whereby a lack of insight into the viability of a project results in more bureaucratic procedures, which in turn require 'greasing' by fixers.

(2) The Gujarat Experiments help to illustrate how dramatic the decline of the Gujarat state business support network has been. Especially GIIC, but also GSFC have 'fallen' as flagships of a modern, developmental industrial policy to become symbols of a morally and financially bankrupt government–bureaucracy, out of touch with the changing political–economical scenario: India's growing crisis of governability on a micro–scale.[22] Virtually nobody in Ahmedabad believed I could find anything of interest to this research among any of the institutions belonging to the Gujarat state business support network. Indeed, the remnants of the Gujarat state business support network are currently huddled together in *Udyog Bhavan* ('Industry House') in Gandhinagar, Gujarat's administrative capital. It has become deserted and few entrepreneurs can be found there. Yet the offices of GSFC and GIIC were still in much better shape than those of the bank to be described in Section Four of this chapter: they were more computerized and there were no chaotic collections of files with people sleeping next to them (which I even witnessed at the bank's headquarters in Mumbai). Also, as the GSFC managing director explained, despite their shaky financial position, they were planning on implementing an Oracle–based management information system to keep better track of files and timely payment of installments. GIIC's former managing director shifted to a similar position in what has become a symbol of the 'new economy': a venture capital fund (Gujarat Venture Finance Limited). The former managing director of INDEXT–B has became a private consultant and co–authored books on agro–industries and plastics that were published by Saket Publishers and that were often recommended to me by other consultants, because they brought together basic information on technology, process, machinery and suppliers in a particular sector of industry. Finally, several other leading consultants in Ahmedabad, like for instance Mr. Sheth, had also worked in these two institutions in the past.

(3) The story of the Gujarat Experiments is worth telling for one final reason: to demonstrate that what the government had attempted to undertake publicly was taken over privately, by consultants. The complexity of the task of 'entrepreneurship development' and a lack of professional grip on this task,

[22] Although bankruptcy was apparently more likely to be caused by internal political pressures to approve certain public mega–projects than by external fixers arranging finance for their often much more modest private projects—at least, that was the common view in Ahmedabad.

> together with the growing complexity of the market due to an increasing number of products and producers were likely contributors to this development. Beyond a certain level of development, no institution can have an overview of all possible technical developments and market opportunities. Thus, increased market complexity together with increased procedural complexity fostered the demand for more advisory services. When the ability to provide such services in–house decreased as a result of the bureaucratization of staff, these became externalized and privatized.

In line with this market development, in 1978 another institution was added to the Gujarati support network: GITCO, a privately run consultancy organization, promoted by GIIC and GSFC, DFIs and public banks. The aim of GITCO was to provide consultancy services to new and/or small industries, more or less taking over where GIIC had stopped before. Its first managing director came from GIIC. Its technical consultancy was accompanied by relatively time consuming and thus expensive market research, so it lost out to the competition. GSFC stopped financing feasibility studies and, consequently, entrepreneurs stopped approaching GITCO. Banks set up their own, but inferior Technical Cells and also accepted reports from cheap private consultants, fixers, producing less well–researched feasibility studies. At the time of writing, GITCO does little business consulting and has re–emerged as a relatively more 'trustworthy' consultancy for quality certification and environmental audits and as a local counterpart for international consultancy firms. The same fixers who undermined a formal consultancy organization like GITCO will return in a different, more forecasting role later in this chapter. To understand this development, however, it is first necessary to describe the post–liberalization banking scenario.

4. Post–Liberalization: From Credit Administrators back to Moneylenders

While liberalization created a boom in India, it also forced reforms upon the banking sector. Because the introduction of new prudential norms was phased, change was really felt only in 1996. New classification norms for NPAs were introduced between 1992 and 1995 and the first figures, made available in 1996, made it clear that India was on the edge of a bank crisis caused by a 'systematic non–performing loan problem'.[23] As a result of provisioning requirements for NPAs, banks began reporting huge losses. Thus, two developments emerged together in the mid–1990s: (1) the banking sector was confronted with its fragile

[23] According to the 1995–96 Reserve Bank Annual Report NPAs of all public sector banks contributed to 24.8% of all advances in 1994 and to a little less than twenty percent in 1995. To qualify for a bank crisis NPAs must be above ten percent (see Raje 2000).

health, especially the high level of NPAs; and (2) businesses began to feel the pinch of competition, leading to restructuring, loan defaults and thus more NPAs (see Chapter Three). Mr. Shah, the learning CA, again very clearly described the post–liberalization banking scenario:

> In the boom of 1991–95 a lot of new SSIs were established, but also unscrupulous elements came in to take advantage of the funds available, not to promote industry. These units were not meant for real growth and thus went down in adverse times. This is exactly what has been happening the last five years when India got into a recession. Now we live in anarchy. The financial sector is in a mess. Banks need to start all over again. They have to write off all their bad assets at once and start afresh.

A real bank restructuring, however, did not take place. Instead, what developed was a stalemate between new prudential norms and an old bureaucratized culture, between new, more stringent requirements, and old, deteriorated capabilities, and between the need to upgrade risk management and a lack of qualified staff and resources to implement such new management (information) systems. A faculty member from IIM–A described the stalled restructuring and struggle for survival of the banking sector:

> The banking sector is in a state of paralysis. Hesitant reform policies are a major obstacle. Banks need re–capitalization, but the Bill to reduce government holding in banks is still pending in Parliament. Only after re–capitalization, banks can invest in decent management systems. I teach risk management here at IIM–A. Internationally this has developed tremendously, but little has percolated to the Indian banking sector. The systems I teach are not applied in India. I only teach them, because half of my students go abroad to work for such reputed investment banks like Goldman Sachs. Students do not go to Indian banks, except maybe ICICI. There is no culture of number crunching in Indian banking. Everything needs to go to headquarters for approval. It all depends on relations: who likes whom; does the bank manager get along with the entrepreneur or not. The problem is if you are sophisticated and calculate your risk, you will be more expensive and you will need to charge higher interest rates than a less sophisticated bank that simply takes more risk, and thus you will be undercut. The less sophisticated bank may face problems in five years, but does have more business at present. Banks now only survive because they can invest heavily in government bonds. It is mandatory for them to invest 25% of their deposits here, but they actually invest 38%. In a normal situation a bank would not be able to survive on this, because margins between deposits and bonds are too small. In India, however, deposit rates can be exceptionally low, because there are no other secure means of saving. The capital market is too insecure because of scams.

What the IIM–A faculty member described is a scenario of retreat. It has come about in three ways:

(1) As mentioned, the banking sector has shifted from lending to industry to investing in 'risk free' government bonds.[24]

(2) The banking sector has shifted from lending to industry to consumer banking, considered to be less risky and more sensible given the fact that it is a new market: in pre–liberalization India, capital was reserved for developmental goals *only*.[25]

(3) The banking sector has retreated to only dealing with 'known', reputed entrepreneurs and consultants. It is in this 'personalized' risk management between bankers and consultants that yesterday's fixers have also come to play forecasting roles.

To conclude, retreat signifies the problems that banks and DFIs face in reorienting themselves from the governmental policy–making environment to the market, and in developing expertise or risk management systems to deal with market complexity. Thus, bankers have changed from *moneylenders* into *bureaucrats* in response to pressure from governmental policies and back into *moneylenders* in response to pressure from the market. They have changed from dealing with 'known circles', that is *established business families*, to dealing with *new entrepreneurs*, and back again to dealing with 'known circles', that is *established consultants*. Developments, in other words, have come full circle from where this chapter started. Before describing the new relationship between bankers and consultants, first the cases of an ordinary public bank and a better equipped DFI will be presented. This will illustrate the lack of expertise and information available to these institutions with regard to appraising project proposals, resulting in a *de facto* dependence on 'trusted' consultants. In others words, consultants need to fill the gap between bankers and a new, globalizing, competitive market environment.

5. A Bank and a Developmental Financial Institution: Lacking Expertise and Information for Market Analysis

The Bank. Not coincidentally it was a consultant and a CA, Mr. Shah, who offered to introduce me to the bank. This particular bank had suffered greatly from the

[24] According the Centre for Monitoring Indian Industry (CMIE) this shift from corporate finance to government bonds is reflected a constant drop in the credit–deposit ratio from 71% in the 1970s to 67% in the 1980s to 55% in the 1990s (see www.cmie.com).

[25] The regional manager with the New Private Bank told me that his bank had initially been more interested in lending to industry. They had refrained, however, from entering into the field because of a downturn in the economy. Instead, they had focused on consumer banking. With hindsight this had been a good choice, because now their NPAs were much lower than those of the older public banks. In other words, the New Private Banks, the shining examples of new Indian banking, predominantly shine because they are not burdened by old debts and because they stay away from lending to industry and instead focus on urban middle–class retail banking.

downturn in Ahmedabad's textile industry after 1985 and was making losses. For Mr. Shah this meant a lot of work consulting on corporate restructuring and turn–around management. As he explained, banks nowadays preferred to restructure loss–making mills rather than to keep on lending to them or to encourage them to file for bankruptcy, which could take a long time to resolve in court. This bank, however, was not capable of doing the restructuring itself and therefore required his services. His partner did the same for the bank's headquarters in Mumbai, so he could introduce me there. Mr. Shah claimed his relation with the bank was 'very good' and indeed, in Ahmedabad we walked straight into the office of the regional manager without waiting, without even a knock on the door: remarkable in an hierarchical (Indian) bureaucratic environment in which it always pays to be polite and, above all, patient and wait until one turn's has come to be received. Also, in all familiarity, the regional manager started discussing what should have been a sensitive issue: the well–being of the bank and especially the level of NPAs. The past quarter all had gone well; he had met all his targets, including NPA reduction.

The regional manager was a South Indian Brahmin like so many other high bank officers. When I met him on a later occasion, he explained to me on the basis of what information new projects were financed: "We finance sectors that do well, we follow the market trend". The information sources he summed up for analyzing this trend were very 'general' though. It was a list I had often heard from bankers: newspapers, magazines, government publications, RBI publications, the Internet. Also he referred to the 'Corporate Policy Cell' at headquarters in Mumbai, later correcting himself: it was the 'Credit Policy Cell'. But in his view, entrepreneurs were the root cause of cutthroat competition. They wanted to restore profitability by expanding production and would dilute their working capital for the necessary investments. This then would lead them to trouble, because once they had installed the new capacity, they would lack the working capital to make use of it, making the investment unproductive. Then they would come to the bank with 'nice estimations' for finance. Instead, they should have modernized and retrenched labor. He saw no pro–active role for the bank in relation to dealing with their textile–oriented customers and forecast problems of overcapacity or a loss of competitiveness. In his view, it was not the bank, but the entrepreneur who had allowed, for instance, the machinery to become obsolete.

The Gujarati manager of the Ashram Road branch in Ahmedabad had different worries. He explained he needed to lure in retail clients. This was after I had witnessed how he elaborately exchanged pleasantries in Gujarati with an obviously important client who was led into the office while we were having *chai* and repeatedly assured that 'the paperwork was almost done': again a remarkable display of 'service' in an environment known for a lack of it (although the reception of a wealthy lady may say little about the reception of a less well positioned small entrepreneur). Retail banking was the new focus, but it required good services and a lot of work due to the great number of small transactions involved. Exposure to each client was smaller and thus risk was less, but the amounts were also small: in fact too small to restore profitability. So the bank continued lending to industry also, financing growth and the restructuring of existing clients. For appraising a proposal he referred to a loan policy in which apparently only parameters for the promoter's track record and the debt to equity ratio were formulated. When asked how he dealt with saturated market segments, he reacted: "That is why we now have to exposure limits; they have been introduced to prevent continued financing in a particular sector". Indeed, to avoid a concentration of risk by an overexposure to a particular sector, one needs exposure limits. To finance a project in a saturated market one also needs to have more than a mechanism to spread risks; one needs to know industry–wise best practices, the 'cutting edge' to beat the competition. According to Mr. Vyas, however, the young CA who in Chapter Three spoke about the 'death' among SSIs and the absence of government policies in the face of globalization, information systems were largely absent in banks. Also, bankers did usually not leave their offices to visit industries and collect information themselves. Instead, he did the 'legwork'—an activity with a negative association in India. In general, the highly–placed official presides behind his desk and pushes buttons to call in a peon for the smallest of tasks. The style of working of an Indian bureaucrat differs quite a bit from that of the dynamic professional.

To find the 'Credit Policy Cell', the 'ultimate' source of the bank's market information, I went to the bank's headquarters in Mumbai. Here I first met an officer in the Loan Recovery Department who denied that the Mumbai–based consultant who had introduced me to him was engaged in corporate restructuring for the bank. They were 'just friends'. According to him, the bank did this by itself as soon as loan repayments became irregular, all 'in line with RBI guidelines'. The research to establish parameters for restructuring was done by the 'Credit Appraisal Department'.

The correct name for the 'Credit Appraisal Department', 'Credit Policy Cell' or 'Corporate Policy Cell' was the 'Credit Risk Department'. The name had changed the previous year from 'Credit Policy Department'. It was two persons strong: one officer and his assistant. The Credit Policy Department had only checked if the bank followed RBI regulations for lending; the new Credit Risk Department apparently did exactly the same: it checked if the bank followed RBI prudential norms to limit risk by having exposure caps for individual borrowers and sectors. Before, exposure to a sector was not taken into consideration: all products were in short supply, so what would be the risk involved? But now the focus had shifted toward risk exposure; now you wanted to know individual and sectoral default probabilities. But these figures were not available in India. Credit rating agency Moody's had sectoral models for the US, but they needed customization. In India, CRISIL had started providing such data, but it was still in an infant stage and very expensive.[26] Therefore, the bank had decided first to develop its retail banking.

Thus, for information one constantly referred to a tiny department whose correct name was not even known; and this tiny department admitted that it did not have the required information and that it merely measured exposure levels. While such information like forecasts and best practices seemed to be lacking, the answers indicated what information was available. Making a *forecast* is a difficult affair, but information on which sectors are doing well *at present* is something one can read in the newspaper daily. Also, defining *best practices* requires *insight* in developments in particular sectors, but a bank's *exposure* to sectors can simply be *calculated*.

The Developmental Financial Institution. Mr. Shah also introduced me at the DFI headquarters in Mumbai, again through the same Mumbai–based partner. Mr. Shah knew a director there from the days he had worked in the Ahmedabad office of the DFI. The DFI also faced trouble, because in the past, as part of its specific developmental task, it had lent heavily to core industries: steel, cement, and textiles. All these were in trouble and NPAs amounted to 14.8% on March 31, 2001. Before financial reforms, the DFI had had access to cheap capital directly from the RBI. Reforms had cut off this credit line and the DFI was now required to borrow at much higher rates directly from the market (see Khanna 1999). In response, the DFI was planning to become a 'universal bank', to develop retail banking in addition to its corporate activities in order to provide the DFI access to 'cheap' consumer deposits.

The chief general manager in the Planning and Research Department was cynical. Before, there had been reasonably accurate forecasts by the Government of India Planning Committee; now these were so much off the mark that nobody was interested in them anymore. Before, interest rates had been fixed; now you had to foresee developments yourself. His department consisted of only fifteen people and they were mainly engaged in writing annual reports, compiling data on developmental banking in India, calculating the DFI's performance with regard to the new prudential norms for asset classification (NPAs) and exposure levels, and monitoring (inter)national economic indicators. Post–liberalization, more research was needed. Also, more information was available, but he did not have more staff. The DFI needed a lean organizational infrastructure to minimize overhead, because profits were under pressure from provisioning for NPAs. Whereas before nobody left, now it was difficult to get good people and, after a few years of training and experience, they would leave again to work for a much better paying

[26] Credit Rating Information Services of India Limited.

foreign bank or consultancy firm. So there was little time and expertise for analysis and ultimately he had to do forecasting himself.

At the Market Research Department the two officers who sat across the table from me kept repeating that not much had changed for them after liberalization. Compared to the research and planning department, they worked on the micro–level, analyzing individual projects. Keeping track of technological developments, minimum efficient sizes and price levels was not new. The department had been in 1985 with a staff of twelve people, which was still the size at the time of our meeting. The old information system was also largely intact: the Planning Committee, journals and annual reports, although now also the Internet and Indian Embassies brought in information from over the world. It was in this consistency, however, where the problem seemed to lie. The same department now had to analyze a more difficult issue: global competitiveness rather than asset formation, in a more diversified, faster changing economy. According to well–read, well–preserved Mr. Subramaniam even the better equipped DFIs were minimally two years behind in information processing. A loan officer working for the same DFI in Ahmedabad confirmed that for traditional industries information was available, but that it was up to him to update that information. Also, for less traditional industries he had to surf the Internet himself. He found it a confusing exercise: for every market segment or technology you could find both positive and negative analyses. To analyze competitiveness, the department had started doing inter–firm comparisons. This revealed what seemed to be their major source of information: existing clients. These clients sourced for new technologies and, through them, the DFI came to know. It also seemed to reveal that they still equated competitiveness very much with 'hard' technical features instead of with 'softer' management and marketing strategies. In other words, the old developmental paradigm of setting up factories—for which often new, foreign technology was required, remember Mr. Mahajan at the beginning of this chapter—still seemed to prevail over what should have become the new paradigm of market analysis.

Learning from your portfolio through inter–firm comparison is at the heart of credit rating in 'modern' banks as described in Section One, but here the system seemed to work differently. The general manager of the Ahmedabad branch of the DFI claimed that he did risk assessment locally. He was constantly in touch with industry, he knew what was happening and, if he had doubts, he could *call a befriended entrepreneur or consultant for advice*. In line with what could be made up from the Market Research Department in Mumbai, he did not consider technical appraisal to be the problem: that could be dealt with internally. It was the marketing part that was tricky. For this he needed to rely on consultancy reports and he knew that consultants in general could not be trusted, given a few exceptions like GITCO. To have this market expertise in–house was simply too expensive. To overcome this informational weakness, the DFI had chosen for 'a committee–based approach' in which different project sizes had to move through different committees for approval. As the Ahmedabad general manager explained, it was a way to share different experiences. It as a *human* management information system where a more technical one was missing. In turn, a committee of experienced consultants, entrepreneurs and academicians advised such committees. Here, an informal configuration took shape in which consultants were not only fixers pushing fake four–day business plans. Instead, they added the information to the 'system' for which legwork would be needed: feeling the pulse of the market.

Finally, I asked the DFI director in at headquarters in Mumbai why consultants were not formalized in a panel, considering the extent to which banks and DFIs were dependent on them. Formal recognition could bolster a consultant's loyalty toward the bank or DFI. Also, before liberalization this DFI had actually issued a publication with formally recognized, 'empanelled' consultants. His reaction was straightforward: the DFI already had so many panels, why another one?[27] The obvious answer would be for the same reason the other panels had been constituted: to have access to a reliable pool of experts. But he brushed aside such a notion. Instead he stressed that consultants had no part in the appraisal process and that entrepreneurs should find their own consultants: those who were 'sincere' would be able to do so. Indeed, before, the DFI had compiled such a list for the benefit of all DFIs. But now they all were competitors, so why would they make public a list the others could use? Interestingly enough, though consultants officially did not play a part in the appraisal process, Mr. Pandya, the 'burdened industrialist' described in the introduction to Part Two had received a loan his SSI through the *personal interest* the *director* had taken in this small case submitted by *his friend the consultant* Mr. Shah!

To conclude, beyond their knowledge of 'traditional' sectors like steel or textiles, and beyond their 'old' network of equally 'traditional' clients operating in these 'known' sectors, banks and DFIs did not seem to have been able to develop new market intelligence. Before, there was the regulated economy with its estimation of the supply–demand gap and Five–Year Plans. Following liberalization there were few options beyond reading newspapers and surfing the Internet, and rather than being done by an organized unit, it was done by *individual* bankers. Also, concerns over profitability have led both banks and DFIs to initiate Voluntary Retirement Schemes. One consultant considered this a good development: more dynamic and better–qualified people would replace aging staff with an out of date mindset. But

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[27] Panels of consultants existed for legal advice, valuation of property and machinery, environmental audits and bank audits.

well–read, well–preserved Mr. Subramaniam was less optimistic. Services float on human capital; banks and DFIs now destroyed that capital: the good ones left for consultancy firms, the bad ones stayed behind. All this implies that, whereas requirements for market analysis have increased in a faster moving post–liberalization market—and these analyses themselves have become more difficult to undertake because of the more volatile character of the market—the ability of banks and DFIs to perform such analyses has decreased. In such a scenario, banks and DFIs came to depend on external consultants. The most important indication of their growing *importance* was the *informalization* of bank panels. The next section describes the changing relation between bankers and consultants and the changing role of consultants in this changing relation.

6. The Formation of an Informal Service Configuration and the Double–Edged Sword of Liaison Consultancy

In Ahmedabad, the generally shared view was that the 'nexus' between bankers and consultants was a breeding ground for corruption. This is an accusation very quickly made in a country facing a growing crisis of governability and bureaucratic decline; in most cases, however, such accusations are not substantiated. Entrepreneurs complained that consultants asked for fees from them to bribe bankers, but they also complained that they did not know for sure if such payments were actually made. Along with their condemnation of corrupt bankers they expressed their suspicion about consultants: surely they would keep part of the money to themselves. Also consultant without such friendly' relations with banks, mainly management consultants, ostentatiously condemned these. They would seek to distinguish themselves as 'clean' and 'professional' and would make it a point to state that *they* never entered a bank unless it was absolutely required for defending the project proposal they had drawn up for their client.[28] Corruption will definitely play a role between bankers and consultants, but importantly, their relationship cannot only be described as corrupt. The 'friendliness' between bankers and consultants is more complex than the 'hanky panky' the general public usually paints of it.

Indeed, consultants have played a dubious role as fixers, especially in the SSI revolution following liberalization, though this is not easily admitted. Learning CA Mr. Shah, however, was relatively frank about it:

> After liberalization banks wanted to increase their business, but they did not have the system to do so. So consultants played a very bad part in this. A new group of consultants

[28] Management consultants will often take this position, thereby seeking to distinguish themselves from CAs who have 'traditionally' brokered between entrepreneurs and banks (see also below and Chapter Five).

came up, mainly chartered accountants and former bank employees. People saw new avenues for making money, though they generally lacked the skills to make a decent project proposal. Instead, they would dress up, tie up and impress the banks officers with nice reports, nice graphs and a good command of English. But they would only think of their fees. They would not be interested in the outcome of the project. Banks did not have a system for due diligence, so they accepted these proposals. And when a better bank rejected a proposal, it was accepted by a worse one.

The procedure for getting a proposal approved was simple. First, you needed to find out how much turnover you needed to make and what margins you needed to have in order to be able to pay back the bank loan. Then you made sure that these 'ideal figures' came out of your project 'calculations'. There was no need for market research or anything to substantiate the fact that you actually would realize these figures. Together with a brief description of the product you wanted to make and the technology you would need to use for this, the project proposals would only be about ten pages.[29] A consultant would not put his name on such a report, because he did not want to be held accountable for the (reverse) calculations he had made. Nevertheless, such proposals were approved. It may have been corruption, but in the days when NPAs were not yet calculated, all was apparently fine as long as the paperwork *looked* good and all the *formal* requirements were *officially* met. In 2001, bankers were ready to admit that in those days they had been 'too liberal'.

However, when the economy entered a 'recessionary trend' and NPAs began to be calculated, both the role of bankers and consultants changed. Banks and DFIs reinforced the personal accountability of bank officers for loans sanctioned by them. It remained unclear during fieldwork to what extent this personal accountability had always been there, but now was only more actively enforced, and how far this more active enforcement went. Mr. Sharma, who had shown me how to prepare a cheap project proposal as described above, complained that in fact nothing had really changed: people still came to him for cheap proposals and still managed to get them approved. But the DFI loan officer in Ahmedabad, who found it difficult to surf the Internet only to find contradicting reports, did see change:

In confidence I can tell you that officers have become hesitant to take decisions because of this responsibility. Is it fair to take a decision on certain parameters and to be held accountable afterward if this decision turns out to be wrong? In banking it is very difficult to see if a decision that was taken was *mala fide* or *bona fide*.

[29] To put this into perspective: I have also seen project proposals of 100 pages and more.

Reinforcing personal responsibility without providing the back–up of a centralized management information system means that in fact the banker was left on his own to try to attain 'symmetry of information' *vis à vis* the consultant—remember the Internet surfing DFI loan officer above. However, only in the best circumstances can a banker be as informed as a consultant—remember the information backlog referred to above and the fact that consultants have more exposure to the field. In order to manage personalized banker's risk and to prevent loans from turning bad, a new working relation has developed between bankers and consultants on three levels.

At the *lowest, most informal level*, bankers have started using consultants as *troubleshooters* and providers of basic business intelligence. If a company fails to pay installments on loans for two consecutive quarters, the loan automatically turns into an NPA. This is very undesirable for both bank and entrepreneur. The bank has to start making provisions out of their profit for this NPA; the entrepreneur will have his rights to any future funding frozen, which in turn could result in the company's bankruptcy. This then means that the bank will have to start litigation to retrieve their funds, something that could take years. In short: it is better to engage in 'slippage management' and prevent NPAs from developing.

I met three consultants, 'Bhatt & Co.', who, among many other things, were in this line of activity: a CA, a former banker and a third one who called himself a marketing consultant. The CA was a 45–year–old Gujarati who had worked for Reliance. His boss had been an 'idiot', however, so it had been better for him to leave and become his own boss. His father had also been a CA. As a consultant, he had been engaged in taxation issues, until procedures had been simplified. The former banker, a 48–year–old non–Gujarati, had worked 23 years for a bank before becoming independent in 1998. His father had worked as a manager in a Mumbai–based industry. According to him, the horse and the donkey were treated in the same way in the public sector, so he wanted to try his luck in the private sector. What was most striking about both profiles was the complete absence of memberships of, for instance, associations. The third one did not fill out a profile form. He had recently returned from Africa where he had been in 'business'. There were rumors, however, that he had had to flee there to escape prosecution in India.

Now, with India's opening up, these individuals had formed a 'management consultancy' firm with the aim to move into import–export consultancy and marketing. They showed me the readers they had copied from IIM–A courses. Foreign companies used this kind of information, but Gujarati entrepreneurs still did not understand the value of if. So they were stuck here. At the moment their main activity was 'project consultancy', a term that in Ahmedabad was all but a synonym for corruption. Very recently, they had traveled to Kutch to investigate industry opportunities. After the earthquake there in January 2001, government had promised fresh tax exemption for new company start–ups. However, Bhatt &

Co. also provided more basic services to which they were less ready to refer to. For the 'mutual friend' who had referred me to them, the former banker had checked information about a client's creditworthiness through his contacts with former colleagues—information that should be confidential. Also, a bank had hired them to find out if entrepreneurs invested their loans according to the project proposals and if they were able to pay the installments. There were enough people to interview: employees, suppliers—they knew their way around. Once they had collected the information, they would 'advise' the bank on how to restructure the loan: lower interest rates, smaller installments, *etcetera*. They even talked about negotiating with the bank on behalf of the entrepreneur and 'pressurizing' the bank to accept their proposal. After all, the bank could not afford to have more NPAs.

Bhatt & Co. were fixers. This was apparent from the multitude of different consultancy tasks they tried to undertake and the general *search* for things to do; the virtually bookless, shabby office of the CA; the equally shabby clients waiting there with paperwork in their hand; the handwriting of one of them, combining Gujarati with Roman signs; and finally, the indirect admittance by the former banker, in a separate interview, that he also had to participate in less 'ethical' dealings with banks on behalf of clients because he could not 'afford to be arrogant' (although he, of course, did not approve of this and also told his client so!). To them, 'liaisoning', maintaining relations with public offices and banks, still had a beautiful ring to it: "French isn't it?" It was their bread and butter. They were old–fashioned in the sense that they greeted the new tax exemptions for the Kutch region as new business opportunities, while more established consultants in Ahmedabad shook their heads as they saw viable industries around Ahmedabad being destroyed as a result of this unfair competition from units that themselves would die the moment the exemptions were terminated. But they were also fixers who occupied a new role in a new market environment, contributing—though in a highly informal, not to say illegal manner—to the *closure of a gap in practices and information that could not be closed more formally*. This is a second function of the informal configuration that formed around banks and DFIs, in addition to the closing of the gap between bankers, the bureaucracy and the business environment in general.

At an *intermediate, executive level* one could position Mr. Shah, the learning CA. He was Gujarati and 56 years old. His father had worked for an insurance company. He passed his CA examination in 1970 and was consequently employed in a textile mill, where he worked himself up to the level of general manager finance before he had to resign in 1985 because he had fallen seriously ill. Up to this day he had kept his association with the mill and he was the sole person negotiating with the bank to turn it into a laborers' cooperative with a fifteen percent wage cut to bridge the difference with the informal sector and make a restart. When he recovered from his illness he thought it wise not to return to making long strenuous days in the mill and instead began to work part–time from his home. His first client was a small pharmaceutical company with a turnover of two *lakh*.

Mr. Shah's candid comments about the dubious role of consultants have already been quoted above. Here he talks about his own relations with banks:

> Before SSIs came up after 1985, trust had been the basis for doing business. The families in control of business were 'known'; they had track records for generations. Then banks and financial institutions started looking at sectors, not at entrepreneurs, and a lot of new people came in, hoping to become rich overnight. Unfortunately, banks and financial institutions failed to evaluate studies and pick the right type of promoter, because they did not have the technical staff. So, out of panic, they have become very conservative again and refuse to invest in certain sectors, while you cannot say that all industries in this sector have sunk. Now, trust has become more important again; trust in consultants like me, with a track record of over 30 years. *We* are socially accountable.

The most interesting part of this statement is the last sentence. Indeed, he had been a CA for 30 years but, between the lines of his description of the immediate post–liberalization period, I could read that he also saw himself 'guilty' of having gone to the bank, 'well–dressed, equipped with nice reports with nice graphs, but more concerned with fees than with the viability of the proposal', as he had stated before. His claims to social accountability seemed to be a relatively recent phenomenon: a reaction to the changing market environment in which a continued financing of cutthroat competition could only end in both banks and entrepreneurs going bankrupt. Whereas the fixers described above found it necessary to even print on their business leaflet 'We Believe in Ethical Dealing Only', he was more willing to discuss the less ethical side of consulting, which seemed *almost* like a sign of remorse. I had been referred to him by well–read, well–preserved Mr. Subramaniam. Thus, whatever the exact nature of his activities in the past might have been, when I met him he was circulating in the better banking and consultancy circles.

It is therefore not surprising that Mr. Shah considered himself to be lucky: he had been able to do some good projects after 1996 and, therefore, had been able to maintain his credibility with the banks. He was only available to meet me in the morning or late in the evening as his afternoons were spent at the bank "to keep each other informed: we discuss matters and sometimes I can help the banker, sometimes the banker can help me". Part of his fortune had resulted from the banks' willingness to share with him the good technical consultants they knew. As a result he had been able to focus on the financial side of the project and had had access to decent technical advice. This is a third function of the informal configuration that has formed around banks and DFIs: the *circulation of information and practitioners* for project implementation and restructuring.

Mr. Shah worked from home in a space he rented above the apartment where he lived. The paint on the wall behind his desk was flaking. Such modesty had likely helped him to preserve his reputation: a consultant is dependent on the clients who come to him and, with high fixed costs, it becomes more difficult to say 'no' to 'unprofessional' requests. In his office he showed me his files consisting of book and newspaper clippings on different industry sectors such as, for instance, hospital management, a booming new industry in Ahmedabad. Contrary to the fixers described above, he studied more than just the new government tax exemptions. He elaborately explained to me how he had studied the innovative production process of Mr. Pandya, the 'burdened industrialist', described in the introduction of Part Two, and how he had visited his plant a few times to really develop an understanding of it. It was a model case to him and perhaps also something relatively new to him (see also Chapter Five).

Mr. Shah was a fixer *cum* forecaster. He studied, but he remained a fixer, or, perhaps more sympathetically, a 'facilitator'. His driver explained to me that he was responsible for liaisoning with banks. In other words, it appeared his tasks included the less 'professional' activities to maintain 'friendly' bank relations. And when I was back in Amsterdam I received an e–mail from Mr. Shah, asking me to write a letter in which I was to pose as a Dutch company that was interested in the product of a new start–up company for which he was arranging finance. Clearly, he felt that such a foreign letter in the file would facilitate bank approval.

At the *highest, strategic level* one can position Mr. Iyer, the CA who spoke in Chapter Three about the creative yet short–sighted business strategies of Gujarati entrepreneurs. He was a Gujarati and 50 years old. His father had also been CA. Mr. Iyer had established his company as early as 1977 and, at the time of research, occupied a luxurious office in the heart of Ahmedabad's services district, on his desk the only other laptop computer I saw in a year of fieldwork in India besides Mr. Mahajan's. There was a certain stillness in his office: the tranquility due to a person who only dealt with a few big fish. There were no assistants, only one peon for *chai* and answering the phone. Mr. Iyer himself was relaxed reading a financial newspaper when I entered his glass cubicle. It was difficult for me to learn about his activities. At the time of our meeting, he was mediating between an Ahmedabadi company and KPMG in Mumbai, because consultancy services on complex management models were simply not available in Ahmedabad. He was director for a few companies, a position offered to him by entrepreneurs who wanted to retain his financial insight, but also a position more recently required by bankers for reasons of financial supervision. He had also become a member of the DFI advisory committee of entrepreneurs, consultants, researchers and bankers described above. It was an honorary position and, according to him, what you earned was 'recognition'. This is also the fourth and final function of the informal configuration that had formed around banks and DFIs: a *knowledge network bringing together macro–level analysis and expertis*e.

To summarize: informal trouble shooters and providers of business intelligence like Bhatt & Co., CA's like Mr. Shah who restructure sick units and make up new proposals with the help of other consultants referred to them through the bank, and high–flying project consultants like Mr. Iyer on the newly formed DFI advisory committee—all these new relations between bankers and consultants are *content–based* instead of *regulation*–based. These new relations have developed as a result of the pressure due to NPAs being made visible because of new banking practices *converging* to global standards. At the same time, all these new relations, besides the more formal but *unpaid* membership of a committee, are also relation–based, that is *informal*. In other words, the informal configuration that has developed around banks and DFIs is a *hybrid* of old and new, of fixing and forecasting.

To preserve informality one pays a price. The managing director of Gujarat Venture Finance Limited described 'liaison' consultancy between the entrepreneur and bank as a 'double–edged sword', because you never knew where a consultant's loyalty would lie. Sometimes the sword would hurt the entrepreneur, but more likely it would hurt the bank, because in the end it was the entrepreneur, the client, who paid the fees. Although there were good CAs, he had also had some very bad experiences with them, politically pressurizing him when he disapproved of a proposal. Instead, his venture capital fund preferred to have their own in–house staff working directly with entrepreneurs on projects: working this way gave them a better idea of the entrepreneurs' capabilities and it provided reliable project proposals.

The informal character of the relation between bankers and consultants only aggravates this 'double–edged' character of liaison consultancy. It helps to explain the friendliness between bankers and consultants, something that struck me whenever I had the opportunity to see them interact: the cordial, un–businesslike atmosphere, the way they openly discussed the situation in the bank, cracked jokes and chitchatted about the villages where they had been born. Of course, most of these bankers and consultants had known each other for years and they met each other on a regular basis: I encountered one CA from a busy Ahmedabadi management–accountancy firm managed by 'Mr. Vaishnav' (see Chapter Five) two days in a row at two different banks. Beyond knowing each other and 'keeping each other informed' as Mr. Shah described it, all this gaiety also had an *artificial* flavor to it, as if it was *purposefully* meant to *create* a certain comfort level among them. Relations were being very actively *maintained* before my eyes. Bankers had to build up confidence in consultants, whom they knew they could never trust completely. Similarly, consultants had to maintain relations with bankers to whom they never could be completely loyal. Here, in this relation, risk was taken and managed.

Preserving informality, however, also offers protection. The DFI director in Mumbai cited competition from other banks and DFIs as a reason for keeping a panel of business consultants informal. The investment banker who introduced me to Mr. Subramaniam gave the following, more elaborate explanation:

> Such a panel of consultants will not be public because, first of all, the bank does not want to be held responsible for the advice. But also because otherwise people might try to 'influence' them. Also, consultants on formal panels are not necessarily good ones. To find a good consultant, entrepreneurs do not need formal panels: everybody knows who is good and who is not. But they do not want a good consultant; they want a consultant who will get them the money. But it would be better for professional accountability to have such consultants in–house.

Informality thus offers protection in two ways, besides the competition argument. First of all, informality protects against too much accountability. As the investment banker indicated, even in formal panels the quality of consultants is not assured. What distinguishes business consultancy, or forecasting, from the other empanelled services, is the inability to valuate a forecast. No banker wants to be held accountable for an unreliable consultant he does not trust personally. Instead, it is preferable to be unaccountable for the dealings of a consultant in whom he at least has some personal confidence. As Mr. Sharma, the disappointed former loan officer, explained:

> Bankers have always needed consultants as middlemen to access the industries who were in need of credit. But they were never recognized for their role. You see, this is convenient to everybody. Because they are not recognized, the name of the consultant is never involved. Supposing if five, six projects in line, recommended or analyzed by a consultant, fail, then still he holds no responsibility. In the same manner the banker holds no responsibility also, because he can point to the misleading project proposal. And the consultant in his turn can blame the entrepreneur for misinforming him.

Secondly, informality protects the consultant from unwanted 'influences'. Keeping the panel informal means shielding its members name from the public. Informality is a means to maintain an inner circle, a kind of 'secret society' of bankers, 'professional' consultants and 'sincere' entrepreneurs, in which bankers discuss matters with trusted consultants, cross–check information from consultants with entrepreneurs, refer technical consultants to aid CAs with restructuring a client, and in which consultants advise bankers and bring in new potential clients.[30]

[30] See Simmel (1950) for a more elaborate analysis of the relation between secrecy and protection.

Consultants are the *gatekeepers* to this inner circle, the ultimate risk managers, and therefore very valuable for market–blind bankers. Of course not 'everybody' knows who these consultants are as the investment banker claimed; otherwise informality would serve no purpose. With 'everybody' Mr. Subramaniam meant those who are well–connected to Ahmedabad's informal service configuration, entrepreneurs like Mr. Nagaranjan from the introduction to Part Two.

7. The Privatization of Forecasting

In the introduction to Part Two it was suggested that Ahmedabad's informal service configuration had emerged from changing roles for old actors in new networks. This chapter has demonstrated the three elements of this emergence: the formation of a new informal configuration around banks and DFIs; the presence of old actors—fixers, learning CAs, the bankers themselves—in this new configuration; and, above all, the changing roles played by these actors herein. This chapter has focused on describing a reshuffling of cultural and social capital to meet new market conditions under pressures from new banking standards and provides an example of how the globalization of the Indian market and the globalization of Indian banking—itself an example institutional convergence—lead to a need for social innovation in working relations between bankers and consultants, where yesterday's fixers have also come to play forecasting roles.

Before nationalization, when the business community was still small, Indian banks had special 'market intelligence cells': staff would go into the business districts in the mornings, talk informally with people, catch up with the business gossip—who was in trouble, who had a promising deal—and feed this information back to bank management in the afternoons. After nationalization, the banking system was turned 'upside down': relevant information started coming from the government above rather than from the market below, and with this change, the banker's task changed from one of filtering out market variability to one of following Five–Year Plan predictability. As a result of the bureaucratization of banking, the more a project was 'standard' and 'known', the more bankers were willing to finance it, thereby not only filling India's supply–demand gap but also facilitating over–entry and cutthroat competition in particular market segments. It was a low–cost, high–output developmental infrastructure aimed at promoting indigenous industrialization. However, this approach required more sophistication, more expertise, and more analysis as India's regulated economy was being dismantled, as its centralized public forecasting system ceased to be accurate, as its markets became more mature, and as the banking sector threatened to collapse under the weight of NPAs.

The research–intensive successors to the pre–nationalization intelligence cells are investment banking and venture capital funds. These activities are, however, only viable for large–scale or 'high risk–high yield' projects, the exact opposite of the standard, small–scale projects of the SSI revolution. Less costly, quantified risk management in the form of credit rating or qualitative expertise would be more suitable for such standard SSI projects. Given the fact that both these instruments are still largely absent in banks and DFIs, consultants have come to play a role here, more or less taking over the position of old pre–nationalization market intelligence officers. This intermediate *position* of consultants is not new: they were and remain brokers. Their *role*, however, has changed: where before they were more engaged in feeling the pulse (or the purse?) of the banker on behalf of the entrepreneur, now they are more engaged in feeling the pulse of the market on behalf of the banker. They have become a form of externalized risk management for a banking system unable to reorient itself and for bureaucratized staff unable to reinvent themselves as bankers.

To understand professionals in the periphery and Ahmedabad's emerging informal service configuration it is important to explain why consultants have been able to change roles while bankers by and large have not. For a system's level explanation, one must recall India's growing crisis of governability, described in Chapter Three. This crisis has two consequences:

(1) As concluded in Chapter Three, the crisis caused a widening gap between regulatory reforms and market realities on the one hand and a lack of reform within the developmental business support infrastructure on the other. The presence of this gap echoes throughout this chapter, in Mr. Srinivasan's despair about the lack of response of banks and DFIs to the changing market environment, as described in Section One, and in the decline of the Gujarat state business support network, as described in Section Three. Instead of being able to close this gap, tension between the need for internal reforms and the inability to implement them has resulted in a retreat to less risky ventures and to an informal configuration: a *cocoon* of 'known', relatively trusted consultants and entrepreneurs.

(2) As result of this crisis and the consequently growing gap, the most capable officers have left the bureaucratic environment to go into business for themselves. In other words, as a result of the crisis, the old developmental business support infrastructure has not only become outdated, it has also completely collapsed. Therefore, India's most gifted talents, those best able to 'reinvent' themselves, can now be found *outside* the government–bureaucracy, in NGOs, in businesses, or working as consultants.

For an explanation at the level of the *individual actor*, one must take into account two important differences in *horizon* and *habitus* between bankers and consultants.[31] These are related to the environment in which they work and the task they perform:

(1a) As argued in the Introduction, the process of global market formation implies that a single, global standard of competitiveness comes to apply locally. This in turn implies that for local competitiveness one has to think globally: where does India's competitive advantage lie, what global best practices could be of use locally, *etcetera*. Again, the despair of Mr. Srinivasan is illustrative here, because it was exactly this thinking in terms of international competitiveness that he found lacking in his bank. Indeed, the DFI officers working for the Market Research Department only talked about basic industries—textiles, cement, steel—as if it was still their agenda to industrialize a closed off, regulated, 'empty' Indian economic space. Bankers were educated in a very *local*—because uniquely Indian—developmental business support infrastructure. This still determines their 'thought style' and 'thought world'.[32] Over *chai*, they might complain about the new challenges, the need to reduce NPAs, to rope in new retail customers, and to avoid further bad loans, while still talking sympathetically about the old developmental system, *as if NPAS and unrealistic developmental goals were not related to each other*. They clearly identified themselves with the old system and its ideals. Contemporary problems were to blame on entrepreneurs, consultants and on India's most universally applicable scapegoat: corruption. In other words, with India's opening up, the world of Indian bankers has not become any bigger.

(1b) Consultants in contrast have (developed) a broader, more global horizon. This is partly because selling (global) best practices is their business, partly also because they are simply closer to the market and see what happens there, and partly out of necessity: if they cannot convince NPA fearing bankers to fund a project, they are out of business. The example of Mr. Shah demonstrated this clearly. The corporate restructuring in which he was involved entailed designing a viable strategy to restart a textile mill, taking into account product mix, technology set–up, cost of labor, *etcetera*. Of course not all consultants have this more global outlook: the fixers at the lowest level of the informal configuration think as locally as many bankers.

(2) A liberalized, globalizing, more competitive, more volatile, but also more abstract market place is more difficult to oversee than a strongly regulated local

[31] *Habitus refers to* socially acquired, embodied systems of dispositions and/or predispositions, resulting in particular styles of acting (see Bourdieu 1977).

[32] Douglas (1987) sees a thought style and thought world as imprints of the social and the collectively shared on the individual. A thought style is seen as the precondition for cognition, an individual's pattern of reasoning framed in and working with collectively shared and internalized institutions together making up an individual's thought world.

> market place, in which licenses are issued to fill an already calculated supply–demand gap. The new market environment requires a different task group culture and a different *habitus* from the actors involved. It requires more research and analysis, but also more autonomy and training: the creative *freedom* to go out and collect information, the capability to apply a body of knowledge and come to a *personal* analysis. According to Nagla (1993) these are also the essential differences between a bureaucracy and a profession. Many Indian bankers will have received more professional training than consultants. But at the same time, they are encapsulated in a very *hierarchical system of control* that is designed to meet political targets and that rewards obedience and punishes initiative. Hence it was the absence of the old order that seemed to cause most disorientation with bankers and, for instance, bureaucrats like the chief industrial advisor of the Gujarat Industries Department in Chapter Three. At least, so much can be derived from their recurring complaints about the inaccuracy of old public forecasting system and the belief that markets now were completely beyond their control. Consultants have come to replace this system: partly again because of their position, their closeness to the market; partly also because they possess a more professional task group culture. In Ahmedabad, consultants move around, see, hear, collect, know, bring together, analyze—very similar to what a social researcher would do during fieldwork in Ahmedabad. Their information sources can be very basic: newspaper clippings and print–outs from websites, similar to the information sources listed by the regional bank manager in Section Five. But it is the combination of such research with a 'hands on' moving around attitude that provides direct exposure, which seems to make the difference here. It is this *habitus* that characterizes Ahmedabad's most interesting consultants, some of whom will be described in Chapter Six, a *combination of legwork and 'thinkwork'* supported by autonomy and creativity. These are also the activities that are brought into 'reach' of bankers through the formation of the informal configuration.

The picture I have painted in this chapter will also come to the fore in the following empirical chapters: tighter networks in which a particular type of professional plays a more important role. This chapter demonstrated how this has resulted in the effective privatization of forecasting. Chapter Five will map out the market for professional business consultancy in Ahmedabad and examine in more detail who are exactly the professionals moving in between fixing and forecasting who have gained importance in India's transition from local market regulation to global market competition.

CHAPTER FIVE

THE REPUTATION GAME: CONSULTANTS BROKERING BETWEEN THE PROFESSIONAL AND THE ENTREPRENEURIAL DOMAIN

> *I have nothing against MBAs. They are brilliant boys, extremely bright and enterprising. There is nothing wrong with the man, but the training that is given is better suited to multinationals. CAs have a very good background. Their whole educational upbringing is such that they have a very good grasp of the basics, of all that is happening in India, in company law, in accounting. They are also not anglicized nor do they become brown sahibs. On the other hand, management graduates are generalists. A CA can fit into a specific slot when he joins business. He can start by being an accountant and then go up the ladder. Business institutes unfortunately have a bias for sales and also their whole culture is Westernized so they do not really fit in with Indian culture.*
>
> Aditya Birla quoted in Gita Piramal, *Business Maharajas*

1. INTRODUCTION: THE DEMISE OF THE 'PRINCES OF THE LICENSE RAJ' AND THE RISE OF THE MBA?

The previous chapter described how India's transition from local market regulation to global market competition, together with India's growing crisis of governability, resulted in the privatization of forecasting. This chapter asks if these private forecasters are also able to access local entrepreneurs and broker global market information and professional business tools to the local business arena. The question is, therefore, to what extent the *opening up of the Indian economy* is followed by the *opening up of Indian entrepreneurship,* and who is able to broker between the universal–professional domain and the not (yet) professionalized indigenous–entrepreneurial domain of Ahmedabad's 'traditional' family–owned businesses. To answer these questions, a comparison is made between management consultants (or MBAs) and CAs.

Two newspaper articles in the *Economic Times* suggested that there is little to discuss on this front.[1] In the articles, CAs were compared to the 'Rock of Gibraltar': solid, strong in control systems, taxation and legal compliance, irreplaceable in accounting and auditing, but too slow to keep track of the changing market environment. In comparison, MBAs were considered the pinnacle of flexibility, having already been inundated with 'dog–eat–dog' competition principles at business school through a system of relative grading, making them most suitable for the newly emerging field of business consultancy. The distinction is crystal clear. The MBA is the forecaster, the embodiment of *'Le Nouvel Esprit du Capitalisme'* as well as of the spirit of the 'new' India, battling in a clean and transparent competition game, using professional tools in an appealing, cosmopolitan context.[2] The CA is the fixer, 'breeding' in the 'old' India, a stagnant world of regulation and corruption, making his hands 'dirty' manipulating the machinery of the License Raj.

However, one long afternoon with a Mumbai–based CA, 'Mr. Saludja', was enough for me to shatter such stereotypes, although also he was clearly haunted by them. Whereas in the previous chapter Mr. Mahajan described India as a 'consultant's paradise', here, in a four–hour meeting, a CA unburdened his soul about its less paradisiacal side. Though he was no relic from the past, Mr. Saludja seemed unable to profit from India's globalization. We discussed a very comprehensive list of problems that most, if not all, small business consultants, CAs and MBAs alike, encounter in India: being mistaken as only fixers; the relative cheapness and tangibility of fixing versus forecasting; unawareness among small clients about the changes in competition game in India, which have made different, intangible services more important; the difficulty of selling intangible services like knowledge and information; and the loss of clients and information sources to reputed international service providers.

We met in an office behind Victoria Terminal in Mumbai's old commercial area. The entrance to the building was as difficult to find as many others in Ahmedabad, tucked away in narrow alleys between shops or on the backside of the building behind a jumble of semi–loose electrical wires—a very different aesthetic world from that of the decorated skyscrapers described in the previous chapter. Behind such dilapidated entrances, however, there were always clean and crammed receptions rooms with a few small desks for aides, and equally small offices filled with books for the consultant himself.

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[1] 'When Called to Take Account...', *ET (Ahmedabad)*, February 12, 2001; 'The Original Sin of an MBA', *ET (Ahmedabad)*, October 22, 2001.

[2] See Boltanski & Chiapello (1999). An Ahmedabad–based investment banker could not have come up with a more forceful expression of this image: "I believe in ethical dealing. My signature is there. It is the MBA vision."

Mr. Saludja came from Delhi originally. He graduated with high rankings as a bachelor of commerce, qualified as CA with equally high rankings, and thereafter worked three years for A.F. Ferguson & Company, which, prior to the arrival of the international management–accountancy firms, was the number one company in that field in India. In 1979 he started his own practice with two partners. One partner specialized in individual taxation, the other in auditing corporate accounts, and Mr. Saludja in corporate taxation. On January 1, 1993, they split up. Now he was on his own. Different business ideals had driven them apart. Mr. Saludja had been more academically focused than his partners and had acted as a consultant to them. His focus was on learning, doing ethical work; theirs had been on 'making money':

> Consultants often take their role as tax consultant more seriously than their role as auditor. As an auditor, you have to comply with company law requirements, but many of my professional brothers find it difficult to maintain their independence. It is easier, and perhaps even cheaper, to comply with regulations rather than to risk harassment from tax officers aiming to extract a bribe, trying to find some small fault and asking you to their office a dozen times. I do not fear the tax officer; I know things are in order. Other CAs however, who do not study, have always something to fear and then bribery becomes necessary. Their clients come to believe that corruption is unavoidable, so they might as well save money on an expensive consultant, hire a cheap one instead, and use the money for the bribe.

Mr. Saludja reported that he read widely: each month about 55 magazines, professional journals, business weeklies and international magazines like *Time Magazine*, and, in addition to this, about one hundred books a year. He also tried to network at least five times a week at the Bombay Chartered Accountants' Society (BCAS), where we had met, or at the local branch of the Institute of Chartered Accountants of India (ICAI), 'whenever' they organized something.[3] He spent eight to nine hours a day in the office, four of which were billable hours. The rest he spent keeping track of the changes taking place in India:

> I feel time pressure and, financially, I am not much of a success compared to my professional brothers. My son was to become a CA and join me, but instead he decided to do an MBA. MBAs have become highly valued in India, while accountancy is no longer considered a dynamic profession. CAs like my previous partners are to be blamed for this. I keep myself informed. I keep on reading and sending emails to my clients if I find something of interest to them, but I guess hardly five percent of them even take the effort

[3] The difference between BCAS and ICAI is that the former is 'just' a local professional association, while the latter is a statutory public body established to regulate the chartered accountancy profession. Because of its public character and regulatory function, ICAI was generally thought to respond to challenges facing the profession much slower than local associations such as BCAS.

> to read it. Suppose ISO 9000: I am not an expert, but at least I know what purpose it can serve. Other consultants don't even read their professional journals, but earn twice what I do. Unfortunately the client does not realize such quality differences.

Mr. Saludja described his clients as small, even by Indian standards, each with a turnover of around ten to fifteen *crore*. After 1993 he chose a new approach to consultancy: to maintain only a few clients and provide them with a full range of services, advising them on accounting matters, taxation matters, legal issues and management issues. This strategy seemed to be backfiring on him when we met. The clients who had prospered and grown left him for one of the Big Six management–accountancy firms because they needed the big name to obtain a loan or because they were taken over by a foreign company. He only retained his struggling clients and hence he also kept on struggling. It was difficult to sell advisory services to companies, especially when they were not doing well (and needed it the most). He hesitated to charge them more for his services, fearing they might leave him for a cheaper consultant who might charge as little as one–fifth of what he did:

> Clients that do good ignore my advice, because they think they do not need it: "Why should I set up a management information system, I know who owes me money, it's in my head." Clients who are in trouble do not have the money to pay for consultancy. A small minority of the people, perhaps five percent, realizes the changes India is going through and really thinks about their business. The rest only responds to increasing competition by cutting costs, firing people, *etcetera*. I have done a BCAS Business Consultancy Studies course, because such a diploma may give a little more recognition for the services I render. Now I simply do not get paid for the consultancy I offer. Clients want to pay for concrete things, a document that may take no more than half an hour of my time, but not for advice based on information that took me so much more time to collect. In their mind, as far as taxation and audits are concerned, I render professional work; as far as business is concerned I offer only friendly advice. The advantage of a CA over a management consultant is that he has a much more continuous relation with his client, but it is an advantage we are unable to exploit.

For the previous three years he had been discussing with some friends the possibility of coming together to establish a new consultancy practice, but so far cooperation had remained loose. Things would have to change, however:

> We CAs traditionally received a lot of manpower from inter–CAs doing their articleship with us.[4] But since the last five, six years, the cream of students prefers to work for the Big Six. This means I get the leftovers. Also, each of us CAs is not an expert in everything, so

[4] Inter–CAs are still in training. They have passed the first of two rounds of examinations. In between they do their articleship, an extensive, two–year work placement.

> sometimes we need to depend on the expertise of another consultant. But slowly the Big Six are incorporating them into their organizations, making them partners. As a result, our line for advice and information gets cut. I know so many friends who found it hard to make a decent earning, say Rs. 50,000 or one *lakh* a month, until they became a partner and started making 25 *lakh* a year. Before, I could get their advice for Rs. 5,000, now they charge me Rs. 50,000. The perception nowadays is that the small and medium professional consultancy companies have no future. I am caught in a vicious circle: because of all the changes taking place in the economic environment and in accounting I have to work more and more, but, at the same time, as small companies run into trouble the ability to get paid for it gets less and less.

The optimism of Mr. Mahajan, who declared India a consultant's paradise, stands in sharp contrast with the pessimism of Mr. Saludja, who is unable to prosper in this so–called paradise. The difference between the two, however, cannot be explained by simple distinctions between dynamic MBAs and rustic CAs, but lies in the complexity that characterizes the *market* for professional business consultancy. This complexity is caused by the following two contradicting features, which together shape what is labeled here as the 'reputation game':

(1) Consultants display an almost insatiable hunger for (a symbolic display of) reputation and professionalism. Forecasting is an activity for which no formal quality standards (can?) exist. The market for professional business consultancy is, therefore, a market in which it is difficult to distinguish between good and bad quality and, as a consequence, in which bad quality continuously threatens to drive out good quality.[5] In response, reputation and the posture of professionalism become informal strategies aimed at distinction. The value of a reputation lies in the fact that a good reputation attracts 'good', 'professional' assignments that will further bolster your reputation, while a lack of reputation will attract 'bad', 'unprofessional' assignments that will further damage your reputation. Consultants seemed to believe that once you were 'contaminated' by a bad name, no good assignment would come your way.[6] Reputation, in other words, helps you to move up or keeps you down. For consultants, therefore, the only way was 'up': to act as professionally as possible, do everything to uphold the reputation, and stay as far away as possible from anything that may damage it.

(2) Reputation and professionalism become more important yet also more difficult to uphold in a not (yet) professionalized, 'contaminating' environment,

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[5] Ackerlof (1970) has made this argument with regard to the market for second–hand cars. One can imagine that with respect to an intangible product such as 'advice', problems of 'quality insecurity' become even bigger.

[6] The importance of reputation is not confined to India, but also holds truth in Europe for instance, see Glückler & Armbrüster (2003).

because working in such an environment requires the lowering of professional standards. This is the 'Catch–22' of professional business consultancy in general, but in particular in an economy in transition such as India, because:

(a) Fixing is part and parcel of the management of markets. Industrial espionage, for instance, is a tool for collecting market intelligence (see Porter 1980; Chapter Three this volume).

(b) India's opening up has (of course) not neatly replaced government regulation with market self–regulation; hence consultancy requirements have not simply shifted from a 'management of government' to a 'management of markets'. The 'License Raj', affecting the larger companies may had been abolished, the 'Inspector Raj', affecting relatively more the smaller ones, was still in place in 2001.[7] As a result, fixing remains a necessary consultancy activity along with forecasting. This is also the case for more 'professional' consultants, though perhaps more indirectly through 'associates'.

(c) An overly professional posture may backfire *vis à vis* entrepreneurs. Professionalization is about control and dominance, because it is about *replacing* 'lay knowledge' or 'common sense' with a more 'calculated', 'foresighted' body of knowledge (De Swaan 1988:244–45). However, the model of the doctor and his docile patient fits badly with the family business in which not the consultants but the *pater familias* pulls the strings. Here the consultant needs to come down from his ivory tower of professionalism, in terms of language and attitude, to be able reach out, establish contact and convince the entrepreneur to install professional systems that will basically limit his entrepreneurial autonomy.

The complexity of the market for business consultancy lies in the fact that the modesty and practicality necessary to bridge the gap between the professional and the entrepreneur is offset by the need to uphold a professional reputation in an intransparent market. The reputation game is, therefore, a balancing act between the *posture* of reaching out to the highest standards of *professionalism* and the need to lower and loosen standards and *preserve practicality* to be able to work in a non–professional environment.

The market for business consultancy can be broadly divided into three segments. The reputation game is played in all three segments, but in no segment is the balancing act as difficult as in Mr. Saludja's segment. In the upper segment, 'reputed', international forecasters, such as Mr. Mahajan's company, work on 'prestigious' assignments for 'professional' companies. The reputation game is in

[7] According to CII, SSIs are visited by around 30 inspectors, each to uphold a different act, and, according to complaints, each with their own 'back to be scratched'.

full swing here—see all the labels being used—and forecasting will, no doubt, be accompanied by fixing. The fact, however that such labels can be used, that the name and fame of service provider and client are established, that the assignment has a distinct size and complexity, and that unprofessional fixing elements can be safely 'wrapped up' in a professional forecasting 'package', all help to make reputation less complex in this segment. In the bottom segment, local fixers like Bhatt & Co. fulfill their fixing assignments. Here, reputation is not built on professionalism but on 'getting things done', making it a different game altogether. The middle segment is, however, the segment of most interest to this research. Here, consultants like Mr. Saludja are most entangled in the nexus between fixing and forecasting, working with largely unprofessional clients and delicately balancing the need for practicality with the desire for professionalism—a balance that Mr. Saludja, with his academic inclination and dislike for money making, may not have found. These consultants are brokers who stand in between, and have linkages with, both international service providers and fixers and shift *the professional frontier* downward by introducing professional business practices in non–professional environments. They lack the traits listed that help international service providers like Mr. Mahajan preserve their reputation. Because they are difficult to position brokers, 'local professionals', the reputation game is most complex for them.

The remainder of this chapter is about MBAs and CAs and their different approaches to the reputation game. The aim is to show the different layers occupied by professional business consultants, the different networks that are formed to establish control over niche markets, and the different paths professionals follow to make inroads into Ahmedabad's small–scale, family–owned industries. It will demonstrate that the 'hands on', business–minded attitude of the CA, the supposedly 'rustic fixer', may be more successful in bridging the gap between professional management tools and traditional business practices than the more 'hands off' approach of the MBA, the 'dynamic forecaster'.

2. PROFESSIONAL FOOTHOLDS: MANAGEMENT *GURUS*, LOCAL MBAS, LOCAL INSTITUTIONS AND FAMILIAR SERVICES

In 2001, 'management' as a concept for (self) improvement was very popular with the Ahmedabad middle classes. This was demonstrated during the ninth annual AMA Week, where there was a daily lecture under the 'Discovering the Eternal Relevance of Indian Wisdom' theme. I attended a lecture on '*Upanishads*: Golden Secrets for a Powerful Personality' by Shri G. Narayana, who was introduced as an 'exponent of Indian wisdom' and who was a management consultant in daily life.[8] The audience gave him a hero's welcome and was thereafter exceptionally quiet and organized. He talked about learning, about the relationship between god and mankind and between *guru* and pupil as the essence of the *Upanishads*:

> God is nothing; out of nothing everything is born. Perfection is inside everybody: you have the power to produce excellence. See the film *'Lagaan'*: India *can* produce quality![9] All we need is a good leader and a good team. Do as Rama did, the perfect worker; do as Krishna did, the perfect manager. God is all vibrations, all consciousness; God is introspection and reaching out to others. AMA is a godly institution if it can reach out and teach us.

Overall, it seemed a confusing mixture of prayers, one–liners and management thoughts to me, but it was also the single biggest event I attended during my fieldwork. The large hall was packed with a lower–middle class audience, owners of scooters and small Maruti–Suzuki 800 automobiles. Indeed, Ahmedabad had started to think of itself as the 'management capital' of India. An explosion of management education in the second half of the 1990s had brought an MBA within reach of any student with a bachelor's degree in commerce or science and the ability to pay the commercial fees (see Chapter One). Nevertheless, the relation between management studies and the local business community remained rather paradoxical: as a rule of thumb one could say that the younger the institution, the poorer the quality of education, but the higher the relevance for the local business community and the professionalization of Ahmedabad entrepreneurship.[10]

IIM–A is Ahmedabad's oldest business school and one of Asia's leading business schools.[11] It was set up in collaboration with the Harvard Business School—from which it took over Harvard's case–study methodology of teaching—to educate new generations of professional managers for Ahmedabad's textile mills. However, since its opening it has become a very globally oriented institution, making it the business school the least connected to Ahmedabad and, thus, another example of de–linking.[12] Few Gujarati students study there and even fewer students 'stay behind' in Ahmedabad after graduation. IIM–A graduates are recruited by Wall Street investment bankers, MNCs or by companies belonging to

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[8] The *Upanishads* are among the oldest sacred Hindu scriptures and can be simply characterized as focusing on learning and self–realization.

[9] The film *'Lagaan'* was nominated for the 2001 Academy Award for best foreign film.

[10] The Nirma Institute of Management being the exception to this rule.

[11] For instance, in the 2001 asia–inc.com rating of all Asian business schools, IIM–A was ranked second after the Chinese University of Hong Kong (see www.asia–inc.com).

[12] One IIM–A faculty member, who was also a former president of AMA, defended IIM–A global orientation, arguing that it had never had an exclusively local focus because it was a national institution. He did acknowledge, however, that IIM–A failed to fulfill a local need and reported that there were plans to set up a more locally oriented management institution under the Ahmedabad Education Society, another institution set up by Ahmedabad's 'institution builder' Dr. Vikram Sarabhai (see Chapter One).

India's most professionalized top layer—nearly all of which are located outside Ahmedabad.[13]

Whereas the quality of IIM–A's MBA program is globally recognized, the quality of MBA students graduating from Ahmedabad's new business schools was doubted even locally. These schools reportedly hired their own pupils to teach after graduation, despite having no practical business experience or at least having been exposed to different teachings in different schools. I was invited to attend a workshop entitled, 'Advertising and Sales Promotion: Emerging Challenges', at a local school that had been opened in 1998. The faculty members I met were dressed to impress with slick shirts, and gold–framed glasses, but were no older than 27.

The morning session was true to form. The first speaker was a medical doctor, who, as he explained, 'found the time to do some thinking.' He presented on the topic of 'mind management'. I had met him before at a HRD Network meeting (see Note 23), of which the director of the school was also a member. His lecture was a strange mixture of 'home–grown' ideas about the functioning of the mind, human psychology and the creation of needs. After his talk, three of the five official guests left, among them someone from Tata Consultancy Services (TCS), India's biggest service provider. Only I remained with a young sales executive from a medium–scale Ahmedabad–based firm that makes air–conditioners. The executive had completed a short three–month diploma course in marketing and had hoped to learn something new at the seminar. To my surprise, the audience of students responded to the lecture with serious questions about the relationship between the heart, body and soul. During lunch I asked a few of them how they would develop a marketing strategy for a future employer. In response, I was showered with theoretical concepts such 'unique selling points', 'brand development', 'total customer satisfaction', and so on, but nothing referring to a case study or a practical approach. Their fervor that the customer JUST HAD TO buy their future brand, resembled that seen in one–liners that had been presented at the AMA meeting. To borrow from V.S. Naipaul (1982), I felt as if I was *Among the Believers*.[14]

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[13] See, for instance, 'IIM–A Shrugs Off Summer of Discontent at Placements', *ET (Ahmedabad*, November 18, 2003). Companies listed in the article included: Goldman Sachs, Merrill Lynch, Lehman Brothers, Morgan Stanley Dean Witter, UBS Warburg, HSBC, Hindustan Lever, Proctor & Gamble, and ICICI. These are, in effect, the only places IIM–A students 'fit in', because what they are taught is a particular global–professional business culture that is not applied within the large majority of Indian businesses. See Jonas (2003), who describes such a global–professional culture in management consultancy and banking and its relevance for global knowledge flows because it facilitates interaction between actors from across the globe, 'groomed' as they are in the same culture.

[14] In this light a remark by management *guru* Drucker becomes very relevant: "One of the basic challenges managers in a developing country face is to find and identify those parts of their own tradition, history, and culture that can be used as management building blocks. The difference between Japan's economic success and India's relative backwardness is largely explained by the fact that Japanese managers were able to plant imported management concepts in their own cultural soil and make them

Following the less successful morning session, the afternoon session demonstrated the relevance of these new business schools. The second speaker was a consultant who discussed sales strategies. He also spoke in general terms, using phrases like 'a sales strategy should distinguish a product, create a niche', 'never copy another product's example, because it does not make you stand out from the competition', and 'delight your customer with service', but his talk was just enough to convince his audience of his knowledge and experience. After his presentation my fellow official guest approached him. Later he explained to me that it had been to discuss business, to see if the consultant could help him develop a marketing strategy for the company he represented. For both parties the visit to the seminar had been worthwhile.

Consultants like to teach at these new business schools, at technical colleges or, for example, at AMA or EDII. Teaching provides them with a regular income but, more importantly, it provides them with a platform and the opportunity the play the role of *guru.* Several consultants, such as, for instance, 'local professional' Mr. Sheth (see the introduction to Part Two) referred to the importance of teaching and the role model of the *guru* for positioning themselves, because the older role model of the '*guru*' was more familiar and easier to understand for people than the newer phenomenon of the 'consultant'. What remained unsaid, but was surely part of the equation, was that *gurus* enjoy all the esteem (credibility, reputation) that consultants struggle to achieve. Having a platform was also important to consultants as it provided them with a 'neutral' setting where they could demonstrate their expertise without commercial interests playing a direct role, which again added credibility to their presentation. One way to start off as a consultant was to organize a seminar to highlight one's vision and foresight. Teaching and emulating the role of the *guru* are parts of the same reputation game, combining credibility with accessibility and therefore offering consultants something very precious: a foothold in the entrepreneurial domain.

In addition to offering opportunities to emulate old role models and to meet clients in a neutral setting, Ahmedabad's new business schools offered a third option for establishing a professional foothold in the entrepreneurial domain, namely by training relatively cheap professional middle management to be locally employed (instead of emigrating to the US). This middle management helped to lower the professional frontier and, thereby, to bridge divisions between consultants and entrepreneurs, as was made clear by 'Mrs. Desai', a market research consultant and one of the few female consultants I met in Ahmedabad. She had been sharing an office for one year with her husband, who was consultant

grow" (2001:11). As Daniel (1998) proudly notes, the MBA program is 20th century American invention, related to the growth of American 'big business'. See also Chandler (1977) and Zunz (1990).

in another line of business. She had worked for Ahmedabad's largest advertisement agency. During the interview she suggested that entrepreneurs' familiarity with older services such as advertisement offered another, fourth professional foothold for those wishing to access the entrepreneurial domain:

> I have clients all over India, whoever wants to hire me. Here in Ahmedabad my clientele mainly consists of medium–sized companies; the bigger companies usually go to Bombay to hire a big name. Owners here rule like lord and master. They were doing fine all these years, so why should their authority be challenged with liberalization and globalization? What can I tell them about their customers they do not know by experience? They fear outsiders. Here they will take their nephew into the company who may know nothing about marketing for instance. In Bombay people are much more used to hiring professionals. I rarely interact directly with the owners. Most of the time, I work with their better–educated staff. They can better appreciate my value. They are like a professional foothold to me. Also, the owners distrust my work, thinking it may be all cooked up without any real research being involved. Often they first need to be convinced by their advertisement agency to do some research, instead of just putting it on the market. With advertisement they are a little more familiar than with market research. They also serve as a professional foothold for me.

Thus, the importance of Ahmedabad's new business schools may not lie in the practical skills of these newly trained 'believers' but in the fact that their students can serve as a foothold for professionalizing local entrepreneurship and, hence, act as brokers between entrepreneurs and consultants. They think in a thought style that connects them with other professional business institutions and service providers: a three–month diploma course in marketing is enough to motivate them to know more, to find their way to marketing seminars, and to appreciate the presentation of a consultant (who is obviously more experienced than they are). Young MBAs or technically trained graduates are the 'natural' recipients of a consultant's teaching or advisory services. The teaching of consultants together with the learning of young MBAs form a brokerage mechanism that delivers professional tools to the not (yet) professionalized domain.[15]

Serving as a professional foothold, however, is hardly the professional's dream. When the formal interview was over, Mrs. Desai chose to tell me in confidence about how badly entrepreneurs treated their staff, making young MBAs work without any discretionary powers and forcing them to fetch glasses of water for

[15] One IIM–A faculty made a very interesting distinction between the formalized business world of the MBA—churning out feasibility studies based on available market data and designing strategies on the basis of such concepts as 'core competence', 'synergy', *etcetera*—and the much more informal, gut–feeling–based, Schumpetarian world of the entrepreneur, who collects his informal market intelligence by just asking around to get a 'feel' for the market. He maintained that the formal approach was not necessarily better than the informal one and that the two systems should operate side by side. *How* the two systems can operate alongside each other and where they collide is the subject of this chapter.

their boss 'as if they were servants'. Indeed, Gujaratis traditionally prefer self–employment and look down on those who work under somebody, the services and salaried classes from which most young MBA originate, as do, almost without exception, consultants. Similarly, one rarely finds students from an entrepreneurial background at IIM–A or at one of the new business schools (although one of the recurring comments made by consultants was that it was easier to do business with the up and coming second generation of entrepreneurs, because they were better educated).[16] These social dimensions mark what it means to serve as a professional foothold. Following Dutta, one of the primary challenges faced by Indian entrepreneurial establishments is to give professionals, who mostly originate from different caste and class backgrounds, positions in their organizations.[17] Hiring a professional and treating him like a clerk can be seen as the reflection of a *social innovation*, the struggle to fit a new person into an older system, just like playing the role of *guru* is a way for consultants to 'fit in'. This may be hard for the new MBAs, but it provides a brokerage mechanism between consultants, who want change, and entrepreneurs, who do not see the reason for change and certainly do not like outsiders undermining their authority. Such arrangement lessens dislike for the *foreign* and the *formalized*, as stated by Aditya Birla at the beginning of this chapter, by making it a little more *common* and *controllable*: a *local* MBA who can be bossed around.

3. THE MANAGEMENT CONSULTANCY GAP: MONOPOLIZED PLATFORMS AND INFORMAL REFERRAL IN A FRAGMENTED MARKET

The old *guru* role model, local MBAs, local institutions, and referral through familiar services are all brokerage mechanisms for bridging the gap between 'new' management consultancy services and the entrepreneurial domain on a *personal* level. In this section other brokerage mechanisms will be added to this repertoire. At the same time it will show how, at the *market* level, the reputation game inhibits developing such personal bridges, because interaction simply does not take place. The way the market for management consultancy is organized thus produces a management consultancy gap. To understand how this market is organized, it is

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16 This is not just an Indian phenomenon: Whitley *et al.* (1981) confirm the same absenteeism for business schools in the UK and France, where an MBA has become attractive profession for non–business elites. In India, this trend is only re–enforced because of reservations in the public sector for Backward Castes and Other Backward Castes. As a result, old elites are driven into the private sector, to become entrepreneur or manager. The absence of Gujarati students at IIM–A is reinforced by the fact that education and especially English education is said not to be good enough in Gujarat to stand a chance in the highly competitive Common Admission Test that gives access to India's top educational institutions.

17 "The upper castes have always invested in technical education, while trading communities have held money–handling skills and marketing in high regard. . . . However, new [business] networks will have to give pride of place to scientists, engineers, technicians and non–business castes" (1997:248).

helpful to distinguish five different types or layers of (management) consultants in Ahmedabad.

A first layer consisted of international service providers like Mr. Mahajan's company and similar large–scale consultancy organizations of Indian origin like TCS or Dalal Consultants. The international service providers wee all Mumbai–based and did not have a permanent presence in Ahmedabad, but they, 'kept an eye on the Ahmedabad market', as one senior partner formulated it, or, like Deloitte & Touche, they were represented in the city by a local consultancy firm. Their main clientele was said to be the Government of Gujarat, not local industry.[18] The Indian large–scale service providers did have a permanent presence in Ahmedabad and were located in the city's finest office building, Sakar–II, fitted with a marble lobby and satellite dishes—the most recognizably 'professional' side of the city amidst a multitude of more modest, 'local' office buildings. These firms, however, were not located here for local business clientele. As one senior consultant with one these firms explained, they were in Ahmedabad because of the cheap office space and strategic location, halfway between Mumbai and New Delhi.

A second layer of management consultants was made up of IIM–A faculty members who did consultancy. This was the city's most established layer of management consultants. If the relation between Ahmedabad's business community and the IIM–A MBA program has remained 'thin', its relation with these consultants has grown 'thicker', although IIM–A faculty members also found most of their clients far beyond Ahmedabad. A former director of IIM–A recalled how in the 1980s a consultant was either a fixer who could get you a bank loan or a status symbol for established entrepreneurs—something expensive to show off at the Rotary Club for instance. This remark brings to mind the position held by the local MBA mentioned above: a 'trophy consultant' may be the opposite of an 'office slave', but both are not taken very seriously. This picture is changing, however, as 'Professor Mehta's account from the IIM–A shows:

> I have been doing consultancy for almost twenty years now. In the early days, I had clients from all over India, but no company from Ahmedabad would call on IIM–A for consultancy. Some ten years ago, the first Ahmedabadi companies came to me: the large

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[18] Despite their indirect presence, 'reputation competition' from these international service providers was observable in Ahmedabad. One Ahmedabad–based consultant commented: "It is a battle between the big name with little expertise and the small name with the big expertise." Government bureaucrats were said to prefer big names with international reputations because if something went wrong, their choice in consultant would not come under scrutiny. Another Ahmedabad–based consultant expressed frustration because an international service provider had asked him to be their 'advisor'. Both had been competing for the same government assignment and the international company had won. Now he was being asked to deliver his expertise and advise their young MBAs, whereas the name (and the fame) connected to the report would be theirs.

> pharmaceutical companies, also Ahmedabad's most professional line of business. Then, some five years ago, all of a sudden also small and medium–sized companies started approaching me, because, after liberalization, they wanted to grow. Can you image what it means to call a woman into a traditional company to discuss change?! Before, local companies thought that IIM–A was not accessible. They did not expect to find Gujarati speaking faculty members like me here. To some extent, they were right in this, because there are only few of us here. Also, they were not willing to pay our prices.[19] But people have realized that traditional ways of doing business are simply not good enough anymore. So here I see a change in attitude. This change is also reflected in the blossoming of AMA.[20] And you can also see it in the arrival of a lot of small consultants, who do a lot of useful systematization in companies.

Despite the arrival of SMEs at her doorstep, professor Mehta's clientele mainly consisted of large companies with an average turnover of 100 to 300 *crore*. She accepted some medium–sized companies with a turnover of 30 to 40 *crore* as a 'community service'. Both the first layer of large service providers and IIM–A faculty members operate in the upper segment of the market and are, therefore, of relatively less interest to this research. The 'small' consultants Professor Mehta referred to, however, are of key interest.

'Small' consultants who organized themselves, in part, in the IMCI made up a third layer of management consultants in Ahmedabad. They were mostly not as 'small' as Professor Metha suggested, although many were 'one–man–shows' working with only a few assistants. The core consisted of a first generation of independent consultants in Ahmedabad, who started their practice in the second half of the 1980s and, at the time of research, were well–established, working from relatively better offices equipped with, for instance, expensive 'all–in–one' printer–copier–fax–scan machines. The reported minimum turnover of their clientele varied from less than one *lakh* to 25 *crore*, but on average was around one to three *crore*. The minimum value of assignments varied between a few hundred rupees for basic paperwork to studies earning ten *lakh*, with an average around one *lakh*. These established consultants faced competition from less expensive, less experienced, young or part–time consultants (layer four of the market) and less professional fixers (layer five). Not surprisingly therefore, the aim of IMCI was to professionalize management consultancy, a 'classic' strategy of exclusion.[21] To this end IMCI organized a diploma course in management consultancy so one could

[19] IIM–A's consultancy fees tend to be much higher than 'regular' consultancy fees, because two–third of the fees an IIM–A faculty earns he has to yield to the institution.
[20] This 'blossoming' of AMA will be described in Chapter Six.
[21] See, i.e., McDonald (1995) and Murphy (1988). See also Sajor (2003a; 2003b), who describes similar processes of professionalization and exclusion among real estate agents at Metro Cebu in the Philippines.

become an 'ethically operating' Certified Management Consultant (CMC).[22] Ahmedabad had one of the biggest and apparently most active chapters in India with around 40 members, twenty of whom where said to be active members, and eight certified. Nevertheless, for reasons discussed below, the IMCI chapter in Ahmedabad had been unable to establish itself as a 'safe haven' for professional 'certified' consultancy: entrepreneurs usually did not know of their existence.[23]

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[22] To become an IMCI member you must have been a fulltime consultant for three years. To become a CMC you must have been IMCI member for two years, you must pass a written examination and an oral one in front of the examination committee, and you must provide references from consultancy assignments you have fulfilled. To be a CMC is you must maintain certain ethical standards, which are printed in big red letters on the back(!) of the members' directory, making them difficult to overlook. In abridged version, this code entails: (1) maintain confidentiality with regard to client's information; (2) do not create unrealistic expectations; (3) do not accept commissions from a third party while advising your client; (4) accept only assignments for which one is skilled; (5) avoid acting simultaneously in conflicting assignments; (6) reach a detailed agreement with a client about the objective, scope, work plan and fee structure of the assignment; (7) do not employ a previous client's employee without prior discussion with the client; (8) maintain at all times a fully professional approach; (9) ensure that other management consultants adhere to this code as well. These standards apply world–wide (see further www.imcindia.com).

[23] Only Mumbai and 'perhaps' Delhi were thought to have bigger chapters. In 1963 the Management Consultants Association of India was erected. In 1989 it was the first Asian organization to be accepted as member of the International Council of Management Consulting Institutes. In 1991, its name was changed to IMCI. In 2001, according to the secretary, IMCI had 'about' 500 individual members and 'about' 50 company memberships. In the members' directory of 1997, there were 390 members listed, of which 60 were employed by TCS and another 50 by A.F. Ferguson & Company. It was said that memberships grew with 'about' 50 members a year. Membership in Ahmedabad, however, had not risen much the previous years. A former chairman recalled that he had brought the number up from fourteen to 40 some four years prior. According to him, membership growth all depended on the activity of the committee. The current secretary estimated a potential membership in Ahmedabad of around 200 if IMCI would able to attract others than classic management consultants (e.g., those engaged in marketing, technology and quality management). This, however, does not mean that there are 200 full–time active consultants in Ahmedabad adhering to IMCI standards. Among IMCI's *active* members was an owner of a computer education center who had only *considered* becoming a consultant. Also, among those who were asked to become member was Mr. Sharma who, in Chapter Three, admitted he wrote less well–researched business plans in order to secure a bank loan. A prominent member of the Ahmedabad chapter estimated that perhaps 90% of the current membership did not adhere to IMCI standards. In other words, the number 200 seems to be more an indication of the *total* consultancy population in Ahmedabad, excluding CAs, retired people and part–time consultants and fixers. Numbers for these last two categories are impossible to estimate, because they are open to potentially anyone: retired bankers, employed engineers with a side business in the evening hours, *etcetera* (for customs alone someone estimated between 50 and 80 part–time practitioners versus three full–time consultants). A second major network for professional management services in Ahmedabad was the HRD Network, set up by an IIM–A professor in the mid 1980 and predating the foundation of a national network. The HRD Network was more a collection of HRD professionals and had only a handful of independent consultants in Ahmedabad. In 2000, its membership directory was comprised of 150 members. The third major professional–managerial network in Ahmedabad was the National Centre for Quality Management. In general, finance was said to be Ahmedabad's best–developed consultancy sector and technical consultancy the least–developed (because some types of industries were simple not found in Ahmedabad). Quality, management, marketing and HRD were somewhere in between. The creation of the first HRD Network in Ahmedabad, the size of the Ahmedabad IMCI chapter, as well as AMA serving as the cradle of the All India Management Association (see Chapter Six) demonstrate the

Consultants who belong to layer one and two enjoy formal employment in reputable consultancy firms or a formal part–time consultancy arrangement under the wings of an equally well–reputed institution like IIM–A—the most *formalized* brokerage mechanisms to be found in Ahmedabad—and hence enjoy the credibility that comes with their position as well as 'protection' from market pressures in the form of a regular pay check. They also work in the easier, upper segment of the market for business consultancy. IMCI consultants enjoy none of these. They depend on their own names and on more *informal* brokerage mechanisms to access the difficult middle segment of the market. The former IIM–A director recalled how IIM–A faculty members had wished to distinguish themselves from these 'small' consultants and, apparently fearing 'contamination', had consciously kept their distance by not becoming IMCI members. Here the complexity of the market for professional business consultancy in Ahmedabad begins to show, and the reputation game really takes off.

IMCI members' market dependency translated to four fears that kept coming up during interviews, which help to explain the defensive operating of these consultants: (1) fear that their good name on the project proposal would be abused to get a bank loan for a project that would never succeed—either because the entrepreneur simply lacked the skills or because he was not 'sincere' and was only after the money with no intention to realize the project; (2) fear of being mistaken for a fixer willing to find out what made a client's neighbor so successful or to re–sell information at a discount that was researched for a previous client; (3) fear of being dependent on clients who would make demands such as those listed under (1) and (2) to pay 'next month's rent'; and (4) fear of non–payment for services rendered.[24] For these consultants, then, everything depended on finding a 'sincere', 'ethical' and 'sound' client, and preventing the client from seeing them as 'in need'. Weakness *vis à vis* the client would violate their professionalism and could turn them into 'prostitutes'.

Partly these fears are role–play as part of the reputation game. IMCI consultants are hardly saints and will be 'practical' when the situation requires it. A prominent IMCI member explained, for instance, how he had *learned* to 'level out', to adapt

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indigenous modernity of Ahmedabad described in Chapter One. At the same time, the frontiers, social fault lines and fractured networks described in this chapter illustrate the *problematic embeddedness* of this modernity.

[24] With regard to payment, an issue that kept on returning was the last bill that certain entrepreneurs, who were identified as Gujarati entrepreneurs, simply did not pay. Informants explained this was a goodwill gesture to maintain relations: the last bill was waved in return for a favor at a later date. Despite the underlying motive, it made most consultants' blood boil. Thus, the trick was to estimate the amount to be charged on the last bill and divide it over earlier bills to secure the money irrespective of whether the last would be paid.

the size of the project report to the budget of the client.[25] Initially he had not done so, which made him occasionally even more expensive than Dalal Consultants. Now he did so and on average was 40% cheaper than them. A client was also not allowed to change a project report when submitting it to the bank, but if a client wanted to do so, the consultant did not object; he just asked to have his name removed from the cover and made it clear that he would not defend it to the bank.

Yet, these fears also illustrate a *genuine* feeling of uneasiness with the *commercial* side of being a consultant, which underlies the ostentatious role–play condemning everything unethical and unprofessional.[26] IMCI consultants preferred to see themselves as doctors who cured companies, thus 'borrowing' another established and respected role model similar to that of the *guru* to fill in the new consultancy role. Their preference for this role model was not motivated only by the professional control a doctor has over his patient *per se*, but also on the fact that this control limited commercial behavior and the need to level out (see also Section Four). Hence they were shocked about the liberal, commercial attitude of international service providers who, for instance, freely advertised their services—something unheard off and utterly unprofessional in the eyes of IMCI consultants.[27]

A marketing consultant, 'Mr. Nayar', was very outspoken about the need to approach the market conservatively and never to advertise unless wanting to prostitute oneself and attract the 'wrong' type of client: 'fly–by–night operators'. Nearly retired, he was the oldest management consultant I met in Ahmedabad. His uncle was a marketing manager with Lipton tea in India and had inspired him to do his MBA in Bangalore. He had come to Ahmedabad around 1980, attracted to its industrial activity. He did not have an office and took pride in the fact that he had never printed a brochure, not even a business card:

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[25] Leveling out could be done by shortening the research period, but also by applying less of his own time and more time of one of his assistants. He valued his own time as Rs. 10,000 per day, his assistant at Rs. 2,000 per day (similar to what a less–established consultant like Mr. Sharma charged).

[26] Das remembers how a certain amount of suspicion of traders selling, for instance, 'adulterated' ice cream, was part of his professional middle–class upbringing (his father was an engineer): "Each commercial action it seems, was a challenge in our lives. It was always a case of *us*—educated, honest, taxpaying citizens—versus *them*—tax–dodging, street–smart traders" (2000:17). A desire of 'technocrats' to distinguish themselves from *bania* or 'traders' malpractice is also noted by Holmström (1984) and Panini (1977).

[27] Two well–established consultants in Ahmedabad independently came up with the suggestion that I should read books like *The Big Six: A Behind–the–Scenes look at the Scandals, Power Plays, and Professional Lapses at the Nation's Accounting Firms* (Stevens 1991) and *Con Tricks: The World of Management Consultancy and How to Make it Work for You* (Ashford 1998). Their intention was to convince me of the fact that the reputed international service providers were less professional than their reputation suggested (and hence that Indian consultants were less unprofessional than their origin and lack of international reputation might suggest).

> This is true everywhere, but even more so in Ahmedabad: you may be a jewel, but the moment you go to someone you are discounted. So when I came here I was not keen on going anywhere or publishing anything. Then how to go about it? For three months I was idle, thinking only, approaching nobody. Then a famous Bollywood friend of mine approached me. He wanted to organize a benefit film premiere to raise funds for cancer research. His wife had died of cancer recently. I took up this opportunity to do social work. While I was looking for sponsors I had the opportunity to meet two or three companies. One company was managed by a young man with a US university degree and full of new ideas who had just taken the business from his father. He was impressed by the way in which I managed this event right from humbly planning to execution. It was a very big show, one of the biggest Ahmedabad had seen. He became my first client.

All management consultants had these career defining stories about how they came into contact with their first clients. First clients did not only offer the opportunity to gain experience, but also to gain access to the brokerage mechanism most consultants depend upon: *informal referral* by clients, business associates and friends. Once there was a first client who had 'tested the water' and was willing to testify to their credibility, other potential clients would follow. Instead of advertising his name, Mr. Nayar had *made* a name for himself.

In the absence of formal 'platforms', such as IIM–A functions for its faculty members, independent management consultants look for informal stages like business school classrooms. For Mr. Nayar the social event had been one. It had provided him with an opportunity to show his capabilities, but also to show his integrity and moral righteousness by rendering unpaid services (something he stressed), and to meet potential clients without *immediately* having to discuss business (again something he stressed). Non–commercial behavior in a neutral environment was important. For this purpose Mr. Nayar had also developed a second platform: he had been president of the local Lions Club and was now even higher up in the hierarchy in the district cabinet:

> Lions is a very progressive service organization. I was attracted to it because I am also committed to social services. I was in a position to build up a lot of fellowships there, relations with like–minded people. It helps to build up your name in certain circles.

When I asked if he found clients among Lions members, he answered 'maybe'. Such memberships must offer rewards however, since all consultants were active somewhere (with the notable exception of fixers like Bhatt. & Co, for instance, who had their bank relations).

The next step for a management consultant is to develop a 'special relation' and be added to 'the list' of the platform of choice, which every institution in

Ahmedabad had but did not want disclose.[28] Inquiries about consultants were channeled to the select number of consultants on that list, but *only informally*.[29] Another step up the ladder is to control an institution or association, in which case you are no longer dependent on others to put you on the list: you *are* the list. It is a strategy to monopolize and 'privatize' the neutral, public and non–commercial image of an organization for commercial means. It is the 'takeover' of a credibility enhancing social institution like the *guru* role model on an organizational level. This also explains IMCI's failing public role.

The IMCI committee explained their lack of public recognition by the fact that that they could not advertise and they 'all had to do it in their own time' (the IMCI chapter indeed had no office or staff). However, also another explanation for IMCI's passiveness circulated in Ahmedabad. An export consultant, 'Mr. Mankad', said he would only become a member if he was 'invited' by the local chairman, 'Mr. Upadhyay', his rival in export consultancy. Also, an IMCI member had this to say:

> IMCI is a very, very dormant organization run by four–five people for their own benefit. See, I am member, but they never came to me for any kind of help or any kind of cooperation, doing a project together, although I have an excellent track record. Actually the market is small here, so they do not want their clients to be known. Competition is tough, so they want to keep everything secret. These four people tell each other that "this will be among ourselves only, do not divert this to X, then his name might sell more than ours". Every consultant who is reputed has some niche of his own, some specialization that attracts a different kind of clientele. My clientele is very different from theirs, but they fear it might overlap. If a client approaches them for something because they represent IMCI, they think 'we grab him, let this client not be known to another consultant'. Even if they are not very competent in an area, they will not refer the person to a better–qualified consultant.

In other words, monopolization rather than a lack of resources was given as an explanation for IMCI's passiveness. IMCI was simply less of a public institution that represented the profession as a whole than that it was a privatized vehicle that represented the interests of a few established consultants. IMCI is not an exception in this. There were other organizations such as the National Centre for Quality Management (organized in a similar fashion as IMCI), the Indo–American Chamber of Commerce (a true beehive of consultants welcoming foreign investors), and, for instance, an organization like the Exim Club, bringing together manufacturers, traders, CAs and management consultants with a focus on export

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[28] I was only able to see EDII's list, because there I was most 'at home' in Ahmedabad and a high–ranking faculty member was willing to make the necessary phone call.

[29] This is an informal system of referral similar to that described for banks in Chapter Four.

(here Mr. Mankad, who felt reservations about becoming member of IMCI, had carved a niche for himself and had been chairman of the Ahmedabad chapter for two years).[30] Excluded from this list are industrial associations: they in turn were monopolized by established entrepreneurs.

Informal referral and monopolized platforms have another advantage besides being brokerage mechanisms for accessing potential clients. Circulating in the informal, personal network around certain platforms offers opportunities to check someone's track record and provides the social control that comes with community. In the jungle of Ahmedabad's rapidly expanding business arena, this keeps the world small and surveyable. At the same time, this context produces two major disadvantages of informal brokerage:

(1) Management consultants often seek to monopolize similar platforms, circulate in more or less the same social networks, and, as a result, target the same clientele. A management consultant and IMCI member, 'Dr. Dave', confirmed this lack of differentiation among consultants, but gave a strictly financial and reputation–related explanation for it:

> The supply side of consultancy has not yet differentiated; competition among consultants has not yet been internalized. There are reasons for this: with an established entrepreneur, payment will be more, chances of success are higher, and the assignment will likely be more prestigious. With three to five years experience, a consultant already does not touch anything below one *crore* or less.[31] After ten to fifteen years, he will not touch anything below fifteen to 30 *crore*.

Another more social reason for the lack of differentiation—despite the stiff competition mentioned above by the 'left out' IMCI member—may be that management consultants simply do not *meet* other, smaller entrepreneurs, because these small entrepreneurs tend to shy away from institutions and associations and move in different social circles. Thus, *professionally*, consultants may be brokers of professional tools; *socially* they are not, confining themselves to their own circles and thereby creating few opportunities to meet most entrepreneurs. This is also reinforced by the fact that consultants seem far more

[30] Also, as one of few consultants, he had good relations with GCCI, an organization generally acknowledged not to be very active in disseminating business services. Having good relations with an export consultant, however, is rather common sense for an organization that issues 'certificates of origin' for exports. Mr. Mankad, as the oldest export consultant I met in Ahmedabad, and with a track record of twenty years, had probably enjoyed a 'first–mover advantage' when occupying this niche. He also held office hours at the Gujarat Dyestuff Manufacturers' Association in Ahmedabad, during which members could put forward their (common) problems. Follow–up on these problems was again an individual responsibility. This, however, was the only interaction of this kind I found in Ahmedabad, the proverbial exception to the rule. This particular association appeared relatively well–organized, perhaps because of the pressures the sector faced as a result of stringent environmental legislation.

[31] One *crore* is already the official investment limit in plant and machinery for being recognized as an SSI.

differentiated professionally than socially. The five professional layers distinguished in this chapter cannot be matched with five social layers. All consultants seem to have a fairly similar middle class service background. Differences are most distinguishable among CAs, but even here CAs as different as the fixers Bhatt & Co. and the forecaster Mr. Iyer share a family background in accountancy. In other words, *Ahmedabad's service sector apparently has yet to follow the SSI revolution and the social opening up that it brought in the industrial sector*. The reputation game among consultants only hinders differentiation, because it makes them want to move up the market ladder. Thus, because of financial, professional and social reasons, *the way the market for management consultancy functions creates a consultancy gap.* This gap results in the most inexperienced, unconnected consultants dealing with the perhaps least prestigious but most complex assignments of equally inexperienced, unconnected and not yet professionalized entrepreneurs. This, of course, also results in an excellent breeding ground for complaints about the unreliability of consultancy, fixing, *etcetera*.

(2) The monopolization of IMCI means that the market for independent management consultants is *devoid of a 'neutral' referral service that can broker* between consultant and clients that belong to different circles, and which could mend the consultancy gap.[32]

Finally, given the intransparent labyrinth of personal networks and small communities, the absence of formal referral, and the level of competition among consultants, consultants become the final informal brokerage mechanism. This is the least targeted, least professional strategy to get clients: to cling to whatever passes your corner of the market (unless it is *really* beyond your reach or dignity), brush up on whatever expertise you may lack and, if this is not possible, either refer the client to a business associate and friend, someone of equal status whom you trust to return the favor in due time, or subcontract work to another consultant, for instance a less well–reputed, less–connected part–time or junior consultant, without revealing the client's identity. Management consultants expand their work terrain by roaming both the broad spectrum of management consultancy and the large service hinterland of Ahmedabad, stretching into Rajasthan, Madhya Pradesh and Chhattisgarh in search of assignments. But they

[32] Besides IMCI there exists a government run Consultancy Development Centre (CDC) in New Delhi. They publish reports about the status of the consultancy sector in India [e.g., Agarwal *et al.* (1999), CDC (2000)] and, according to the brochure, they also have a referral service. However, further investigation suggested that the referral service was nothing but a directory, the *National Directory of Consultancy Services*, consisting of consultants who had responded to advertisements in the newspapers placed by the CDC. In other words, also the CDC does not operate as a reliable intermediate between consultants and entrepreneurs.

do so making use of the same confined social networks described above. Such roaming can, therefore, be considered a 'horizontal' expansion of the market that does not necessarily 'descend' into other social layers.

Roaming displays the less professional and, at times, difficult side of being a management consultant. Most consultants who belong to the third layer of the consultancy market are high achievers with good grades like Mr. Saludja (beginning of this chapter) who gave up secure positions as 'deputy general manager' or 'chief executive projects' in respectable companies such as Arvind Mills or Gujarat Steel Tubes. Now they operate from home or from small, sometimes sparsely furnished offices, fiddle with the air conditioner during an interview to save energy, and travel halfway across the country *by train* for assignments. Dr. Dave, for instance, had a background teaching in several business schools, among them the reputed Xavier Institute of Management in Mumbai, and, at the time of research, was mainly doing consultancy for state–level institutions and international organizations such as the International Labour Organization and the Asian Development Bank. He was a 57–year–old Gujarati; his father had been a professor of English literature. Despite his track record he still worked from a small home office in an undistinguished apartment complex. He regularly traveled by train to the newly formed state of Chhattisgarh, because he had developed contacts with the authorities there. At the same time, Mr. Purohit, who in the introduction to Part Two illustrated the basic yet far–reaching effects of consultancy on companies, regularly traveled in the other direction, from Mumbai to Ahmedabad. Earlier, he had had a string of assignments in Rajkot, even further 'away' in Gujarat and, while passing through Ahmedabad, he had built up contacts here. When I first met him in Ahmedabad, he had arrived at six in the morning on the overnight train from Mumbai. Like an MBA, being a management consultant was much less glamorous than the professional image might suggest.

4. The Professional versus the Social Broker: Profiles of Different Generations of Management Consultants

This section compares the professional rigidity of an established yet struggling management consultant, representing the third layer of consultancy in Ahmedabad, with a successful, more flexible newcomer, representing the fourth layer. Despite the lack of social differentiation noted above, this professional and, above all, *generational* differentiation may help to narrow the consultancy gap.

The Chairman of IMCI Ahmedabad. Mr. Upadhyay's office was well–located on C.G. Road in a better than average high–rise, but the office looked as if it had seen better days. There were rumors that Mr. Upadhyay was not doing so well. Behind him on the wall I counted at least ten diplomas from IMCI, AMA, the Gujarat State Export

Council and the Indian Institute of Foreign Trade amongst others. This was the office of a professional with professional style. I was granted 40 minutes for the interview but, when these were over, we continued for another 40 without being interrupted by anything urgent. The 'chicken was apparently more free' than it liked to acknowledge.

Mr. Upadhyay was a 53 year old Gujarati from what he called a 'typical' middle class background, his father being a doctor, his mother a health visitor. His background, his age, and his career path were very comparable to other IMCI consultants. After earning an engineering degree, he was admitted to the Indian Institute of Foreign Trade in New Delhi, from which he graduated with a gold medal in 1971. The same year he joined Gujarat Steel Tubes as an export officer and stayed with the company for seventeen years, working himself up to Deputy General Manager (commercial). During this period the number of countries the company exported to increased from four to over 70. In 1977–78, they made a record–breaking deal, exporting 30,000 tons of tubes to China. He was even interviewed by *India Today* for this feat. Perhaps, this had been his finest moment.

He left the company in 1987, around the same time that it started to feel competition from SSIs, a scenario very similar to that of the textile industry. Until then, most SSIs did not export directly but sold their goods to export houses. When he entered the market as an export consultant, the profession was new, but he was confident that the opportunity to enjoy directly the pride and profit of exports would create demand for his services.[33] Becoming a consultant did not feel that strange; because of his family background he was familiar with the idea of an independent 'practice'. As noted above, IMCI consultants generally felt comfortable copying the familiar role model of the doctor–patient relationship.

In addition to finding clients, consultants always discussed how to approach clients. While the HRD consultant who in Chapter drew the map of divided Ahmedabad stressed the informality of Ahmedabadi (trading) culture, consultants like Mr. Upadyay displayed sternness and stiffness in their approach, an attempt to establish professional control in the relationship. Mr. Upadhyay explained how even during the initial inquiry call he would already control his voice and speech to sound 'fluent' and 'experienced'. When arranging a first meeting, he insisted that it should *always* take place at *his* office. "They should chase us instead of the other way around" was his explanation. [34] He would then subject them to a few

[33] The claim was partially correct. Mr. Mankad had been longer established as an export consultant but, being a former banker, had a more administrative, 'rules and regulations' approach, while Mr. Upadhyay had a more professional, market–oriented approach.

[34] I tried to broker between an SSI making medical disposables and young CA Mr. Vyas (see Chapter Three, Four). During an interview with the SSI they expressed to me an interest in meeting a business consultant. They had met a consultant at an EDII course on growth strategies and cluster development, but their experience had been unsatisfactory: the man had shown no interest, they had spent little time together, and he had not even visited their factory. In a separate interview Mr. Vyas told me he was

meetings, lasting about 40 minutes each, to test their sincerity and eagerness. In these meetings he also laid out his terms of engagement: what he would do and what not do and, apparently important, what was expected of the entrepreneur: to make appointments before coming over, to honor them and be punctual.

During the first meeting the issue of location and of payment were particularly important. While Mr. Nayar and local professional Mr. Sheth thought it important to work from the client's office to build up a relationship, to work in a transparent, trust creating fashion, and to be around for questions, Mr. Upadhyay stressed he would do all the paperwork from his office.[35] His preference in this respect resembled de Zwart's description of Gujarati civil servants, who only wanted to receive citizens in a formal office to avoid an informal atmosphere and even more 'informal', illegal requests (1994:65). In other words, by working from their office only, consultants like Mr. Upadhyay maintain distance and formality, again following the role model of the doctor who tells his patient what is wrong but never becomes emotionally involved.

Payment issue was important because Mr. Upadhyay was often offered five percent of the export revenues, but as a professional he could not accept this. As noted elsewhere in this chapter, the *commercial* element should be downplayed: "If I have commercial interest, I could be tempted to cut out my client at a later stage." Instead he preferred to be retained: a fixed amount of Rs. 15,000 per year for all services (basic administration for small clients, bigger ones paid more). In contrast, Mr. Sheth had switched from fixed fees paid in advance to a percentage of the profit over a fixed period because this was a much more accepted practice among Gujarati entrepreneurs. Perhaps not without reason, clients were reluctant to pay before consultancy services paid off.

If these issues were settled, Mr. Upadhyay would move to redefine the client's problem. According to Mr. Upadhyay, "the problem the client perceives may not be the real problem. So when we discuss their business, we say: 'Though you are telling us this is your problem, let me tell you what your real problem is', and then they listen." This is standard professional procedure: translating the problem into a professional problem for which there exist professional tools and solutions. At the same time, it also a display of professional rigidity, holding onto a particular style of thinking and working that effectively takes power away from the client, who should (only) listen. Thus, as a final step Mr. Upadhyay tested the client (to see if

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interested in new clients and for this reason had followed another EDII course on business counseling. At 32, he was relatively young, as was his practice. I explained the SSI's bad experience. He agreed that I could pass on his name to SSI, but he stressed that they HAD TO make the first contact. I passed on his contact number to the SSI, but nothing happened. When I asked the SSI, they replied that "yes, maybe we are a little too shy, too conservative in this". When I in turn contacted Mr. Vyas to explain, he would not budge and take the first step. As a result nothing happened.

[35] Mr. Sheth would even go as far as to channel all his post and email through a client's office to show he had nothing to hide.

he was willing to listen). Exports could require basic yet fundamental changes in quality, packaging and management, so he tried out their readiness for change with something simple, re–designing their letterhead for instance. If everything was to go ahead, he would ask for a 'smart' boy form the client's office, a young MBA for instance, to be his contact person.

Mr. Upadhyay admitted that at first he preferred to work with larger companies, with a professional infrastructure, but they no longer required his services after one or two years, having learned everything there was to learn from him. So he had shifted his focus. Besides IMCI he was a member of AMA and the Ellisbridge Gymkhana. Occasionally he also met a client through GCCI or the plastic manufacturers' association. He did not actively look for SSIs; normally they found him. But not many were ready to pay retainer fees. Increasingly he felt the competition from part–time consultants, persons employed in export offices, among them maybe even individuals he had trained, making a little extra money for themselves. They did not offer his comprehensive service package, but for Rs. 1,000 they could get a shipment through customs. *They* would work from the client's office. During the first visit he denied having commercial interests, stressing that he was a professional, but later he acknowledged that he used his expertise of foreign markets to import particular products to India. The professional who found it difficult to deal with Gujarati 'traders' had become a trader himself.

'Young Mr. Krishna'. Mr. Krishna did not have an office. He worked at the client's place and in a friend's empty apartment. Neither did he own a car. I could hear him coming from far away when he arrived on his moped at my apartment for our first meeting. He had suggested the location. We talked for three hours without him looking at his watch once—the professional's reminder that time was up that I come to know at Mr. Upadhyay's office. Mr. Krishna presented the outsider's view of the young, up and coming consultant and THE competitor of established consultants like Mr. Upadhyay. Besides offering a clear analysis of the market for consultancy he also displayed a clear understanding of Gujarati entrepreneurs—refreshing after the mere complaints of consultants like Mr. Upadhyay. It is very difficult to estimate how many consultants like Mr. Krishna are working in Ahmedabad, because one has to 'dig deep' to find them. This fourth layer consists of consultants that do not control organizations like the more established ones of the third layer. An EDII course on effective counseling had brought Mr. Krishna into the limelight. Through EDII I also came into contact with him. Nevertheless, the type of consultancy practiced by Mr. Krishna can be considered an important *social innovation* compared to the stiff doctor–patient model followed by Mr. Upadhyay.

Mr. Krishna was born in the south of India, but grew up in Gujarat and spoke Gujarati. Like Professor Mehta from IIM–A he considered this to be an asset. His father was a professional dancer. He had worked seven years for an architect as a civil engineer before starting his consultancy career in quality management in 2000. When I met him he had finished eleven assignments and was working on another eight. He claimed to be completely booked, working six days a week from nine in the morning until eleven at night. Only Sunday afternoons were reserved for the family. He was thinking about hiring a qualified assistant. This would cost him Rs. 10,000 per month, but would allow him to take up to fifteen assignments at a time.

As he saw it, there were three reasons for his success. First, he was affordable. He charged Rs. 60,000 to 90,000 for an assignment. Secondly, he offered value for money, because his fee included the bulk of the paperwork that comes with ISO certification, which his competitors left out of the package: the writing of protocols and manuals. By doing it by himself the system became stronger and easier to work with for the client, but, more importantly, it was a good selling point because SSIs dreaded paperwork. In general, SSIs were flat yet hierarchically organized with an owner–manager who wanted to control everything, because he feared that his professional staff might learn too much and walk off to start their own company. Fro this reason they preferred to work with unskilled assistant, incapable of handling paperwork. Mr. Krishna took that paperwork burden off an already overstretched owner–manager. A final reason he did well was because of his relationship with EDII, which had made him acceptable for other institutions. He claimed 'hit ratio' was high, 90%, while he estimated some competitors to be as low as twenty percent.

Before a first meeting with a potential client Mr. Krishna tried to find out about the company to get an idea of what the problem may be. Also, during a first meeting, he felt the trick was to be a silent listener instead of boasting about achievements, which indeed had seemed to be the approach of Mr. Upadhyay. Entrepreneurs would keep certain business details close to their chests, but could be very open about how they were doing. Ahmedabadis valued professionalism, but they also wanted 'three halves out of each rupee', and you had to maintain good relations with them, drink *chai*, and answer whatever questions they might have, even beyond the scope of the assignment. This was indeed a recurring complaint of other consultants, accusing their clients of wanting information for free. According to Mr. Krishna, a consultant had to (be) like the person he was working with.

Before 1994 the market for ISO certification was not that big and the few consultants who offered the service charged between five and ten *lakh* per assignment! After 1996 SSIs also became interested in ISO certification, but they could not afford such fees and their assignments were also not interesting for established consultants. Now there were about 35 consultants operating in this line of business. A market leader in Ahmedabad had a nice office, a ten person strong organization and an overhead of at least Rs. 80,000 per month. Mr. Krishna felt that such an overhead was no longer feasible. Also the market leader had to bring down his fees from Rs. 1.5 *lakh* to Rs. 90,000 per assignment to cater to the new clientele. Only a quick turnover kept him alive. Mr. Krishna had no overhead whatsoever. The market leader had made accusations about Mr. Krishna about 'this and that'. Mr. Krishna thought perhaps he was envious, because Mr. Krishna guessed that at the moment he was making more money than the market leader did, roughly Rs. 5,000 a day.

However, Mr. Krishna also felt the pressure of the reputation game, the need to move up to bigger clients, more prestigious assignments and, in accordance with that, higher fees, and to make more of a name for himself. He had started with clients that had fewer than 25 employees; now he had a client with 150 employees. Nevertheless, whereas Mr. Upadhyay seemed to be busy putting a professional straightjacket on his client, a style of working he had probably acquired during his working days in a professional company, Mr. Krishna's more bottom–up style of working made him much more of a social *as well as* a professional broker—a level–four consultant who could be positioned between IMCI–style consultants and CAs.

5. Chartered Accountants: Retailers of 'Proprietary Professionalism'

The secretary of IMCI Ahmedabad considered GITCO to be the 'general practitioner' among service providers in Ahmedabad, able to bring professional business services within reach of SSIs. GITCO, however, is but one organization with a limited capacity unable to cater to all the 'children of the SSI revolution' and one that has seen better days (see Chapter Four). Instead of GITCO, CAs should be regarded as the backbone of Ahmedabad's informal service configuration.[36] Entrepreneurs are statutorily required to employ CAs to audit their balance sheets.[37] This means that their market is organized very differently than management consultants', and that their style of working is equally different:

[36] The Ahmedabad branch of the western region (Mumbai) of ICAI had 2,114 members in April 2000. Membership is obligatory for those who want to practice. The secretary of the branch estimated that around 80% of their members practiced as independent CAs, the remaining twenty percent held a position in industry. In contrast, well–read, well–preserved Mr. Subramaniam (see Chapter Four) gave a much lower estimate: only 50% practiced independently, ten percent of whom were involved in activities other than auditing, working as stockbrokers for instance. Mr. Mazmumbar (see below) estimated that not more than 200 CAs worked from a 'decent' office in Ahmedabad, indicating that there were not many good CAs available in the city. The relation between office and decency is, however, less direct (see, for instance, Mr. Shah). The number of 'good' CAs was likely to be between 200 and 900, a number higher than the estimated number of 200 active management consultants in Ahmedabad.

[37] A company is statutorily required to have its accounts audited if it is a (private) limited company and/or if its turnover exceeds 40 *lakh*.

(1) Whereas management consultants move from client to client to gain similar assignments and often have to travel great distances, CAs operate much more locally and try to move from service to service with one and the same client. Just as management consultants would talk about their first big assignment paving the way for more, CAs would talk about clients they saw grow in turnover from *lakhs* to *crores*.[38]

(2) Whereas management consultants work on or wait for preferably prestigious (complex) assignments in quiet offices, CAs instead are service *retailers* who stay put next to a telephone that keeps on ringing.

(3) Whereas management consultants have often acquired a considerable professional reputation (as well as a rigid professional *habitus*) before starting on their own, CAs start much younger, requiring them to learn to work with equally young, small and not yet professionalized companies.

All these factors together mean that CAs are less prone to the reputation game, show more professional differentiation and, above all, are more *entrepreneurially* oriented than management consultants. CAs are more interested in selling services and maintaining relations than in professional content *per se* (and the professional straightjacket that comes with). They are, therefore, more likely to *work with the entrepreneur rather than to replace him by a professional management system.* This makes CAs, along with the local professionals to be described in Chapter Six, the most important *category* of brokers at the local–global interface in Ahmedabad. CAs are old players in changing roles. This last section will present a few of these players and describe the informal networks in which they operate.

One long afternoon in Mumbai demonstrated the difference between management consultants and CAs for me, as well as making clear the first formal steps taken by CAs to adapt to India's transition from local market regulation to global market competition. That afternoon I had two meetings, one with the executive council of IMCI (at the national level) and the other with the president and former president of BCAS, a local Mumbai association of CAs, that was very active and innovate and, for that reason, also having members in Ahmedabad. In both meetings I wanted to discuss to what extent consultancy services in India were able to reach India's industrial base. In the IMCI meeting I encountered the same rigidity as described above and the same complaints I had heard many times before: SSIs were not interested in consultancy; they preferred to do things themselves; they could not appreciate professional consultancy; they could not define their problems—case closed.

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[38] Informants commented that these big clients actually controlled their CAs. This is very well possible. CAs have access to sensitive financial information that clients wish to keep from competitors. CAs were also less engaged in the monopolization of platforms and relied more on referral through clients.

At the BCAS meeting the mood was very different. According to them, accountancy was always developing, from direct taxation (their only real monopoly) to indirect taxation in the 1960s, to issues around the Foreign Exchange Regulation Act in the early 1970. Also, as India 'became part of the world', Indian accountancy standards grew more in line with US standards to increase the comparability of figures across borders.[39] Now CAs wanted to go into business consultancy, thereby becoming the *only service providers in India specifically targeting SSIs* (besides a few bureaucratic governmental institutions). This was not a charity initiative: as Mr. Saludja suggested earlier, CAs were losing market share at the top end of the market to international service providers; they had to move down. At the same time, CAs also faced growing competition from 'below': every year a new batch of CAs entered the market. Before, there had been a shortage of CAs, but now there was competition. Some CAs had to wait for years to find their first client, surviving, for instance, on teaching at the local ICAI branch. Also, both liberalization and computerization had reduced the administrative work in accounting and customs, which could not always be compensated. A CA was restricted to do a maximum of 30 statutory (corporate) audits and 30 non–statutory (tax) audits, to preserve the precision of his work.

In the view of BCAS, business consultancy offered an alternative to a shrinking accountancy market.[40] Three years prior to this study BCAS began organizing a course (six months, three hours per day, covering all the basic management fields) on 'business consultancy studies' in collaboration with the renowned Bajaj Institute of Management Studies in Mumbai.[41] In the course, high–flying MBAs passed on their expertise to field working CAs. The aim was to create recognition for CAs as 'solution providers' and as 'value creators' instead of as just 'upholders of the law'. There was a problem, however, about how to create a market for the newly trained consultants. Previously, they contacted associations, but found that their brochures had not been distributed properly: an indication of the same monopolization of associations as has been described for IMCI, see also Chapter Six.

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[39] The tuning and strengthening of Indian accountancy standards was in full swing at the time of fieldwork. The ICAI had listed fifteen accountancy standards since 1947, of which six in the first nine months of 2001, with another eight still in the pipeline at the time.

[40] Another business service CAs expressed interest in was taking up back–office accountancy work for international clients. CAs were familiar with international standards and labor costs of their assistants was cheap. Both consultancy and performing back–office functions also have the capacity to be more lucrative because rates are not fixed as they are for statutory services.

[41] They defined their members, and therefore also the clientele for the course, as medium–level CAs, earning ten *lakh* or more a year, working with a few assistants (a 'big' CA earned as much as 30–35 *lakh)*. Interestingly, the idea to organize the course came from an article about international consultancy firms: 'Consultants Re–Engineer Themselves', *Worldlink* (magazine of the World Economic Forum), October 1997. This article gave BCAS the idea that all major internationally operating consultancy firms had begun as accountancy firms and that similar transformations could also be made in India.

Like the CAs in Mumbai, 'Mr. Soni' wanted to move into business consultancy but for a different reason. I met him in a jeep we shared from Gandhinagar back to Ahmedabad. Following the usual small talk, we realized that we were of interest for each other. Mr. Soni saw me as a foreign connection worth spending some time with, hoping I could bring him into contact with Dutch businesses. I was intrigued by his distinctly less sophisticated, less polished look compared to the CAs I had met so far. As I found out, Mr. Soni was one of the CAs who had been riding high on the boom following 1991, but who was now falling low, with GSFC and GIIC all but bankrupt. He had gone to Gandhinagar to visit their offices and he traveled by shared jeep because it was cheaper. In his run–down office were four desks where assistants had once worked until eight o'clock at night to prepare project proposals, meters of which were stacked in files along the wall. Now, the office was empty except for his father who was also CA, lights were kept off to save energy, and the telephones were locked. His father had started the practice in 1982. Before that, he had worked for GSFC. Mr. Soni had joined him in 1989. Now that the source of easy funding that had accompanied the boom had run dry he was looking for other services to sell, but he never came up with details regarding how to improve an organization's health or even how to asses the viability of a product. He asked me to bring Dutch companies to him and wanted to be photographed with an ensemble of the products he and his clients had on offer. This was an aspiring business consultant without any management tools. He relied on his 'gut feeling' with regard to a product, the most important criterion being that it was 'new' (and competition therefore absent) and built on the 'inner strength' of the entrepreneur to improve profitability. Mr. Soni was an 'old' CA, a fixer and an example of the fifth and lowest level of consultants to be found in Ahmedabad.

Mr. Vaishnav was the opposite of Mr. Soni. He was a CA who had been able to move into other business services and could have been a BCAS role model. He certainly was the busiest consultant I met in Ahmedabad—remember that in Chapter Four I ran into his assistant two days in a row in two different banks. He showed no signs of difficulty finding good assignments. He had recently 'stolen' a good cost accountant *cum* engineer away from GSFC (a fine example of the privatization of forecasting). Mr. Vaishnav was 38 at the time of research. He had started his company in 1985, a time when most CAs still were still mainly active in the traditional field of taxation and auditing. His father was a high–court judge. Twice he kept me waiting in a side office until coming with an apology that he would not have time that day. Finally we had a brief interview the third time, on a holiday. All my efforts had been worthwhile for the following description of his business strategy:

> It is important for the clients that you add value. I found that typically small or medium clients cannot afford the kind of professionalism or the kind of expertise in house, and that

> therefore they would look for a firm that can meet their requirements. I concentrated on finance as a core area: working capital, management, equity placements, project management, term loans, *etcetera*. Finance is the lifeblood, everybody needs finance to grow. But apart from finance we also involve ourselves in trying to guide them in terms of setting up a management information system, trying to work out their costing system, and trying to use our own clientele base to have more interpersonal relationships, so that when for example X is manufacturing a product A and Y needs that product, we do match–making so that both benefit. The focus is: make them grow so that in the process we also grow. I adopted the approach of providing all kinds of services to the extent possible under one roof. I think that made us add tremendous value.

In this case a CA had managed to become a service provider that catered to the client's *every* need, old ones (finance) and new ones (management–related).[42] Moreover, being professional *and* entrepreneurial at the same time, he did not limit himself to providing 'real' services, but also tried to generate business for and among his clients. There was no emulation of non–commercial doctor–patient relations here, but rather a CA who aspired to be broker of services and business in one. Finally, whereas SSIs were almost required to keep professional middle management to work with specialized (management) consultants, this (CA) service provider worked the other way around and aimed to retail as many (also basic) services as possible to help the client avoid building up expensive professional middle management. Mr. Vaishnav even interacted on behalf of local clients with big companies in Mumbai, translating, as he described it, between 'highly professionally formulated' demands and local capabilities'. In short, Mr. Vaishnav was one of the most versatile brokers I met in Ahmedabad. Minimum turnover for being accepted into this services *cum* brokerage Walhalla was 'only' one *crore*: What mattered to Mr. Vaishnav were business prospects, not present turnover.

'Mr. Majumbar' was a CA who could be positioned between Mr. Soni and Mr. Vaishnav, neither a fixer nor a full–fledged fixing *cum* forecasting service provider. Mr. Majumbar's case was interesting because he gave the impression that the work of providing business services had 'happened' to him. Thus, he can serve as a model of the 'average' CA that grows relatively 'naturally' into a new role. Also,

[42] Only one CA, to whom I was referred by a close friend, handed over his 'private and confidential' company profile to me. This documentation gave a good impression of what a CA service platform might entail. It contained a list of 'expected' services such as corporate audits, internal audits (including the 'reputed' companies for which these were executed), advice on corporate laws, direct taxes, fund raising and the Foreign Exchange Management Act, but also less expected services such as audits of government institutions and 'investigations into irregularities' in these, credit processing for a bank (that is *verification* of documents and bank statements for loan applications and calculation of eligibility), field investigation services to verify residence and business place of applicants, ERP/software consultancy and management systems, and HRD consultancy. The managing director was also a director of a software company and a management consultancy company. Interestingly, the listing of services was done in the reverse order of the way presented here, thus starting with the unexpected, the 'unique selling points', and then moving on the 'business as usual' services

because he was more accessible than Mr. Vaishnav, Mr. Majumbar's case offers better insight into the brokerage mechanism CAs use to become service providers. Mr. Majumbar's office was much smaller than Mr. Vaishnav's, which provided accommodation for perhaps twenty staff, and much more local and Gujarati in style than Mr. Upadhyay's office. It was located *off* C.G. Road with more red beetle nut stains on the wall, more shoes in the corridors, having been taken off outside the offices, and more boys walking around with *chai*. This was an office complex for small traders and entrepreneurs. Mr. Majumbar was Gujarati and 36 years old at the time of research. His father was a medical doctor, just like Mr. Upadhyay's father. Once Mr. Majumbar had wanted to enter IIM–A, but his grades were not good enough. Now he was one of the few CAs who was a member of AMA; it was also he who referred me to the BCAS.

Mr. Majumbar started his practice in 1989, right after passing his final examination. He began as what he called a 'classical' CA, focusing on taxation and finance, with a specialization in indirect taxes, notably customs duties. This, however, had changed:

> The needs of the clients now compel me to understand what is management, what is HRD. The concept of providing different services under one roof, like a supermarket, is just developing in India. If my clients require specialists, they go for specialists, but for a simple recruitment procedure they will not go to a HRD specialist, they will ask me.

The most important change Mr. Majumbar observed in his profession was that clients were becoming 'open-minded' and had begun to ask advice on 'even minor issues'. This should be taken literally. Instead of hiding their business and writing the accounts themselves, they had come to understand that secrecy was only needed in certain corners:

> Margins these days are such that you have to economize and for this you need to know your technical process. A general manager must know if a chemical product is being adulterated or not. Similarly, clients have learned that in a margin business they need a CA. Even for small projects, under one *crore*, clients now come to me for an assessment if the project is viable or not. This is new. Sometimes I find them even becoming over dependent, they start asking advice on everything.

Open-mindedness and over dependence must have sounded like music to Mr. Saludja's ears—remember his emails, which remained so tragically unread at the beginning of this chapter. It is difficult to explain the difference in their stories: not being listened to versus being drawn into providing services. Both CAs worked with similar sized companies. Also, according to Mr. Majumbar, there was no 'secret' to his success. The only brokerage mechanism he described was the trickle of phone calls growing gradually heavier as his advice fell on good earth, acting as a seedbed for further advice–taking:

> The thing is, people here will seek your advice once, they will try you out. If it is correct, they just start believing in you, they start trusting you.

This is a mechanism that has already been described in this chapter. The 'necessary evil' of auditing apparently worked for Mr. Majumbar similar to the 'familiar' advertisement service making way for market research consultant Mrs. Desai: it provided a professional foothold.

To explain why Mr. Majumbar was able to make use of the foothold and Mr. Saludja was not requires examination of another important brokerage mechanism. Whereas Mr. Saludja was proud of his academic' inclination and showed an eagerness to provide services, Mr. Majumbar spoke about providing services as if it were a burden. Whereas Mr. Saludja resembled Mr. Upadhyay and his top–down professional straightjacket approach, Mr. Majumbar seemed to embrace a bottom–up services growth approach, not because this had been his strategy from the start, but because the client had *asked* this from him. This seems important: leave the client in charge, offer advice, if necessary on your own initiative, but leave the final decision to him, do not expect him to automatically 'obey' you, and instead concentrate on the tasks you are expected to do and drop another hint at a later occasion. Thus, the second brokerage mechanism at work between Mr. Majumbar and his clients involved a subtle maneuvering that avoided pushing the owner–manager out of the driver's seat completely. This is a process that requires a long–term relationships and the absence of compelling financial and professional pressures. In consultancy jargon, it requires a 'little protection'. Whereas Mr. Saludja had more or less thrown away his protection when he decided to make himself dependent on the well–being of a few companies, Mr. Majumbar had carved out a niche for himself: a specialization in customs, a subject on which he lectured at the CA association, and for which other CAs approached him for input. Unlike Mr. Saludja, there was no need for him to force himself onto the client. Though also Mr. Majumbar grumbled about clients' unprofessional behavior, their failure to abide appointments, behaving like they owned him, he was willing to put up with it as long as progress was made in business. If the client was ready to learn, Mr. Majumbar was ready to learn as well and thus ended up reading up on HRD to fill a gap in his own knowledge to please the client.

Mr. Majumbar did not do all service provisioning by himself: he mainly kept answering phone calls every ten minutes. While talking with him one gradually started to visualize another part of Ahmedabad's informal service configuration, aside from the circulation of consultants around banks described in Chapter Four or the monopolization of platforms by management consultants. In–house, Mr.

Majumbar employed two inter–CAs for the routine taxation and auditing, one young MBA for the out–of–office work, liaisoning with financial institutions and banks, and one person with a Master's degree in commerce to manage the office. Beyond his office, informal arrangements stretched in two directions:

(1) There was interaction with other CAs, specialists in other fields. One evening, I stopped by Mr. Majumbar's office to find him in a meeting with well–read, well–preserved Mr. Subramaniam. They were collaborating on a project in which Mr. Majumbar brought in his expertise on taxation and Mr. Subramaniam his expertise on working capital finance. They stressed that such cooperation was not that common: you had to trust each other not to take away each other's clients, a situation very similar to that among management consultants. Besides this collaboration there was regular interaction with CAs higher up the chain, those who had left accounting to smaller CAs and had moved on to advocacy. Mr. Majumbar consulted with them on legal issues; they in turn handed over paperwork to Mr. Majumbar that they no longer did themselves.

(2) There was interaction with management consultants. During the first interview Mr. Majumbar only hesitantly admitted that he had regular contact with a management consultant he had met at AMA. At the time it had come as a surprise to me, because management consultants and CAs seemed to move in separate worlds. During later visits, however, the list grew longer. Mr. Majumbar explained how he, for instance, visited seminars in Mumbai about tax regimes in Europe on behalf of clients, but also hired export consultants, ERP consultants, quality consultants, *etcetera*. Nevertheless, relations with consultants other than friends such as Mr. Subramaniam remained difficult. Mr. Krishna had this to say when I asked him if consultants like him received assignments through intermediation from CAs, because CAs had better access to entrepreneurs: "Well, we could if relations were healthy. But CAs try to control us, and we try to control them. So, in fact, we do not get many offers through this channel."

Thus, the image here is similar to that painted of management consultants above: every consultant who is able to serve as a platform himself will do so and broker contacts with other, less–established consultants who depend on him. The result of all this brokerage activity is fragmentation at the surface balanced by the formation of an informal service configuration below the surface, which is not visible without a little digging.

The network I spent the most time unearthing was the one that led to and from learning CA Mr. Shah. As described in Chapter Four, an investment banker introduced me to well–read, well–preserved CA Mr. Subramaniam. Mr.

Subramaniam introduced me to the high–level DFI advisor Mr. Iyer, Mr. Majumbar, Mr. Shah, and Mr. Vaishnav—all except Mr. Iyer were CAs from more or less the same generation, all had come up with the SSI revolution and, except for Mr. Majumbar, all were specialized in the 'new' field of loan syndication rather than 'classic' auditing and taxation.[43] Since two years Mr. Subramaniam and Mr. Shah, together with a third partner, a senior CA in taxation and international finance, worked more formally together in a management–accountancy firm, primarily to boost their credibility.[44] Each of them, however, had continued their own activities besides being director in this firm and all three still worked from their separate apartments to save on overhead. According to Mr. Shah, in time they might come together under one roof, but so far the market did not support this. In Mumbai, the firm had two more partners for liaisoning with bank headquarters there (as mentioned in Chapter Four).

Mr. Shah took over from Mr. Subramaniam and introduced me to a bank and a DFI, in Mumbai and in Ahmedabad, and, at the very end of my stay in Ahmedabad, to his 'associates'. One evening I met them at the bungalow of his senior partner. They included the son of the partner, a CA, a young MBA, who had already been employed by a diamond company for one and a half years, and a faculty member at one of Ahmedabad's new business schools. The young men were classmates of the partner's son and were living on the same road as Mr. Shah. They met on a nearly daily basis to discuss issues concerning the projects Mr. Shah and Mr. Subramaniam were working on. Also on call were a textile engineer, a chemical engineer, and a pharmaceutical analyst, who together covered Ahmedabad's basic industrial sectors. Then there was Mr. Pandya, the 'burdened industrialist', who had also become part of this network and was used as a

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[43] The difference with older generations of CAs was illustrated when Mr. Subramaniam referred me to Mr. Majmudar, a CA who had established his firm in 1976 in an office near the old High Court in Ahmedabad, the oldest part of Ahmedabad business district on the west bank of the Sabarmati River. He was the son of a partner in one of Ahmedabad's most renowned accountancy firms and member of the national council of ICAI. Despite the established name, he was a CA in distress. He was losing his big clients to international service providers, forcing him 'back' into doing small things such as sales tax (which to his surprise also big international companies were into). Though he never said it directly, he had to fight with the new generation of CAs operating without a 'decent' office and charging four times less then he had done. He did not like project finance. Visiting banks and looking for finance he thought of as unprofessional: a CA should not solicit. Though he had set up a management consultancy firm for loan syndication during the SSI revolution. He had, however, abandoned it again, because his partner had been "not honest, not sincere, everything". Also, recognizably professional and very similar to well established level three management consultants, he complained about Gujaratis wanting services for free. To save his business he was now into back office operations for American accountancy firms.

[44] *The Economist* (2001) raised the question as to why service providers had turned into the conglomerates they have become today. In the incipient, still maturing consultancy market of Ahmedabad you can find the answers: collective branding preserves reputation and diversification allows you to become a solution provider for all problems. Indeed, for instance, CII invited service providers to become members under the precondition that they were not one–man–shows: one man was seen as a fixer, two formed a professional company.

consultant for particular technical matters. Finally, Mr. Shah was close with CII, Mr. Majumbar with AMA, and Mr. Subramaniam with a large exporter.

Only after spending months doing research on old governmental support networks that were *falling apart*, institutions such as IIM–A that were *de–linking* from the local environment, and consultants who were operating in an intransparent *fragmented* market, can one appreciate the excitement I felt about what I saw *coming together* here: indeed a rather 'ragtag' network of learning CAs, inexperienced MBAs, and a struggling entrepreneur doing consultancy on the sideline, but also a degree of order amidst disorder. Through this network I could travel to Ahmedabad's most important institutions, to a variety of banks, even in Mumbai, and to a variety of financial, technical and management consultancies. In short, the network covered the whole of Ahmedabad's informal service configuration. More accurately, networks such as this one *make up* the configuration; without such individually woven networks Ahmedabad's 'informal service configuration' would not exist. Besides finding this order amidst disorder, what was also exciting was that an entrepreneur was part of this service network, and that Mr. Shah offered an ideological foundation for this partnership in the form of the concept of 'proprietary professionalism'. This was the only real concept or strategy I encountered in Ahmedabad aiming to bring together professional business services and SSIs on a permanent basis.

Mr. Shah was the only consultant who talked about the importance of a 'Gandhian' economy, of bottom–up, indigenous economic development instead of the opposite, top–down development, FDI–driven, and partly exogenous in nature. Ahmedabadis had always been very cost conscious until after 1991, when everybody started talking about how European and US companies operated. People wanted to reach to that level, to do it like they did, and went for all–out professionalization. According to Mr. Shah however, this could not work in India. There were still too many uncertainties in the Indian market: intransparency, imperfections, an incomplete transition process, government policies, political pressures, *etcetera*. To prove his point, Mr. Shah referred to The Arvind Mills, a highly professionalized company, but also a company with too much overhead and one that rigidly stuck to making one specific product, putting it in constant trouble.

In the eyes of Mr. Shah, the all–out professionalization that followed India's opening up had proven to be over–professionalization. Instead he proposed a conservative, entrepreneurial manner of professionalization: proprietary professionalism. Given the level of competition one could no longer look at the financial side of project in isolation and quickly write a project proposal; one also had to look for the right technology, the right project size, foreign competition, *etcetera*. Also one needed to maintain a longer–term relation with the client, 'on–line consultancy' in the words of Mr. Shah, to be able to intervene before things went wrong. All this required a professional perspective. At the same time, however, you needed to remain flexible and entrepreneurial, able to react to a suddenly changing market environment. According to Mr. Shah, the solution lay in strategic alliances, in which everybody brought in their own expertise without creating overhead. According to his principle, the management firm of which he was part was organized; according to this principle, Mr. Shah even *lived*, working from home and driving the smallest possible car.

According to the same strategic alliance principle, Mr. Pandya was also integrated into the network. The idea of establishing permanent relations between entrepreneurs and consultants is certainly not new. Here learning CA Mr. Shah and his online consultancy concept were almost two decades *behind* management consultants like Mr. Nayar who had already developed retainership relations with their clients. What can be considered a *social innovation,* however, is the entrepreneurial way of collaborating, creating win–win situations rather than sending a professional check at the end of each month. Although this was never articulated, the fact that Mr. Shah was willing to spend an average of three to five hours a week on monitoring Mr. Pandya's business—after all 'but' an SSI—must have been related to the opportunities he saw for selling Mr. Pandya's process innovation (see the introduction to Part Two) to other parties across India. At the time of research they were talking to the State Financial Corporations of Andra Pradesh and Punjab for selling the technology. Also they were negotiating with a trader for a turnkey project. The potential of creating business and generating revenue streams of royalties and fees made Mr. Pandya of interest to Mr. Shah and brought professional business services in reach of Mr. Pandya. This is proprietary professionalism. Whereas management consultants preferred the distinction of the doctor treating a patient relations, here the professional and the entrepreneurial domain were merged and the differences between consultant and entrepreneur all but disappeared: Mr. Pandya's had become Mr. Shah's consultant and Mr. Shah Mr. Pandya's business partner. This resembles a 'homegrown' miniature version of Castell's (1996) network enterprise, but *organized by a service provider*. It provides a middle ground between cheap, short–term and practical but content–less fixing and expensive, longer–term and often 'bookish' professional forecasting.

6. PROPRIETARY–STYLE PROFESSIONALS BETWEEN FIXING AND FORECASTING

Chapter Two analyzed globalization from below as essentially a process of close local coordination and networking for the re–embedding of exogenous best practices in a local context. In this process professional service providers could play two different key roles. They could be 'vertical' local–global brokers, standing with one leg in a professional community, embracing a de–contextualized universally applicable body of knowledge, and with the other in the local community. They also could be 'horizontal' 'binding institutions' creating the local coordination and collaboration needed for the effective re–embedding of these exogenous best practices. In other words, professional service providers were expected to be able to close the gap between entrepreneurs and public developmental services described in Chapter Three, re–establish a level of control over the market, and turn around a process of de–clustering into a process of re–clustering. Chapter Four yielded material to conform to these expectations. It described the decline of old bureaucratic support institutions accompanied by the rise of private professionals, actors with a different horizon and *habitus*, more embedded in business and in the market and more oriented toward identifying local but also global best practices in this market for institutional compatibility and competitiveness. Hence these private professionals became key figures in new forms of coordination and networking around banks and DFIs: an informal service configuration to close the gap between bankers, bureaucracy and business, supplement old banking practices with new intelligence and monitoring practices, circulate practitioners and information for more viable projects, and, ultimately, form knowledge networks.

Chapter Five shifted the perspective from a comparison between private–professional and public–bureaucratic service provisioning to the interface between the universal–professional services domain and the indigenous–entrepreneurial business domain. In part, Chapter Five thereby continued on the path set out in Chapter Four. Local–global brokerage, the re–embedding of exogenous best practices into the indigenous–entrepreneurial domain, does take place through private professionals in Ahmedabad, whereby the 'formula' of 'old players, changing roles, new networks' again seems to capture the most successful brokerage projects—remember Mr. Shah, Mr. Vaishnav and Mr. Majumbar retailing a variety of services and establishing new forms of coordination and collaboration around their service platforms. In part, however, Chapter Five has also unearthed new issues:

(1) It has shown the complexity of brokerage between the professional and the entrepreneurial domain, making questions about the 'opening up' of Ahmedabadi entrepreneurship and speculations about 'similarity' between the professionals at work in Ahmedabad and those in the global city sound relatively simple and naive in hindsight. A whole array of intermediating institutions has been listed needed to facilitate interaction between the two domains. On the one hand, the relatively new consultancy roles, which disseminate professional tools instead of a cheap fix, require a prolonged interaction with clients, a broader exposure to their businesses, and more influence on the way business is done. On the other hand, old entrepreneurial practices prefer to keep business within the family, expect staff to be obedient,

and possibly pursue different, more commercialist business strategies as described in Chapter Three. We encountered four categories of brokerage mechanisms bridge the gap between the two: intermediary role models (the *guru*–student role model, the doctor–patient role model, the proprietary professional role model keeping the manager–owner in the driver's seat); intermediary actors (local MBAs, educated staff); intermediary platforms (local business schools, institutions and associations serving as a 'neutral' non–commercial environment); and familiar or relatively concrete services interfering relatively less with the client's way of doing business and thereby paving the way for more interventionist services (advertisement, accounting/auditing). Some of these mechanisms work better than others. What must be brokered has both professional and social dimensions. Brokerage requires a certain credibility because of the intangibility of the resources involved, producing uncertain outcomes and being easy to reproduce. Brokerage is also about the 'fitting' of these new resources into an older social institution. Whereas a management consultant like Mr. Upadhyay focuses predominantly on the first dimension and chooses his brokerage mechanisms accordingly, others such as CAs Mr. Majumbar and Mr. Shah and local professional Mr. Sheth have more of an eye for both dimensions. Brokering between the universal–professional and the indigenous–entrepreneurial domain, in other words, requires *social innovations* in the form of 'hybrid' actors, *local* or, in tune with Mr. Shah's concept, *proprietary professionals* instead of fixers (old CAs) or forecasters (global MBAs). They are 'two–dimensional' men who marry an indigenous–entrepreneurial cultural style of operating, proprietarism, to the dissemination of universal–professional practices (see Cohen 1974).

(2a) The reputation game increases the complexity of brokerage between the professional and the entrepreneurial domain because it limits professional differentiation or hybridization among consultants. Consultants such as Mr. Sheth or Mr. Shah embody 'best consultancy practices', a style of operating that is the result of a particular learning process of a particular background (for Mr. Sheth see Chapter Six), but their approaches are *unorthodox* and *deviate* from the professional standard. Young Mr. Krishna also demonstrated an eye for understanding his client, for the social dimension of brokerage, by offering the right type of 'extra service'—the paperwork that SSIs detested. At the same time he demonstrated the power of the reputation game as he also felt the need to move on to more prestigious clients and assignments to make a name for himself. Signs of a nascent maturing of the consultancy market can be seen in CAs and management consultants referring to increasing competition from above (international service providers) and below (new local market entrants). So far, however, this has not led to a *visible* differentiation among management consultants that breaks from the rather *puritanical* professional ideology as promoted by IMCI in which it is forbidden, for instance, to advertise oneself. On the contrary, an environment dominated by largely non–professional firms appears to reinforce these puritanical strategies to prevent unprofessional 'pollution' and to remain acceptable for the few fought over professional firms, even if those are located far away. In other words, the reputation game literally freezes the creativity and translating skills attributed to professional service providers in Chapter Two and limits their dissemination characteristic to a horizontally expanding market segment rather than to vertical market differentiation.

(2b) The reputation game increases the complexity of brokerage between the professional and the entrepreneurial domain, because it reinforces fragmentation and informalization of the market for professional business consultancy. A 'ban' on advertisement and a desire to get to know a potential client before talking business to be able to check his credentials makes the market for professional business consultancy a labyrinth of personal referral, small communities and platforms (market corners) monopolized by first–generation consultants. At the same time, this 'jungle' of informal arrangement makes the market utterly intransparent and limits the ability to find the 'right' consultant. It literally blocks the view of whatever happens beyond a particular market corner or below these platforms where other perhaps less qualified consultants may be more locally adapted and may (or may not?) operate out of the public eye.

To conclude, consultants can be local–global brokers and they can also be 'radial individuals' and act as 'binding institutions' (see Chapter Two), as in particular Mr. Shah and Mr. Vaishnav have demonstrated. However, most consultants and their style of operating *reflect* the disorder resulting from Ahmedabad's de–clustering rather than being a formal means to achieve re–clustering. Competition over the same client, a fear of attracting the wrong one, and fear of overhead drive these nodal points in Ahmedabad's informal service configuration *underground*. As a result, what is characteristically absent in Ahmedabad is the consultant's equivalent of the doctor's house: a cluster of specialists under one roof recognizable to the outsider (except for the few instances where successful consultants like Mr. Vaishnav were able to expand their practice and hire assistant consultants). This chapter has already frequently referred to the importance of institutions as platforms, as formal, 'surface–level' entry points to informal, underground service networks. The next chapter will describe some of these more formal forms of coordination seeking to bring order in Ahmedabad's informal service configuration.

CHAPTER SIX

WHO WILL BROKER THE BROKER? PROVIDERS REGULATING INTANGIBLE SERVICES AND COMPETING INTERESTS[1]

Whether business here can create managerial capitalism depends party on Indian society's ability to build "social capital". Where strangers spontaneously trust each other and cooperate with each other, there is high social capital. Indeed, Tocqueville regarded this "art of association" as an essential virtue of American society because it moderated the American tendency toward individualism . . . . Social capital can help companies make the transition from small family units to large, professionally run enterprises.

Guranchan Das, *India Unbound*

1. INTRODUCTION: UNIDO'S CLUSTER DEVELOPMENT PROGRAM AND THE ART OF ASSOCIATION

The market for professional business consultancy has been described as a reputation game: consultants fear dealing with 'unknown' entrepreneurs because these might only seek a reputed name to be put on a fake business plan to convince the bank and thereby soil their reputation. On their part entrepreneurs fear dealing with 'unknown' consultants, because they might end up with theoretical 'bookish' and expensive advice from inexperienced 'frauds'. To limit this fear and distrust, more 'formal' and 'known' institutions could function as intermediate structures, bridging the gap between the professional and the entrepreneurial domain. Indeed, Chapter Five saw the monopolization of formal institutions by consultants for exactly this purpose: to create a 'common' ground where both parties could meet. In other words, Ahmedabad's well–developed formal institutional fabric

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[1] See also Bekkers (in preparation) in which the need for providers to regulate service flows for achieving local competitiveness and brokering globalization from below is further emphasized.

could play a critical role in knitting together Ahmedabad's informal services configuration. It is therefore not surprising that many Ahmedabadi institutions are, in one way or the other, involved in UNIDO's program of 'cluster development'.

The principal value of cluster development is to replace market coordination with a network or a hierarchy, thereby creating longer–lasting relations and broader interfaces between the parties involved (see Thompson *et al*. 1991). Best describes how an infrastructure of institutions can serve as "functional equivalents to managerial hierarchy" creating a "dynamic constellation of mutually adjusting firms" (1990:208, 235). Saxenian writes about formal and informal networks in Silicon Valley creating *de facto* a 'regional meta–organization' (1994:37). Thus, on an *institutional* level, one can perceive UNIDO's cluster development efforts as an attempt to organize the 'mixed bag' of Ahmedabadi institutions into a similar regional meta–organization. On an *entrepreneurial* level, cluster development is about bringing together geographically concentrated, yet, in UNIDO's view, otherwise 'isolated' SSIs that operate in complementary or related market segments for the purpose of creating 'collective efficiencies' (see Schmitz 1992; 1995, UNIDO 2001). *Competition* should give way to *'cooptition'*: individual business and management strategies need to be combined with collective action in particular service areas 'downstream' in marketing and brand development or 'upstream' in meeting the technical and managerial standards of production processes. Given India's indigenous effort at *entrepreneurship creation*, one can perceive the UNIDO cluster development program as going one step further to develop the (global) *market competitiveness* of these newly created entrepreneurs.[2]

How to achieve this coordination and cooptition, however, is really a matter of experimentation. In brief, UNIDO uses a 'carrot and stick' method: while raising awareness about the potential threats resulting from India's opening up, it also offers all but 'free' samples of the services that could provide solutions and create new opportunities. It is through such a process that the Ahmedabad business institutions have been activated.

Disregarding for a moment differences of definition, the elusive characteristic of all geographically confined business networks—be they 'clusters' or 'districts', 'business systems', 'learning regions', 'regional systems of innovation', or even older concepts such as 'central place theory' and 'agglomeration economics'—is that 'something' creates a suitable environment for the 'art of association', and thus for interaction, exchange, learning and innovation, to take place. Van Dijk and

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[2] In the Indian context, collective efficiencies could be derived from bringing fragmented local production volumes in line with global market demand; from an easier dissemination of global and local best practices, knowledge and information; and from bringing particular business services within reach of SSIs (Clara *et al.* 2000:7).

Rabellotti (1997) provide a list of cluster characteristics that match Marshall's (1890) ideal–type 'industrial district', the archetype for thinking about small–scale industry networking (1997:2). This gives a first idea of what this 'something' entails and what UNIDO needs to create if it wants to develop clusters: (1) a strong, relatively homogeneous cultural and social background that provides a common and widely accepted behavioral code, sometimes explicit but often implicit, which is shared by economic agents; (2) intense backward, forward, horizontal and labor market linkages, based both on market and non–market exchanges of goods, services, information and people; and (3) a network of public and private local institutions that supports the economic agents acting within the clusters.[3] However, these characteristics are like 'ingredients' that come without a 'recipe': they do not tell UNIDO how to prepare that sweetly flavored dish called clustering. Such a list does not help UNIDO to comprehend the 'chicken 'n egg' of cluster development: which of these characteristics gives birth to the other two.

In the literature, two approaches toward cluster development can be distinguished, each emphasizing a different characteristic of Marshall's ideal–type district and, as a result, proposing a different and opposing 'chicken 'n egg' order:

(1) The 'culture sharing 'n trust building' approach emphasizes the first of Marshall's characteristics. In line with this first approach, van Dijk and Rabellotti (1997), Holmström (1998a) and Saxenian (1994) all stress the importance of 'trust', a 'shared identity', and a sense of 'moral community' for making the cluster 'stick'. Here, a socio–cultural platform forms a basis for cooptition, regional coordination, and the provisioning of collective services.[4]

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[3] See van Dijk & Rabellotti (1997:2). See also Holmström who provides a similar list of characteristics (1998a:17–18). The difference between a 'district' and a 'cluster' is that Marshall's district is concerned strictly with small industries being able to combine an *internal* inter–firm division of labor and specialization with *external* economics of scale through inter–firm cooperation, all embedded in a conducive socio–cultural environment. This is also the most elaborate network definition. The cluster concept is less specific about the size of industries involved and the nature of the relations between them and confines itself to 'geographical and sectoral concentrations of industries', for instance also including supply networks of small industries around larger companies. Thus, a district is always a cluster but not vice versa (Holmström 1998a:28, see also Nadvi & Schmitz 1998). The 'enterprise network' concept as used by van Dijk & Rabellotti (1997) is again less specific and does not include cluster specifics such as spatial concentration and sectoral specialization.

[4] Perhaps the clearest description of clustering based on cultural values is provided by Saxenian when she relates the innovative capacity of Silicon Valley to such apparently 'trivial' matters as a shared engineering background at Stanford University; a 'laid–back', open Californian culture; informal, personal networks like the 'Homebrew Computer Club'; and after hours socializing and gossiping in the 'Wagon Wheel' bar. As one of her informants remarked: "There are a lot of people who come to work in the morning believing that they work for Silicon Valley" (1994: 370). In a similar fashion Holmström describes the 'Third Italy', the part of Italy from which the most celebrated cases of clustering originate, as a 'relatively classless part of Italy', with for instance 'few social barriers between employers and workers' (1998a:15).

(2) The 'services providing 'n institution building' approach emphasizes the third of Marshall's characteristics. For Piore and Sabel, an industrial community is not a matter of morale but of *politics,* the purpose of which is to "restrict the forms of competition to those favouring innovation" (1984:17). Innovation facilitates specialization, which in turn lowers local levels of competition, which in turn facilitates cooptition. In other words, what Piore and Sabel define here is the opposite of the pathway toward cutthroat competition that has spiraled out of control in Ahmedabad. Coffey and Bailly (1992) argue that specialization, cooptition and professional business services should not be studied as separate but as interrelated processes, but do not explain how they are interrelated. Best, finally, describes this interrelation in its institutional form as 'community–based institutions that are part public and part private' and that are able to 'prevent a tragedy of the commons' (1990:239–40). In this approach, services help to define collective interests, and institutions help to safeguard these by regulating (potential) conflicting interest between collective cluster goods and individual entrepreneurial strategies. Together they lay a foundation for 'peaceful' cooptition and, over time, the building up of confidence in each other.[5]

The distinction between these approaches is important because of the 'common–like', 'non–tradable', *intangible* nature of knowledge, information and services.[6] Services can create competitive advantage, which makes them very valuable. At the same time, however, they are easy to copy, which can render them worthless. Some individuals will try to monopolize services that should be public while others will seek to copy services and hence make public what should remain private. The first approach does not really address the issue of intangible services and instead buries the complexity of cooptition and collective action in a black box called 'moral community'. The second approach, however, clearly acknowledges the delicate balance between private–individual and public–collective. Hence it is more concerned with building strong, credible, neutral institutions able to maintain boundaries between the two domains, necessary for both brokering services and facilitating the coordination of cooptition and collective action. In

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[5] Holmström characterizes Indian culture as a low–trust culture, which prevents entrepreneurs from developing stable forms of cooperation. With the cultural approach to clustering blocked, he also questions if a 'push', the public provision of 'real services' (training in marketing, testing, *etcetera),* can "make up for lack of trust, or *build* trust" (1998b:200, 2001:60–62, my emphasis).

[6] In economics, knowledge, information and services are classified as 'non–tradables' because, contrary to private goods, they can be shared and sold without leading to a diminishing supply to the seller (Dicken 1998). Knowledge, information, and services are also not collective goods, because exclusion from them is possible. They are not even common goods, because usage by one party *can* affect their value for another. However, the easiness with which they are shared makes them 'common–like' or intangible.

other words, whereas the first approach boils down to a *passive, personal, ethical commitment to collective action based on cultural values*, the second one seeks to develop a *collective, active, community–based coordination and regulation of individual competitive behavior.* Considering the existence of competitive strategies as described in Chapter Five aiming to monopolize (or privatize) what ought to be public–collective institutions, the second approach is best for understanding and, I would argue, for eventually knitting together Ahmedabad's informal service configuration. Unfortunately however, the first approach seems to be UNIDO's preferred tool in experiments with cluster development in India and Ahmedabad.

UNIDO claims to have identified over 400 SME clusters and 2,000 artisan clusters in India. In the opinion of one UNIDO representative, making these clusters a success should be easier than the exemplary cases from Europe because Indians are known to be less 'individualistic' (see clusters.smallindustryindia.com). During a UNIDO training program at EDII for executives of associations, I met 'Mr. Nagpal', an association executive from outside Ahmedabad with a less optimistic perspective on cluster development. He repeatedly urged me to make sure that the story he told me could not be traced to him. Thus, with regard to his background, the only relevant fact that should mentioned is that Mr. Nagpal was not an ordinary office clerk, although he felt like he was being treated as such. He started by praising the UNIDO initiative:

> UNIDO brings everybody in the industry together and creates awareness of the changes that will come with WTO. The association only organized seminars but with little effect. There was a lack of alternative ideas. But the new UNIDO message of cooptition is very confusing for members. Products are so easy to copy, and all the companies involved in cluster development are SSIs able to make everything their competitors make. Only a few have some specialization. So nobody wants to reveal, nobody wants to share, nobody wants to discuss too much. For this reason you will never be allowed to enter a company.

I asked if this unwillingness even to discuss matters with each other explained the inertia of the association before the arrival of UNIDO. Mr. Nagpal said he did not want to comment on this. He continued:

> There is only little investment in the association. Only one–two persons and a sweeper boy are there. Also, there is no decision–maker power for me, no room for initiative. I have to make proposals to my superior who in turn has to submit everything to the president. Without that signature, nothing happens, so I sit and wait. It is not like with CII, where the director has a powerful position.

I asked if this lack of investment in the association and this lack of autonomy was meant to protect the interests of the established entrepreneurs *vis à vis* the smaller ones. Again Mr. Nagpal refused to comment on this directly. Instead he continued:

> We have plans to visit a trade fair. UNIDO sponsors this. We have room for 25 companies. The circular has gone out today, but the first ten companies have already signed up. These ten were all ten members of the association committee.

There were more stories like this during the training program from association executives complaining about their lack of autonomy and about the lack of information they received from their members, making it all but impossible to understand their problems and do something about them by providing information, services, *etcetera*. Committee members did not want them to do much; neither did members trust them to serve their interests (besides that of the committee). In other words, what UNIDO had identified were, by and large, not clusters but geographically concentrated competitors in highly competitive easy–entry industrial sectors *lacking internal competition regulation mechanisms other than the monopolization of the association by a clique.* [7] To think that a bit less individualism could turn these competitive sectors into clusters seems fairly optimistic. Thus, it comes as no surprising then that 'competition' is first on UNIDO's list of 'unresolved issues' with regard to cluster development (see Clara *et al*. 2000).

Worries with regard to cluster development do not only grow from weak industrial associations. When I asked officials of AMA and GCCI, two of Ahmedabad's most prominent member–based business institutions, about their role in preparing Ahmedabad's SSIs for the opening up of the Indian markets in accordance with WTO agreements, both referred to the same seminar: the Third National Convention on Small and Medium Enterprise, February 4–5, 2000. The list of dignitaries who had attended was impressive, but the number of SSIs in attendance was close to zero. And, as it turned out, UNIDO had been the driving force, the 'facilitator' behind it all. My interview with a former president of both GCCI and AMA on the subject of networking among institutions and providing business services to SSIs was the shortest in a whole year of fieldwork, probably providing the least satisfying answers, polite yet unconcerned:

> Yes, the interface between services and industry is not ideal and more meaningful action could be there. More cooperation between the institutions is certainly possible. But every

[7] See also Gorter (1996; 1998) and Knorringa (1996) for descriptions of the functioning of industry associations in India that confirm the image conveyed by this executive.

> institution has its specific goal. If you have an ear problem, you cannot go to an eye doctor. GCCI focuses on the interface between government and industry, CII on very large industries and very specific problems, and AMA on management issues. An institution is a catalyst; it cannot do handholding or spoon–feeding. Each company has an individual responsibility with regard to preparing itself for WTO.

I responded that there was a lot of difference between spoon–feeding and only organizing seminars and, therefore, a lot of options for alternative activities. One could play a more facilitating role in brokering services for instance:

> Yes, that could be a possible role. Institutions could be helpful in selecting good consultants. But the role of associations is still very different today. They are used to fighting local battles, while WTO you cannot fight locally. You have to comply with rules and just adapt yourself consequently. Associations face many problems. For them WTO is just one of the issues. But you cannot put into my mouth that nothing is happening; that for some reason this would be impossible.

This is not to say there is no collaboration between institutions in Ahmedabad, but that existing collaboration is based on *personal* relations between individuals who happen to like each other. Otherwise, as one EDII faculty member put it: "There is no coordination, each institution is too busy baking its own cookies."

Both the story of Mr. Nagpal and the attitude displayed in the statements of the former president of GCCI and AMA were familiar. Monopolization of an industrial association by established entrepreneurs is a mere corollary of the monopolization of management institutions by established consultants as described in Chapter Five. Also, statements about every institution doing 'their thing' reiterates the loss of old Ahmedabad's indigenous cluster culture and the present–day division, de–linking and de–clustering within Ahmedabad society as described in Chapter One. Taken together this landscape of cultural decline, de–clustering and monopolization defines the daunting tasks ahead of UNIDO. At the same, it provides a clear indication of where NOT to look for the strong, credible institutions and neutral platforms, able to broker services and coordinate individual and collective business strategies.

The aim of this chapter is to describe the alternative coordinating institutions that ARE available in Ahmedabad and thereby to identify the *sources* for Ahmedabad's re–clustering. Three sections will describe three mechanisms more or less capable of executing the brokerage and coordination tasks defined above. For all three mechanisms, the struggle to maintain the boundary between the public–collective and the private–individual domain provides the key to understanding its organization. In all three mechanisms, professionals—be they consultants or office staff—play an important role. First, however, the next section will describe the more typical organization of coordination and services provisioning in Ahmedabad.

2. Exclusive AMA: Public Services Governed by a Private Agenda

AMA is a bright, shining star in Ahmedabad's institutional firmament. In 2001, it was nominated as India's best management association for the ninth time in a row by the All India Management Association. Established in 1956, it is one of the oldest management associations in India and a founding member of the all–India association. Now it represents Ahmedabad's largest network of professionals, with over 3,000 members, comprising *tout* Ahmedabad: institutions (also governmental), companies, and individuals, amongst them all of Ahmedabad's better known management consultants. One of the best ways of understanding Ahmedabad's development is to browse through AMA's annual reports. Here you find descriptions of Ahmedabad's early formalization of the textile cluster as well as signs of present–day de–clustering following the decline of textiles.

AMA was founded by Dr. Vikram Sarabhai, Ahmedabad's institution builder, as mentioned in Chapter One. He envisioned a place where practitioners could exchange experiences and learn and, accordingly, AMA started organizing programs. In 1963 the first programs of what would become IIM–A were tested at AMA. In 1969, AMA's first executive secretary was installed to coordinate further activities. Now an HRD consultant, he recalled how Ahmedabad's textile barons were prepared to support AMA substantially, because Dr. Sarabhai asked them to, but he added that, in practice, they never incorporated all his ideas about professional management. In his view, with the knowledge and skills available at AMA and IIM–A, Ahmedabad's textile mills could have been saved.

The AMA annual reports of the 1960s and 1970s provide a view of a small, well–organized business world. ATIRA was there for technical matters, IIM–A trained new management staff, and AMA, together with GCCI, served as a platform for bringing together the industrialists (AMA focusing on management issues and GCCI on political ones). AMA's executive committee was populated with textile managers, IIM–A professors, government representatives and bank managers. IIM–A faculty organized AMA's short–duration courses on subjects like budget control for instance. These faculty members also gave most of the lectures at AMA, together with staff from ATIRA and from Gujarat state business support institutions. However, the main center of activity of that era, as is evident from in the annual reports of 1965–66 and 1975–76, was inter–firm comparison between textile mills, analyzing balance sheets and practices, "not only to establish norms for performance and yardsticks of various financial parameters, but also to seriously improve the performance and profitability of participating units by highlighting the specific areas of weakness and strength and possible remedial actions . . . of importance not only to the Indian textile industry, but also to other allied and associated institutions such as banks, financial institutions and various joint agencies" (AMA 1976). With the end of textiles, however, such inter–firm comparisons have come to an end.

In the 1980s, the small world organized around textiles imploded, and by 1989 the presence of the textile mills in the executive committee had been reduced to one. Their place was taken over by PSUs, dye manufacturers, pharmaceutical companies, and even one management consultant. In reaction to this change, AMA started organizing an increasing number of diverse courses and lectures on more *general* management related topics such as 'effective production supervision', 'production planning and inventory control', 'import policies and procedures', financial management' and 'the effective supervisor'. Consultants, also from outside Ahmedabad, increasingly organized these courses and lectures and it was around this time that AMA must have started acting as an informal referral service for consultancy services. The expansionary trend continued into the 1990s and accelerated after the inauguration of a new, more spacious building in 1997, funded by two pharmaceutical companies. In the words of a former member of the executive committee: "AMA no longer has to chase people; now they chase AMA; everybody wants to do and donate something." In 1965 AMA had 158 members, in 1975, 275, in 1985, 513, in 1995, 1,365, and in 2000, 3,232.

By 2001 AMA had become a veritable activity center and a valuable provider of training and information that was unparalleled in Ahmedabad. It characterizes the atmosphere at AMA that, when I was introduced to the executive secretary, he immediately asked me if I could give a lecture. Twenty–three activity centers have been erected under AMA's umbrella, all sponsored by Ahmedabadi companies and focusing on subjects ranging from 'international business' to 'civic affairs' and 'Indian wisdom for management' to 'entrepreneurship in IT'. In 2001, AMA organized conferences, numerous short–duration courses and twelve longer–term diploma courses ranging from 'marketing management' to 'corporate communication' to 'banking'. Also it invited, for instance, a Gujarati who worked for the World Bank in China to talk about the miracles of well–organized China with its spotlessly clean airports and its 'catchment areas' upstream the Yangtze river, preventing Shanghai from overflowing with illegal immigrants (like Ahmedabad). In this whirlwind of activity, management remained the binding element, but the concept was 'stretched' to include, for instance, women as 'home managers' and Indian values for the 'management of the mind' (see Chapter Five).

At the same time, however, AMA was criticized for that fact that its expansion *appeared* as directionless as Ahmedabad did after the decline of textiles. In the words of well–read, well–preserved CA Mr. Subramaniam:

> AMA has developed as an educational institution rather than a chamber. And to that extent I would say that it is going away from reality. The practical orientation of courses is mostly very low. AMA has become action–oriented rather than result–oriented.

The first AMA executive secretary added to this:

> AMA should focus on professional managers only. It should focus on retired managers, their experience, and present managers and identify future managers and make them interact. We can call everybody a manager, a woman as a home manager, *etcetera*, but were does that lead? AMA's current strength lies in its building and infrastructure, but its current programs will not stand the test of time I believe.

He analyzed it as the 'flight syndrome': just as IIM–A had gone global, training students for Wall Street, so had AMA gone professional, leaving the majority of less professionalized Ahmedabadi companies in the lurch. Nevertheless, not all of Ahmedabad's companies were left there, as there was more direction to the development of AMA than one might have gathered from the endless lists of activities in annual reports.

AMA as an organization is in fact as Janus–faced as Ahmedabad. The AMA building *appears* easy to enter. There is no lobby, and around six in the evening the place is bustling with students on their way to one of the courses. Also, it is easy to become a member, with fees as low as Rs. 400 year. However, a consultant and member of the executive committee at the time of research remarked: "what is difficult with AMA is not to become a member—there are no minimum requirements—but to get accepted." In other words, formally, AMA encourages everybody to become a member, participate and learn, but, informally, cultural boundaries are maintained, the invisible alternative for the missing lobby. English as the language of instruction and a serene, elitist atmosphere before the start of a seminar supported by classic Gujarati music in the background will make only the most upper–middle class visitor feel welcome and will certainly keep out the small entrepreneur with his dirty hands.

Behind the facade of openness, voluntary service and donations, business is done at AMA. Though everybody can participate, programs are tailored to the very specific needs of members of the executive committee and donors of one of the activity centers. Traveling IMCI–member Dr. Dave had set up a program for a particular center and explained how this worked:

> Often, members approach AMA and share, very informally, their needs, for a diploma course in management. Or, ideas are born during dinners of a committee for instance. Informally, they have a big say in the agenda of AMA. So for my program, I first went to them and collected feedback with regard to their specific course requirements.

This indirect control by members over activities helps to explain the relative lack of direction in the overall agenda: everybody is pulling their own strings. Even more interesting than the fact that voluntarism pays off after all is to note which activities are *not* organized by AMA and which activities are organized only *informally*. This shows even more clearly the vital services that AMA provides and what interests seek to control them.

One activity center that was all but dead was the AMA–SIDBI Industrial Clinic. The center was set up as early as 1983 in response to the new competitive environment following Indira Gandhi's initial steps toward liberalization. It was intended to act as an interface between SSIs and the authorities to solve problems in such areas as production, marketing and finance (AMA 1984). However, at the time of research, in the new competitive environment of 2001, a consultant informally confirmed that 'nothing was happening there'. Indeed, an Ahmedabad–based SIDBI banker hardly knew the center existed, and the executive secretary of AMA left my question with regard to who was responsible for the center and what was happening there unanswered. This fact became all the more interesting when the executive secretary stressed that AMA did 'developmental work', simple accounting courses for *rickshaw wallahs,* for instance, so that they were able to calculate what they needed to earn per kilometer to be able to pay for fuel, food and installments on their vehicle. Thus, AMA organized three activities: management courses for the professional middle management of larger companies, true development work by providing some training to the self–employed poor, and referring consultancy services to AMA members. What was conspicuously absent from AMA's activity portfolio were publicly accessible activities targeting SSIs. Not coincidently, these were the competitors of the mostly medium–scaled companies funding AMA. In other words, despite its open character, AMA was a rather exclusive service provider.

AMA's exclusivity is also evident by the fact that not all AMA services are accessible to all members. As mentioned in Chapter Five, every institution that serves as service platform has a list of befriended consultants it does not want to disclose. AMA probably has better contacts with consultants in Ahmedabad than any other business institution, but the fruits of this network are not to be shared by all members equally. Thus, one can meet an active member like Mr. Nagaranjan, introduced in the introduction to Part Two, who will enthusiastically tell you how he found his HRD consultant through the 'brilliant' AMA referral service. However, one can also meet a non–active 'visiting' AMA member, who went all the way to Mumbai to find a marketing consultant, unaware of the fact that AMA could provide the same. Also, one can meet an energy consultant who explained how he wanted to deliver a lecture at AMA, but was first invited to prepare a lecture for the committee members: they had the first 'pick'. Also, one can meet a consultant who occasionally gets a client through reference from AMA because he is on top of their list. However, one can also meet another consultant who says he is not on the list, because "some consultants think they own AMA and AMA does not encourage competition". Finally, one can meet with the AMA executive secretary who, despite all the testimonies referring to an informal referral service, still denies that any such service exists: "We are not a consultancy organization!"

To conclude, AMA is an exclusive meeting ground for an inner circle of active, 'known' members. It is an educational outlet for Ahmedabad's new elite of medium and larger–scale, reasonably professionalized companies, the ones who will complain most about being undercut by newer, 'unprofessional' SSIs, the 'fly–by–night operators'. The newcomers' competitive advantage is price, theirs is sophistication: quality, technology, diversity, marketing, and management. Behind the *public*, accessible AMA goes hidden a strictly *privately* controlled 'resource center' for a small *clique*, seeking to monopolize the tools for this sophistication, their strategic answer to the new competition in Ahmedabad following the SSI revolution. In other words, AMA is not a strong institution maintaining a strong boundary between public and private, but a private institution in a public disguise. Of course, AMA never had a distinct developmental charter and has always been an elitist institution. Nevertheless, it is characteristic of 'AMA (and Ahmedabad) 2001' that the willingness to prepare SSIs for the 'new competition' is less than it was in 1983 even though the need may actually be higher, as are the competitive pressure facing the more established companies.

The AMA model of a public front office and private back chambers and cliques monopolizing the resources flowing through the institutions already came to the fore in Chapter Five and indeed does apply to many other associations and institutions. It can be seen as a reflection of the functioning of Ahmedabad society at large and shows the limits of India's formal knowledge network that is organized through associations: representation and extension stop there where private entrepreneurial interest starts to get hurt. This then is not a pathway for cluster developers to follow.

3. INCLUSIVE CII: A BUSINESS PLATFORM GOVERNED BY A PROFESSIONAL AGENDA

CII sets the standard in Ahmedabad and India as the most developed and formalized business platform providing professional business services for the sake of India's global competitiveness. CII is a national body representing industry with a local Gujarat state office in Ahmedabad and with some 200 Gujarati members: industries, associations AND service providers. It represents an almost exhaustive showcase of all possible 'new' initiatives in the field of business networking and services provisioning, driven by its dynamism and self–proclaimed 'pro–activeness'.[8] Contrary to AMA, this is a model cluster developers might consider. At the same time, it is a showcase of the organizational struggles and innovations an association or institutions must go through if it wants to be able to perform a wide range of networking, provisioning and platform functions.

Established in 1895 as the Engineering and Iron Trade Association, the first landmark in CII's history was the decision to change its name into the Indian Engineering Association to exclude traders, disassociate itself from 'the short–term interests of trade' and instead concentrate on manufacturers and on the 'development of a production base' in India (see www.ciionline.org for a brief overview of CII's history). In 2001, this exclusion of traders was still important for understanding CII's view of itself as a 'professional' business community doing 'ethical' business, adhering to a code of conduct for corporate governance, showing concern over environmental degradation, and feeling a social responsibility toward the weaker sections of society. In the 'budget meet' organized to discuss Budget 2001–02 already referred to in Chapter Three, social issues such as the lack of investment in railway safety measures and the need for a scheme to enable all children to finance their studies received almost as much attention as the technicalities of newly proposed labor laws and tax rules impacting more directly on business—social issues in which traders with their short–term vision were not expected to be interested.

A second important phase in CII's development was begun in 1974 when the Indian Engineering Association merged with the Engineering Association of India, which mainly represented smaller–scale engineering industries, to form the Association of Indian Engineering Industry. This was in turn renamed into the Confederation of Engineering Industries (CEI) in 1986 to reflect the growth of the

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[8] This dynamism and pro–activeness can be felt when entering the CII office in Ahmedabad. No bureaucratic bankers sleeping behind their desks here, but young, professionally educated staff walking around and working long days. As one of them remarked: "CII likes to hire young people like us, without family responsibilities, because we can still work overtime."

association into a national body. During these years, headquarters was shifted from Calcutta to Delhi, the first trade fair was organized, and, in 1988 the first division providing professional services in the field of quality management was set up.[9] Reading the CEI Gujarat annual report 1990–91, the image that comes to mind is that of an all–round, 'professional' engineering association. 'Total quality management' (ISO 9000), 'total plant management', 'value engineering', HRD, labor safety, and energy efficiency dominated the CEI agenda (see CEI 1991).

A third important step was taken in 1992 when, in direct response to India's opening up, CEI was renamed into the Confederation of Indian Industry with the aim to include industries other than engineering as well as services into the confederation and facilitate industry–wide integration. A former chairman of CII Gujarat, owner of an SSI that manufactured steel drums and a member of the Lalbhai family, described how he initially had opposed this inclusion of other industries, but how over time he had also realized the value of it:

> People like us were not very happy with the idea of bringing all other industries in. We thought we should remain focused on engineering, because engineering has very specific problems. But today I think it has been a very wise decision. Everything has become interrelated. Today, as an engineering industry, I start serving the chemical industry and unless I know their growth, their development, their problems, here in Gujarat but also the world over, I cannot be successful in my packaging industry.

In addition to industry–wide integration, the transformation from CEI into CII also represented a move toward developing a broader and deeper interface with the government, and of becoming 'pro–active' in line with a McKinsey report prepared in 1991. Another former chairman of CII Gujarat was a first generation technocrat who originated from a family of *zamindars,* landowners in the Singh province in present–day Pakistan, who were expelled from their land during the partition with India. At the time of research, he was owner–manager of an engineering SSI. He had this to say about the changes taking place in India following liberalization in 1991 and the new, pro–active role CII started to play therein:

> The last ten years, CII has started to teach its members about competitiveness and quality and raise their awareness in seminars. Also we have adopted a partnership approach to government instead of a confrontationist one. We offer solutions instead of only complaints. India's external liberalization had something of a mistaken enthusiasm,

[9] A CII counselor explained to me that the origins of this first division, which focused on quality management, had been with a group of companies from Nasik, Maharastra, doing self–study on Japanese management techniques. The Association of Indian Engineering Industry provided the secretariat for this group. The idea to establish the division was already conceived in 1982.

> leapfrogging from one system into another without taking into account the consequences. Our government went into the WTO negotiations without even understanding what it was. Only government bureaucrats went there and industry was not represented, while the American chaps bring all major business houses with them into the negotiations or outside in the lobby. So we organized a seminar on competition policy, invited some people from the American Department of Justice here to share some of their thoughts with us and hence were first to drop a paper on competition policy. These government bureaucrats are no experts on economic affairs, so they start listening to us when they realized that what we said made sense.

Thus, whereas classic chambers of commerce like GCCI were content making representations to government, *summing up* the problems faced by their members, CII's pro–active approach made it a *solution provider*. This also made CII an opinion leader capable of educating its members, the business community at large, as well as government. As a result, it is able to set the political–economic agenda at the national level as well as in Gujarat.[10]

A former president of AMA grudgingly dismissed CII's new–found influence as 'hype', but it would be more fruitful to consider CII's rising star as the result of its development into a center of expertise, based on its ability to act as a broker or as a 'binding institution' in three directions:

(1) CII acts as an *intermediary between the local and the global*. CII's first foreign office was opened in Saudi Arabia in 1975 and by 2001 CII had twelve offices world–wide. Also in 2001, CII launched CII International to further develop its global network, in which it was prepared to invest half the annual budget.[11]

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[10] What characterized CII's proactive role after 1991 was that it took over functions previously executed by the all–present government–bureaucracy. As early as 1993 CII started provided training for officials of the Gujarat Pollution Control Board. In 2001, the list of initiatives and projects in which CII had a hand was impressive: the creation of a science city in Ahmedabad; proposals to end the prohibition—at least in the business center of Ahmedabad to become more attractive for foreign companies; the development of an 'effluent exchange' among chemical industries at Naroda industrial estate outside Ahmedabad, for which, characteristically, CII provided the international contacts with a German university in Kaiserslautern where the concept of effluent exchange had been developed; the development of Gujarat's 'silver corridor', its 21 ports along the coast, into a gateway to India; and, for instance, the transformation of the Gujarat Industrial Development Corporation from a real estate developer into a provider of specific infrastructure and services. As the former CII Gujarat chairman with the *zamindar* background claimed: "When the new managing director took over the corporation, he felt that the organization had outplayed its role and, therefore, asked us for advice. Thus we organized a seminar, identified experts to give presentations and out of this the concept of the service provider was born. It is not that CII has so much expertise in–house, but we have access to it. Thus we can invite somebody from industry, somebody form the financial sector, somebody from Arthur Anderson, *etcetera.* We have a global network." Note that THE other *new* agenda in Ahmedabad is UNIDO's cluster development initiative, again introduced by a non–Ahmedabadi institution.

[11] 'CII Setting up Rs. 50 *crore* Global Brand', *Economic Times (Ahmedabad),* August 28, 2001.

Besides organizing luncheons with the Belgian crown prince and other dignitaries, CII's goal was to represent 'India Inc.' abroad, link up with other business associations worldwide, disseminate information about foreign business practices in India (for instance the effluent exchange described above) and provide a platform on which foreign and India business delegates could meet by organizing seminars and trade fairs.[12]

(2) CII acts as a *provider of professional business services*. Besides the services already mentioned above, CII also provides in–house services in environmental management (ISO 14000) and technology development. It has established its own quality institute in Bangalore, a logistics institute in Chennai, a 'green business' centre in Hyderabad, and a management–training centre in Mumbai. Also, among others, there are separate departments for advice on WTO and for issues concerning SSIs in New Delhi.

(3) CII acts as a *'neutral' matchmaker between members*. For this purpose, its website was equipped with a sophisticated search engine 'to find each other', with two search functions and pop up menus for company names and the names of their CEOs and their contact details.

Together these three fields of activity cover the whole of what can be taken as cluster development. Also, together they provide an idea of what cluster development entails: more than the UNIDO approach of recruiting a few companies for collective action, it is about creating a veritable labyrinth of services, activities and interrelations that indeed are able to serve, in Best's (1990) words, as the 'functional equivalent to a managerial hierarchy'.

It is also important to understand how CII is able to *coordinate* this elaborate infrastructure with all its activities to be able to serve as this functional equivalent of managerial hierarchy. As noted throughout this book, for a professional organization it is easier to integrate into the global than to lower the professional frontier and work on the development of the local. For a start, CII bombards its members with information up to the point that the former chairman related to the Lalbhai family complained about being overloaded:

> CII has just evolved tremendously in this respect. We get information on ISO 9000, quality management in general, business practices, management practices, information on the economy and on developments the world over, WTO, competition from China, *etcetera*. It

[12] Indeed, officials of INDEXT–B confirmed that they often visited CII seminars because so many foreign companies were present there. Also, The Netherlands Business Support Office in Ahmedabad described CII as an important 'mediator for incoming companies'. To get an impression of the sort and amount of activities organized, visit CII's website (www.ciionline.org).

> comes in various ways, specific newsletters on WTO, on quality, and on energy. There is a newsletter from the Delhi office with all activities and another one from the regional office. Then there are workshops and seminars. All this gives us members a lot of exposure, but it depends on how much time you can spend reading and attending all this. Jokingly we say that CII is giving us so much information that more than 50% goes into the wastebasket straight away. The information overload is tremendous; you have to pick and choose.

The dissemination of mostly public information is, however, the easiest of CII's tasks. Providing services to individual members and playing the role of matchmaker between them is considerably more complex. First of all, it requires *reach*, the ability to interact more directly, face–to–face with members in a manner that all the other institutions and associations described in this book have been unable to. Secondly, it requires *regulation* with regard to which members have access to which services, and, consequently, with regard to which services are public and which are private. This regulation should be different from what has been described for all other institutions and associations outside the public domain (as well as the corrupted institutions within), which relied on monopolization and privatization.

Indeed, CII faces difficulty *reaching out* to its members. Its presence is limited to India's main economic centers and, more importantly, at the time of research, only the quality management division was equipped with a team of what could be called 'field workers': fifteen counselors operating from five major cities across India, though not from Ahmedabad. These counselors provided training to companies on quality management, but were also engaged in a CII clustering initiative, teaching SMEs to produce according to the standards of a particular industrial sector and thus to "fit into the global commodity chain", as one counselor described it. This is an activity that carries the CII signature: improving the ability of Indian industry to meet competitiveness and quality standards by providing services and by facilitating inter–firm networking among its members, whereby the smaller ones become suppliers to the larger ones because, as one official in the SSI department formulated it, "it is all outsourcing these days, no large company can survive without it". However, at the time of research, the initiative was limited to about fifteen companies that were being trained to become suppliers to one particular member, a car manufacturer that had requested CII's services to help them organize their supply chain. According to the director of CII Gujarat, CII's experience with cluster development was not that good: small companies were unable to translate issues into action and, therefore, required a level of personal care CII could not provide. It was up to the regular staff in the regional offices, probably all running around as they did in Ahmedabad, to ensure

SSIs found their way within CII. In other words, CII lacks a real 'delivery mechanism' for all the services it provides. CII hardly comes to you, you have to go to CII and visit seminars and become active, just as with AMA. Nothing substitutes for private consultants when it comes to reaching out.

More impressive than CII's reach is the struggle to *regulate* itself. Together with the scale and diversity of operations, this is the most interesting side of the organization. CII provides three types of individual services: 'corporate services', 'professional services' and 'business services'. The first two services do not pose any regulatory problem. Corporate services only involve giving general advice to large companies on corporate governance issues. Professional services involve fairly standardized services in the field of quality, environment and energy that are only provided by certified consultants and that are, in principle, useful for all members. Both services can be presented as *common goods*: the service provided to one member does not vary substantially from the service provided to another, and one member making use of the service does not directly affect the (business) well–being of another member. Business services, however, are more complex, because they stretch from *common* activities such as seminars and trade fairs to *individual* activities such as, for instance, matchmaking at a trade fair between parties. This is an exclusive service: the fact that one member is matched excludes the other one from being matched and this does directly affect business. The former president of CII Gujarat with relations to the Lalbhai family *initially* expressed his dislike with regard to a collective body like CII getting involved in individual cases:

> An association for the common good like CII should not perform personal services, like counseling on individual business plans or matchmaking. The professional services that CII now provides are generally applicable. In every company, an energy audit or a quality audit can be done. But business services are related to the nitty–gritty of an individual company. We cannot get into that. And if we for instance direct someone to one particular consultant, what will another consultants say. They will accuse CII of patronizing this particular one. Individual business is no business for an association, unlike a bank, which has a clear interest in an individual company.

Nevertheless, this is what CII seeks to combine, providing collective representation, services with a common character, and services with an individual character. To be able to do so and function as a business platform that facilitates inter–firm networking, CII has come to differ in two ways from a 'regular' association, such as the one that employed Mr. Nagpal in Section One:

(1) Whereas regular associations have a one–sided membership composition and a low membership threshold because they depend on the force of numbers

to make collective representations, resulting in an amorphous collection of competitors, CII strives toward an economically more diversified yet socially more united *community*–like membership base with well–defined boundaries. A particular morality, which distinguishes them from 'traders', is important for the collective identity of this community, just like professionalism distinguishes AMA. Very different from AMA is the fact that CII seeks to fence off its moral business community with the help of relatively expensive membership fees and an application that needs to be co–signed by two existing CII members to 'guarantee' the quality and sincerity of the new member.[13] It is easy to see how formal boundaries make CII a more inclusive organization than AMA: to become accepted is a process that not only begins once you have become member and, ideally, does not depend on personal preference and private interests. Also, it is easy to see that a fenced–off community of 'approved like–minded souls' serves as a better platform for fostering inter–firm cooperation than the jungle of informal referral. The reality, however, is that CII's formal fences are not completely trusted and hence are reinforced by informal ones. The former CII–Gujarat chairman who above expressed his dislike with regard to CII getting involved in individual cases, described the circumstances in which individual services were feasible:

> CII can take up cases, but people have to be known to the office, and for this people have to be active. And then, only very informally, we can tell him: "Your problem is technology or your problem is marketing". See, these kinds of problems are not discussed openly, because it might be embarrassing to that person. So, unless you know somebody for a long time, unless a person is your friend, you cannot just tell him that he is not doing well.

Also, two staff members from the Mumbai office were not at all comfortable with my questions about the extent to which CII could and would be willing to put its hands into the fire for its members. When asked to whom they would introduce a foreign delegation for a one–on–one meeting with an Indian party, one responded:

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[13] For instance, while an association could become a member of GCCI *for free*, membership of CII cost Rs. 15,000 at the time of research. An SSI paid Rs. 1,000 to become GCCI member and Rs. 3,750 for a CII membership. Not everybody appreciated this 'innovative' fee structure. The owner–manager of Bright Chemicals, who in the introduction to Part Two complained about consultants as frauds, was also active in the Naroda Industries Association. He found CII too expensive, because, in his view, a representative body needed its members more than *vice versa*. So why should he pay so much? Despite the fact that CII had helped his association with finding a solution for their waste problem by introducing the German effluent exchange concept and that he thus had directly plucked the fruits of CII's more service–oriented approach he failed to really appreciate it. In 1996, CII's budget was about eight to eleven times larger than those of India's other two national chambers of commerce (Nayar 1998:2453).

> Not to each and everybody, only to members we *know* to be interested in bilateral trade with that particular country and sector. And if the two parties sit at the same table, our role ends there. But CII has to be very careful here. CII is a brand; it has certain credibility. There have been some bad cases.

In other words, CII too does not extend all services equally to all members. As within AMA, one needs to be known within CII. Therefore, whereas this first regulatory mechanism of CII is still more concerned with intention than results, the second one leads to a real difference in comparison with AMA and other associations.

(2) Whereas non–professional associations are by and large governed by private interests, CII has re–enforced the position of its professional staff and hence the neutrality of the organization. This regulatory mechanism was much better developed than the first one. Whereas GCCI staff seemed to need the authorization of the elected member–president for just about everything, the professional director ran the CII–Gujarat office. Also, it was stressed time and again that, for instance, the CII–Gujarat letterhead never left the office in Ahmedabad. The chairman had to come to the office to write an official letter, even if he lived outside Ahmedabad. In this manner, abuse of the CII brand for individual business was prevented.[14] But CII's professional staff guarded more than just its letterhead. Conscious efforts were made to make SSIs feel at home in CII and, thus, it was no coincidence that both of former chairmen with whom I spoke were owners of SSIs. Also, at least in Gujarat, CII had developed into a 'safe haven' for 'Gandhians' like learning CA Mr. Shah. He chaired a regional committee on SSIs that was set up under the Ministry of Small–Scale Industries and Agro Rural Industries but that was convened in Gujarat by CII. It seems an unlikely coalition: the champions of small–scale indigenous industry sheltering under the wings of an organization that seeks to make India Inc. globally compatible and competitive.[15] Nevertheless, this is exactly what marks the difference between exclusive AMA and inclusive CII. The services and information CII provides may generate awareness and thus a broad professional agenda of societal needs, it is CII's professional management that

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[14] There were unconfirmed rumors in Ahmedabad that a GCCI president had used the organizational logo for private gain.

[15] It is telling about Ahmedabad that Gandhian values, interwoven with Gujarati background, are preserved in a non–Ahmedabadi institution. It is equally telling that EDII has much warmer ties with CII than with AMA (and that AMA prefers not to use EDII faculty members to start up their absent SSI courses because they do not meet their standards—although this is not said with so many words).

ensures that the organization works on this broad professional agenda rather than a narrowly defined private one.[16]

Contrary to privately governed AMA, the CII model of the professionally governed chamber or association represents a pathway that cluster developers might follow. By putting the professional staff in charge of the organization, one can see the functional equivalent of a managerial *hierarchy* literally emerge over the individual entrepreneur's head, although this hierarchy itself consists of a *kaleidoscopic* collection of CII institutions, services and professional staff. Indeed, UNIDO's most successful cluster project at the time of research involved the most professionalized association among the program participants, in which the staff of modest, local MBAs enjoyed most autonomy. They were the 'stars' of UNIDO's training program for executives of associations where I was also confronted with the much less star–like experience of Mr. Nagpal.[17]

4. EDII'S CONSORTIUM AND COMPANY PUPPETEERS: PUBLIC COORDINATION BY 'PROTECTED' CONSULTANTS

EDII is another star in Ahmedabad's institutional firmament that, like IIM–A, lacks a clear local mission and thus is busy 'baking its own cookies'. Sponsored by India's DFIs and banks, EDII was set up in 1983 as a national institution to spread

[16] Although it is likely to be correct that, *next to* (thus not instead of) this public agenda, CII will use its influence with government for the private agenda's of its biggest members, as one consultant claimed. Nevertheless, in the example of the effluent exchange, this service was provided to an association that was not a CII member. When I showed my surprise about it to CII staff, their reaction that, wherever CII could do something, it would do it. This would convince potential members of the value of CII.

[17] I spoke with them during lunch and our brief conversation about their approach to cluster development was more enlightening than most books on the subject. Their key to solving the problem of cluster development was to present the association as an integrated part of the value chain of the whole sector rather than as a representative organization on the sideline of the economic process. Through services one could add value to the production process: providing market forecasts, making an assessment of the impact of WTO, developing a collective brand, organizing a reliable supply chain. Services make common interests visible and allow entrepreneurs to diversify, thereby reducing the extent to which they remained fish in the same pond. Once you offered such value, entrepreneurs were prepared to give up secrets that were not so secret after all, such as where they purchased their raw material for instance, and were prepared to collaborate, provided they could keep their own niche market. To provide these services required staff with the capacity and the autonomy to analyze and to educate instead of writing letters to government. They were fortunate; they enjoyed the autonomy to take up responsibilities, because the leading entrepreneurs in the association were progressive. For the specific interests of leading exporters, a new export club was established in addition to the association, together with a new collective brand. Also, a new industry–wide coordination body was created to organize the supply chain. The association also retained a panel of consultants. They were not worried that these consultants would circulate business secrets among the association members. The association provided a market for them and, therefore, they had an interest in not spoiling it.

the Gujarati experiment of entrepreneurship development across India. With sponsoring from multilateral organizations like the Asian Development Bank and UNIDO, it has even exported Entrepreneurship Development Programs to Africa and the Pacific region. This has led EDII away from entrepreneurs and Ahmedabad to become a training institute for developing agencies across the developing world. However, a development in the opposite direction is also visible, toward a deeper involvement with entrepreneurs, in which the relatively simple 'creating 'n letting loose' entrepreneurship development approach is replaced by more complex 'performance improvement programs' and 'growth programs'. In accordance with India's new competition game, a focus on *new* entrepreneurs—the *internal motivation* to take risk and innovate—and hence on 'soft skills' and psychology to inspire 'common' people to become an entrepreneur is complemented with a focus on *existing* entrepreneurs, the *market environment surrounding* them and practical guidance in management and marketing.

Like AMA and CII, EDII is an institution that can provide a complete gamut of services to entrepreneurs: direct training of entrepreneurs by its faculty members; indirect guidance through its network of 'counselors'; access to appropriate technology through its in-house 'innovation center'; mediation between entrepreneurs and bankers who reside on EDII's board; mediation between entrepreneurs and consultants who teach at EDII; and, finally, matchmaking among entrepreneurs who participated in EDII's courses and hence belong to EDII's informal network.[18] Indeed, EDII does all this, but *only informally*. Entrepreneurs who have found their way to the EDII campus can drop by 'any time' for free advice from faculty members.

UNIDO's introduction of the cluster concept in India, however, inspired one relatively young EDII faculty member, 'Mr. Pillai', who was only in his thirties, to activate EDII resources and services more formally, and to develop his own approach to cluster development. Participating in Mr. Pillai's first cluster development program in Cochin, Kerala, for a few days demonstrated the dynamics that can be generated by a second brokerage and coordination mechanism other than professional associations such as CII: 'protected' consultants, who play similar brokerage roles as the private consultants described in Chapter Five, but who are not 'commercial', are not dependent on selling

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[18] Counselors are bankers, association staff and private consultants trained by EDII to advise entrepreneurs on their business and development. The difference between a commercial consultant and a developmental counselor should be that the first may be interested in getting repeat orders for his services and thus could try to make an entrepreneur 'dependent' on him, while the latter will try to expand the entrepreneur's capacity and hence make him more independent.

services and instead enjoy the regular payment and reputation of institutional employment.[19]

Mr. Pillai's cluster development program offers a good view on how much more complex and problematic entrepreneurship can become as a result of the integration of the Indian market into the global economy. In this particular case, SSIs using expensive Indian rubber that was bought on expensive credit were increasingly confronted with the fact that foreign larger–scale competitors had access to cheaper foreign rubber and hence were more competitive. In response, Mr. Pillai tried to form consortia for collective raw material imports, a mutual credit guarantee fund to increase the level of working capital available, and collective marketing to move out of standardized products into, for instance, customized job work and other new, less competitive markets.[20] His approach advocated was very practical and action–oriented: design brochures and web pages, install accounting software on computers, invite technical consultancy to help standardize product quality, make analyses of market segments, *etcetera*. Just as with UNIDO, matters such as product similarity and the threat of direct competition between consortium members were not on the agenda. Moreover, whereas UNIDO spent time on trust building and letting groups emerge organically on the basis of mutual understandings, in this instance they seemed to be rushed into collaborations and were literally *pooled* together to form consortia. Again, the approach was straightforward and simple: give entrepreneurs a goal, a visit to a trade fair for instance, and for this goal to be achieved members will just HAVE TO learn to cooperate and trust each other.[21] Cluster development in this context resembled a 'jump into the dark', muddling though problems as they occurred.

More interesting than his approach to consortium formation *per se* was the coordinating role that Mr. Pillai played, aided by local professional Mr. Sheth for particular inputs. Between the two of them they made the extensive network work:

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[19] The fifteen counselors employed by CII are an example of protected consultants.

[20] The difference between 'cluster' and 'consortium' is that the former consists of all entrepreneurs and institutions within a particular sector and/or geographical area while the latter involves cooperation among a limited number of actors interested in a particular goal such a raw material purchase or exports.

[21] This lack of attention to the essence of clustering seems to have wreaked havoc upon itself with regard to the one consortium of five entrepreneurs I 'followed'. At their first international trade fair in Mumbai they agreed not to hand out personal business cards. Nevertheless, two entrepreneurs did so. When I asked about it, nobody thought it as a problem: "Do not worry, we now trust each other, we have learned only to cooperate from now on." But when I met the leader of the consortium, a true believer of the new cooperation ideology, half a year later at another fair, he said he was there only to represent himself, because people had not been fair, they had been doing business behind his back.

(1) The local District Industrial Council was sent out into the field to conduct diagnostic studies of the rubber sector and some of its staff members were trained as counselors or 'cluster development agents'.

(2) An independent consultant was roped in to help consortia to better manage their working capital. He prepared the calculations for the local banks, which had to be convinced to lend to a *collective* of entrepreneurs by means of the mutual credit guarantee fund.

(3–10) A workshop was organized to create commitment from the side of the financial sector. IDBI, SIDBI, the State Bank of India, the Bank of Baroda, the State Bank of Travancore, Canara Bank, Bank of India, and the Kerala Finance Corporation were invited. These banks were mobilized to grant loans to the newly formed consortia, subsidize their expenses for participation in trade fairs (stall rental and travel expenses), make other developmental schemes designed for individual entrepreneurs available to consortia, and to form monitoring committees together with consortia representatives for supervising the use of the mutual credit guarantee fund.

(11–12) The Rubber Institute and the National Small–scale Industries Corporation were approached to make their knowledge about different qualities of rubber, different processing techniques, and particular testing equipment accessible to the consortia.

(13) Besides this formal institutional infrastructure attempts were also made to bring a wholesale rubber trader into the project. He could provide knowledge about the rubber market and rubber imports to the consortia and become their supplier.[22] He also arranged a stall for the consortia at a rubber fair in Mumbai.

(14) NID in Ahmedabad was called upon to improve the design of, for instance, rubber car mats.

(15–17) Finally, the Netherlands Management Cooperation Program was invited to provide additional technical and marketing consultancy. The Dutch Centre for the Promotion of Imports from developing countries was asked to accompany the consortia to a German trade fair. For this purpose also a link was established with the developmental wing of the Indo–German Chamber of Commerce.

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[22] For instance, at one meeting he managed to surprise the entrepreneurs when he disclosed the (low) quality of rubber that a big local manufacturer was importing through him. His website was a database of publicly available news and information about rubber, rubber markets and rubber pricing—knowledge that the entrepreneurs nevertheless did not appear to posses, at least not in this detail.

This is a dazzling list, just like the flurry of telephone calls, memos and redrafted protocols for the mutual credit guarantee fund that came out of Mr. Pillai's hotel room. He set everything in motion and pulled the strings like a (consortium) puppeteer.

In the rushed, muddling through approach to cluster development pursued by Mr. Pillai, it was not clear if all these institutions would really come together to form a cluster. However, what is perhaps more important than the final shape the cluster might take was the fact that all the institutions involved were 'old' and that, therefore, nothing 'new' was added to the emerging cluster except for one crucial element: *coordination*. Mr. Pillai's efforts entailed nothing more or less than trying to 'regroup' the mostly public services listed above into the 'functional equivalent to a managerial hierarchy' for a collective of private entrepreneurs (Best 1990). This illustrates the relevance of UNIDO's introduction of the clustering approach (despite its pitfalls) in the Indian context: the notion that institutions and entrepreneurs need to be actively *brought* together. Also important to note is that perhaps the only existing institutions absent from the list described above were associations. A new professional agenda instead of an old private clique was expected to provide the cement for the consortia, although in contradiction with this, and again characterizing Mr. Pillai's rushed approach, the initial call for interested entrepreneurs had gone through the 'old' network of the associations, and the leading men of the associations were all actively invited to participate in this new initiative because they could fulfill a useful leading role herein.[23]

An analysis of what factors allowed Mr. Pillai to play this proactive coordination and brokerage role is as interesting as the activation of the existing but fragmented institutional infrastructure to form a cluster. These factors include:

(1) The external threat of globalization was used to create a momentum for action in a sort of 'now or never' atmosphere, in which cluster development was introduced as THE tool to withstand global competition. Both the fact that it had already been applied successfully in Europe was stressed and its introduction in India by the prestigious UN organization UNIDO were stressed. Also, consortium formation was introduced as the 'Southeast Asian production method, the competitors' method', because, according to Mr. Pillai, that would make 'everybody listen'.[24]

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[23] Consequently, new consortia were formed around these old leaders. As one entrepreneur said: "Associations are normally dominated by the Congress or by the Marxists; this here is the first stage in our coming together."

[24] I may have been an element of this impression management as well. Mr. Pillai introduced me to the entrepreneurs as a researcher but also as a potential sales representative for the Dutch market. However, he did limit such comments to entrepreneurs. The very first time I met him during a first exploratory visit

(2) The promotion of EDII as a national institution in the field of entrepreneurship development, founded by India's DFIs and banks, well–connected to the political establishment in New Delhi, and recognized by UNIDO as a 'center of excellence', was directed toward developmental institutions, both Indian and international. In this context, Mr. Pillai would talk about the power of his business card that any private consultant would lack. Here he played the formal role of the distinguished faculty member, who was employed by a prestigious institution that belonged to the same old developmental infrastructure as most of these institutions, but who at the same time represented a vanguard with a fresh and new universal–professional solution to global competition. This *combination* of old and new opened all institutional doors for Mr. Pillai.

(3) Mr. Pillai played a more informal role toward entrepreneurs, 'in between' fixing and forecasting, namely that of the protected consultant. This translated into remarkable *easygoingness* and an *openness* of interaction between Mr. Pillai and entrepreneurs, much less rigid than that described in Chapter Five. Entrepreneurs did not need to fear the consultant's commercial side, or worry about him maintaining confidentiality; Mr. Pillai did not need to play the reputation game and, therefore, did not need to circumvent the less professional side of business. Instead he consciously stepped down from his elevated professional platform to talk 'real' business:

> Connecting with these entrepreneurs is not that difficult. I just start talking about their little scams to make some extra money here and there, so they know that I know. With all their 'secrets' out into the open, we can talk business much more straightforward.[25]

Mr. Pillai's language was that of an MBA, of costs, cash flow, working capital, returns on investment, margins and markets but, more directly or at least more openly than the management consultants described in Chapter Five, he put the

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to Ahmedabad, he had already started talking about me representing a particular Indian firm in the Netherlands. The second time I met him he had already phoned the entrepreneur and introduced me to him. When I met him again at the beginning of my fieldwork, he gave me a dozen of his business cards to distribute if I came across an interesting person. Mr. Pillai had brokering 'in his blood'.

[25] Mr. Pillai gave the following two examples of 'little scams'. With the advance license route, a producer of rubber gloves can import high quality latex without 40% import duties because he is supposed to export gloves. However, his cost of production is above the international price level. Nevertheless, he does export, taking the loss, because he can earn from selling the duty free latex in India with a reasonable margin. Another example is the rehabilitation scam: when you are able to divert funds and make your unit look sick, your capital loan costs can go down from an eighteen percent to a nine percent interest rate.

concepts to practice and made them work for entrepreneurs. Consortium members were, for instance, asked to find out the prices at which their larger–scale competitors sold their product so that Mr. Pillai could 'reverse calculate' what their cost price level should be. Also, on behalf of the consortia, he tried to discover who the foreign clientele were of the wholesale traders to whom the individual consortium members sold their goods so he could approach them directly and 'shortcut' the trader (although he did not like me using this word). He did not want to disclose how he managed to get hold of the necessary information, but he did acknowledge that his non–commercial, developmental EDII status made it relatively easy for him to access it.[26] With regard to the 'usual' foreign complaints about Indian entrepreneurs not fulfilling the obligations of their contracts, he said it was the responsibility of the Indian support institutions to discipline these entrepreneurs.[27] It was again a *combination* of features, this time of professionalism and practicality, that made Mr. Pillai a powerful broker at the entrepreneurial level, just like, for instance, learning CA Mr. Shah was in the Chapters Four and Five.

(4) Mr. Pillai was able to 'make' the combinations described above because, similar to Mr. Shah, he personally *embodied* a *combination* of different worlds and styles. In other words, the *person* Mr. Pillai represented an important resource for brokerage and coordination in addition to his EDII business card, his status as a protected consultant, and the professional clustering tool. Mr. Pillai was a 'new' MBA, a 'product' from IIM–A who worked for an institution that belonged to the 'old' developmental India and, therefore not surprisingly, he stood out at EDII in a number of ways. He *dressed the professional way* with a preference for distinctly blue shirts. He *lived the professional life* working almost night and day, his desk piled high with papers, next to him a suitcase with books that had been brought in from home, and next to that another suitcase packed for his next journey. He *talked business* instead of entrepreneurship. Finally, he actually sought to *generate business* (see, for instance, the way in which he tried to match me to an Ahmedabadi company in Note 23). As one of few EDII faculty members he would survive outside the institution by working as a consultant on commercial terms. The only reason he remained with EDII

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[26] Although I cannot be certain, information channels that must have been open to him include banks, customs and, for instance, institutions like the Kerala State Export Promotion Council. Mr. Sheth explained that this was the primary reason why entrepreneurs were reluctant to disclose business information to state institutions. They knew that the information would end up on the street.

[27] Here he also remained vague with regard to how this should be achieved; most likely the support institutions around the entrepreneur could play an important role, having power over the entrepreneur because they grant loans, subsides, licenses, *etcetera*.

was that he knew that the combination of resources it represented enabled him to do much more than he would be able to do on his own.

(5) In many ways local professional Mr. Sheth complemented Mr. Pillai. Whereas Mr. Pillai was the global MBA who had gone local, Mr. Sheth was the local professional who had increasingly gone global, though without loosing his distinctly local approach and appearance—no blue shirts here. Whereas Mr. Pillai brought managerial tools to entrepreneurs, Mr. Sheth said he did not 'believe' in all this 'new stuff'. He was in his fifties and had worked in the developmental institutions of the old India, first in GIIC, then in GITCO, in EDII, and now part–time on his own. This is what made him so local: the complete absence of a professional upbringing in a professional company or association, combined with a more modest family background than the professional middle–class background of most consultants described in Chapter Five—his father was a farmer from around Ahmedabad. A showcase of social mobility, he was as particular about his vegetarian diet as a Brahmin bureaucrat, describing the nutritional value of all courses and their suitability for particular seasons, but he was not elitist. He combined cultural sophistication with practical business and continued to do what he had always done: searching out new technologies and products and providing entrepreneurs with a complete service package including the size of plant, choice of machinery, address of suppliers, production process specifics, friendly relations with developmental institutions, marketing information, and addresses of potential clients. Only his network that had expanded from all Gujarat state–level institutions, to include India's 22 national research laboratories, to the Asia–Pacific Center for Technology Transfer, to also include representative functions for, for instance, the Dutch NGOs mentioned above. Thus, whereas Mr. Pillai brought together developmental institutions and entrepreneurs, Mr. Sheth wove together an informal knowledge network. To maintain this network he traveled a lot, and the fruits of his labor were impressive. I witnessed a day of counseling for EDII students and clients during which he provided suggestions related to a range of questions ranging from how to deal with a bank to restructure a loan to IT training for children, from mining and pulverizing of phosphate rock to opportunities for a color sorting machine made in India by one particular company in Mangalore, and to Teflon cables, difficult to make but in high demand. In the process he kept on going through his red pencil–written booklet for suitable contact persons. When I witnessed him with a client I had the same feeling as with Mr. Pillai's cluster development program described above, of watching a show being enacted

> before me. Mr. Sheth had already figured out all the project details; now it was up to the client to catch up. Whenever the client got stuck on something, unable to find information, for instance, Mr. Sheth would suggest a solution. Like Mr. Majumbar in Chapter Five, he kept the entrepreneur (believing he was) in the driver's seat, but as a (company) puppeteer he indirectly steered the project in the desired direction. If the client had plans to short–cut him it would have proven difficult because banks would demand that he be director in the new company to keep an eye on affairs, or he had made sure that only he could provide the second signature under contract with suppliers to confirm that the first signature was genuine.

To conclude, the protected consultant model as executed by Mr. Pillai and Mr. Sheth represents the opposite of the CII model of the professional chamber or association: strong on reach, but weak on regulation. Their *hybrid* brokerage character—combining a protected, or public, role with private consultancy to (groups of) entrepreneurs—makes them 'ideal' for *breaking the boundaries between* the public and the private domain, but not for *maintaining the boundary within* the private domain between collective and private interest. Being brokers, Mr. Pillai and Mr. Sheth put more emphasis on pro–active network building than CII *office* staff and felt less inhibition about brokering public services to support private interest and getting involved in the nitty–gritty of business (although, because of their public character, they needed a public pretext such as a course or a cluster development program to get so privately involved). At the same time, because they were brokers, they were no (permanent) members of a community and therefore could not protect the collective interest of that community like the CII staff sought to do for CII. In other words, as *consortium puppeteers*, Mr. Pillai and Mr. Sheth create consortia that lack a permanent professional presence to guard the professional agenda of consortia–based, collective access to markets and services (see Note 20 for the consequences). Nevertheless, as (individual) *company puppeteers* without the added complexity of consortium regulation, protected consultants such as Mr. Pillai and Mr. Sheth form a credible low–cost brokerage and coordinating alternative to, for instance, CII that is better equipped to cater to the mass of Indian SSIs. However, aside from the consultants employed by the rundown GITCO, Mr. Pillai and Mr. Sheth were the only protected consultants to be found in Ahmedabad, and even their activities were less a part of formal EDII policy than a practical 'outcome' of courses and programs. As Chapter Four and Five already showed, consultants are always brokered informally.

5. The Part Public –Part Private Service Provider: Merging collective Coordination with Private Interests

Returning to Ahmedabad and to UNIDO's cluster development program, 'Mr. Patel' is now introduced as a last case because his part public–part private business model combined an information and services platform resembling CII's with the brokerage and coordination like Mr. Pillai's and Mr. Sheth's. Unlike CII staff and protected consultants, therefore, Mr. Patel could play separate public and private roles, both of which reinforced the other. As a result, Mr. Patel emerged as a true 'spider in the web' of cluster development. What made Mr. Patel particularly interesting was the fact that he had not been sent somewhere to develop a cluster like Mr. Pillai and Mr. Sheth, but that he had instead identified his own cluster. When UNIDO organized its first activities in Ahmedabad to pave the way for cluster development in pharmaceuticals, he had pointed out an alternative option in medical disposables. Consequently, the sector had become part of UNIDO's clustering initiative. At the time of research, the UNIDO representative in Ahmedabad had high hopes that Mr. Patel's activities would mark the foundation of a veritable consultants' house, an alternative to the world of fragmentation and informality described in Chapter Five and in Section Two of this chapter.

According to Mr. Patel, Ahmedabad' potential medical disposables cluster included around 60 entrepreneurs who all knew each other, who were all primarily engaged in making intravenous injection sets, and who, therefore, were also competitors. Most of them originated from a particular region in Gujarat where production had begun in the 1970s when an MNC shifted the production of intravenous fluids there and thus created a demand for locally produced injection sets. Over time, partners, employees and sons split off and started their own companies. Initially, production was considered very low–tech: the labor–intensive assembling of plastic components. In the mid–1990s, India–based MNCs started marketing intravenous injection sets as a medical product that required certain quality standards, whereas Ahmedabad's SSIs were primarily supplying to wholesale traders who were not interested in standards and wanted a low–quality inexpensive product. Mr. Patel saw cluster development as a way toward quality up–grading and the opening up of alternative marketing channels and thus as a way to avoid being pushed out of the market. However, until now, the cluster had remained 'invisible' because all institutions that could play a role in it had always been classified under other categories such as plastics or pharmaceuticals. As a result, no institution or consultant had (partly) specialized in medical disposables and no synchronization of interests existed between them and the entrepreneurs.

There was an association, but it had been dormant until UNIDO revived it.[28] Mr. Patel saw a coordinating role for himself here, performing a bridge function, as he labeled it, between institutions and entrepreneurs and among entrepreneurs, just like he had done between UNIDO and the medical disposables sector.

Mr. Patel shared many characteristics with Mr. Sheth. He was 49 years old at the time of research and the son of a Gujarati Brahmin schoolteacher. He had a middle class—but certainly not upper–middle class—background and he started his career in Gujarat's old developmental support network. Like learning CA Mr. Shah, he worked from home in an office–apartment located directly above his residence in a far from spectacular apartment complex that had its name written Gujarati script on the front and was impossible to find without directions and a detailed map of Ahmedabad. His furniture consisted of basic metal racks, about the cheapest office furniture one could find in India, and registers that had obviously been used over and over again. Although his office had apparently been redone recently, it continued to exude an atmosphere of minimal investment. During our talks his wife brought in *chai* and cookies.

Mr. Patel worked seven years in industry as a chemical engineer before he joined INDEXT–B in 1978, where he made market surveys, his last one being, not coincidently, a survey on pharmaceuticals. He had proposed to regulate the survey's availability by putting a price on it instead of distributing it for free so only the more sincere entrepreneurs would benefit from it. The report had earned INDEXT–B five one–year salaries. Another of his tasks involved monitoring the consultants who were on INDEXT–B's informal panel to make sure they did a good job writing feasibility studies for entrepreneurs. According to Mr. Patel, both activities had provided him with a decent understanding of different industry scenarios, the needs of entrepreneurs, and the importance of services. Also, during his time with INDEXT–B, he had been able to build up his network. To collect information he had visited research institutions, suppliers of machinery, and even conferences. There was, however, also something else Mr. Patel had 'picked up' from his time with INDEXT–B though he did not explicitly mention it: the relevance of coordination and bridge building between institutions, services and entrepreneurs. The coordinating role Mr. Patel envisioned for himself in UNIDO's clustering initiative strongly resembled the role INDEXT–B was meant to play in Gujarat's business support network (see Chapter Four).

[28] Once it was revived it was surrounded by complaints similar to those about other associations discussed throughout this chapter—that the committee was particularly interested in reserving their *own* seats for a trade fair, *etcetera*.

In 1983 Mr. Patel left INDEXT–B to start a business for himself, but this had not been much of a success. He imported a machine to make drinking straws, but the market proved too small to sustain him. In response he switched to producing tubes for intravenous injection sets, which could be done with the same machine. In this market, however, he lacked sufficient scale to be really competitive and did not posses the funds to expand to a higher level of production. The first few years were bad, but 'somehow' he had been able to sustain his losses and grow. With hindsight, though, Mr. Patel concluded that his real talents had been elsewhere, in professional activities like providing information services, which he initially had developed out of necessity alongside his troublesome entrepreneurial endeavors.

In 1984 Mr. Patel gained his first international experience: a market survey for a Gujarati entrepreneur in Zambia. In 1987 he was invited to co–author a book for Saket Publishers together with the former managing director of INDEXT–B entitled, 'International Directory of Plastic Technology and Machinery' (one of the books already referred to in Chapter Four in connection with the former managing director of INDEXT–B). A visit to a plastics trade fair in Birmingham in the UK to collect information was his first European experience. A second book followed: 'Investment Opportunities In Engineering Plastics'. In 1992 Mr. Patel returned to Europe to visit two trade fairs in Germany as part of a consultancy assignment. In between he visited the US for the first time. Here he came across a magazine that provided information on a broad range of subjects, new technologies and machinery, as well as on business trends, events and fairs. The magazine was free of charge since revenues came from advertisements. This formula was new to him, but, as he recalled, he had immediately recognized that such a low–cost magazine produced periodically could have a much wider impact than the incidental books he had been writing, although at the time they were still one of the few sources of business information available in India. Mr. Patel defined his encounter with the magazine as his 'turnaround' moment, away from entrepreneurial struggle with the occasional consultancy and writing assignment on the sideline toward becoming a full–fledged information service provider.

In 1994 Mr. Patel published his first newsletter, 'Medical Plastics Data Service', four pages long, copied in black and white, without advertisements, and still without a clear idea with regard to where it should lead. What he did know, however, was that no such publication existed in India and that it would be a useful medium for the promotion of new foreign products and services in a globalizing India. It took six years to break even, but Mr. Patel's approach proved to be right: at the time of research, the black and white newsletter had turned into a glossy 'techno–economic news for medical plastics and pharmaceutical industry', in full color print and *with* advertisements from foreign companies and companies all over India. Mr. Patel had become a local–global information broker.

In 1999 Mr. Patel took his information services initiative one step further when in addition to the magazine he launched an Internet portal, mediSOURCEasia.com. This was again a cheaper medium with potentially larger impact because of its virtually unlimited reach, but also because it could serve as a virtual storehouse for a particular industrial sector, in this case pharmaceuticals, medical disposables and healthcare services. As the name indicates, industry was invited to visit the site and source information on all aspects of industry, including the particulars of potential business partners with the help of the search engine MediNET. Thus, through the website Mr. Patel was also becoming a mediator between companies.

The magazine and the portal form the public part of Mr. Patel's empire and provide collective services. Their public–collective nature served six purposes:

(1) Public–collective services helped to define a cluster and a clientele. Through the magazine and in particular through the portal, Mr. Patel could mold the transformation from a sector lacking synchronization into a cluster since in these media he could highlight the activities of various institutions and actors relevant to the sector and thereby illustrate their potential relevance. This virtual meeting ground was, of course, also supported with real legwork: Mr. Patel moved around like Mr. Pillai did in Kerala, teaching at a local engineering college and at the Ahmedabad–based branch of the Central Institute of Plastics Engineering and Technology, chairing the Special Interest Group International Business at the Indo–American Chamber of Commerce, being president of the National Bio–Medical Engineering Society, a platform of doctors, research institutions and industry (another invisible cluster according to Mr. Patel), and being secretary of the Ahmedabad Healthcare Council, a 'product' of UNIDO's cluster development initiative that brought together the pharmaceutical industry, medical disposables, ayurvedica and hospital services.

(2) Public–collective services helped to create demand for more exclusive services. What Mr. Patel created with the help of the magazine and the portal could be considered a cheaper, more 'proprietary professional' version of the awareness creating information services provided by CII, because they were predominantly built on barter. Unlike CII's protected professionals, here commercial service providers gave away all rather general, 'share–ware' information, which was made publicly available in hopes of creating a demand

for more specific, more valuable services that were kept private and needed to be bought.[29]

(3) Public–collective services helped to define solution–providing experts. Like AMA, the magazine and the portal combined a public side, 'open' access to information, with private interests. Unlike AMA, the private interests that were served through the magazine and portal, that is Mr. Patel and his fellow information providers, did not need to control the public side of the platform because they only gained from it since it created demand instead of competition.

(4) Providing public–collective services helped to define Mr. Patel's public role as a provider AND as a community member, the spider in the web weaving it all together, and also created space for him to separate his public role from his private interests. This clear–cut separation was what distinguishes Mr. Patel from 'ordinary' consultants trying to monopolize a public platform. Like IMCI, the magazine and platform served as a private platform. Unlike IMCI, the magazine and portal did not remain empty shells because Mr. Patel gained from their development: more share–ware services created more demand for exclusive services. Also Mr. Patel's platform could be considered a form of monopolization, but it was monopolization based on *inclusion* rather than on *exclusion*. Because Mr. Patel brought much, if not all relevant information and services together on his platform, it is difficult, if not inefficient to work around him. UNIDO's cluster development program has merely formalized this position (see Mr. Patel's position in the Ahmedabad Health Council).

(5) Providing public–collective services served as a public–inclusive umbrella under which Mr. Patel could shelter the private–exclusive part of his empire, providing brokerage and consultancy services to individual clients. He represented a Dutch company in India and was also retained by three companies, among them one of Ahmedabad's big pharmaceutical companies. Ultimately, this was where Mr. Patel earned his money.[30]

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[29] Such as general market projections by an American market research agency, and a column written by an American consultant in return for exposure and reference to his website.

[30] Another successful consultant in Ahmedabad, 'Mr. Gupta', applied the same part public–part private business model. The public side of his services consisted of training export officers and organizing their placement with Ahmedabadi companies. At the same, he facilitated the entry of Ahmedabadi companies into exports by organizing buyer–seller meets and accompanying the Ahmedabadi companies there. The seminars he organized to convince companies to go for exports were overloaded with cheap, public information from institutions and websites. Even yellow pages and telephone directories were on display. Mr. Gupta himself held the key to the more exclusive resources, for instance the contacts with local representatives of chambers of commerce abroad. If anything went wrong while exporting, a shipment

(6) Providing public–collective services and having a distinct public role merged collective sectoral interest with Mr. Patel's private interest. Like Mr. Pillai, Mr. Patel was busy organizing a 'ragtag' collection of institutions and individuals into the 'functional equivalent of a managerial hierarchy' for a particular sector. Unlike Mr. Pillai, Mr. Patel had an interest and was in the position, as a member of the community, to broker AND regulate the provisioning of consultancy services to members and also guard the professional agenda of cluster development. Mr. Patel brokered between professionals and small entrepreneurs, distributing the assignments of small entrepreneurs to associates. These associates could be professionals employed by Ahmedabad's bigger pharmaceutical companies, retired or unemployed people, or people and fellow consultants who lacked a network of their own. He invited them to work for him in a second apartment office equipped for this purpose and offered them a 'sanctuary', as he labeled it: on behalf of the associate he would interact with the client to determine the problem and he would guarantee their payment. To entrepreneurs he would guarantee that services would be provided in comprehensible and affordable units and that the overall quality of work would correspond with the level of payment. This was not an act of charity. In Mr. Patel's opinion, a cluster (*his* cluster) could only develop on the basis of such guarantees, facilitating one–on–one interaction between consultants and entrepreneurs. Together with a financial expert with good bank connections Mr. Patel had plans to formalize this dispersed set up into a 'center of excellence' offering a combination of financial services, technical services and marketing services to an emerging cluster. This would be the doctor's house for which the UNIDO representative was hoping.

Mr. Patel's development from an 'ordinary' consultant into a part public–part private service provider was still underway at the time of research and the extent to which he would be able to formalize his informal consultancy brokerage into a formally regulated institution was yet to be seen. Nevertheless, Mr. Patel's business *model* alone justifies the attention I have paid to it here, because it brings the argument full circle in more than one way:

(1) Mr. Patel's case illustrates how the three layers of the local–global interface, connectivity (in person, at trade fairs, or virtually, through the Internet), cheap

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getting stuck in the harbor, for instance, the staff he had trained would most likely return to him to get it fixed knowing he would have the contacts to be able to do so. Mr. Gupta was also involved in UNIDO's cluster development initiative, taking newly formed export consortia abroad (see www.clusterpulse.org). He was also involved in the export of GIAN's innovations (see Chapter Two).

information and more exclusive services, and human brokerage form the basis of globaliteracy, a precondition for globalization from below (see Chapter Two).

(2) Mr. Patel's case illustrates the privatization of these knowledge infrastructures or service configurations that came about with the demise of the Gujarat state business support network and India's crisis of governability at large. Mr. Patel's private brokerage and coordination activities are functionally the same as those of his former public employer INDEXT–B (see Chapters Three and Four).

(3) Mr. Patel's case comes closest to Best's (1990) 'formula' of community–based institutions that are part public and part private' and able to 'prevent a tragedy of the commons', thereby illustrating importance of services and their providers for bringing India's new competition under control, turning Ahmedabad's de–clustering into a process of re–clustering, and helping a local business community to meet global standards of competitiveness. What is necessary to achieve this is local–global brokerage AND the creation of collective interest AND the regulation of collective and private interest to facilitate local cooperation and cooptition. Services and their providers can be instrumental in all three aspects. Services not only contain global best practices, they also help to define (the value of) communities, collective interests and areas of cooperation, and hence the safeguarding of the same by service providers.

To conclude, it is up to local professionals such as Mr. Patel to build up a service economy from the bottom up in out of control Ahmedabad and make it into a provincial bridgehead for globalization from below, thereby relying on services as their most important tool. 'Between fixing and forecasting' not only refers to a combination of professionalism and practicality at the level of the individual consultant, but also to the same at the level of the 'community defining' provider of part public–part private services.

6. Professional Platforms in an Informal Service Configuration

Ahmedabad's informal service configuration, as been described in Part Two of this book, can be understood as an informal brokerage and coordination mechanism for bridging the gap between global standards and local practices, on an *urban* level. Chapter Four and Five dealt in particular with the *reach* of this mechanism, personified in consultants who brokered between institutions and entrepreneurs by doing legwork and between professional and entrepreneurial practices by playing particular role models. An image emerged of an informal service configuration that was running on collections of newspaper clippings, Internet print outs, manuals for managing hospitals, the occasional IIM–A reader, and personal travel to trade fairs and companies—all of which was held together by personal references and Casio electronic organizers stuffed with ever changing Indian phone numbers and ever elaborate descriptions for finding off–road offices. At the same time, there were also images of monopolization (each consultant seeking his own platform), fragmentation (each consultant acting as a broker for his clients and trying to keep other consultants away from them), and informality (platforms not wanting to disclose lists of consultants and performing back office functions very different from those seen in the front office). In other words, the image was congruent with what one would expect from an *informal* service configuration: a rather desolate looking surface with a potentially rich stream of knowledge, information and services flowing *underground*, accessible to those who have the right contacts.

This chapter has shown the other side of Ahmedabad's informal service configuration by describing three more formal institutional–level brokerage and coordination mechanisms that were found in Ahmedabad and that seemed to offer an alternative to informal Casio–based inclusion or exclusion. This shifts the focus from *reach per se* to a *combination of reach and regulation*. In Chapter Three it was stated that that *consultants* were part of the 'problem' of cutthroat competition and the consequent de–clustering in Ahmedabad as well as part of the 'solution', i.e., Ahmedabad's re–clustering. In fact, it would have been more precise to state that *services* were part of both problem and solution or, even more precisely, the *intangibility* of services. As described, consultants were engaged in the endless recycling, the 'copying 'n pasting' of intangible local business information, practices, and even whole business models. In other words, in addition to the complexity of brokerage between universal–professional and indigenous–entrepreneurial business practices, there is another struggle that shapes the consultancy market—the struggle to regulate the flow of intangible services. The intransparent picture painted above is simply the result of this struggle.

The three brokerage and coordination mechanisms described in this chapter can be considered as *regimes* that work to regulate and formalize the service flow to subdue the struggle over services and create room for cooptition. They can also be considered as *social innovations* experimenting to regulate this increasingly important but equally difficult, intangible resource called 'professional business services'. Each of these innovative mechanisms has its flaws. CII seeks to create a business community that promotes cross–fertilization and is regulated by 'protected professionals', but brokering private business services to individual members remains restricted to those who are 'known' despite formal community boundaries in the form of membership applications that require two co–signatures. EDII's protected consultants can coordinate public services but cannot regulate their internal distribution within collective consortia of private entrepreneurs. Finally, Mr. Patel's business model combines a public with a private role whereby, despite his long–term private interest in collective sectoral development, the regulation of his short–term private interests remain a matter of personal ethics alone. Nevertheless, if one were to put one model on top of the other and draw their collective image, it would consist of:

(1) A public–collective, community–defining and service providing platform that is governed by protected professionals with professional agendas who protect collective interests and prevent private monopolization of services. CII's elaborate in–house services infrastructure serves this purpose as does EDII's combination of public services and protected consultants and Mr. Patel's information services, with him as chief–editor. Such an institution can be either an industry association or another organization with entrepreneur membership, as long as they do not control the agenda.

(2) Protected consultants, counselors or private, proprietary consultants like Mr. Shah who can reach out to the community, bring services 'down' to individual members, and organize, where feasible, collective action such as the formation of consortia. CII's few counselors perform this function, as do to some extent Mr. Pillai and Mr. Sheth, and Mr. Patel's associates, working from his second office apartment. In the case of private consultants, their membership of a community and access to a secure market should ensure that they uphold ethical standards in providing collective services and private business information. It should also ensure less distrust from the side of entrepreneurs.

This part public–part private combination of service provisioning, regulation and reach is Best's (1990) 'functional equivalent of managerial hierarchy' and should be able to turn Ahmedabad's de–clustering into a process of re–clustering to bridge the gap between global standards and local practice.

PART THREE

BETWEEN FIXING AND FORECASTING

Part One of this book described the mouth of a funnel shaped by global standards and local context. A pressure–cooking analogy would best describe the process that takes place in this mouth. There is the standardizing pressure from global market formation, which translates into local pressures to become institutionally compatible and to move toward institutional convergence, and there is pressure created by the fact that global market formation simultaneously pulls particular (professional) elites upward, while pushing its standards and institutions downward. As a result, a gap emerges: who will broker transition in this context?

Part Two moved deeper into the funnel and described social innovation to release steam and to fill the gap. It described how difficult–to–position local, proprietary–style professionals, a different 'species' from the same 'professional family' that lives in the global city, play a pivotal role in brokerage projects in the periphery by operating ' in between fixing and forecasting'. These brokers are old actors in changing roles who blend local and global horizons, old and new thought–styles, and indigenous and universal–professional practices. It also described how these brokerage projects produced social innovation and institutional convergence in the form of a service configuration, 'cobbled together' from new, tighter and more professional networks organized around formal business institutions, yet overall informal and fragmented in nature. To recall, I began with concretely formulated aims: to identify local–global brokers in Ahmedabad working on institutional compatibility and convergence; to describe how Ahmedabad is global*izing*, that is the processes of social innovation and institutional convergence it must go through to become institutionally compatible and economically competitive; and to position 'provincial' Ahmedabad within the process of global market formation and comment on theories that reduce globalization to a process of concentration confined to a particular global infrastructure. I followed with much less concrete, more ambiguous local professionals 'between fixing and forecasting' and a 'cobbled together' informal service configuration.

Part Three moves to the tip of the funnel and draws conclusions from these ambiguous sounding empirical descriptions by bringing together the empirical storyline of Part Two with the conceptual–contextual storyline of Part One. One conclusion must be that, in fact, this ambiguity 'fits' the transactional approach to globalization from below developed in Chapter Two and thus underscores the criticism of theories that reduce globalization to a process of concentration ventilated in this book. Brokers must be as *difficult to position* as local professionals in Ahmedabad because they *should* embody the local–global interface. Similarly, a service configuration in a bridgehead for globalization from below must be as *cobbled together* in character as in Ahmedabad because the *reach* that is needed to bring together universal–professional best practice and an indigenous entrepreneurial culture requires complex brokerage and coordination mechanisms. In other words, these ambiguous institutions are preconditions for producing globalization from below, and their presence in Ahmedabad makes it a (potential) bridgehead, to be positioned 'in between' global cities and provincial backwaters. Another conclusion must be that Ahmedabad is still a provincial bridgehead for globalization from below *under construction*. The informal character of the service configuration and the combination of fixing and forecasting needed to make it work reflect the *struggle* to coordinate and regulate Ahmedabad's service configuration in order to become institutionally compatible and economically competitive and produce globalization from below.

C O N C L U S I O N S a n d S Y N O P S I S

PROVINCIAL AHMEDABAD BROKERED INTO A BRIDGEHEAD FOR GLOBALIZATION FROM BELOW

What all institutions in Ahmedabad do is to provide information. But a developing society also needs consultants, because it needs their knowledge and awareness. The question of consultancy is the question of how to improve the social infrastructure to get the information, to get the message across.

An Ahmedabad–based Chartered Accountant, August 14, 2001

1. PRODUCING GLOBALIZATION FROM BELOW BETWEEN PROPRIETARISM AND PROFESSIONALIZATION

Positioning Ahmedabad in the process of global market formation by assessing its indigenous capacity for producing globalization from below usually triggers opposite reactions, one pessimistic, the other more optimistic. Each focuses on different sides of what has been called a Janus–faced city: well–networked in certain circles, yet also a society breaking up; business–wise (re)developing yet criminalizing; in outlook a combination of cosmopolitanism and provincial ignorance. The optimists see vibrancy, creativity: the proverbial Gujarati entrepreneurial spirit of *undertaking* something. The pessimists see a lack of coherence and coordination: entrepreneurs undertaking, indeed, *something*.

The pessimistic view is formal–institutional in nature and compares the Ahmedabad case with the ideal–type of what constitutes modern capitalism. This is a world of increasingly segmented production chains, built up from increasingly specialized yet flexible producers, able to satisfy any number of production standards and product specifications and embedded in a configuration of professional business services for governing the chain by providing day–to–day coordination through the design of production standards, and for longer–term direction through the analysis of market trends. For the Schumpetarian entrepreneur there is little room in these chain–configurations: rather than 'stand–alone' 'creative destructivism', mutual adaptation is the device, 'managerialism' replacing 'pure capitalism' (Enteman 1993, Rifkin 2000, Schumpeter 1934). It is this formal–institutional perspective that underlies theories that reduce globalization to the simultaneous concentration and dispersal of a *single* system, controlled by professional business services concentrated in global cities and 'descending' from there into the periphery to incorporate other strategic places (innovation centers, regional 'relay' cities, export processing zones) around the globe into a 'global grid' (Sassen 1991; 2002a). The pessimists therefore position Ahmedabad at the low–tech end of these high–tech chains, where production is more standardized, competition is fiercer, margins are narrower, and producers more replaceable: a local 'drain' of global production, heavily involved in low–end textiles ('grey cloth'), pollutive chemicals (dyes and intermediates), and simple assembly work (e.g., medical disposables). If you lack niche market specialization, this is your place: bulk production under spot market conditions.

From a formal–institutional perspective, India's particular political–economic history can explain this poor position. The Indian developmental state 'sowed' indigenous entrepreneurship in regulated, even reserved, market space by providing (predominantly) financial incentives and (basic) technical advice, but never developed a (services) infrastructure to 'nurture' entrepreneurship beyond its 'germination'. What has 'grown' in this regulated market environment is the *opposite* of the ideal–type described above: a multitude of small stand–alone entrepreneurs, often nearly identical in technical set–up, perhaps suitable to fill a local supply–demand gap in reserved market space, but without the skills and the mentality to manage change and quality and comply with a global standard of competitiveness, which has come to be applied locally as Ahmedabad has integrated into the process of global market formation. What has been 'harvested' in Ahmedabad, therefore, following India's opening up, is a massive restructuring from formal Fordist manufacturing to informal small–scale production, cutthroat competition in saturated markets, casualization of labor, and a breakdown of civil order. In other words, the pessimists see a semi–socialist political economy crumble under the competitive pressures unleashed by a neo–liberal world order, as a result of which Ahmedabad is spinning of control.

The optimist view is more informal–anthropological in nature and focuses on an entrepreneurial culture instead of a formal–institutional infrastructure. This culture manifests itself in Ahmedabad as energy, a readiness to try out new products, move into new markets, and a restless search to find them. I witnessed one entrepreneur who shifted from real estate (the boom in Ahmedabad was over) to crafts (volumes remained too low) to ready–made *chai* (could not find a buyer) to establishing a call center (the new boom) within a two–year time–span. In Ahmedabad, there is always talk about opportunities, about where to invest next.

This informal circulation of business information is supported by a variety of ways to access capital: through the family (Ahmedabad is a relatively rich city because of its background in trade and industry), through the stock market, through the developmental financial infrastructure set up as part of the effort to create an indigenous industrial base (at least until NPAs became a problem), through less regulated non–banking financial institutions (until they collapsed in the second half of the 1990s because of bad loans), or through their 'successors', cooperative banks (also less regulated and expected to collapse in the near future). This is the downside to Ahmedabad's entrepreneurial energy: a 'herd mentality', a race from one boom to the next, never slowed by the lack of understanding of the complexities of the new venture. It leads to insufficient preparedness, a need to 'cut corners' wherever possible to survive the competition once the market has matured, and in the end, high failure rates among new start–ups (bringing the financial institutions listed above down with them). Nevertheless, the optimists will stress that, despite all this, doubts about what has been negatively labeled the 'commercialist' or 'trader' approach to business have so far proven *incorrect* (Rutten 1994; 1995, Streefkerk 1992).

Whereas the pessimists point out that Ahmedabad can only step out of this tiring race (to the bottom?) by investing in niche market specialization, the optimist argue that Ahmedabad's nervous 'rapid reaction capitalism' in fact *is* a form of specialization. Rapid reaction capitalism can be perceived as an adaptation to a lack of control over a highly intransparent market environment, characterized by the easy entry of new players under the developmental regime described above, governmental regulation that can change overnight and can be 'influenced', corruption, and by general paucity of information. This adaptation to intransparency and volatility is supported by what learning CA Mr. Shah labeled 'proprietarism', a preference for low overhead and diversification of interests complemented with an aptitude for thriftiness, which, taken together, effectively preclude large–scale investments in technology and human capital. It has also been labeled a *shetia* culture, meaning that the owner–manager takes all decisions, does not delegate authority to the professional, and does not recognize his expertise. The task force of proprietary entrepreneurship is the (extended) family.

As with the institutional infrastructure of the Indian developmental state, the picture that emerges of the proprietary culture of Gujarati entrepreneurship is again the *opposite* of the professional–managerial culture governing chain–configurations. Whereas the latter is based on standards, specialized services, support institutions, and a (limited) opening up of companies to facilitate mutual adaptation and coordination, the former is based on total closure to avoid being undercut by competitors. Conversely, whereas the world of configuration–chains is tightly knit, the world of the proprietary entrepreneurship is wide open—remember the students of entrepreneurship in Chapter Three who were ready to take up 'anything'. Nevertheless, it is exactly this flexibility and readiness, the result of adaptation to intransparency and volatility, that leads the optimists to believe that Gujarat's proprietary entrepreneurs will be able to adjust to the standardizing pressures of global market formation. After the decline of textiles Ahmedabad did not 'die' as many feared, but instead showed resilience and re-developed in new sectors. Likewise, MNCs and global market competition are just 'another' storm to withstand.

This book does not choose one of these theoretically-disciplinary informed perspectives over the other. It argues for the opposite. These perspectives are more than methodological tools, ideal-typical constructs to blow up different perspectives on the position of Ahmedabad in the process of global market formation. They also fairly precisely outline differences in thought world and thought style, horizon and *habitus* that *brokers* in Ahmedabad seek to bring together*:* on the one hand a stylized collection of professional best practices collected from famous cases (e.g., Toyota, Motorola) and districts all over the world (e.g., the London City, Silicon Valley, the Third Italy); on the other hand the ideology and practice of a, at least locally, celebrated culture of proprietary entrepreneurship (Bourdieu 1977, Douglas 1987, Holmström 1998a, Saxenian 1994). From the activities of these brokers can be derived that globalization cannot be reduced to a single institutional infrastructure as described by Sassen, nor that Gujarati proprietarism should be looked upon in isolation (1991, 2002a). In between the formal-institutional and informal-anthropological perspective there is room for an *alternative* perspective, a transactional approach to globalization from below as developed in Chapter Two. Instead of choosing for global best practices *or* local entrepreneurial culture (an indigenous best practice), the subject of this book is the *brokerage* process between them, together with the brokers who work on it at the *local-global interface*.

Whereas the 'old' economic anthropology studied either economic systems in isolation or their subjection to a market economy driven by a 'universal' capitalist logic, what perhaps deserves the label of a 'new' economic anthropology should study the interaction between different varieties of capitalism, business systems and/or styles of entrepreneurship, some perhaps more global, others more local, some perhaps dominant, others not necessarily dependent, some perhaps more professionalized, others maybe more proprietary in nature.[1] Universal here is not a

[1] In a nutshell, the new economic sociology stresses the embeddedness of economic action in social structure (e.g., Granovetter & Swedberg 2001). Here, this embeddedness is also embraced, but what is stressed is the interaction between exogenous and indigenous cultural capital and the brokerage between systems at the local–global interface. While refusing to see a system in isolation, the willingness to see a system as a unique, historically contingent constellation of structure and action makes this approach deserve the label of a 'new' economic anthropology. For an overview of the 'old' economic anthropology, see Plattner (1989).

single 'insatiable' capitalist logic eating up all that is not yet commoditized, but rather a process of global market formation, driven along by time–space compression and creating a *universal, global* space in which *different* systems must compete to meet a *single, universal* standard of competitiveness (Harvey 1989). Sassen has described one system (1991; 1998; 2002a). This book may be part of describing another. For Gujarat's proprietary entrepreneurs, global cities are not centers of control but merely large airports. They organize their global business through other, more informal channels that include relatives living abroad and even social scientists they know from their fieldwork in Ahmedabad.

The transactional approach to globalization from below builds on the notion that, in principle, it is possible for a system to meet the single standard of global competitiveness that governs the global market place with the help of its indigenous sources of competitive advantage—there remains room for local maneuver—but that it may be necessary to learn from and adopt and adapt exogenous best practices as the brokerage activities described above indicate. Hannerz (1992) describes how the increase in travel and the development of the media, notably the Internet, has led to an enormous increase in the availability of exogenous cultural capital (ideas, concepts, practices, services, meaning). This applies in particular to the periphery—remember Mr. Shah's delight in Chapter Three about India's informational opening up. The cultural complexity resulting from the interaction between indigenous and exogenous cultural goods requires 'management': the creation of a new order out of the confusion created by new concepts and practices—remember the recurring comments in this book about the far–reaching consequence of basic changes in management practices as demonstrated by Mr. Purohit in the introduction to Part Two. This makes the re–embedding of these exogenous cultural goods not a simple process of 'copying 'n pasting', using the 'blue–print approach', but rather a complex brokerage process that requires balancing and blending, translation and social innovation, in order to create new thought styles and thought worlds, alter practices and tasks, change societal organization, even develop new networks to manage this new complexity—remember the struggle of consultants to broker between the exogenous universal–professional and the indigenous–entrepreneurial domain described in Chapter Five and the complex circulation and regulation of (in part) exogenous cultural capital through Ahmedabad's informal service configuration described throughout Part Two of this book. The outcome of this complex brokerage process may be *context–based modernization* and institutional convergence to become institutionally compatible with global standards and economically competitive. In other words, the outcome may be *globaliteracy* and, when put into action, *globalization from below*.

This book is not intended as a handbook on how to succeed in this brokerage process between proprietarism and professionalization—that remains a broker's task to find out (although he may be able to pick up a few best practices here). The aim was to identify the brokers working on this complex brokerage process in Ahmedabad and to understand how it worked out in this particular context. To recall, three elements made this context particularly interesting: Ahmedabad's 'traditional' intermediary position between core and periphery (is Ahmedabad being provincialized in the era of professional business services and global cities or would it continue to occupy this position?); Ahmedabad's triple brokerage needs (besides local–global brokerage to maintain its position in the context of global market formation also local–local brokerage to overcome local division and disorientation, and brokerage of change in the context of India's transition from local market regulation to global market competition: how and by whom is this need met?); and, finally, the uneven distribution of resources in Ahmedabad, resulting in large differences between those with and those without 'access' (how does this feed back into the breakdown and criminalization of Ahmedabad society, arresting attempts to restore an old clustering culture?).

The identity of Ahmedabad's crucial brokers should already be sufficiently clear by now: local, proprietary–style professionals between fixing and forecasting. By answering the specific Ahmedabad–related questions repeated above, this concluding chapter will evaluate how and to what extent provincial Ahmedabad is *made* into a bridgehead for globalization from below by these local professionals. On this basis it will arrive at a more balanced view of Ahmedabad's position in the process of global market formation than pure pessimism or blatant optimism and comment on theories that reduce globalization to a process of concentration confined to a particular global infrastructure. This concluding chapter is organized along the two lines that were already announced in the Introduction as the two threads running through this book. Section Two will discuss the *reach* of Ahmedabad's informal service configuration and the ability to *re–embed* universal–professional best practices in an indigenous business culture by describing the brokerage and coordination activities of local professionals. Section Three will discuss control mechanisms *regulating* the flow of intangible services through Ahmedabad's informal service configuration and its implication for Ahmedabad as a provincial bridgehead for globalization from below. Section Four will conclude with a discussion about the importance of local professionals and the context–based brokerage of modernity for a periphery facing the pressure of global market integration.

2. Informal Brokerage and Coordination between Fixing and Forecasting in a Cobbled Together Service Configuration

Besides optimism and pessimism, positioning Ahmedabad in the process of global market formation also triggers a third reaction, of surprise and wonder by locals and (some) scholars of globalization alike. Evers and Korff describe how Asian urban space is organized around three different 'layers' of interest and is integrated in three different networks: global, national and local, the balance among them varying per city (2000:5). Scholars of global cities, who focus on the global layer in Ahmedabad, may see an 'empty' city, virtually devoid of a global 'presence'—remember, the first 'metropolitan' escalators arrived in the city in August 2001. Locals on the other hand may see a city predominantly governed by local, not even national, interests.

Indeed, Ahmedabad is not a global city, nor is it a relay city, a nodal point in a global grid channeling FDI, goods and services across the globe. It harbors no regional headquarters of global MNCs or an export processing zone and is not home to a large number of expatriates. Besides the international service providers with a 'presence' in the city described in Chapter Five, Sassen's global form of globalization is nearly unnoticeable in Ahmedabad. The central business district is locally owned like it always has been and proprietary in style. It is dominated by small city offices of wholesalers or small companies crammed with chairs still half wrapped in plastic, undecorated beyond a calendar and the image of a Hindu deity or a Jain prophet, and equipped with, at the most, a handful of computers and, at times, nothing more than a telephone and a fax machine**.** Indeed, from a global city perspective, Ahmedabad may seem nothing but a provincial backwater.

From a formal local governance perspective this impression is reaffirmed: besides the lack of global presence, Ahmedabad and Gujarat also seem to lack a global vision. Mahadevia (2002b) writes about city beautification projects such as the Sabarmati Riverfront Project and the development of 'green spots' (parks, roundabouts) to improve the image of what is generally known as a hot, dusty and polluted city. But these initiatives appear incidental. Overall, what is most striking about politics in Ahmedabad and Gujarat is the preoccupation with *local* issues and the governance of local 'special interests': cows blocking the main thoroughfares of the city and the inability to address this because the 'cow issue' is religiously sensitive; the inability to implement integrated development plans to check Ahmedabad's uncontrolled urban sprawl because of the 'influence' of land–owners; the inability to meter the electricity consumption of farmers because farmers are an important 'vote bank'; the inability to improve computer literacy in the state because licenses (and subsidies) are granted to politicians who produce ill–trained students unable to pass exams, *etcetera*.[2] Neither does Ahmedabad have a 'clearing house' for ideas with regard to the city's *global* future. As a result, it

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[2] 'Inward–Looking AUDA Fails to Realize Vision', *TOI (Ahmedabad)*, February 23, 2001 (HB: AUDA = Ahmedabad Urban Development Authority); 'Snag in State's Computer Literacy Drive', *TOI (Ahmedabad)*, July 15, 2001; 'Politician Triumphs in GEB Power Games', *TOI (Ahmedabad)*, August 23, 2001 (HB: GEB = Gujarat Electricity Board); AMC's Cattle Drive May Be Next Victim of Pork–Barrel Politics, *TOI (Ahmedabad)*, August 23, 2001 (HB: AMC = Ahmedabad Municipal Corporation).

lacks an image around which a new identity can develop, such as the way IT worked for Bangalore or the 'Chief Minister with the laptop' for Hyderabad, two other Indian 'mini–metros' in size and regional function comparable to Ahmedabad. Present–day Ahmedabad, therefore, still nurtures its old identity of the 'Manchester of India', given to it by an industry that has all but closed down, as there is simply no image with which to replace it.

What underlies this preoccupation with local battles, lack of global vision, and lack of a clearinghouse for new ideas is India's 'growing crisis of governability' (Kohli 1990, see Chapter Three, this volume). This is a crisis of accommodation: how to meet the demands from a growing number of castes and classes aspiring toward upward mobility—in itself a success of India's developmental democracy—with state resources: reservation policies, subsidies, exemptions, *etcetera*. Patronage and populism not only led to the criminalization of politics, but also furthered the *localization of the political horizon*. This localization began in a positive way, when India chose its own (local) Third Way to development; but it led increasingly down a path of a closed economy, a regulated world of its own, only to end in the misuse of market regulation for vote mobilization. This in turn led to *political rigidity amidst economic change:* it is easier to increase reservations than to abolish them. Indeed, liberalization in India started internally in the 1980s but only really took off after World Bank and IMF interference following a balance of payment crisis and slowed down again thereafter. In 2001, India still awaited second–generation reforms as a follow–up to these first generation reforms: having (partially) dismantled *competition restricting* policies, *competitiveness creating* policies were still absent. Instead, when the Kutch region on the border with Pakistan was hit by an earth quake in January 2001, the then Chief Minister of Gujarat launched the 'usual' package of tax exemptions to lure industry to the far–off region, thereby creating a subsidized competitive advantage indirectly threatening the existence of the industry around Ahmedabad, which in the long run was more viable because it was better located.

As a result of the tension between continuity in the political domain and change in the economic domain, present–day Ahmedabad can be characterized as a city 'out of control', further destabilized by global pulls and pressures. Just as the political domain faced difficulty accommodating the multitude of demands from upwardly mobile castes and classes, so too the economy faced increasing difficulty absorbing the multitude of new small–scale entrepreneurs that accompanied the SSI revolution. Markets matured under the influence of, first, India's internal and, later, its external opening up, but the developmental infrastructure continued to 'create' new entrepreneurs and failed to equip them with the training and tools to manage increasing (also global) competition. In the economic domain, competitive pressures resulted in cutthroat competition and, like in the political domain, in (economic) criminalization. In the social domain, all this mobility and pressure and struggle for resources created a divided city, in which (professional) elites on the west bank of the Sabarmati River de–linked from blue–collar industrial Ahmedabad on the east bank and retreated into smaller, more controllable worlds such as NGOs and (professional) institutions, becoming Ahmedabad's 'islands of modernity' (Spodek 1989; 2001).

After the completion of my fieldwork in December 2001, the then newly elected Gujarat Chief Minister, Mr. Modi, together with GCCI, the Federation of Indian Chambers of Commerce and Industry and UNIDO, launched initiatives to revitalize the Gujarat economy with big trade fairs *cum* 'investor meets' such as 'Resurgent Gujarat' (February 8–10, 2002) and 'Vibrant Gujarat' (September 28–30, 2003) and by opening a virtual exhibit portal (www.gujexim.com). Given, however, the somber picture painted by bureaucrats inside the Gujarat bureaucracy in Chapter Four—the bureaucratization of staff, their inability to execute the more professional tasks such as market analysis, the best ones leaving the government to become consultants, and the remainder clinching to the old planned developmental way of doing things, unable to adapt to liberal market 'disorder'—it is be doubted how big and lasting the impact of the government on the globalization of Gujarat and Ahmedabad will be beyond inviting parties to the same table.

Ahmedabad—despite or perhaps because of India's old developmentalism—is not a city in which global market integration is embedded in formal structures of governance like Visscher's (in preparation) description of Penang, another 'provincial' city in the Brokers of Capital and Knowledge research program. There, the Penang Development Corporation made conscious efforts to attract MNCs by creating export processing zones, granting tax benefits, and providing local coordination services for investment projects, but also by developing Penang as a whole in order to display an image of *professional modernity*. Nor is Ahmedabad an empty city like Van de Port's (in preparation) description of Macassar, a third city in the Brokers of Capital and Knowledge research program. Van de Port describes a city devoid of professional business services in which, beyond local retailing, all Macassar–related business, foreign–owned or locally–owned, export–oriented or for the regional market, is coordinated from *outside* the city, in MNC headquarters or in Jakarta. With the centralization of Indonesian governance under President Suharto, all business decisions relevant for Macassar were taken there, leaving local entrepreneurs and MNCs no choice but to move there as well. Instead, Ahmedabad can be positioned in between these two cities: not part of the global form of globalization, nor an empty provincial backwater, but occupying an *intermediate position*, similar to that of old Ahmedabad, whose traders preferred to continue their own business instead of becoming *compradores* for the British and created an indigenously owned textile industry. The business model of those days, competing with the British by capturing the niche market for cheaper fabrics, is still recognizable today with SSIs producing cheaper versions of the same goods produced by MNCs.

Far from being empty in any way as the empirical chapters of this book illustrated, from an informal perspective Ahmedabad is 'filled' with a variety of local actors and dispersed signs of local learning and social innovation in response to global market integration:

(1) Ahmedabad still harbors an indigenous industrial base, ranging from a mass of small, proprietary–style SSIs to a few local family–owned MNCs (e.g., The Arvind Mills, Ashima Textiles, Zydus Cadila, Torrent Pharmaceuticals, Core Healthcare, Adani, Nirma). More importantly, Ahmedabad continues to harbor an elaborate indigenous institutional infrastructure as described in Chapter One. Out of civic medieval commercial governance, institutionalized in *mahajans* and the position of the *Nagar Sheth*, new institutions grew to professionalize the nascent Indian industry and develop a modern industrial textile cluster: ATIRA, AMA, and IIM–A. Although from different parentage, the institution–building pattern continued with the creation of the Gujarat business support network, which included, amongst others, GSFC, GIIC, and INDEXT–B, for the expansion of the indigenous industrial base. This in turn led to the creation of EDII, one of the national institutions and organizations located or present in the city including also, for instance, CII. Then there was the boom in private business schools, initiated again by politicians, but also by local entrepreneurs, who thereby continued the civic tradition described above. Aside from these pillars of institutions, there is a reservoir of local business consultants, CAs (in a cash–rich traders' city, financial management is always well–developed), but also management consultants (often with a background in the professional management of one of Ahmedabad's large–scale undertaking, the privately owned ones mentioned above, but also PSUs), and technical consultants (often with a background in the same large–scale companies or in the Gujarat business support network). Ignoring for a moment the comments made above about 'professional elite de–linking' and 'islands of modernity', this means that Ahmedabad harbors an extensive *professional knowledge base*. It harbors local service providers, which have been identified as potential 'decoders' (the critical third layer of the local–global interface), able to read and re–embed the global flow of professional business practices produced and encoded by their professional brothers in the global city (the second layer: content), and spilling into Ahmedabad through the media, over the Internet or embodied by individuals who have traveled outside Gujarat and India (the first layer: connectedness, see Chapter Two).

(2) Moreover, this book described processes of *reflexivity* and *learning*, personified in the changing perspectives of 'learning CA' Mr. Shah, whose

world literally opened up when India opened up; who time and again stressed the importance of knowing 'how things were done abroad'; and who had come to the conclusion that the/his old way of working—creating new, identical, stand–alone entrepreneurs—could only lead to more cutthroat competition in the post–liberalization market environment. He came out of this process with the term 'proprietary professionalism', the only really local concept I found in Ahmedabad that captured the change in market environment, the globalization of the local. There was also the 'Masterkey to Success in 2001' in the introduction to Part Two, made up of quality, innovation, service and efficiency. According to Mr. Nagaranjan, the entrepreneur who felt he constantly needed to update and improve himself, these were the qualities required in the new market environment. Similarly, there was the company learning how to produce higher–quality products in a more coordinated fashion, more efficiently, and with a lower rejection rate, with the help of Mr. Purohit, the consultant who introduced Japanese management techniques as a solution. There was the shift in EDII's entrepreneurship development programs from new to existing entrepreneurs and from the *internal motivation* to take risk and innovate to the *surrounding market environment* and to practical guidance in management and marketing. Also there was AMA inviting speakers to talk about how things were done in China, which seemed to be on many people's minds.

(3) Finally, this book described two basic forms of *social innovation*. First, there is the formation of new, tighter networks (or organizations) circulating a more professional content. These networks are mechanisms for brokering (in part) exogenous universal–professional best practices to an indigenous–entrepreneurial business community and providing closer coordination among entrepreneurs and between entrepreneurs and service providers. CII's service infrastructure *cum* business platform is the most formalized example of such a brokerage and coordination mechanism. The informal service configuration around banks and DFIs is an example of the opposite (like CII's ability to learn and adjust to post–liberalization India is the opposite of the banks' and DFIs' inability to do so, equipped as they are with old bureaucrats, who in thought style, horizon and *habitus* are in turn the opposite of CII's young professionals). The second form of social innovation is the 'birth', mostly out of old actors in changing roles, of 'hybrid' local proprietary–style professionals. They broker between the universal–professional and the indigenous–entrepreneurial domain AND 'in between fixing and forecasting' to make informal brokerage and coordination mechanisms work, as demonstrated by, again, Mr. Shah, and, *par excellence,* by Mr. Pillai, Mr. Sheth, and Mr. Patel. Ahmedabad's informal service configuration, cobbled together by such local professionals, signifies the

formation of an informal brokerage and coordination mechanism on an *urban* level. The painful 'fitting' of young MBAs in proprietary family businesses as professional footholds signifies the same social innovation at *firm* level.

These signs of reflexivity, learning and local social innovation are indications of the re–positioning of at least a part of the Ahmedabad business community from a much more protected past to the pressures of global market formation. It shows the bright side of a city global*izing* at the frayed edges of globalization.

There is, however, also a darker side to Ahmedabad's global market integration, foretold by the division in Ahmedabad described above. One of the messages of this book concerns the complexity of globalization from below, balancing and brokering between global standards and local context, with global pulls luring local elites away, and global pressures pushing for adaptation and innovation, thereby testing and tearing up local order and creating gaps. The dispersed signs of reflexivity, learning and social innovation described above point out the gaps that needed mending, as well as the complexity of circulating new, intangible, and partly exogenous resources through older social infrastructures:

(1) An old *gap* that continues to be relevant has already been discussed in the first section of these conclusions: *the gap between proprietarism and professionalization*. Old Ahmedabad needed to import modernity, technology and professional skills, in the form of European machinery and technicians, to manage its textile industry. In a way, present–day Ahmedabad still struggles with the gap created when the Europeans left and management was 'Indianised'. During the License Raj, this struggle, which is, in effect, a struggle to generate *context–based modernization*, was subdued since industries were 'frozen' in a particular mode of production. Nevertheless, in the 1980s large–scale textile mills in Ahmedabad collapsed, not only because of 'unfair' competition from informal and therefore cost–competitive powerlooms, but also because of slack management and a lack of innovation. With India's opening up and gradual global market integration, the gap between proprietarism and professionalization resurfaced as an 'ill–fitting' *over– or under–professionalization*. In the boom following liberalization in 1991, especially medium–sized companies in Ahmedabad followed the foreign example of the MNCs coming to India and went on a professionalization spree, only to find themselves in trouble once the boom was over and margins narrowed: they had become too expensive, while cheaper, less professionalized competitors were undercutting their prices. Globalizing Ahmedabad needs balanced, context–based modernization in the form of proprietary professionalism.

(2) The *breakdown of the local cycle of institution–led learning and development* feeds into this gap between proprietarism and professionalization and further

complicates the search for balance. Chapter Three concluded that already before liberalization a (second) gap existed, between entrepreneurs and (developmental) institutions. Unfortunately, this gap has grown wider in an era that requires more instead of less interaction between entrepreneurs and institutions. Different groups of institutions contribute to the breakdown of the local cycle of institution–led learning for different reasons. The institutions that are most attuned to servicing the newly created entrepreneurial class of SSIs are also the institutions least able to keep up with the changes in the market environment and readjust their horizon from local regulation to global best practices—remember the near bankruptcy of GSFC and GIIC, the bureaucratization of INDEXT–B, and the overall atmosphere of desolation in *Udyog Bhavan* in Gandhinagar, as described in Chapter Four. While these developmental institutions crumble under the combined pressure of external opening up and an internal crisis of governability, educational institutions in Ahmedabad move in the other direction. They have been able to 'plug into' the global flow of cultural capital and, as a result, have been pulled up by globalization. EDII is recognized as a 'center of excellence' by UNIDO and provides entrepreneurship development training in different regions of India and in different countries in the Asia–Pacific region, and in Africa, while Ahmedabad entrepreneurs lack access to decent training. IIM–A was set up as part of a wider effort to professionalize the Ahmedabad textile industry, but its students now leave India—not to mention the city—to work for investment bankers on Wall Street, because there, and not in Ahmedabad, they are trained to fit. In the light of the decline of in particular the Gujarat state business support network, it is ironic that, where local institutions have done well, this has not created direct professional feedback into local society but rather the opposite: de–linking. Local business institutions such as AMA and industrial associations play an, again, different role in the breakdown of the local cycle of institution–led learning and, hence, the lack of circulation of intangible and exogenous best practices. First of all, there is competition between more established, often medium–sized companies and new SSIs. Also, *formal* business networks in Ahmedabad are still shaped by the regulated market environment that was in place before liberalization in 1991 and, as a result, are geared toward demanding *collective goods* from government, for which the force of numbers is important and benefits automatically come to all: tax benefits, subsidies, *etcetera*. Conversely, they lack the mechanisms to broker *private* services for *individual* competitiveness (see also Section Three). As a result, one finds the committees of *not–professionalized* associations often *monopolized* by *cliques* of established entrepreneurs with the aim to shield critically competitive resources such as consultants, participation in a trade fair, or seats in a cluster development program, from their members—remember the accounts of association executive Mr. Nagpal in Chapter Six and, in the same chapter, the story about one AMA member going all the way to Mumbai to find a marketing consultant, while another, more active member could pick up the phone to call the AMA secretary. With the exception of the social innovations listed above, in present–day Ahmedabad only *informal* networks broker critical resources person to person. Every institution will have a list of reputed, reliable consultants, for instance, but will publicly deny its existence. An offshoot of this personal, informal networking is that reputation becomes important. Chapter Five this book described in detail the reputation game of consultants. Also, CII aims to be a platform bringing together entrepreneurs and services and therefore invites consultants to become member. However, to avoid attracting the 'wrong type of consultant' this is not advertised and, therefore, nobody knows. All this adds to the fragmentation of networks in Ahmedabad.

(3) As a result, out of an indigenous cluster grew an institutional infrastructure that never again became a cluster, despite the geographical closeness between the institutions and the shared tradition that underlies their creation. The institution–wise *full* city of Ahmedabad has become a *fragmented* city. All organizations referred to above are correct when they justify their activities by saying that their charter is, in fact, not local, but rather national or beyond or that, as an association, their charter does not require them to reach beyond their members. Nevertheless, as mentioned in Chapter Six, what is striking is the level of *detachment* of these institutions. It is equally striking that an *outsider*, CII, developed into a 'safe haven' for 'Gandhians' like learning CA Mr. Shah. Finally, it is downright painful that another *outsider*, UNIDO, had to come to the city to organize a seminar on the future of Ahmedabad's SSIs in the era of globalization and address the potential role of Ahmedabad's institutional infrastructure herein, thereby, in effect, re–introducing the cluster concept to the city. At the same time, despite their commitment, UNIDO's presence in Ahmedabad remains limited to a one–man facilitator who is dependent on what other institutions are capable of and willing to do. Also, through CII's elaborate institutional infrastructure it remains easier to reach 'up' and contact their global network of representative offices than to reach 'down' and contact Ahmedabadi entrepreneurs.

This is the other side of global*izing* Ahmedabad: Ahmedabad's de–clustering into a landscape of tension and transition, cliques and cutthroat competition, a local process under a global horizon. Two patterns emerge from this process: (a) developing i*nstitutional reach* in order to be able to access the large majority of Ahmedabad's small–scale entrepreneurs has always been and will always remain difficult for any (network of) institution, as demonstrated by, first, the Gujarat state business support network and now CII; (b) in present–day Ahmedabad *outsiders,* *not insiders* are most committed to take up this challenge. A wide gap has grown between the institutional 'laggers' that remained local but became irrelevant, the leaders that became more relevant and went global, the outsiders with local aspirations and no local reach, and the insiders with local reach but without local aspirations. In between there lies the 'unloved' city that was instrumental in the creation of most of these institutions.

In this context of formal institutional de–clustering, Ahmedabad's re–clustering took the form of informal service configuration, cobbled together by consultants, local professionals between fixing and forecasting. In this informal configuration institutions and consultants each have their own role to play:

(1) Institutions remain centers of reflexivity and learning. Even if their focus lies beyond Ahmedabad, they bring information and expertise into the Ahmedabad atmosphere, as the CA at the start of these conclusions already rightly suggested. Institutions build up libraries, invite speakers, and organize seminars and courses and, hence, offer a window on the world (together with Internet and maybe non–resident Gujaratis). Also, they are centers of training and capacity building, not only through the organization of courses, but perhaps more importantly through the training of their own staff, as their expertise percolates through into Ahmedabad in the form of consultancy services. Institutions and their staff are *entry points* for the global and the professional into Ahmedabad. This is their strength and weakness: a strong connection to the global implies a degree of de–linking from the local. Here the second half of the informal service configuration is important.

(2a) Consultants broker *vertically* between the global and the local: whereas so far we only saw professionals moving up to join a global–professional community, these professionals bring the *professional frontier* down to not (yet) professionalized SSIs. Consultants are connected to an exogenous, universal–professional body of knowledge and therefore visit libraries and read books to analyze particular subjects with the help of this knowledge; they do research and build up expertise; they visit seminars and organize them to promote their expertise, vision and solutions; and, most importantly, they bring this information down and make it accessible to the large majority of Ahmedabad entrepreneurs who do not undertake these activities themselves because they lack time, lack the comprehension, or because they do not 'belong' to institutions, libraries, and other centers of theoretical learning. In the act of bringing down knowledge, information and best practices, making comprehensible what was not comprehensible before, applying what was not applied before, translation and re–embedding takes place. It is a practical, experimental, embodied process, not necessarily written down in a report, and mostly not embedded in larger concepts—the exception perhaps being the learning CA, Mr. Shah, looking for the right balance between local proprietarism and global professionalization. Complaints from entrepreneurs are therefore in this respect not surprisingly *content–related*: services and solutions are too bookish, too general, not tailor–made, not applicable. The issues of consultants are, conversely, *style–related*: how to find and select 'sincere' (read: receptive) clients and how to maintain professional control over interaction and implementation while working in the way that is most congruent with the proprietary entrepreneurship. Here, where there is a collision of style and content, the professional–proprietary, or local–global, interface is located. Chapter Five described four categories of brokerage mechanisms to 'soften' the impact of the collision: intermediary role models (the *guru*–student role model, the doctor–patient role model, the proprietary professional role model keeping the manager–owner in the driver's seat); intermediary actors (local MBAs, educated staff); intermediary platforms (local business schools, institutions and associations serving as a 'neutral' non–commercial environment); and intermediary familiar or relatively concrete services (advertisement, accounting/auditing), interfering relatively less with the client's way of doing business and thereby paving the way for more interventionist services. The reason for consultants 'taking' this professional–proprietary, exogenous–indigenous boundary and doing vertical brokerage is again very practical: it is their business, they *must* move down to find business.

(2b) Consultants also broker *horizontally* among various institutions, other consultants and entrepreneurs, cobbling together the fragmented infrastructure described above and providing a form of informal coordination in Ahmedabad's service configuration. There was Mr. Shah and his informal 'consultants' house' described in Chapter Five, bringing together a variety of CAs specialized in different areas of accountancy and auditing, teachers in business schools to bring in management practices, technical consultants covering industrial activity in Ahmedabad, and even an entrepreneur, Mr. Pandya, who received management advice and in return brought in his technical skills as a consultancy resource. This network was part of the informal configuration circulating information, services and expertise around banks and DFIs and stretched to their headquarters in Mumbai, as well as BCAS and ICAI and AMA to CII. There were also Mr. Sheth and Mr. Pillai, the consortium and company puppeteers on behalf of EDII in Kerala who coordinated interaction among state–level, national and foreign developmental institutions, banks and DFIs, research institutions and associations, consultants and entrepreneurs in Chapter Six. In the same chapter, finally, there was Mr. Patel, spider in the web of UNIDO's most promising cluster development initiative in Ahmedabad. The Ahmedabad Healthcare Council that resulted from this initiative was the only

> concept I found in a year of fieldwork, capable of carrying a vision of a *future* Ahmedabad, namely as a health services center, instead of repeating the old worn–out mantra of once being the Manchester of India. Here, consultants do not only bring down the professional frontier, but also move around, do 'legwork' and bring together. As the CA at the start of these conclusions rightfully stated: "the question of consultancy is the question of how to improve the social infrastructure to get the information, to get the message across".

This is the infrastructure through which intangible and exogenous best practices travel in Ahmedabad. The forces of Ahmedabad's de–clustering have literally created a space for consultants to occupy with their specific translation and legwork qualities. It positions them at the *crossroads* of an informal, cobbled together service configuration,

However, not all consultants occupy the same central position. A particular type of broker belongs to the brokerage and coordination mechanism just described. It is time to reach the first set of conclusions with regard to Ahmedabad's cobbled together informal service configuration and the consultants who do the cobbling:

> (1) The rise of consultants to complement institutions not only fits with Ahmedabad's formal institutional de–clustering and, hence, the need for informal re–clustering, but also reflects the need for a more *extensive* and more *differentiated* brokerage and coordination mechanism. The need for reach has grown as a result of the broadening of Ahmedabad's entrepreneurial base in Ahmedabad combined with professional elite de–linking and the developmental bureaucracy 'staying behind'. As a result, fewer institutions catered to a larger number of entrepreneurs with fewer connections to find their own way. Also, the services catered needed to be more differentiated than the standard technology packages provided under the License Raj in order to produce more differentiated products for more mature markets. This differentiation again implies more need for reach. CII demonstrated in Chapter Six that to make small firms fit the global commodity chain, to make them a supplier to a car manufacturer and to meet all its standards and requirements means shop floor training and counseling, or, in the words of Mr. Shah, 'online consultancy': permanent access to tailor–made services—a task that CII found hard to fulfill. In the same chapter Mr. Pillai and Mr. Sheth demonstrated the large number of institutions that need to be brought together for the purpose of fitting small firms into the global commodity chain, because each of them possesses a particular expertise that together can form functional equivalent of a managerial hierarchy. Finally, in particular Mr. Patel and UNIDO's cluster initiative demonstrated that clustering is, in effect, about the creation of a multitude of coordinating institutions, layer upon layer, from small export

consortia, in which small firms share basic resources, to larger export clubs, in which exporters can meet with service providers in exports, to councils giving direction to the development of a whole sector of industry. Brokering exogenous, universal–professional best practices down to indigenous–proprietary entrepreneurs is a process that requires a series of steps and involves several actors and institutions. Exactly this level of reach is cobbled together in Ahmedabad's informal service configuration. Put differently, the cobbled together character reflects consultants' informal brokerage and coordination efforts to draw together Ahmedabad's dispersed institutional resources to develop this reach.

(2) To develop this reach, as well as to be able to re–embed exogenous universal–professional services in indigenous–proprietary family firms, brokers cannot confine themselves to either fixing or forecasting, but must combine elements of both. Forecasters, notably management consultants groomed in one of Ahmedabad's large–scale and professionally organized companies, may easily tap into the global flow of cultural capital because they are trained in a universal–professional body of knowledge. At the same time, they often face difficulty localizing. As suggested in Chapter Two, their professionalism and 'indetermination' (intransparency) do not contribute to brokering exogenous, universal–professional practices down to proprietary entrepreneurs, but rather achieve the opposite: a collision and a struggle for control. Following the rules of the reputation game laid down in Chapter Five, they prefer implementing the most prestigious, most professional management systems that, in effect, *replace* proprietary, 'homegrown' practices, rather than simply adding universal–professional tools to an inherently indigenous–proprietary tool box. At the same time, following the same rules, they are ill at ease with the practicality that brokerage in an informal service configuration requires—remember Mr. Upadhyay's rigidity in front of a potential client, emulating the role of doctor in the hope to get a docile patient. Fixers, on the other hand, thrive on their practicality, their ability to get things working, one way or the other, with the help of a very local style of operating and equally local, at times even 'inside', information. At the same time, they often face difficulty globalizing. Just like developmental bureaucrats they belong to a local regulatory environment that looses significance in a liberalizing, globalizing market environment, for which they lack relevant concepts—hence, one can find fixers reading IIM–A course material to 'catch up', as described in Chapter Four. Therefore, positioned at the local–global interface AND at the crossroads of Ahmedabad's informal service configuration are those who, by themselves, are most difficult to position: local professionals between fixing and forecasting like Mr. Pillai, Mr. Patel, Mr. Shah, and Mr. Sheth. They were among the most

interesting subjects to study in Ahmedabad and received most attention in this book. They are brokers at the local–global interface, they literally embody it; they are hybrids, 'two–dimensional men' able to close the gap between proprietarism and professionalism by marrying universal–professional *content* to indigenous–proprietary *style* (Cohen 1974). From different backgrounds they converged here: learning CA Mr. Shah moved from fixing to the middle ground in between fixing and forecasting, proprietary professionalism; Mr. Pillai moved from a business school education to making entrepreneurs grow; and both Mr. Patel and Mr. Sheth moved from an old, local developmental infrastructure to new, more global–oriented forms of intervention. They are able to broker both vertically and horizontally, to re–embed and develop institutional reach. They are 'symbolic analysts' who travel, search the Internet, collect newspaper clippings, and even read books to keep informed about new, exogenous developments and practices, yet their services are relatively 'paperless' and tangible like that of a fixer: a business plan, technology, a product, a client (Reich 1991). Also, they combine access to professional networks with a practical and business–minded approach: it is their pride and joy to cobble together what does not come together without them. To conclude, precisely the 'difficult to position', localized professionals or professionalized locals are able to produce globalization from below between proprietarism and professionalization and provide a form of decentralized, informal coordination where more formal governance from below is lacking.

Brokerage and coordination by local professionals cobbling together an informal service configuration is the mechanism by which provincial Ahmedabad is *being remade* into a bridgehead for globalization from below. This is the best side of a continuously Janus–faced city. Developing reach by cobbling together an informal service configuration and re–embedding exogenous universal–professional practices in an indigenous proprietary–entrepreneurial business culture is, however, only one of the task that must be performed to make provincial Ahmedabad into a bridgehead for globalization from below. Also, it is a relatively easy task, certainly in de–clustering Ahmedabad, because individuals, 'one–man–show' consultants, can perform it. However, one cannot understand present–day Ahmedabad or its position in the process of global market formation without drawing a second set of conclusions in relation to the second task that must be performed: the *regulation* of this brokerage and coordination mechanism and the *intangibility* of services that flow through it. Here more *collective* mechanisms are required. This next section will address this section second thread running through this book and the 'other' side of Janus–faced Ahmedabad.

3. POSITIONING AHMEDABAD BETWEEN A SERVICES–LED COSMOPOLITANISM AND SOCIETAL PROVINCIALIZATION

Services represent a paradox in the sense that they can both be a *constructive* and a *destructive* social force, all of which depends on the working of local mechanisms to keep their intangibility under control. Services can *facilitate* and *structurate* coordination (by designing and implementing standards), cooperation (by identifying win–win situations through symbolic analysis and networking), and collective action (by identifying mutual threats on the basis of a broader, more global horizon). Services can even *discipline* entrepreneurs—remember Mr. Nagaranjan, on whose desk I found the 'Masterkey to Success in 2001', and who had clearly internalized a 'global governmentality', given his awareness of global market standards and the need he felt to update and improve himself.[3] In short, services can lead the way 'up' to cooptition and (re–)clustering, and from there on to global institutional compatibility and competitiveness. At the same time, services can lead the way 'down' to de–clustering, especially if the same business model, the same bit of strategic information is locally copied over and over again, the result of which is a local fight over a 'piece' of an equally local 'cake'.

In Ahmedabad, the local paradox that intersects with the services paradox is that those proprietary professionals who are best able to reach out and re–embed are not necessarily the ones who are best able to perform this regulatory task. Following Chapter Six, what are needed are institutions with the *professional capacity* to decide what services should be publicly available (to facilitate cooperation) and what services should be privately controlled (to avoid cutthroat competition), but also with the *professional autonomy* to *maintain the boundary* between these two domains (giving the intangible character of services and the copying or monopolizing strategies of entrepreneurs). Such institutions are able to mix and balance competition and cooperation while avoiding a tragedy of the commons. In short, such institutions ensure a *professional disciplining of proprietary interests*. This ensures a platform from which cooptition can grow; it makes a services–based economy work. In Ahmedabad, one can distinguish four social institutions that, more or less, perform this regulatory task:

(1) Consultants may discipline entrepreneurs, but must also be able to discipline *themselves*: the only thing that stands in between selling an identical service more than once is the consultant himself. Self–discipline is indeed an important issue for consultants: apart from the content of their services, self–

[3] In Larner and Wolders (2004) global governmentality refers to formal governance of international space. Here the term is used to describe *self*–governance because, in a (neo)liberal global market place, self–governance is all that remains to meet the global standard of competitiveness. See also Burchell *et al.* (1991). The opposite of this would be a local governmentality, the belief that local reality is still locally determined—remember the image of the Burdened Industrialist.

discipline is THE other main element underpinning their professional identity and reputation, hence also its existence in many different forms. There are formal ethical standards (as propagated by IMCI); more informal pledges not to take up two successive clients engaged in the same activity; to work only with sincere entrepreneurs, rather than 'fly–by–night operators' (as promised by many consultants); attempts to separate free public information from tailor–made consultancy services that need to be bought (Mr. Patel, who has a portal and consultancy 'division'; Mr. Gupta, who organizes general business trips and offers specific consultancy services to follow up on these trips); and attempts to shift from short–term interaction with a client to a longer–term relationships (through a retainership, toward which management consultants have always aspired and which the learning CA, Mr. Shah seemed to have discovered much more recently; and, finally, through 'lock ins' into 'gated business communities', see below). In general, the more long–term 'assets' a consultant has, such as a reputation, particular relations or a portal creating demand for his or her services, the more he or she will be inclined to withstand short–term temptations. Nevertheless, self–disciplining does not seem a very reassuring guarantee for market dependent consultants who need to 'pay the rent' every month. What should be a strong institution is, in reality, a slippery slope: if the client, for instance, does not want to pay for a full–fledged report, he may be able to buy a nameless, less researched one. Also, it should be noted that consultants actually might benefit from a little market volatility: too much competition kills companies, too little leads to complacency; a little worry helps to create a demand for services.

(2) There are *cliques* of entrepreneurs monopolizing non–professionalized resource centers such as AMA and most industrial associations in Ahmedabad. Professional staff may be employed here, but they normally have no autonomy. The power lies with the committee: entrepreneurs. Boundaries are maintained here and services are privatized (monopolized) up to the point that a consultant is asked first to give his presentation exclusively for the committee, before being allowed to do so in public. Such institutions, however, have no intention to mix and balance competition and cooperation; instead their aim is just to cut off (and kill off) the competition. These institutions are characterized by a large difference between the front stage and backstage, between the formal collective aim (representation of an industrial sector, the advancement of management learning) and the informal, more private aim (controlling access to resources). Beyond maintaining boundaries, there is no collective action: inside there exists only individual learning and problem solving through personal interest and networks. Courses are only organized if entrepreneurs recognize the need for them. In other words, entrepreneurs define their problems and, hence, the

institutional agenda; there is no professional disciplining. Conversely, consultants are disciplined when they are locked into these gated business communities. Nevertheless, consultants 'fight' to be locked in because it ensures them access to a market. Service providers need a platform to demonstrate their services on. If not locked in, they will try to establish their own platform, be it a portal or an institution for the advancement of a service (see Chapter Five). Again, these public platforms monopolized by private consultants do not contribute to cooption, but rather to the opposite: further *fragmentation* of business and service networks in Ahmedabad.

(3) There is *one* professionalized chamber of commerce: CII. Here professional staff is in control, the difference between front stage and backstage is much smaller, and the boundaries are more formalized (through a restricted membership). Independent professionals employed by CII set the agenda: they identify important problems. Also, this agenda is explicitly meant for public consumption: CII members are bombarded with information. Solutions then can be bought privately by member–entrepreneurs from fellow member–service providers, if necessary through mediation by CII staff. Though members still need to be 'known' to enjoy all of CII's services, access is not solely the prerogative of a small clique. CII openly states that it wants to be a platform to bring entrepreneurs together with other entrepreneurs, and entrepreneurs with services. Here competition is mixed with cooperation, while maintaining boundaries between public facilitation and private 'canvassing'.

(4) There are a few 'protected' consultants like Mr. Pillai and Mr. Sheth, working for EDII on a public agenda. They still need to maintain self–discipline, but the fact that they receive monthly wages helps to preserve their independence, that is their professionalism, from proprietary needs.

Two preliminary conclusions need to be drawn here before reaching the final conclusions with regard to the position of Ahmedabad in the process of global market formation.

(1) All three empirical chapters of this book have ended with describing new, tighter networks engineered by professionals (consultants), facilitating the flow of services and bringing together bankers, fellow consultants, entrepreneurs, research institutions and associations. Informal configurations around banks, nascent consultancy houses, informal webs formalized through UNIDO's cluster development program, and a professionalized chamber of commerce such as CII—all these bits and pieces of social innovation which, cobbled together, form an informal service configuration, can be considered embryonic stages of (a development toward) a *service economy* in which proprietary interest become embedded in professional networks. This is not an argument for the

'end' of the Ahmedabad trader or for entrepreneurs to become 'professional dopes'. Instead, it is an argument for the development of an intermediate institution, *common ground* for proprietarism and professionalism to meet upon, though governed by *professional* interests, standards, time–spans and horizons.

(2) At the same time, Ahmedabad is still by and large a *proprietary economy* governed by proprietary interests, standards, time–spans and horizons, whereby the boundary between the public and the private is usually controlled by private, proprietary interests, entrepreneurs, or consultants (being service entrepreneurs). Whether it is AMA or IMCI, these are not neutral platforms but institutions governed by private interests. Also, new professional networks are *kept* informal and personal, not only because the market does not support a more formal level of organization (the formal argument with regard to the absence of a formal consultants' house), but also because 'keeping a foot in informality' means maintaining private control while avoiding too much direct, personal responsibility for services that, because of their intangibility, are so difficult to control (see, for instance, the preserved informality around banks). All it would take to diminish the intransparancy that governs the market for consultancy would be something like empanelment or certification by a 'neutral' intermediary institution. It is striking and telling that such an institution is absent in Ahmedabad. Nobody wants to take such a collective responsibility aside from the following institutions: CII (at least for their in–house services, for others it again depends to what extent they are personally 'known'); EDII (but not as a strategy; it is the *de facto* outcome of faculty doing consultancy work); and UNIDO (sponsoring interaction between entrepreneurs and UNIDO 'approved' consultants such as Mr. Patel). Such *institutional best practices* therefore are by and large missing from Ahmedabad's proprietary cultural repertoire. One reason for this has already been mentioned: the embryonic stage of development of most professional governed institutions, networks, and configurations and, hence, the absence of the multitude of coordinating institutions, layer upon layer, that appear to form the core of cluster development or, more in general, a service economy. A second set of reasons has been mentioned above, describing the breaking down of the local cycle of institution–led learning and development and Ahmedabad's de–clustering.

Here the argument has come full circle and a final set of conclusions needs to be drawn with regard to the position of provincial Ahmedabad in the process of global market formation.

The need for services on the one hand, resulting in the formation of an informal service configuration, and the absence of more sophisticated regulatory institutions on the other hand, able to handle the intangible complexity that comes with services, determine the pace of the simultaneous de–and re–clustering in Janus–faced Ahmedabad. Three areas of cosmopolitanism and/or provincialization must, therefore, be distinguished to position Ahmedabad in the process of global market formation:

(1) With regard to the *availability* of global cultural capital, Ahmedabad is a cosmopolitan city. Here the ICT revolution, the intangible characteristics of especially information and services, and the local professional–institutional infrastructure in Ahmedabad team up to ensure that Ahmedabad is not provincialized. The production of Sassen's global form of globalization is highly concentrated in a select number of strategic places around the world. This pattern continues in India as a thin upper layer of MNCs and Indian companies, which are concentrated in Mumbai, Delhi, Bangalore, and Chennai, and which require the most sophisticated management technologies and the most sophisticated processing of information into services. However, aside from this process of physical concentration, also a global knowledge spill–over takes place. The smaller, more average Indian companies, operating below the most international, most professionalized level, collect the bits and pieces of knowledge that spill over from the private domain into the public domain through the media, learn from what the frontrunners in their field publish on their websites, perhaps rely on local consultants to analyze this information and to do further research, and for the rest try to meet the market in person. Also, this global knowledge spill–over is supplemented by the fact that the standards and institutions that govern the global market place are hyper–central commodities intended to be shared. Therefore, of importance for positioning the local in a global process is the local availability of decoders able to pick up and translate what global flows bring in (ISO standards, product specifications, *etcetera*). Here Ahmedabad's and India's history of indigenous and developmental institution building pays off. At the beginning of this book I wrote that I started off my field work in Ahmedabad with the aim to identify where new ideas, concepts and tools related to India's global market integration entered the Ahmedabad atmosphere. Ahmedabad–based institutions have this receptive, absorbing capacity. Also, besides a spill–in center, professionals in Ahmedabad actively reach out. The global linkages of local institutions have already been mentioned, but also local consultants have networks that reach out to MNC service providers and even to the City of London. In short, Ahmedabad has a well–developed local–global interface. Services–wise, Ahmedabad is a globaliterate city.

(2) The *accessibility* and *application* of services, however, is more problematic: the local proprietary–professional interface represents a greater boundary than the local–global interface. Ahmedabad's process of simultaneous de– and re–

clustering produces divergent outcomes here. On the one hand, maturing markets, an obsolete developmental bureaucracy, monopolizing cliques of more established entrepreneurs, and (professional) elite de–linking create de–clustering. On the other hand, consultants step into the widening gap between institutions and entrepreneur, broker between the universal–professional and the indigenous–entrepreneurial domain, cobble together an informal service configuration, and create re–clustering. The formation of such a more decentralized service configuration 'fits' the expansion of Ahmedabad's industrial base: the days are over that Mr. Sheth as GIIC marketing officer knew all chemical industries in Gujarat. It is impossible to asses to what extent the growth of the number of (part–time) consultants kept pace with the SSI revolution: for this the consultancy market is simply too fragmented and intransparent. At the same time, it is clear that the supply side of the consultancy market has so far only partially followed the differentiation among entrepreneurs on the demand side because of the reputation game, their preference to work through platforms mostly often monopolized by more established entrepreneurs, and the difficulty of lowering the professional frontier. Here social innovations become important like hybrid local professionals, local MBAs fitted into family firms, and professionalized business platforms. Nevertheless, despite these 'healthy' dynamics, a gap remains, as a result of which Ahmedabad has gone through a degree of provincialization. Restructuring from Fordism to informalization and casualization, thereby turning workers into unprotected 'wage hunters and gathers', represents a less sophisticated form of entrepreneurship than the one that created an indigenous textile cluster (see Breman 1994).

(3) Where Ahmedabad has become *most provincial* is with respect to *formally coordinating and controlling service flows*. Individual brokerage and coordination by consultants cobbling together an informal service configuration may be suitable to develop reach and re–embedding capacities, the regulating of this flow requires more formalized collection action. This provincialization is not related to the concentration of global know–how in the global city. Instead, it is caused by a lack of local social innovation to become institutionally compatible in the face of global market competition. Cooptition can be considered a global best practice to make professional services and proprietary entrepreneurial strategy go together, but in Ahmedabad this best practice has not yet become common practice. Whereas cooptition requires a professional control over of proprietary entrepreneurship, in Ahmedabad proprietary interests still control services and professionally controlled platforms are few and far between. The absence of formal regulation puts a premium on informal monopolization on the one hand and, as a counterforce, Ahmedabad's informal flow of information

> on the other hand: the recycling of local business models and information with the help of consultants or former employees (a repetition of the global–local knowledge spillover pattern on a local level). Given the need for services in the face of increasingly saturated local markets and increasingly global competition, the absence of the institutionalization of cooptition triggers the creation of the opposite: cutthroat competition, economic criminalization and compromised service providers. It is this provincial proprietary struggle over services that underlies Ahmedabad's spinning out of control in the economic domain.

Here this book has come full circle. It started by describing well–organized old Ahmedabad, whose competitive advantage was social and moral: an indigenous cluster built upon four institutions, among them the guilds (*mahajans*) and civic leadership (the *Nagar Sheth)*. It has ended with describing the opposite: present–day Ahmedabad, whose competitive advantage is derived from informal, individual brokerage and coordination between fixing and forecasting able to broker exogenous universal–professional best practices to an indigenous–proprietary business culture, but whose overall fragmented social fabric is unable to control the intangibility of the services flow and institutionalize cooptition.[4] As a result, Ahmedabad shows pockets of social innovation, or context–based modernization, amidst overall societal provincialization. This makes both the pessimists' and the optimists' view on Ahmedabad's position in the process of global market formation premature. Ahmedabad is a provincial bridgehead for globalization from below *under construction*. At the same time, this is sufficient ground to state that the city that before served as a case to refute older models of dominant cores and dependent peripheries again plays this role. Hovering between a services–led cosmopolitanism and societal provincialization, Janus–faced Ahmedabad continues to occupy an intermediary position at the frayed edges of globalization similar to that held by old Ahmedabad, being in touch with yet not being fully dependent upon what is happening at the other end of the chain.

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[4] This is a scenario that would not have surprised Durkheim (1957), who, around the turn of the twentieth century, lectured about the need to fill the gap created by the decline of the medieval guilds in the industrial age with a new corporate system, rendering services in line with the needs of the new era, but also reinstating professional ethics and (guild) discipline to re–socialize an eighteenth and nineteenth century *laissez faire* capitalism—much like Ahmedabad needs to re–socialize its stand–alone proprietary entrepreneurship having gone through a phase of rapid industrialization and now facing both local and global competition.

4. NEXT STEPS: GLOBALIZATION, CONTEXT–BASED MODERNIZATION AND SERVICES

This case study of service providers brokering provincial Ahmedabad into a bridgehead for globalization from below opens up three areas for further research and discussion:

(1) First, it warrants the development of a more layered perspective on (economic) globalization than that of one chain reaching down from the global city into the provincial hinterland and thereby creating the space for a 'counter–geography' to reach in the opposite direction (Sassen 1991; 2002c). Ahmedabad does not depend on professional business services located in global cities or in relay cities to take part in the process of globalization, nor does it depend on the global–local pathways they construct. Instead, global knowledge spill–over, local professionals and proprietary entrepreneurs combine to construct various local–global pathways that include different local and global players. The *global undercurrents* that flow through these less visible and often less formally organized networks have so far been under explored in the literature on globalization. This book hopes to address this gap.

(2) Secondly, it suggests the need for further research on the local brokerage and coordination mechanisms that *cushion* the pressures of globalization to meet particular standards and become institutionally compatible and economically competitive by producing social innovation in the form of *context–based modernization*. Chua (2003) describes the destabilizing consequences that come about if liberalization and global market competition are not met with local brokerage and coordination, including the regulatory mechanism that is largely missing in Ahmedabad. Buruma and Margalit (2004) describe the relation between (an inability to meet) these modernizing pressures and a retreat into an anti–(global)–city, anti–market and merchant, anti–modern fundamentalism (from a variety of cultural backgrounds). On a more abstract level, one might question the relationship between the (in)ability to meet such global pressures and Elias' (1939) evolutionary perspective on the civilization process in which he relates the societal ability to 'manage' an increasing (economic) division of labor and, hence, interdependency, to a culture of increased self–discipline, predictability, and foresight.

(3) Thirdly, it suggests the need for further research on the role played by professional services in organizing these local brokerage and coordination mechanisms and in institutionalizing such a culture of interdependency.

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SAMENVATTING

Ahmedabad is een relatief onbekende stad van vier en een half miljoen inwoners gelegen in India's westelijke deelstaat Gujarat. Naar Westerse standaarden gemeten oogt Ahmedabad 'provinciaal'. In 2001 was het groot nieuws dat in een bioscoopcomplex de eerste roltrappen van de stad werden geïnstalleerd Ahmedabad is echter ook een stad met een rijk handels- en industrieel verleden. Gujarat fungeerde als een *entrepot* in de handel rond the Indische oceaan totdat de Britse *East India Company* deze in de 18de eeuw monopoliseerde en verplaatste naar Bombay. Ahmedabad bracht in de 19de eeuw een textielindustrie voort die weliswaar gebruik maakte van Britse kennis en techniek, maar stoelde op instituties uit haar preïndustriële, mercantiele verleden. 'Onbekend' Ahmedabad geniet derhalve bekendheid in de wetenschappelijke literatuur als een van de weinige voorbeelden van inheemse industrialisatie onder een koloniaal bewind. Hiermee hielp deze stad theorieën over mondiale economische interactie zoals die drie decennia geleden in de mode waren, van 'afhankelijke periferieën' die afgeroomd worden door 'dominante metropolen', te weerleggen.

Meer recente theorieën over *global cities* blazen ditzelfde oude wereldbeeld nieuw leven in, alhoewel gebaseerd op een andere logica en gevat in een andere taal. Stroomde er eerder afgeroomd surplus van de periferie naar de 'kern', nu vindt er een concentratie van kennis, informatie en diensten plaats die als essentieel gelden voor het aansturen van steeds langer en complexer wordende mondiale productieketens. Het resultaat is echter hetzelfde: de marginalisatie of 'provincialisering' van de periferie. Het onderzoeksprogramma *Brokers of Capital and Knowledge* heeft zich tot doel gesteld te onderzoeken hoe 'provinciale' steden zoals Ahmedabad verbonden zijn met de mondiale economie, welke instituties en actoren hierin een schakelfunctie vervullen en of deze hetzelfde professionele karakter dragen als in *global cities*. Wanneer zou blijken dat in Ahmedabad een eigen, inheemse zakelijke dienstensector 'van onderaf' vorm geeft aan Ahmedabad's integratie in de mondiale economie en de hiervoor benodigde kennis, informatie en praktijken aanlevert, zou de stad hiermee wederom een theorie over mondiale economische interactie weerleggen.

Dit boek ziet interactie tussen mondiale en lokale economische systemen niet als een 'verticaal', van 'boven af', vanuit de kern aangestuurd proces dat automatisch leidt tot de onderwerping van lokale systemen, maar ook niet als proces van gelijkwaardige, 'horizontale' uitruil tussen beide. Mondiale economische integratie, het zich vormen van een mondiale marktplaats, betekent dat één, mondiale concurrentiestandaard lokaal gaat gelden. Soms zullen inheemse instituties volstaan om te voldoen aan deze mondiale standaard, soms zullen hiervoor echter ook uitheemse instituties en *best practices* lokaal geadopteerd en geïntegreerd moeten worden. Hieruit volgt dat mondialisering 'van onderaf' gebaseerd is op het vermogen om het mondiale en het lokale, het uitheemse en het inheemse te verenigen en te vermengen, zoals bijvoorbeeld gebeurde ten tijde van Ahmedabad's industrialisatieproces. De centrale vraag is dan of dit vermogen heden ten dage in Ahmedabad aanwezig is en wie het bezit.

Dit vermogen tot vermengen en integreren is des te belangrijker in de Indiase context, omdat India's politieke economie sinds haar afhankelijkheid een unieke, 'lokale' *Third Way* volgde om tot economische ontwikkeling te komen, die resulteerde in een (over)gereguleerde en van de buitenwereld afgeschermde markt. Sinds de jaren tachtig van de vorige eeuw doorloopt India een transitieproces in de omgekeerde richting, maar ondanks haar voortdurend grote rol in de economie is de Indiase overheid niet in staat het 'gat' te dichten dat met de tijd is gegroeid tussen lokale praktijken en mondiale marktstandaarden. Als gevolg van wat India's 'bestuurbaarheidscrisis' wordt genoemd, worden publieke zakelijke dienstverleners niet hervormd en blijven zij sterk gericht op het 'ontwikkelen' van nieuwe ondernemers met identieke productieprocessen voor het 'vullen' van een afgeschermde lokale markt. Het gevolg is een zware concurrentiestrijd en grote aantallen faillissementen in een in toenemende mate verzadigde Indiase markt. Het gevolg is ook dat een alternatieve, niet-publieke dienstenconfiguratie gevormd moet worden voor het circuleren van de kennis, informatie en praktijken die Indiase ondernemers nodig hebben voor het vergroten van hun lokale concurrentiekracht.

Ontwikkelingen in India's publieke banksector en Gujarat's netwerk van instanties voor het ondersteunen van ondernemerschap bevestigen dit beeld van een *de facto* privatisering van zakelijke dienstverlening. Gujarat was in de jaren zeventig van de vorige eeuw een voorloper in het ontwikkelen van ondernemers, maar de vernieuwende instanties die hiervoor werden opgezet zijn nu achterhaald en vaak bijna failliet. De oorzaak hiervoor ligt in onrealistische financieringspraktijken maar ook in het aansturen van organisaties die een bepaalde professionele vrijheid en kwaliteit nodig hebben om tot goede analyses te komen als waren zij bureaucratische uitvoerders van standaardregels. Bankiers in publieke banken missen als gevolg hiervan het vermogen om om te schakelen van het opvolgen van politieke richtlijnen naar het zich vertrouwd maken met de markt. Als reactie hierop trekken banken zich terug uit de markt en gaan vooral staatsschuld en consumentenleningen financieren. Maar ook vindt de vorming van een informele dienstenconfiguratie rondom banken plaats, waarin bankiers inniger maar blijvend informeel gaan samenwerken met consultants en bijvoorbeeld informatie over betrouwbare technische experts met hen gaan delen om tot minder riskante, beter onderbouwde aanvragen voor leningen te komen. Terwijl publieke bankiers deel blijven uitmaken van een lokaal systeem en derhalve een sterk lokale horizon en denk- en handelswijze blijven hanteren, zijn het de voormalige *fixers,* de ritselaars van de gereguleerde economie, die nu een belangrijke rol gaan spelen in de open economie als *forecasters*, 'duiders' van (mondiale) markt- en technologieontwikkelingen.

Consultants vormen in Ahmedabad de belangrijkste groep van zakelijke dienstverleners met, in principe, het grootste bereik onder ondernemers. Tegelijkertijd genieten zij van oudsher een slechte reputatie en kan de markt voor consultancy in Ahmedabad omschreven worden als een 'reputatiespel'. Enerzijds willen consultants zich distantiëren van 'echte' *fixers* en streven zij naar een zo 'professioneel' mogelijk overkomen, omdat dit de grootste klanten en beste opdrachten oplevert; anderzijds moeten zij ook 'praktisch' blijven, omdat de (uitvoering van) regelgeving rondom markten dit vereist, maar vooral ook om te kunnen werken met de massa van niet of slechts deels geprofessionaliseerde kleine bedrijven in Ahmedabad. Dit spel 'speelt' het meest daar waar consultants pogen de professionele 'grens' te verleggen door professionele, als relatief universeel toepasbaar beschouwde, maar van origine uitheemse praktijken te integreren in inheemse instituties zoals het familiebedrijf. Met andere woorden, het reputatiespel speelt het meest daar waar de basis voor mondialisering van onderaf wordt gelegd. Vanwege het reputatiespel, maar ook vanwege hun relatief homogene afkomst uit de hogere middenklasse, is de differentiatie die in Ahmedabad heeft plaatsgevonden binnen de onderondernemersklasse nog niet gevolgd door een vergelijkbare differentiering onder consultants. Als gevolg hiervan concurreren zij om toegang tot de relatief kleine groep van meer geprofessionaliseerde bedrijven, terwijl de grote groep van kleinere bedrijven 'onderbediend' blijft, en 'vechten' zij voor een plaats op de altijd strikt informele referentielijsten van 'neutrale' instanties zoals managementverenigingen of pogen zelfs (het bestuur van) deze te monopoliseren. Het gevolg is dat de markt voor consultancy in Ahmedabad aan de oppervlakte zeer intransparant en gefragmenteerd is, met een veelvoud van openbare instanties die de specifieke belangen van beperkt aantal consultants vertegenwoordigen. Tegelijkertijd zijn er beneden de oppervlakte informele netwerken te vinden die gevestigde, 'geplaatste' consultants verbinden met opkomende consultants en meer professionele *forecasters* met praktische *fixers*, en die tezamen alle instanties die deel uitmaken van Ahmedabad's kennisinfrastructuur bij elkaar brengen in een informele dienstenconfiguratie. De spinnen in dit web zijn niet de al te praktische *fixers* of de strikt professionele *forecasters* maar die consultants die een professionele, uitheemse inhoud weten te verenigen met een praktische, lokaal geaccepteerde werkwijze. Kenmerkend voor deze kritische intermediairs tussen het mondiale en het lokale in Ahmedabad is dat ze vaak met een minimum aan *overhead* vanuit achterkamertjes opereren en onzichtbaar zijn totdat iemand je naar hen verwijst.

Temidden van deze informele dienstenconfiguratie is er in Ahmedabad een drietal mechanismen te onderscheiden dat op een meer gereguleerde wijze diensten coördineert en ondernemers en dienstverleners bijeen brengt dan het hierboven geschreven gedrag van monopolisering en doorverwijzing via informele netwerken. Diensten zijn gemakkelijk te kopiëren goederen. De complexiteit van deze mechanismen ligt dan ook in het feit dat zij moeten kunnen bepalen welke diensten collectief toegankelijk moeten zijn ter versterking van de lokale concurrentiekracht (en derhalve niet door een enkeling gemonopoliseerd mogen worden) en welke diensten alleen individueel toegankelijk mogen zijn om een teveel aan lokale concurrentie te voorkomen (en derhalve niet door de massa gekopieerd mogen worden). Eén mechanisme betreft de lokale afdeling van een nationale, geprofessionaliseerde kamer van koophandel. Waar de meeste niet geprofessionaliseerde kamers en brancheverenigingen geregeerd worden door private belangen, waakt hier een professionele, autonome staf over de uitvoerig van een collectieve agenda en draagt zorg voor het aanbieden van een veelheid aan diensten, collectief en individueel. Een tweede mechanisme betreft 'beschermde' consultants in dienst van een publieke instantie gericht op het ondersteunen van ondernemers. Meer dan de professionele kantoorstaf van de kamer zijn dit echte 'veldwerkers' met een groter bereik onder ondernemers. Zij vervullen eenzelfde makelaarsfunctie als private consultants maar hoeven zich, vanwege hun van de markt afgeschermde positie, minder gelegen te laten liggen aan het reputatiespel of aan de noodzaak tot monopoliseren en genieten derhalve meer vertrouwen bij instanties en ondernemers. Tenslotte moet de deels publieke, deels private makelaar genoemd worden die collectieve en private belangen in zich verenigt. Het verspreiden van goedkope informatie die van algemeen belang is via een *portal* stimuleert de vraag naar zijn duurdere, meer specifieke informatie en diensten. Tegelijkertijd is het private belang van deze gespecialiseerde consultant nauw verbonden met de collectieve ontwikkeling van de sector waarin hij werkt. Deze drie mechanismen kunnen beschouwd worden als aanzetten tot een diensten- of kenniseconomie waarin concurrentie tussen ondernemers plaatsmaakt voor een meer verfijnd samenspel van concurrentie en samenwerking, gebaseerd op de noodzaak om toegang te krijgen tot meer professionele, uitheemse praktijken om de lokale concurrentiekracht te vergroten.

Deze beschrijving van Ahmedabad's dienstensector als een grotendeels samengeraapte, informele dienstenconfiguratie bijeengehouden door consultants resulteert in een tweeledige conclusie met betrekking tot haar positie in het proces de mondiale economische integratie. Enerzijds kan gesteld worden dat in Ahmedabad voldoende kennis circuleert om 'onafhankelijk', van onderaf aan dit proces deel te nemen. In dit opzicht is er dus geen sprake van provincialisering. Dit is geen toeval. Niet alleen bieden het internet en mondiale media een schat aan informatie voor lokale ondernemers, ook herbergt Ahmedabad nog steeds de lokale instituties, in de vorm van managementscholen, managementinstituten, kamers van koophandel en een veelheid aan consultants, om deze informatie lokaal van nut te laten zijn. Er is een directe historische lijn te ontwaren tussen de instituties die industrialisering in Ahmedabad mogelijk maakten en de instituties die er nu zorg voor dragen dat Ahmedabad qua kennis, informatie en diensten niet achterblijft en provincialiseert. Anderzijds moet gesteld worden dat Ahmedabad wel degelijk meer provinciaals is geworden met betrekking tot het reguleren van de toegang tot deze kennis, informatie en diensten om onderlinge concurrentie in te dammen ten faveure van meer coördinatie tussen ondernemers en dienstverleners. Hiervoor zijn sterkere, collectieve instituties nodig dan informele coördinatie door private consultants, die zelf tenslotte ook bijdragen aan het beeld van monopolisering en fragmentatie dat Ahmedabad kenmerkt, ongeacht het bestaan van drie alternatieve mechanismen. Enerzijds biedt Ahmedabad's informele dienstenconfiguratie derhalve genoeg aanknopingspunten om te stellen dat de stad wederom in staat is theorieën die mondiale economische integratie gelijk stellen aan marginalisatie van de periferie te weerleggen. Anderzijds biedt dezelfde informele dienstenconfiguratie te weinig aanknopingspunten om te stellen dat provinciaal Ahmedabad daadwerkelijk reeds dient als een 'brughoofd' voor mondialisering van onderaf. Ahmedabad is een brughoofd in wording.