India's icon

BY **Andrew White**

Ratan Tata has achieved almost legendary status among many of India's 1.2 billion people. In an exclusive interview with Philanthropy Age, the former chairman of the Tata business empire tells us why his country needs to change its approach to improving the lives of the hundreds of millions of Indians mired in poverty

His employees talk of an almost obsessive attention to detail, and the considered pauses he takes before he delivers approval or reproach. His critics begrudge him as the inheritor of an opportunity, a legend by dint of dynastic succession rather than entrepreneurial distinction. The rural poor speak of him as an almost otherworldy figure, able to change lives at the stroke of a pen or the inflection of a bushy grey eyebrow.

In the flesh, Ratan Tata addresses all three perceptions. He reels off statistics as though they were laid out in front of him, speaking slowly and deliberately and clarifying even the most innocuous of verbal missteps. He makes no claim to have been an empire-builder, when referring to his past as the "custodian" of a company of which less than 2 per cent is owned by the Tata family. When he speaks of India's manifold problems, he does so with a fierce authority that would lift the hearts of millions of Indians without a voice.

"Slumdog Millionaire was a successful movie and there are a number of people who think it showed India in a bad light,' he says. "It showed India in a realistic light. We should all be ashamed of what [inequality] there is, and try to solve it. Are we doing it? No. And that's something that really needs to change."

From his nondescript offices in Mumbai, the 76-year-old former chairman of the Tata business empire is attempting to spearhead that change. Now retired from the corporate sphere, he retains the chairmanship of the Tata trusts, a group of some of the country's oldest and certainly most high-profile philanthropic organisations. The trusts hold around 66 per cent of the equity capital of Tata Sons Limited, the holding company of the Tata Group. Founded in 1868, the Tata Group encompasses more than 100 companies across sectors as diverse as IT, engineering, energy, steel, chemicals and automobiles.

For more than a century, a significant proportion of the conglomerate's profits have been ploughed back into helping change the lives of impoverished Indians. While the Tata Group routinely spends 4 per cent of its net profits on activities related to corporate social responsibility (CSR), the two largest Tata trusts between them disbursed an additional $800m during Tata's two-decade tenure as chairman of both organisations. And, as has become de rigueur for successful business leaders intensifying their efforts in the philanthropic sphere, Tata is attempting to instil a corporate culture in the charitable trusts he now oversees on a day-to-day basis.

"One hopes that one can treat the philanthropic activities of the trusts as a corporate entity: setting goals, looking at efficiencies, monitoring the outcome and benefits of what we're doing," he says. "The first thing is to question a lot of what is going on already, and it's something I faced with the Tata Group when I started. I was told; 'This is the way we've been doing things for 25 years, and who are you to ask?' But when you're the chairman

they have to answer, and so things did change in time."

Tata's methods, resented at first, helped the Tata Group's turnover grow tenfold to $100bn during his chairmanship. If he can achieve even a small percentage of that impact now that his focus is directed solely towards the Tata trusts, the naysayers are likely to be proved wrong again.

"Operating traditionally is perhaps the greatest weakness of the trusts; there's a tremendous resistance to change, and I have not shaken that attitude just yet," he admits. "A priority is to go out and look at what other foundations are doing, broaden our thinking and benchmark ourselves against others."

Today, one of Tata's primary focuses is on India's so-called invisible epidemic. A 2011 study provided reliable – and saddening – estimates of child nutrition in India. The Hunger and Malnutrition survey found that some 42 per cent of children under five were underweight and 59 per cent were 'stunted', or chronically malnourished. Of those children who were stunted, about half were classified as 'severely stunted'. The prevalence of underweight children in India was double that of sub-Saharan Africa. In 2012, another report by British charity Save the Children estimated that 1.83 million Indian children die every year before the age of five, the majority from preventable diseases made lethal by the malnourished child's inability to fight back.

"We are a large population: we grow at about 17 million people a year; the equivalent of one Australia or Malaysia," says Tata. "If that new generation is weak or suffers physical and mental defects due to malnutrition, or has a high mortality rate, it's a major issue. You cannot have a prosperous tomorrow if, each year, 17 million people are vulnerable to this infirmity. If you then look at those who do survive but survive with weakness and low resistance to various ills, then you have another problem of a high cost of health."

He argues that malnutrition is not a

"You can't have a prosperous tomorrow if, each year, 17 million are vulnerable to infirmity"

problem that has "gone unnoticed by the government". He does, however, believe that the disbursement of "huge budgetary allocations" has been rendered ineffective thanks to inefficiency and corruption. It's difficult to mitigate a distribution network, he admits, where government-supplied nutrient packages are more likely to be sold in the local market, than they are to find their way into the feeble young hands that need them most.

Although the Tata trusts are grant-making organisations that often work hand-in-hand with government bodies, Tata is less forgiving when it comes to other government efforts to redress India's all-too-evident inequalities. He is particularly critical of a specific clause in the country's new Companies Act, which mandates that large corporations must spend at least 2 per cent of their profits on CSR.

"We have a phenomenon which is meant to be good but is going to be somewhat chaotic," he says, warning that India does not yet have the infrastructure or oversight capability to successfully introduce such a scheme. "You'll see an enormous growth in NGOs, everybody tripping over themselves to register to attract this money. However we don't as yet know what kind of monitoring there'll be in terms of how this money is used.

"You will have a registered NGO, you will have the money, the money goes to the NGO and it may be three or four years before the whole thing explodes in a series of fraudulent operations; money being given to people that don't exist, or causes that are subterfuge for something else."

In addition, Tata suspects that some companies will consider the mandated donations a form of taxation, and therefore employ every means at their disposal to funnel the money back into corporate coffers. "The NGOs need to be certified by the government, but their causes are not defined, their mandates are their own, and there will be those venal corporates that short-circuit those funds back into NGOs that they are connected with under the surface," he cautions.

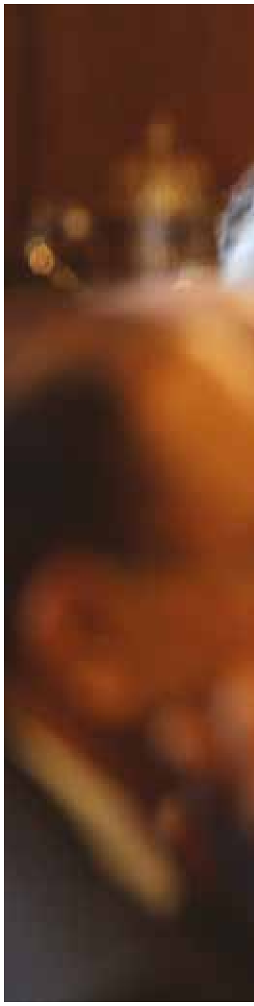
Tata's suggestion is that the government define no more than five "thrust areas, things that it considers necessary for the rank and file of the people." Specific projects should be identified and guidelines established so that funding is monitored and accounted for, and goals should be set district-by-district or state-by-state. "The whole scheme is very vulnerable to exploitation," he warns, "and it needs much more clarification than there is currently."

That the government should feel the need to mandate giving is both a reflection of the huge economic imbalances with which India struggles, and the curious state of philanthropy in India. For a country with so much wealth, technical expertise and management talent, where are India's great philanthropists?

"The biggest philanthropic families in India have been very understated," says Tata. "When you go into some of the rural areas you find that a handful of families have done great things for those communities. And yet the amounts that are being disbursed are small: ours is the biggest in the country and we disburse only about $92m a year.

"I think we're still a feudal country, so there's great disparity and a relative lack of concern among many about the wellbeing of the poor around us," he continues. "The caste system has a lot to do with it, and in certain parts of India you get almost unbelievable, inhuman actions against the lower caste citizen, almost treating him like an animal. It's illegal, it's not supposed to happen, but it does."

If such attitudes are to change, then much will depend on the next generation



MAIN Ratan Tata is now devoting his energies full-time to the Tata trusts, having retired as chairman of the Tata Group in December 2012

66%

The Tata trusts' holding in Tata Sons Limited, which owns the Tata Group

and their approach to those marginalised and less fortunate elements of Indian society. In a culture where grey hair and experience often trumps youth, Tata argues that fresh blood must be incentivised into the philanthropic sector, in order to drive innovation and help overcome centuries-old prejudices.

"The younger breed is interested in its own prosperity, and that's another change that philanthropic organisations have to make," he says. "They don't pay the kind of salaries on offer in the corporate world, so they don't attract people other than those who are willing to come for much less.

"We're trying to change that within our organisation, by paying corporate salaries," he continues. "If [India's philanthropic sector] offered a respectable level of remuneration to young people then there would be those who have the same interest in making a difference to humanity, and would want to apply their ingenuity and creativity to that cause. At the present moment, it's only the person that has that passion and is willing to make an enormous sacrifice. But I think this will change."

Tata's introduction to the world of philanthropy was, of course, dictated by circumstance rather than salary. Yet even his critics might admit that his greatest inheritance was not corporate, but ethical. Growing up he was inspired in particular by his grandmother Navajbai, the widow of Sir Ratan Tata, founder of one of the two major family trusts.

"I learned a lot from her in terms of how she looked at misfortune and how she mitigated that for people when they came to her," he recalls. "She had homes for the poor all over the country, or sanatoriums as they were called in those days. She operated in that way not to gain visibility for herself, but because she was very kind-hearted and passionate in terms of doing away with misery."

Tata is insistently self-deprecating when talking about his own giving, describing his own personal wealth as "marginal", and preferring instead to emphasise the institutional giving enshrined in the family companies by their founders decades ago. Nevertheless, he does admit to a sense of pride when he meets those who have benefited from the efforts of the trusts.

"I was awarded a medal by the Indian government, and it was presented at the president's official home in Delhi, a big event with horns and a procession," he smiles. "When I was handed the medal I told President Narayanan, 'Sir I am greatly honoured to receive this from your hands'. He replied: 'I was a Tata scholar. That's how I got my start in life', and then burst into laughter. That was a great moment; I almost broke down in tears." ■