Creating Emerging Markets – Oral History Collection

Rahul Bajaj, Chairman, Bajaj Group
Interviewed by Srikant M. Datar, Professor, Harvard Business School
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Video interview conducted in English

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SD: Thank you very much, Rahul Bhai, for giving us time today to interview you on this project. I will refer to you as Rahul Bhai because I have known you and the family for well over 50 years, so of course, it is a particular pleasure to do this interview with you.

RB: Thank you.

SD: Let me start, Rahul Bhai, by asking about your formative years. We are very keen to learn about your early childhood, the great role that your family played in the freedom struggle, and the association with Mahatma Gandhi.

RB: As you know, Srikant—I am trying to recollect as briefly as I can—my paternal grandfather, the Late Shri Jamnalal Bajaj, was considered by Mahatma Gandhi as his fifth son. Gandhiji had his own 4 sons. And after returning to India from South Africa, Gandhiji settled down in a place
which is now a part of Ahmedabad. At that time it was considered close to Ahmedabad, and became known as Sabarmati Ashram. Then, without getting into reasons on how it happened, in about 1932, Jamnalalji, my grandfather, persuaded Gandhiji to shift from his home in Sabarmati and move to a small town called Wardha, which is in Vidarbha province of Maharashtra, which was and is the Bajaj family home. We are originally from Rajasthan and that can be called our ancestors’ *janmabhoomi* [place where one is born]. But, until we, after independence, shifted to Mumbai and Pune, Wardha was our *karmabhoomi* [place of one’s duty]. Not for me though, because I was very young, but for my father and for my uncle—they are brothers, two sons of Jamnalalji. So, he [Gandhi] shifted to Wardha. Where saints live is called an ashram and his place in Wardha is called Sevagram ashram. It is as well-known as the Sabarmati Ashram. Gandhiji lived there the last 16 years of his life, until he was assassinated in New Delhi in January 1948.

Jamnalalji—not because he was my grandfather—was also like a saint. Nobody respected and loved my father more than I did. But I would not call him a saint; he was a great human being and a good businessman. Yes, he was brought up in the Gandhi and Vinoba [Bhave] Ashram but he was a businessman. Jamnalalji was exceptional. We have no time to go into that. So, that became the Bajaj family DNA… genes… culture.

In the mid-1920s, the Bajaj family started wearing Khadi clothes and all other clothes that we used to wear—made in the mill or English clothes—were burnt in my home in a holi (holy fire); because of that, we
never went into textiles. In the mid-'30s, a sugar mill was started in the state of Uttar Pradesh, but unlike everybody else, one of the money-making things they used to make was alcohol from molasses, which is a by-product of sugar. So, we became a Gandhian family; not that every member of our family became Gandhian, that would be impossible—I cannot call myself a Gandhian. But I am proud to belong to my family. My grandfather, grandmother, mother, father, uncles, aunts, all were in British jails during the '30s and till 1946; India became independent in August 1947. So, we all grew up in that environment and we moved to Mumbai just around the time of independence for business purposes.

My grandfather passed away at a very young age in 1942, five years before independence. Until 1946—I was born in 1938—for eight years, my life was spent in Wardha. I don’t remember much of it. My father was brought up and educated in Gandhiji’s and Vinoba’s ashram, where he learnt much more than what I learned at Cathedral, one of the best schools in Mumbai and at St. Stephen’s College. That was a very different kind of learning from what you can imagine. And if we have time for that, I can give the kind of stories which happened with my father and Gandhi.

Let me give some incidents to explain what Gandhi was like: When my father [Kamalnayan Bajaj] was asked to clean the bathrooms, he said, “I won’t do that, it is dirty.” Gandhiji asked him who is dirty, the one who goes to bathroom or the one who cleans it. And what happened when my mother was taken to Gandhi: she came from an aristocratic family—and my aunt, who was very naughty, said, “Bhabhi [sister-in-law], it is three weeks,
now you should shift to [wearing] Khadi [homespun]; here nobody wears anything but Khadi.” My mother was from a wealthy family. She used to wear only silks. She said, “It [khadi] hurts me, I can’t wear that.” She was taken to Bapu [Gandhi] and what did Bapu say? He said, don’t force her, as that will be violence. So, that is the environment in which I was brought up. No formal schooling there, I went to a school for a little while, but nothing much. But I remember being in the lap of Mahatma Gandhi. I remember being at Vinoba’s ashram and getting into a well and digging, when I was six to seven years old. And, of course, much later, I was there when he [Acharya Vinoba Bhave] died. He had taken to silence [did not speak to anyone] for the last few days of his life; I was in Japan, I heard about it, and rushed back, and was in Paunar near Wardha when Vinoba died.

It was a very different environment. I was born in 1938. I have faint memories of the freedom struggle. Until 1947, because Gandhi was there, the entire freedom struggle was fought from Wardha.

So, whether it was Motilalji, Jawaharlal, Sarojini Naidu, Rajendra Prasad or Kripalani, you name them… there were always all the top people there for Working Committee meetings. The Congress Working Committee met there; my grandfather was a member of the Working Committee—he was the treasurer of the Indian National Congress. In Wardha, even today, there is no hotel, not even a four-star hotel. In the 1930s and 1940s, all the top congressmen, where would they come and stay? There were only dharamshalas; and you know what dharamshalas were like. The only decent place to stay at was what we call the Circuit House. It belonged to the
government and do you think that the government would allow persons fighting for freedom to stay there? They would put them in jail. They would not let them stay in the Circuit House. We had a home where we all used to live. Two buildings were built nearby called “the Bajaj Wadi” or a guest house. The room on the second floor was reserved for Jawaharlal. He was the same age as my grandfather; both were born in 1889. Those were great days, but my memory is, quite frankly, very faint. Then my parents, in 1946 or so, came to Bombay, where I went to St. Xavier’s High School for two years and then in 1948, I shifted to Cathedral Boys’ School from which I graduated (did my Senior Cambridge) in 1954.

**SD:** When did you know, Rahul Bhai, that you would become a businessman and how did that transformation happen?

**RB:** I cannot pinpoint a day, but sometime during my early teens—around 13–14 years. People say, while you are a child, you think of being a policeman or a pilot; I never thought of anything else. Business, business, business. I never thought of being a lawyer. I could have been a barrister. I did my LL.B. from Government Law College, Bombay, but I never thought of law as a profession. Additionally, I did my B.A. Economics (Honors) from St. Stephens College, Delhi, and came for four years’ training back to Bombay—St. Stephens was in Delhi and my home is in Bombay—I went there because I thought St. Stephens was the best. Also, I wanted to experience hostel living. So, I went to Delhi, St. Stephens College, which
was great fun. At midnight, the gates used to close. And I was one of the two persons in the whole college who had a scooter. Sometimes we used to go to Connaught Place—there used to be a place called Palace Heights, it was like a nightclub. By the time we came back, it would be one o’clock in the morning; we’d jump over the gate—great fun.

When I was in Cathedral, I stayed at home and relatives would come home and the discussion at the dining table was mainly about politics and business. I never wanted to get into politics, neither do I want to now. When I got into Rajya Sabha, people said, “Now you are in politics,” and I said, “No, who said I am in politics? You may have that impression, but who says the moment you become a member of Parliament, you are a politician?” First of all, I am in the upper house, not the lower house. Second, I am an independent. They said, “What is your party?” I said, “No, I am not BJP [Bharatiya Janata Party], Shiv Sena, NCP [National Congress Party]; my friend Sharad Pawar brought me to Parliament, not Congress.” In fact, I defeated the Congress candidate. My family earlier had been a Congress family—that is a separate story.

So there was no question of being a lawyer or a doctor. Even though we were in business, in the family, nobody told me I had to be in business. My father—I remember, when I turned 16, called me. He said, “Rahul, in Hindu scriptures, when a son becomes 16, he becomes a friend.” And later on also, he said, “Are you thinking of what you want to do, et cetera. You know we are in business. There is no need at all for you to go into business. You have to do what you want to do.” And I used to tell my children that—
do something for which you have a passion; otherwise, you won’t be satisfied in life. If you want to try to be a mountaineer, that is perfectly all right; then you have to try to get on to the top of the Everest. If you want to be a professional tennis player, that is perfectly all right. But then, at least, you have to play in Wimbledon, meaning you do what you want to do, but once you decide what you do, you must try to be the best in the world in that. And that has remained with me throughout. It is a coincidence, maybe, or maybe circumstances that I chose something which happened to be in my family—business. So that is the answer to your question.

SD: Say a little bit, Rahul Bhai, about the early years of Bajaj Auto and the role your father played?

RB: You want to come straight to Bajaj Auto; do you want to talk about my marriage? That is very important in my life.

SD: I am happy for you to talk about your marriage because I, of course, knew Rupa Bhabhi [Rahul Bajaj’s late wife] extremely well. Please say a few words about her.

RB: I am a Marwari Bania, with a family business. Rupa was a Maharashtrian Brahmin and her father was an ICS officer, which is now called IAS—the Civil Service. Now, it was not easy for two people of different castes to marry—Brahmin and Bania. She used to tease me and
say, “I am marrying two levels below,” in terms of the caste structure in India. She said, “We live in Maharashtra. You guys are Marwaris from Rajasthan.” Again, “I am marrying a businessman whereas we are in government service.” I got married in December 1961. In my kind of family, it was probably the first love marriage people had heard of. It was a shock to everybody—not to me or my [immediate] family—but the wider Marwari family, which was conservative.

In St. Stephens College, I had a scooter. In Mumbai when I was training in Mukand Steel between 1960–1962, I would go to Kurla from my home on Carmichael Road every day. I had to leave at 8 in the morning, reach there at 8:30, come back at 7 or 8 in the evening, six days a week. I thought, I should have a car. My father said, “No, it is a training program, I will not give you a car.” “How should I go?” “Scooter.” Mom said, “Scooter is risky, no scooter.” “How do I go?” “Take the car.” “Father doesn’t allow.” “So go by bus.” Father says no car, mother says no scooter, I said no to bus and turned to the scooter. My mother had to give in. For two years I went to Kurla on a scooter. My father and I often talked after dinner. We would sit down at home in Pune about 9 p.m. and go on till 2 in the morning. That is where I learned about business and about life.

Rupa never interfered in my business. We got married in December 1961, went away to Harvard in 1962, came back in 1964. She was with me throughout my time in Harvard.

Around 1965–1966, when we had settled down in Pune, I mentioned that my father did whatever she said. If we had a disagreement,
my father would support the daughter-in-law. That he did for the rest of his life. She was mature and sober. After my father and my mother passed away, she was the eldest in the family. She kept this family together and she brought up our children. That is my regret, that I didn’t bring up our children. It seems so wrong today—I had the standard excuse of being busy and that I was traveling. She brought up the three children. And I think they are what they are today because of her. They are outstanding and I am proud of them. And I think she brought us great sobriety, maturity in our lives, which has helped us in our business also. In fact, this is superstitious—I don’t believe in superstitions. In fact, we don’t do anything in our family which is a superstition, but I think she brought us a tremendous amount of good luck. We were married for 52 years when she died.

You were talking about Bajaj Auto.

SD: Bajaj Auto and also just some quick thoughts on what led you to go to Harvard Business School at that period, one of our very early students from India? Of course, you have already explained that you were going to embark on a career in business, but what caused you to go there, then come back, and then there are a lot of very interesting developments that occurred at Bajaj Auto around that time.

RB: As I had mentioned to you already, Srikant, it was in my teens that I decided to be in business. I did my school, wanted to do an economics
honors degree. I did that, came back from St. Stephens, Delhi, spent four years in Bombay, before I went to the Business School. I thought I must get training which will help me in getting admission as well. I got my bachelor’s in 1958 when I was 20 years old. Then, I entered Business School at the age of 24. In between, I had two years’ training at Bajaj Electricals, South Bombay, and then two years’ training in Mukand Steel, our steel company that was in Kurla, in North Bombay. When I was at Bajaj Electricals, it so happened that the office in Churchgate was almost next door to the Government Law College; the office started at 9:30 in the morning. The morning classes in Government Law College were from 7:30 to 10. I said, it’s free time. So, I did my LL.B. degree. That did help in business. I was never a lawyer. You need some background as it can help in business.

So, then of course I went to Harvard at the age of 24, came back when I was 26, went all over India, wherever we had our plants and offices to decide where I will work. My father said, “Think, decide, you should decide.” I went around, and then I said, “What do you feel?” He said, “It’s your decision, but what I would say is, it’s good to go to Bajaj Auto,” and we had a company called Bajaj Tempo also, but it is not the main part of the story. And I said, “I also was thinking of the same thing.” So, I think in November 1964, I joined Bajaj Auto. The official date we gave is January 1965. My father was the chairman, he was a non-executive chairman, he never got involved in the day-to-day business. He had not done his MBA or any other business education. How he went to Cambridge is a story by
itself, because he did not study formally; he never went to school. He was in Gandhi’s ashram. How did he get into Cambridge? But he got into Cambridge. He would have got his tripos honors bachelor’s degree, but he couldn’t get it as the war broke out and he came back to India and then he got married. He was in Cambridge in a small college called Fitzwilliam House.

In 1968 I took over as CEO, when I was only 30 years old. My father never lived here [in Pune]; he was in Bombay. He was often traveling—my father was a Member of Parliament at that time—from 1957 until Kamalnayanji died in 1972.

As you know very well, Nehru, as compared to all of the politicians in India—that was his legacy from his father, Motilal Nehru, they were barristers—was westernized. He studied in the UK and did his law training after Cambridge at the Inner Temple. But while he was westernized, I think when he was in London he got influenced at the London School of Economics by some socialist theories, Harold Laski and people like that.

And to cut the story short, fast-forward to 1956, when the industrial policy resolution was passed by the Congress Party. He [Nehru] built the temples of India, the steel plants, and Bharat Heavy Electricals. He was not a communist or a leftist, but he got influenced by these socialist policies and Russia at that time. It is our stupidity that China is where it is and we are where we are.

This new government in 2014, they will have a new planning commission, but the question is, in what form? At the moment, of course,
the planning commission is staffed with hundreds of people, but there are no members. There is no deputy chairman. The chairman is automatically the Prime Minister. Montek Ahluwalia was the deputy chairman and there were 10–12 members, their term is coterminous with that of the government; they have all resigned. New ones have not been appointed, but the planning commission as a body is there and so are the people.

Till 1991 we were in a socialist raj. You couldn’t make anything until you got an industrial license and you couldn’t make more than 25 percent of the license capacity. We were told to make 6,000 scooters a year when we first got our license. When we applied for a license, we were importing scooters and selling them through dealers. In Chennai, we were selling them through a person called M. A. Chidambaram—Mac we used to call him.

T. T. Krishnamachari was one of our earlier commerce and industry ministers in Nehru’s time. He also had his own business. Our license went to the government and the secretariat put it up to him. He called up M. A. Chidambaram, his friend. He said, “I have an application from Bajaj to make Vespa scooters. Why don’t you make scooters?” Mr. Chidambaram told him, “But I am a dealer for Bajaj Auto.” He said, “So what, you apply quickly.” In 1958, he applied. Our application was rejected.

At that time, we used to have something called the Director General of Technical Development (DGTD) in the industry. They would say, “There is no demand for more than this.” They used to control production and said, “You can’t have excess capacity, we have scarce resources.” In
1960, two years later, we got the license. In 1958, API (Mr. M. A. Chidambaram’s company) got its two- and three-wheeler license and when we got it in 1960, we were two years behind. But by the early 1970s, we overtook them, just by better management. And, I think in another 20 years, they disappeared as a company.

The first major thing that people have now forgotten—we used to talk about it for years—my home was Bombay, not Pune. One would not like to build or be permitted a plant in Bombay, so we bought land in Pune and started a plant in Pune; it was a “backward area,” we got financial benefits. From that time, from 1964 to today, I have been in Pune. Srikant, you give me names of three top Indian industrial leaders who normally stayed in, for example, Bombay, Delhi, Calcutta, Madras—the four metropolitan towns—who set up a plant away from there. People don’t move. They have managers doing it. They visit a couple of days a month. If something is close by, they may go there once a week.

After I was here [Pune] for five years, people used to say, “Hey, now you come back here [Bombay], have a proper life.” I had shifted to this place called Akurdi where the factory was, which was a rural area. There was no school, no college, nothing. Now at least it is a township. It is not Pune, let alone Bombay, but it is a township. We have schools, we have colleges, and we have hospitals. But, even in the sixties, my wife Rupa had no problems. Some other wife would have objected and said, “I want to be in Bombay.” But not Rupa. Rupa loved it here. We had snakes coming in our house. We built a small house. For years we lived like a middle-class
family. Only once we had a labour strike. All owners come and tell their workers, “This is your company;” do you think anybody believes that? You own the company and you say, “It is yours,” and you don’t treat them well. They saw the kind of house I stayed in. “This fellow lives here.” And I used to talk to them, meet them; my life was there 24 hours a day. I enjoyed it. Nobody told me to do that. After three, four, five years, people started thinking I would go back to Bombay. “You are enamored of Bajaj Auto, or what?” “No, I like my work. What will I do in Bombay? Why should I come to Bombay?” And, I remember, once we had this strike. In the second shift, when it got past 12 o’clock midnight, hundreds of workers came to my house shouting, in Hindi of course, saying, “We will fight for our rights!” I came out from my bedroom, and said, “Guys, you are talking to a Bajaj, the first eight years of my life and my father’s first 20 years of his life were in Gandhi’s ashram. You know how that ashram life is; you are living much better lives. By fighting, you will get nothing. You can close the plant as long as you want. Talk to us, negotiate, I will be fair, but I will be firm.” That would be my policy throughout, dealing with all my stakeholders, including workers and unions, firm but fair. If you are not fair, you can’t run a company. If you are not firm—some of these multinationals who came, they didn’t know what was happening, they used to give in to everything, and they spoiled the whole climate.

So, that was a very major thing, for me to shift from a place called Mumbai, Bombay at that time, to not even Pune, but a village called Akurdi. And that is where I have stayed until today and I am very happy.
My children went to school where my managers’ children did not go, because they all stayed in Pune. My workers’ children went to the same school and I am proud of that. My two sons, who are 48 and 45 years old in 2014, are doing outstanding work in their respective companies; it is not just my opinion, as I can be subjective, but ask the people in India or the people in the industry what they think of them.

I worked through the era of socialism. Rajiv Gandhi appointed me Chairman of Indian Airlines. I was the Chairman of Indian Airlines for three years, a very major thing at that time. This was in 1986, when there was still socialism. Every Congressman was full of socialism in his mind. It should not be a free market; it can’t be capitalism—that was the kind of thinking. And you make a capitalist a public sector company chairman?

By 1991, when a market economy and globalization started—and I had joined Bajaj Auto in January 1965—we were by far the leading two-wheeler and three-wheeler company in India. Motorcycles started only towards the second half of 1980, in 1986–1987, when the Hondas, Yamahas, and Suzukis came in and some Indian companies partnered with them. That’s another story; all of them asked us for partnership. We were the number-one two-wheeler manufacturer. Hero didn’t exist, they were making cycles, TVS was very small, Jawa was making motorcycles, Escort was making Rajdoot motorcycles, and Enfield was making some as well. Some foreign companies came to us. We narrowed it down to discussions with Honda and Kawasaki. They were the best for us. And Honda narrowed it down also to three companies. About a hundred parties had applied to
Creating Emerging Markets

Honda. They first narrowed it down, I am told, to twelve. This was the mid-
1980s, when the government allowed foreign collaborations. The twelve
were brought down to three. I think it was Hero, Kinetic, and us. And then,
apart from other things, the one thing we didn’t agree on managing at that
time, was that I said, “No equity for you.” They said, “We want equity, a
minority share, but we want equity, 26 percent.” And I said, “I don’t want a
partner in my company. Technology, yes.” The other two parties gave them
equity. Afterwards I was told Honda said there were two reasons they went
with the other two and not us. One was they were given equity. As for the
other, they said, “We narrowed the choice down to the three strongest in
India. Then we left the strongest of the three as we had a feeling they would
not fully listen to us.” That is what they told me. None of those
collaborations survived—neither TVS nor Yamaha nor Kinetic nor Hero.

In the auto industry, cars, trucks, two-wheelers, there is no
collaboration which has lasted. See Toyota Kirloskar: they have the name
there; my friend, Vikram Kirloskar, has what ownership? Hardly any. The
partnership broke. Birla got out from General Motors… we were getting
into cars at that time… but that is another story.

You could expand, but a lot of things were required—bribes—and
we would never give a bribe, so our growth was slow. But because the
owner was sitting in the company, and everybody was working hard, we
did well. We had only the Vespa collaboration—a technical collaboration,
and we had good relations with them, until of course in 1971 the
government said no more collaboration, and then there was some litigation. But, I won’t blame Piaggio for that. We won that case.

I concentrated at that time (that time was very different) on three things. I said, “I must have volume and the lowest cost and the best quality.” It is very simple. There is nothing intelligent in that. You don’t need to go to Harvard to learn that. Because if you don’t have these three things, you are in trouble. Best quality would include the latest cutting-edge technology. And that is what I constantly did. I said, for both, I need scale, so I kept going to Delhi to get approval for an expansion. When you are building a network, you will build a brand. In 1971, it was Vespa. In the 1970s, there was no approval given for a foreign collaboration to any auto industry firm by the government. According to me, the decade of the 1970s for industry in India, especially the auto industry, and the engineering industry, was the worst in the history of independent India. It started improving a little bit from the 1980s because Rajiv Gandhi became Prime Minister and he was open-minded, bringing in computers, for example.

The 1970s is when India got left behind China. China’s GDP, in the 1970s I believe, was about the same as India’s. But China started liberalization under Deng Xiaoping in 1979. We started liberalization in 1991. I don’t know how to describe our politicians at that time and even until the last 10 years. How can I blame them? What about the industrialists? There are corrupt industrialists as well. If the minister took money in the 2G [spectrum license scandal] case and the coal [allocation] scam, which ministers did, whoever they were. One of the ministers in the
2G scam went to jail, for taking a bribe, for 14 months in 2011–2012 without being first convicted. You don’t go to jail for 14 months if you are innocent, in India at least. But, if he took money, somebody gave him the money.

So, as for the moral structure in this country—and we are proud of being a Gandhian country, the land of Buddha, the land of Gandhi—forget it. People don’t know Vinoba [Bhave] the world over but he was a real saint. In the land of Buddha, the land of Gandhi, we had all these businessmen and politicians and bureaucrats. Where did they come from? It is a question mark. They took the country to the dogs, especially in the last five years. When I say the last five years, I am talking about the UPA2 [United Progressive Alliance] government led by the Congress party from 2009–2014. Of course, lots of good things were done during 2009–2014. However, so much more should have been done. In 20 years, you will see the difference.

We are proud of our defense services—army, air force, and navy. However, in 1962, the Sino-Indian War, that is a humiliation no Indian has yet forgotten. No self-respecting, proud Indian can forget 1962 or 1965 and 1971 and later, Bangladesh; we can hold our heads high, but against whom? I have some good friends in Pakistan. Imran Khan is a good friend. But they have not had democracy, and when they had a government, the elected government, it was the army and the ISI [Inter-Services Intelligence] ruling it. Everybody knows it. Again, I can’t prove it, but who is denying it? I don’t think even they deny it seriously.
I was in Lahore about two years ago; I met Imran, I met Nawaz Sharif, before he became Prime Minister. We are not afraid of Pakistan. They are irritants; across the border shelling, sending terrorists. We can take care of them.

But on China, we made a mistake. Jawaharlal Nehru said, because of the then-defense minister, Menon [1957–1962], that we shall throw the Chinese Army out. Nehru depended on Menon. And Menon on him. He got the wrong people as lieutenant general in the army and if I remember correctly, he insulted the Chief of [the Army Staff, General K. S. Thimayya]. We lost the 1962 war. And that difference, instead of being bridged in the last 50 years, has increased. We don’t have to be afraid, but at least now we should start building up our armed forces.

Somehow, our defense minister in the UPA II government was so worried about corruption. I am also worried about corruption. However, nothing was bought for our armed services. Everyone was considered corrupt in this recent helicopter deal. So, everybody got blacklisted. And there is no Indian production of anything significant. So, against all the latest equipment, we are going to fight with some twelve-bore guns? What are you talking about? This is an example of our security. That is not only hurting us against China, but also against terrorism. The terrorists here, the Maoists and the Naxalites, they get money from outside for arms. They have better arms than our army. This may be a bit of an exaggeration as far as these are concerned. But on China, there is no exaggeration. We are nowhere near what they are.
Gita Piramal, who is an industrial historian (she is doing postdoctoral research in Oxford at the moment. I have just taken her a few months ago as a member of the board of directors of three of our companies), wrote a few books and one of them was called “Indian Maharajas” about seven families; Bajaj was one of them. She had said, in the 1980s, amongst large companies, Bajaj Auto was the fastest growing during that decade, faster even than a company like Reliance, which I must admit today, is way, way ahead of us in size.

When you have socialism and a closed economy, for anything you produce you need a license; for anything you import you need a license. Even today, the labor laws are such that you can’t reduce your workforce. Throughout the 1980s—it started from the 1970s and continued throughout the 1980s, and the beginning of the 1990s—for 15 to 20 years—the Bajaj scooter had a ten-year delivery period. Nobody outside India understands what that means. It meant instead of going to a dealer and taking a vehicle and going home, you had to make a booking, and your turn would come probably after ten years. What happened was our scooter became a prized commodity in all of India, especially northern India, to be given as a gift, or as part of dowry, at the time of a wedding. You couldn’t get married in northern India, in a middle-class family, unless the girl’s family was ready to give a Bajaj scooter. Now, that would be a ten-year delivery period. So, there were only two ways to do it: people started booking a Bajaj scooter the moment they had a child born in the family, or people purchased through the black market.
We went to the MRTP Commission; we were heard in 1970–1971. The MRTP Commission’s logic was that the public sector had to be at the commanding heights of the Indian economy—the height of socialism. I had asked for expansion which had to go to the MRTP Commission. I went with a couple of my colleagues—without any lawyers. They were a three-member commission; I still remember Subramaniam, Paranjape, and the Chairman was Aligarayawamy, a retired judge of the high court. They all asked questions. I alone answered everything. They said, “This young man had full command of the facts and figures of the case” and they gave us part of the expansion, which we wanted. They said, “They have the highest premium in the market, but it is the lowest priced scooter.”

I could have brought my price to the level of other scooters. But I didn’t. We used to make good profits. But, if I wanted to please the workers, we needed more profit. “Then increase prices, what is your problem, Mr. Bajaj? You know the prices of your competitors’ vehicle. Increase your prices, why are you troubling us?” Some people used to tell me. Today, my son and his team have to go house to house to sell a motorcycle.

A leader without a team can’t do much, but however good a team, if it doesn’t have a good leader, it won’t have a direction. So, you need both. I was lucky to have a very good team and it meant a committed, dedicated management. Most of my competitors didn’t have this: where did an Escort scooter go? Nowhere. The two-wheeler division got sold to Yamaha. Jawa, I don’t even know where the company is now; similarly
with Pearl Yamaha, I don’t know where the company making mopeds has gone. API was the first scooter company in India. It was a Lambretta collaboration, but it disappeared. People had high hopes. Scooters India, a government-owned company, stayed because the government kept putting cash there, but it has been losing money. Only bad management was to blame as it was the same environment and the same country. That was why towards the end of the 1970s, early 1980s, we started a research and development department. At that time, we did not advertise. If we advertised, I would get letters saying, give me a scooter. I had to send a long letter saying why I could not give him a scooter: “You should book now, you will get it after 10 years.”

We brought in a rear-engine three-wheeler. For those days, it was quite a technology change and we brought in what was called the Bajaj M50 and M80. Those were step-through motorcycles. They were not mopeds, they were not scooters, and they were not regular motorcycles where you have a petrol tank in the middle. That was like a scooter. It did very well. On the first day of booking for the Bajaj M80, 12 lakh [1.2 million] vehicles were booked; there were such lines; mounted police were there, in the city of Udaipur.

We also started to export. Today, Sri Lanka, for three wheelers and motorcycles, is a Bajaj country. If you go to Colombo and ask every one, they know Bajaj. That is not because of me, but because of those two-wheelers and three-wheelers. Go to Bangladesh, go to Nigeria. Last year, how many three-wheelers and motorcycles did we sell in one country called
Nigeria? 600,000. Some companies don’t make that number of vehicles in a year.

Where is Colombia? It is the other end of the world and it is Spanish-speaking. Which is the number-one brand of motorcycle? Not Honda, not Yamaha, not Suzuki—Bajaj. Incidentally, my dealer was 10 years’ junior to me in the Harvard MBA [program]. Maybe Harvard Business School’s education had something to do with that.

And then, from 1991, India started liberalization, which was a breath of fresh air. I was shouting away in the 1980s for liberalization. But then in 1993, I became infamous, that was due to the Bombay Club.

And the Bombay Club was synonymous with protectionists and nothing else. And everybody felt that asking for a level playing field was a euphemism for protection. And nobody listened to me, from the media to anybody else.

I have always been an advocate of liberalization and a free market. In fact, that is the Gandhian philosophy. My family stood for that. In fact, nobody thought of and nobody remembered that Gandhi didn’t want a big government. He wanted in fact Panchayati Raj [local government]. I was not a communist or a socialist. I was the president of the automotive association in 1979. I was the president for the first time of CII [Confederation of Indian Industry] in 1980. My speeches will show that when liberalization started in 1991 the government was in foreign exchange trouble. Foreign exchange was not even a couple of weeks’ worth of imports. The government did all the external liberalization very fast. “We
want free trade” meant quick imports. We didn’t want that import license raj. That is correct. And ultimately, it helped us. I am not saying it did not.

In 2014 also, this government is saying, we want Indian manufacture, made in India—but guess what? Now, Europe and America, who previously said no, because it suited them and preached free trade to us—now suddenly, what about Mr. America? Mr. England is okay, but Mr. France, Mr. Italy? Now they find these countries [like India] are no longer “developing.” They are “emerging.” Some of their industries are global; they are internationally competitive—[in terms of] cost, quality, and technology. Our vehicles are an example of that. The best motorcycle manufacturers and two-wheeler manufacturers are in India—Honda, Yamaha, Suzuki, Harley Davidson, everybody. Barring a couple, the rest are smaller than Bajaj.

So, when in 1993 I asked for a level playing field, what I only said was, we have a labor policy problem. I can’t get rid of people. We have a high rate of interest, high transaction costs, and I have to compete with imports which don’t have those limitations. And that got misconstrued as protectionism. I used to say, “Who are the members of the Bombay Club, can you tell me?” The first meeting was arranged by Hari Shankar Singhania and Ashok Jain of Bennett Coleman, both of whom have passed away. Hari Shankar Singhania was from the J.K. Group. We met in the Belvedere Club in Oberoi in Bombay, about sixteen of us. Jamshyd Godrej was there, Keshub Mahindra was there, I was there. We sent a petition to the Finance Minister, at that time Manmohan Singh, and the Finance
Secretary was Montek Ahluwalia. These were the two liberalizers then. Three to four of these people got calls from the Finance Ministry. Some of them are not alive. So, I asked these press people, “Who are the members?” It was a one-member club. Nobody would want to be member of it, as the government was angry. We liberalized after so long. But I only told them, if this one man, Rahul Bajaj, can create all this noise, I am happy.

And in the book the family brought out on my 70th birthday, both Manmohan Singh, the Prime Minister at that time, and P. Chidambaram, the Finance Minister, wrote very nice letters about that.

All companies had to change from a closed economy, a shortage economy, to a comparatively open economy. That is how it should be. That is what the customer needs; it is good for the customer. And that is the only way an industry can boom. Many companies died. They couldn’t convert themselves into that way of thinking. We remained, still the top two-wheeler and three-wheeler manufacturers in India. And we remained almost until the end. We only became number two somewhere near mid-2000. Because what happened in the year 2000 was that the Indian two-wheeler market in a very short two-year period between 1999–2001 changed from a scooter market to a motorbike market. At that time, Hero was making only four-stroke motorcycles in collaboration with Honda and the rest were making only two-stroke motorcycles.

They were the only ones using a four-stroke [engine]. Everybody else, including us, were two-stroke at that time. They used an advertising slogan of fuel economy. They said, fill it, shut it, and forget it. We had a
collaboration with Kawasaki, but we did a two-stroke. Suzuki was two-stroke, so was Yamaha. And we were mainly a scooter manufacturer. So, we took time. Even then, we remained number one, I don’t remember until which year. But sometime later we became number two. I used to tease my elder son. I said, “You are a great manager. You are doing well on costs and quality. All I know is, I was number one, you are number two!” Because Hero then became number one. Hero Honda, at that time, though now they are separate from Honda and still they are number one. And Honda is also doing very well.

My elder son, Rajiv, joined the company after doing his Masters in Manufacturing Systems Engineering from Warwick in the UK in 1990 and worked on the shop floor for some time, which he loved. He didn’t want to do his MBA; the younger one, Sanjiv, wanted to do it. He joined later after he did his MBA in 1997. He looks after our financial services companies. Rajiv has been the Managing Director and the CEO of Bajaj Auto since June 2005 and since 2000 he was de facto CEO. I was still the chairman and MD and he was Joint MD. I think somebody said it in an *Economic Times* article recently and believe that—building up the company, I may or may not have done a good job; that is another story—but something which I think I have done very well, and that is what that gentleman said, which is not fully appreciated, is the way I have handed over seamlessly the authority, the responsibility, to my two sons. Normally, the CEO, the owner-chairman and MD who ran the company for 40 years, is the strong guy on the job; such people don’t hand over easily. [Thomas J.] Watson
handed over to his son at IBM and took it back, saying something like, “I didn’t build this empire to have you destroy it.”

Between generations, there will be changes/differences in management style. But I am proud and I was fortunate that I had these two boys. Talking of Bajaj Auto, talking of Rajiv, the elder one, who is now 47—he is an outstanding, competent, committed guy—although [we share] the same genes, same DNA, we have different personalities. There are many differences between Rajiv and me. I was fortunate that both were competent. I won’t keep them in these positions just because they are my sons. The Bajaj family’s reputation and wealth lies in the success of our group companies. And in these times, we can only afford to have the best, the most competent, CEO. If you don’t have a competent guy at the top, no other competent guy will work for you. In those days of the shortage economy, in the ’70s and ’80s, an owner could sit while others were working; they didn’t mind the owner sitting there. If he was competent, you were lucky. If he was not competent, too bad. Those days are gone.

I think from the end of the 1990s, over a period of five to seven years, and of course until March 31, 2005, I remained the de jure chairman but was delegating more and more authority to Rajiv. Since 2005, I am a nonexecutive chairman and Rajiv is the managing director. And, we are flourishing, though we can do still better. In the chairman’s statement for the year ending March 31, 2014, I have asked, Why can’t we do better? We have an outstanding managing director with an outstanding team. We have lost some market share in the last two years, domestically. Why?
EBITDA percentage, we are number one. In net profit after tax also we are on the top. Also, for exports. But, on the number of vehicles sold in the market, we are not doing as well as we should. So, they must find out the reason and correct it.

_SD_: So, Rahul Bhai, I want to spend a little more time on this transition because clearly in these emerging market economies, transitioning to the next generation of managers, maybe from the family, maybe outsiders, is very important. But just to close the earlier chapter that described your long, successful history at Bajaj Auto, anything that you think from the point of view of teaching our students or sharing with our executives, a quick list of things that summarizes what you did well in the context that you so beautifully described. Some of the amazing things that you talked about: no need to improve costs, no need to have a ten-year waitlist, how that mindset caused you to remain [on top]. I am just trying to get at the values that you held that caused you to behave in ways that almost might look to someone as not needed, irrational even, to some extent.

_RB_: I think it is common sense. You didn’t even need to have comparisons. That was why we became number one, because not everybody else did it. That was the way I was brought up. And I must admit, I learned a great deal from my father, before and especially even after business school—about life, about business, though as I said, he didn’t have formal education, but his understanding and wisdom were
tremendous. Of course, I learnt a great deal during the two years at Harvard Business School.

I do not say that you need a business school training and MBA to be at the top. Who have been the three top industrialists in India in the last 30 to 40 years? According to me, these were J. R. D. Tata, G. D. Birla, and Dhirubhai Ambani. None of them had a college degree. No question of an MBA. But that doesn’t mean that an MBA doesn’t help. You must have the basic material in the human being. If that is not there, an MBA will make you only average. You will remain a middle management guy. To become a Lee Iacocca or Jack Welch, you must have those qualities of intellect and the passion. If you got into business when you really should have been a lawyer or a doctor, you can’t rise to the top. You must have a fire burning in your belly, “I want to be the best.” Literally a hunger in your belly. Not everybody can have that. It is not a question of just intelligence. But then, if you have an IQ of 60 or 50, you can’t go far. And that is why leaders are few—one in 1000, one in 100,000. You must have courage, courage to face difficult situations. Once you are clear, that your decision is right, do not waiver. There will be enough advisors saying, “Think about it again.” If you are sure you are right, stick to it. Courage is required to say no. In my life, politicians, said, “Appoint him, give him a job, make him a dealer.” In those days, with a ten-year delivery period, a dealer could make all the money. Today, he has to go selling house to house. There was this Telecom Minister from Himachal Pradesh—he was raided later on and Rs. 5 crores [50 million] worth of cash was found in his house. I got a call from
him one day. Mandi is one of the cities in Himachal. “Rahul Saab, we want a dealership in Mandi.” I said, “Yes we can make a dealer, I think that is a hilly country, not a scooter country, but we will see. Let the person apply, give your reference.” He said, “Sure, I will send him, but make him a dealer.” I didn’t know what he meant, so I said, “At Bajaj Auto, we deal on merit. I will give it to my marketing chief and tell him that other things being equal, Mr. So-and-So has recommended this case so we should give him preference, but if somebody else is better, then, you know…” He said, “Mr. Bajaj, do you know whom you are talking to, I am Minister of Telecommunications.” I said, “Mr. So-and-So, you can go to hell” and I put the phone down. I don’t tolerate that; I never asked anybody for an undue favor. He never came back to me. Anyway, I was happy, as a few months after that, the government raided him for some reason, nothing to do with me; and they found five crores worth of cash [in his house].

SD: So the courage to say no...

RB: ….Is very important. I think like that. Passion is the main thing to do what you want to do, and yes, hard, smart, and dedicated work. I sweated it out for 40 years. Now, I have a great time. Even at that time, I was having a great time. But, nobody forced me to work. I didn’t need it for my livelihood, luckily. One can say I was born with a silver spoon, but there was little industry at that time. So it was all new. If I had not shifted from Bombay to Pune, how did that quality come, in spite of a ten-year
delivery period? How did costs remain under control? Things could have been better in today’s conditions, but it happened because, I believe, not only had I a good team, as I said earlier, Srikant, but the workers were committed. They could see this sir is doing nothing but work. How is he different from us? His three children are going to the school where our children are going. And they used to go to their school, not by car, but by bus. I remember my two boys, when they were about 11 and 14, they went to their mother. “You have to increase our pocket money.” They didn’t say, it is not enough, they said, “All our classmates get more than us.” She said, “So what? Let them get more.” This is Rupa talking. They said, “No, but some of them tell us, their father is an employee in your father’s company, your father is the owner of the company, you have to get more than us.” Then what did Rupa tell them? “Please tell them what they are saying is right. And you are getting less because you are a Bajaj.” They were saying, because you are a Bajaj, you should get more. She said, because you are a Bajaj, you are getting less. This was again Rupa’s upbringing [of our children].

SD: So these were the pivotal decisions, and of course there are a lot of strategic things that you have talked about: the workers, the investments in R&D, and indigenization and all of that. Rahul Bhai, if you look back now and based on a long period, do you have any regrets, anything that you would say, “I wish I would have done this or that” as you look back—
either in management of Bajaj Auto, Rahul Bhai, or strategic decisions, anything?

RB: Let me mention two things. One has nothing to do with Bajaj Auto, nothing I did directly, it is about my personal life. Journalists asked me about fifteen years ago, “If we have to ask you for one major regret in your life, which you should have done and you did not do, what would that be?” I said, “Let me tell you, a great regret was that I did not spend”—and I really feel that—“as much time with my three children while they were growing up, as I should have.” The usual excuse of some fathers: busy, busy, traveling, traveling. It is not justified. And then I added—it is an old joke, but I added, and he printed that—“Now, I am trying to make up by spending a lot of time, as much as I can, with my grandchildren and it is so much fun that I wish I had my grandchildren before I had my children!” So, that was a joke, but he printed that.

In the company, there are hundreds of mistakes I must have made. As I said, my biggest satisfaction is the way I handed over the baton to my two sons—Rajiv in Bajaj Auto, and the financial services with five companies to Sanjiv. Though these things are very easy to find fault with in retrospect, when the scooter market changed to a motorcycle market, sometime between 1999 and 2001, could I and my team—by that time we had become a good size, not like today’s size, but a good-size company—could we have anticipated that or seen it coming early and started devoting more time to R&D for motorcycles? That credit I have to give to Rajiv. He
had his team who converted a scooter company into a motorcycle one. Three-wheelers were there all the time, that is our cash cow even now. We are number one in the world in three-wheelers. But he converted a scooter company into a motorcycle company. It took him some time—I am talking of 2000, and he became managing director officially only in April 2005. So, at that time, I was the chairman and MD. De facto he had already started making policy decisions, but still, the responsibility was mine. And so, I felt, as soon as we realized it, we started working on that. But if one wants to be critical, that is one time when maybe I could have seen it coming earlier and alerted my people because at that time I was the hands-on manager. I had started delegating gradually to Rajiv, but I was still there. I can’t say I was not there. That was one time when maybe we could have woken up a little earlier. And of course, there were justifications on our side and the reasons.

Where I disagreed with Rajiv was his decision to stop making scooters, on which we have publicly disagreed, even on the same platform on TV. He thought that was a right decision and I thought that it was a wrong decision.

**SD:** So, Rahul Bhai, what I would like to understand is, in these transitions when it’s your son [who is making decisions], but you are the one who has built this iconic brand to this point and this is not a small decision that we are talking about—this is a fairly fundamental decision on whether one should continue manufacturing scooters or not. Can you talk a
little about how that decision got made? What were your struggles and how did you come to leave it at this point?

**RB:** I think it is a very valid question and subject for discussion. There could be an HBS case on that. As you rightly said, this company made scooters and three-wheelers and was also making motorcycles, but it was known as a scooter and three-wheeler company and it was so until the end of the 1990s or even till early 2000. We used to make 70,000 to 80,000 scooters a month—that is a million scooters a year. And we had a Kawasaki technical collaboration, not a joint venture, and we used to make some motorcycles. India was a scooter market, not a motorcycle market, like Taiwan was, like Italy was, they were scooter markets, but most of the other countries in the world were motorcycle markets, big motorcycles, like Harley Davidson, not for daily conveyance, that was cars in America.

Every scooter we made at that time, by and large, was with gears. Bajaj Chetak was a geared scooter. So was Lambretta, so were the others. Today, the three million scooters being sold are all gearless, automatic transmission. There’s no geared scooter being sold in India. So, the scooter market was down, motorcycles were up and by then it became obvious, we were all getting worried. Obviously, you have to make motorcycles. So, Rajiv and his team started doing that and the first success to them came with the Pulsar in 2004. We are still the top in what is called the luxury or the premium, or the sports range. In the bottom range, in Platina, we are all right, at entry-level. In between is the Honda Splendor and Passion, the
commuter’s segment, where our motorcycles are not catching on. In fact, as I said a little earlier, I was perhaps wrong in not having thought of motorcycles and getting into them full blast a year earlier.

But you are rightly asking, “Who told you to stop making scooters, when your son decided to stop making them? Why did you allow him? You are the chairman, you happen to be the Bajaj family head.” Yes, I represent the promoters, I have that control. It was a difficult decision for me; I could see... his point was—this is the year 2000 and not 2014—our R&D team, our R&D capabilities were much smaller than what they are today. And he thought, I have to put 100 percent of my attention on motorcycles, otherwise I may not succeed. Say Hero Honda—now it is Hero separate and Honda separate—Hero Honda won and they were doing well. If I don’t put all the strength of my R&D team onto motorcycles, I won’t succeed and the scooter is dying anyway. That was a strong argument.

SD:  So, focus in other words.

RB:  Absolutely, focus. But my thinking was, why should you stop making this? There it is a technicality. As I said earlier, he said, “My R&D resources are going into motorcycles I can’t afford; I don’t have that many resources.” Today, you can allocate resources into scooters and probably, who knows, tomorrow we will make some scooters again. But, to continue to make the geared scooter that we were making was not viable if we could sell only 50,000 scooters or so a year. So, there was that issue. Finally, I
said to myself, for 40 years, you listened to everybody and you did ultimately what you thought was right. The management committee is a sort of debating society in which, I used to say, I never took a vote—the decision was mine. So, I said to myself, now, he is the CEO; let’s see how things function. I told him, “What matters are results. The day I find in totality you are not good for the company, I will talk to you. The fact that you are a Bajaj will not save you.” I could see the guy was so good in totality. Not because he is my son, but because he is a very strong person, fully confident of himself. I never asked him, but there was a good possibility, if I had said no, we have to make scooters, he would have said, “Papa, you run the company, you have done it for 40 years, run it; when you want me to run it, get me back.” He would have left and that, I think, would have been bad for the company. I never talked about it to anybody. This is the first time I think I’m saying this on record, that that was also on my mind; he will leave, he is a very strong-minded individual, I think we are two strong-minded individuals. So, it’s not a question of fear, it’s not a question of blackmail – that I would not tolerate. In totality, he was doing a very good job. Who would I have in his place? So, what I did was for the good of the company. I kept the board involved, we have a sixteen-member board. We have Naresh Chandra, six years our ambassador to the U.S., Cabinet Secretary, which is the senior most civil servant, governor of the state of Gujarat; we have S. H. Khan, former chairman of IDBI; Balaji Rao, ICICI; Nanoo Pamnani, who is a relative of mine who was at Citibank, who may have become a vice chairman like Victor Menezes if he was willing to
shift to New York. And of course, my son-in-law, good in financial matters, a Harvard MBA and Baker Scholar, Manish Kejriwal. We have some other outstanding people—Jamshyd Godrej, a top industrialist. We kept them informed; they were all concerned about stoppage of scooter production. In fact, as recently as April/May 2014, Rajiv gave a two-hour presentation to the entire sixteen-member board about scooter production, the scooter market today in India, the motorcycle market, and his plans about that. The board was comfortable with that.

**SD:** So let’s use that, Rahul Bhai, to pivot to another topic, because I think it comes up a number of times in these oral histories and emerging markets, which is the role of family and how, as you just described in this very powerful example, you are thinking through what the dimensions were: the trade-off as you are coming to your decision, which was the opposite of what Rajiv was thinking in this case. More broadly, we have seen numerous cases and we have an example even in your family where you have a generation of the founders and you have the next generation, more talented people or less talented people, and who gets to run what and what is the way in which they will be evaluated in their capability of running it. How do you balance the need for very good professional management [with family]? Those of us who serve on professional boards find this to be a difficult challenge in any case, but it’s even more complicated in the context of family and there are many instances where
unless you get that right, these companies, groups, don’t survive, don’t flourish, or don’t thrive.

RB: It is a very important subject.

SD: How do you deal with it?

RB: It is a very important subject and there is no one answer as far as I am concerned. Each case is different and has to be treated differently: what kind of family, when did you start, how many people, their temperament, their competence, their capabilities, their educational background, etc. and I think as you were almost going to say that as a founder, there are many founders, but every startup doesn’t become an Apple or a Cisco or Amazon or Google. But in successful companies started by great founders, management literature talks about how the third or the fourth generation goes down because either they become rich fathers’ sons, get into drugs and start having fun, or, like in many families in the U.S. and Europe, they are good people but they don’t want to be in business, they want to do something else. There are many business schools which have this as a subject. Books have been written on that. So, obviously, in five or seven minutes, there won’t be an answer. I can’t do justice to that. Each case has to be handled differently. But I would just mention a few points. Starting with what is family management vs. professional management? What is a professional manager, where he is not an owner? Then, why do you give
him stock options? He becomes an owner. Well, he is a minor one. Okay, he is a minor one, but why did you give it to him? To provide an incentive, to recruit him and retain him. To provide continuity, that is what an owner does. He is born with that incentive, meaning he’s got the equity and he won’t normally leave his company for a higher salary. A professional manager, not for 20% maybe, but for a 100% increase in salary or for a much bigger company, may leave you. It happens every day. The owners have their wealth invested in the company. If you have the incentive of ownership—your wealth and reputation—you get the motivation, you maintain continuity. Because of your ownership, you have long-term thinking; you are not concerned with quarterly results, you’re not going to buy shares, you are not going to sell shares, and you don’t have stock options; I don’t have, either. None of our Bajaj’s in the group ever had a stock option. We have large numbers of shares, probably 50 percent or more, in each of our companies. So, I asked, what is a family company; what is a professional company? Just take Bajaj for what we are talking about. This applies to all Bajaj Group companies; we will take Bajaj Auto. We employ about 9,000 people top to bottom, we have a sixteen-member board. Below the sixteen-member board, there is no Bajaj. Amongst the 9,000 people there is no Bajaj, there is no relative of Bajaj. In the board, the family is represented, but who are full-time directors? Non-executive directors are not in management. There are only three full-time directors: the chairman, me; the vice chairman, my cousin—not brother—Madhur Bajaj; and my elder son; not even my younger son. Sanjiv, who is in the
financial services companies and the same story repeats there even less; in their board level, only one full-time director is a Bajaj. I’m not, I am the non-executive chairman; in Bajaj Auto I am non-executive chairman de facto, so really even here, there is only one Bajaj, Rajiv Bajaj, who is the managing director. But as a chairman, naturally, I have a role. So, there are only two promoters on the board. No other relative who is a full-time director or a manager in the company. Is this a family-managed company or not?

My next point is the question of capability and qualifications. If one is not qualified, is not capable—such a professional manager will be sacked. The family guy—an example is Rajiv Bajaj, I have said it on TV at the cost of being challenged, not once but two or three times. I would like to know the names of three people in the country of 1.2 billion people, three people who can be better CEOs—managing directors or CEOs—of Bajaj Auto than Rajiv Bajaj, I know many managers in India. They could be as good, but my point was, who could be better than him? I don’t know of any. He has lived his life in Akurdi, now lives in Pune, graduated with a first class distinction B.E. Mechanical [degree] and got first class distinction in Masters at Warwick. You should talk to him and see how he writes, what he writes, and also in marketing, not only in engineering, brand building. He happens to be a Bajaj—is he a family manager or is he a professional manager? The ideal is a family manager who is qualified. By qualified, I don’t mean only having a degree, but qualified for that post; he may have a degree or he may be like a Dhirubhai Ambani [founder of
Problems happen in family management when there are three, four brothers. We say in India, the five fingers of a hand are not equal in size. All brothers may not be of equal capability and commitment. If somebody doesn’t want to work in the company, they should simply go. You should hold the post for which you are not just okay, but amongst the best. Then the fact that you happen to be an owner is an advantage. It provides you with an automatic incentive and continuity. Problems happen when the person is not very qualified and he says, “but I want this post—why does my brother have it, who says he is more qualified?”

Each case is different. Who is the head of the family? Do they listen to him? In my case, I happen to be the head, I don’t say I am the head, but they say I’m the head, and they listen to me, so what I say goes, it is accepted. This puts a lot of responsibility on my shoulders. Now, if they don’t accept, that is where the family breaks. One alternative is a brother wants a break. “I want to do my business my way, you say I’m no good, we will find out after 10 years. I separate; maybe I will become better than you.” It is fine, that is a good solution. So, the question is, the best man should manage the business at whatever levels, including at the CEO level. If they are equal in competence, according to me, the family or the owner-manager has an advantage. The problem that people are referring to is when they start fighting. And at that time, whoever is the leader should ensure the fighting stops and does not affect the company. That’s what I have done with the Bajaj Group. One needs a great deal of communication among
family members, a lot of give and take, and maybe, sometimes, outside help.

**SD:** *If everything else is equal, then owner-manager has the advantage for economic reasons, they get a lot of incentives, they have continuity... long-term thinking.*

**RB:** Yes. The trouble in family management as I said is, when members start fighting. It happened in my group. We are five brothers, including cousins. The son of one, there is nothing wrong with the son, but he is very ambitious, he wanted to do business in another manner and so we decided to separate. It is a good example. The Group didn’t suffer at all; now he is managing his companies, we are managing our companies.

But some other groups where family members separated suffered. I don’t want to put names on record. We had very good groups, and where are they now? They say that’s why the third and fourth generations often disappear. It’s not necessarily that the guy is not competent, it is about this fight and, if I may say so—some people won’t like what I’m saying—it is unfortunate and I know cases where families have broken up and business has broken up because of the ladies in the house. They get jealous of the other members of the family. But that is not relevant for our discussion.

**SD:** *Well, yes and no, Rahul Bhai, because in a way, in the family, I know Rupa Bhabhi’s role with each of these brothers was critical.*
**RB:** They respected and loved her tremendously. I don’t think they respect me like that, but they respected her always. With my brothers and their wives, she was on the phone frequently; her health was bad towards the end, she couldn’t move, but she was on the phone every day with each of them.

**SD:** And then this problem of wives in your case would not even arise.

**RB:** Nobody would oppose her.

**SD:** Rahul Bhai, the last set of things we can take all in one question, in the interest of time: your life post-retirement from the CEO-ship of the company, Rajiv becoming the CEO, you continuing as chairman, but then your interests more broadly, and I’m particularly interested in the role that you played in terms of membership of the Rajya Sabha and your ability to influence the country. I would love for you to just touch on your courage to speak openly and your concern about the country.

Then, perhaps, a little about the philanthropic activities that you have done. As we are thinking about emerging markets, how do you think about the issues around philanthropy? How does the experience of so many people around you—you know workers, you know poverty, you know the social milieu in which you are living—and how do you think through the work that you do in that sphere?
RB: These are very valid subjects to discuss, especially as the conclusion to this discussion. In my case, I think we have to go a little before when I became, let’s say a non-executive chairman, and I was no longer the de facto CEO, during 2000–2005. In 1979–1980, for two years, I became the President of the Automotive Association and President of CII [Confederation of Indian Industries]. From 1965 to 1980, for fifteen years, there was nothing except Bajaj Auto. In becoming the president of CII, I was lucky. Sometimes you have to spend many years as a council member before you can become the president. And I didn’t ask for it. It helped me. You talk to 90 members on the CII National Council and you are meeting government officials and ministers. That is industry work and your work. But yes, you could remain someone who never became a CII President. And I think I was very fortunate I did become that, because it widened my horizon, I learned a lot, met a lot of people. And that continued until the end of the 1990s. Because I became well-known, the New York Stock Exchange asked me to be the first Indian member of their Advisory Council; also, the Brookings Institution and the World Economic Forum. There are only two Indians the Brookings Institution has taken on their thirty-member International Advisory Council: me and Mukesh Ambani.

I started going to Davos from 1979, the time when I became President of CII. I was amongst the earliest from India and I was the first Indian member of the IBC (the hundred-member International Business Council) of the World Economic Forum. I was the first Indian to co-chair
the Davos meeting and I’m now the Honorary Director of the foundation board, the first and only honorary member. And these things took time and this really started happening from 1990; incidentally, Rajiv joined in 1990, but he started taking major responsibility from 1996–1997. So, it was sort of going to some extent hand in hand. I can’t say on which date exactly I handed over the management to Rajiv. The obvious date, the legal one, was April 1, 2005.

From the 1990s, when I could give more and more work to Rajiv, I started looking at other things. And I remember for example, pressure came on me from the CII to once again become President of the CII in the year 2000. There never has been before and there never has been since the same guy as president for a second time. And that was a rule all of us made in that association. First time, I was [president] in 1979–1980, second time was in 1999–2000. I remember, I called Rajiv and said, “This is it, and for this one year, just one year, I will hardly be available” (he became officially the MD only in 2005). But as I told you, de facto it was from 2000 or thereabouts. And straight away he said, because he knew I wanted this, he said, “There is no problem, go ahead.” I stayed in Pune. But there was a lot more traveling, especially to Delhi and then to go as part of delegations and to meet the government and the Prime Minister. For the last 25 years, I have been on the Prime Minister’s Council on Trade and Industry; whoever the Prime Minister was. I don’t think this Prime Minister will have such a council.
So, rightly or wrongly, somehow or the other, I was always interested in business and public affairs (not active politics), and in political developments all over the world and especially in India. I was not interested in photography, for example, or gardening. We have a lovely garden and I love that, but I didn’t spend time on that. My time was spent on these things and I enjoyed being on the Advisory Council of the World Economic Forum, the Brookings Institution, the NYSE Euronext, and the Global Advisory Board of Harvard Business School. This is because one meets top people and that’s intellectually stimulating. You also get a lot of information and knowledge. And of course after 2005, it’s been much easier because I don’t have day-to-day responsibilities.

We used to have six meetings a year, not four. Most companies in India have that. From this year, for two of these companies, Bajaj Finance and Bajaj Auto, we will have eight meetings a year, because there is more and more responsibility on directors. Also, there is a new Companies Act, corporate governance rules, what we call clause 49 of SEBI [Securities and Exchange Board of India], the listing guidelines. Four meetings just take care of the statutory work and quarterly accounts. For our companies now we have six to eight meetings in a year.

SD:  
And so just say a little about the philanthropy.

RB:  
First of all, let me give you this brief story. From April 1, 2014, the new Companies Act of 2013 has made a provision that companies of a
certain size have to almost mandatorily spend two percent of their pretax profit, net profit before tax, on CSR [Corporate Social Responsibility] activities. They have defined those CSR activities fairly broadly. Now, each company has a different situation: some don’t do philanthropy, some do philanthropy. The Tatas of course are big spenders. The Bajaj Group used to do it from our companies. During the last 5–6 years we don’t do it from the companies because all the money we spend on philanthropy or CSR activities is from our charitable trusts. They have a certain income every year and by law, 85 percent has to be spent. So we are spending that money and that will have to continue to be spent, because that’s why they have income tax exemptions. Over and above that, we have to spend two percent of the net profit of the Group companies. From the current year, six months have already gone. The first year, many companies may reach that figure. Including the trusts, we will have to spend about US$30 million dollars in India—about Rs. 180 crores or 1.8 billion rupees, which is a fairly large amount. We can’t spend this outside of India. From the charitable trusts, we need some permissions. Industry all over the world has a bad name, industrialists have a bad name; people think we are greedy, only working for our interests. We need to change this perception.

Now, this itself is not going to give us a great name, but we should get satisfaction when we are doing good work in sanitation, education, and health, etc., mainly for weaker sections. There is so much to be done. Education, health, clean drinking water, sanitation—take these four things, to start with. Many other things are required, but these four things are
essential for the poor. Look at the slums in Mumbai—they are worse than living in a rural area. But government help is required.

The most important thing for us is how can we help the government in increasing the rate of growth? We need jobs; that is why Narendra Modi won this time; UPA lost. UPA believed in doles—food security act, NREGA [National Rural Employment Guarantee Act]. He [Narendra Modi] talked about development and growth. Barring a few, the majority of the people and especially the youngsters don’t want to live on doles. In NREGA, you are supposed to get 200 rupees a day for 200 days [of work] a year. They want a job, a respectable job, not to dig a well and fill it up. This government will keep NREGA with some changes and they will create productive assets. It is not easy. How do you create assets for 400 million people, when you have to give them a job within kilometers of their homes? He doesn’t come for your [NREGA] job if he has a motorcycle or if there is a bus there and he can pay the bus fare; he has got nothing, that’s why he is coming to you. So, it has to be within 5 kilometers. Ultimately, you want to create a situation where nobody needs a dole, but without the government you cannot do it because they are collecting millions and millions of rupees worth of taxes and no individual company or group can do that.

There are those with whom I don’t agree—who say our job is to run industry, to hell with CSR or philanthropy. We have to take care of all stakeholders—I say customers, vendors, employees, shareholders and the society, in which you work—you have to take care of them all. This is where the philanthropy and CSR comes in. You can’t produce a bad-quality
and high-cost product and then say, I go to the temple and pray, or that I do charity; that’s no good and that won’t last, because that won’t be a sustainable company. That company will close down in today’s competitive situation. You have to run the best possible company. That’s your primary job as a businessman. You run a NGO, then your job is to do what a good NGO should be doing. But if you are the chairman and CEO of Microsoft, your main job is doing a good job of the business, don’t forget that. And automatically, when you do that job well, you are taking care of your employees, your customers, your shareholders, and your vendors, that is, your suppliers. But, in addition to these, you have to take care of the society in which you operate, which enables you to earn that money. You have to repay the society, not at the cost of your company. It’s not this or that. It has to be all that and this. In fact the stronger you are, the better philanthropic activities you can do.

SD: Thank you, Rahul Bhai, for an absolutely exhilarating and insightful session, very valuable for our oral history project on emerging markets, grateful for your time.

RB: Thank you.