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Stakeholders Management in the Indian Construction Industry: Insights into the Approach at Larsen & Toubro’s Construction Division

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Larsen & Toubro Ltd.: Company Introduction

Larsen & Toubro (L&T) is a 7 billion technology, engineering, construction, and manufacturing company and is one of the largest and most highly respected companies in India’s private sector. Headquartered in Mumbai, the Company operates primarily in India but its operations extend across the globe. It markets plant equipment in over 30 countries, has manufacturing facilities in India, China, and the Gulf, and a supply chain that extends to 5 continents. Within India, L&T is said to have a presence in almost every district through a nationwide network of distributors of its products. L&T operates through multiple divisions including Engineering & Construction Projects, Construction, Heavy Engineering, Electrical & Electronics, IT & Technology Services, Machinery & Industrial Products, and Financial Services. Across the divisions, 12 distinct operating companies have been carved out under the L&T umbrella, each housing a separate strategic business unit. The 2015 strategic vision of the Company is: “To make L&T a Rs. 75,000-crore Company.”

L&T has a distinguished record of achievements, including the world’s largest coal gasifier made in India and exported to China — India’s first indigenous hydrocracker reactor and the world’s largest Continuous Catalyst Regeneration reactor. Among the most recent success stories of L&T is its association with India’s first nuclear submarine, Arihant, inaugurated by Prime Minister Manmohan Singh at Vishakhapatnam in July 2009. The Company is also known to be an organisation that has contributed significantly to nation-building.

In spite of having a diversified expertise, the revenues of the Company are highly concentrated. For financial year 2008, the Engineering & Construction Division accounted for approximately 69.3% of the Company’s total revenues and 75.2% of the total income. Of these, the Construction Division (ECC) has been the largest contributor to the top line growth of the Company.
Construction Division

The Engineering Construction & Contracts Division (ECC) of L&T is India’s largest construction organisation. The construction industry in India had been considered to be India's second largest employer, employing approximately 33 million people. It figures among the top 225 contractors in the world and ranks 47th among global contractors (revenues outside home country) and 72nd among international contractors (revenues from home as well as outside country). Many of the country’s prized landmarks have been built by ECC. ECC capabilities cover all disciplines of construction – civil, mechanical, electrical, and instrumentation. It is also equipped with the requisite expertise and wide-ranging experience to undertake Engineering Procurement & Construction Jobs with single-source capability.

Introduction to the Interviewee

Dr. A. Ramakrishna (1939-2013)

Dr. Anumolu Ramakrishna was the Deputy Managing Director of Larsen & Toubro Ltd. until December 2004. After obtaining his Bachelor’s in Civil Engineering and M.Sc. in Structural Engineering, he started his career in 1962 with Engineering Construction Corporation (ECC) Limited, then a wholly-owned subsidiary of Larsen & Toubro Limited. ECC was subsequently amalgamated with the parent company and is widely known as the Engineering Construction and Contracts Division of Larsen & Toubro Ltd. In 1966, he was sponsored by the Government of India for training in Structural Engineering in the former German Democratic Republic. His specialized knowledge in structural engineering – precast and pre-stressed concrete – as well as his industrialized methods of construction – have been recognized by Andhra University by conferring upon him an Honorary Degree of Doctorate of Science in 1997.

Dr. Ramakrishna headed the ECC Division and was inducted into the Board of Directors of L&T in 1992. He was elevated to the position of Deputy Managing Director in March 2000. Under his leadership, revenues of L&T-ECC Division have grown manifold – from Rs. 4,500 million in 1992 (when he took charge from Mr. C. Ramakrishnan) to over Rs. 35,000 million in 2002. Additionally, he was actively associated with many prestigious international and national bodies in the Engineering field including the American Society of Concrete Contractors, American Society of Civil Engineers, International Federation for Structural Concrete (fib), and Institution of Engineers (India). He played an important role in founding such industry associations as the Indian Concrete Institute and the Construction Federation of India. He was widely known to represent the industry viewpoint and is associated with many apex industry associations including the Indian Institutes of Technology, Structural Engineering Research Centre, National Institute of Construction Management & Research, and Anna University.

Dr. Ramakrishna also served as the Vice-Chairman of Construction Industry Development Council — an autonomous institution established by the Government of India’s Planning Commission — to bring together diverse players in the construction
sector to a common platform. He was also the Vice-Chairman of National Academy of Construction, established by the Government of Andhra Pradesh, for providing training to workmen, contractors, and engineers.

Dr. Ramakrishna is credited with introducing in India system formwork, which has improved concrete forms and raised productivity levels at construction sites. His pioneering role in application of pre-cast, pre-stressed, and tunnel form techniques in system housing, construction of cooling towers for power plants, vaults for reactor buildings in nuclear power plants, silos for cement plants and fertilizer plants, industrial effluent treatment plants, factory buildings, warehouses, seaports, airports, sports stadium, and bridges has given the much needed technology dimension to Indian construction. This has helped the industry meet challenging timeframes, adherence to quality and costs, and actively contribute to overall economic progress.

Dr. Ramakrishna initiated the expansion of L&T-ECC into overseas markets, especially in neighbouring countries, through formation of international joint ventures. In addition to securing large orders, this has helped speedy access to advanced technology and construction methods for possible application in India. He additionally played a pioneering role in the development of projects under the Public Private Partnership format. IT Parks, roads, bridges, exhibition grounds, seaports, and airports are developed or being developed in partnership with State and Central governments. Some of these projects have become landmarks setting high standards of quality, speed of construction, and economy and have contributed to overall economic growth.

He won many prestigious awards for his outstanding contributions to society at large and more particularly to engineering technology. Several include: Outstanding Concrete Technologist (1993, Indian Concrete Institute); Outstanding Contribution to Construction Industry (1993, Builders' Association of India); Pre-stressed Concrete Design (1995, Institution of Engineers (India); Eminent Engineering Personality (1998, Indian Engineering Congress); Davidson Frame Award (1997, Project Management Associates); Outstanding Efforts in Business Ethics (2000, Rotary International); “For the Sake of Honour” Award (2001, Rotary Club, Chennai); and the Hassib Sabbagh Award for Engineering Construction Excellence (2007, World Federation of Engineering Organisations).

In this interview, Dr. Ramakrishna expresses his opinions on the uniqueness of the Indian Construction Industry and the role played by Larsen & Toubro and the ECC Division (now re-christened as Larsen & Toubro Construction and considered to be in the top 100 construction companies in the world). He highlighted the evolution of the Larsen & Toubro and the ECC Division; the philosophy of the founding fathers of the company; the unique organisational culture; the importance of the many stakeholders in the construction industry, and the unique initiatives undertaken by L&T-ECC for stakeholder welfare. He also shared some noteworthy personal initiatives undertaken on behalf of the company as well as for the construction industry at large including the establishment of the National Academy for Construction (NAC) at Hyderabad. He also shared his experience of working with certain socio-spiritual organisations such as the Tirumala Tirupati Devasthanam and the Sri Sathya Sai Central Trust in Andhra Pradesh. The doyen of the contemporary construction industry, Dr. Ramkrishna’s vast experience emerges through the interview. His responses and viewpoints also revealed his personal
commitment to values, ethics, and principles in business and his in-depth understanding of the Indian construction industry.

The Interview

Q. Please share your impressions about Larsen & Toubro and its evolution.

Larsen & Toubro has chosen engineering and construction as its business. It is a very unusual company. It is not owned by a family though it was started by two Danes who came to India when their country was occupied by Germany. One of these two gentlemen was Mr. Holck Larsen, a chemical engineer who specialized in cement technology. The other was Mr. Toubro, who was a civil engineer. They were building cement plants. They represented a company called FL Smidth from Denmark. They came to India to erect a cement plant in Kerala and later in Sri Lanka. This was in 1938-39, when suddenly the Second World War started and thus they could not go back home as their country was occupied by the enemies. So they decided to stay on and with what little money they had, they joined with an Indian partner, Mr. Desai from Bombay, and started a partnership company in a small room with a table and a chair! They didn't have much money to waste initially. One person would sit in the office to make accounts and make phone calls while the other person would go around getting business and for marketing purposes. That is the way they started. They explored what the country needed at that time of war. They realised that people needed some sheds for the purpose of staying and also a runway in Santacruz in Bombay for planes to land. So such work was initially undertaken. The country needed a lot of European goods to survive and so they became agents for European goods to serve India. They knew what India needed and how to market it here and that’s how their business started. As they moved forward, they realised that India is going to become independent. They felt that if they stayed back in India, they would get a lot of business in independent India. So they stayed back and their partnership company became a private limited company with some more shareholders joining. In those days, there used to be a practice called “Management Agency,” so they became management agents. They felt that their company should maintain proper books of accounts, be profitable and transparent, and also serve India — mainly Bombay. In 1948, their company became a listed company and a limited company.

But before that in 1944, it became a construction company. Then the promoters felt that since construction is a risky business with unsteady profits and losses, this should not affect the parent company. So, Mr. Larsen and Mr. Toubro decided that construction business should be run by a subsidiary company which is 100% held by L&T. The principle of this company was to take risk and manage risk, and in any eventuality, not affect the main business. But it so happened that due to God’s will and the Company’s luck, ECC started growing very fast. In fact, in 1944, ECC – Engineering Construction Corporation became a public ltd. company even before L&T. The idea was that ECC will do construction for Indian industry like building cement plants, steel plants, power plants, fertilizer plants, etc. That was the main business and not building houses. Such projects required some technology, were supposed to be a profitable business and had some linkage with imported equipment. Thus, L&T wanted to build the factories for facilitating the manufacturing of these important goods. The promoters – like their
counterparts in Europe and other parts of the world—could manufacture the products in these factories and sell them.

To cut the long story short, the Company built a cement plant in Tadipatri. That time, Mr. N.T. Rama Rao was the Chief Minister of Andhra Pradesh. The location was chosen after many considerations of availability of limestone, water, etc. It was very difficult to build the factory in this location because it was a hilly area. We chose the top of the hill to build the plant. There are many advantages to this—when the cement is manufactured, the cement bags would go down on a conveyor belt without much power due to gravity. All the products would then go into the railway siding or lorry siding and could then be dispatched. When it was inaugurated, Mr. Chandra Babu Naidu was the Chief Minister. He invited Mr. Holck Larsen, the Chairman of the company, in the public meeting and said,

See this gentleman—Mr. Larsen, he is the founder of the company. But he has only 1% of the share of the company. He has developed this company which has many shareholders. For the past 50+ years, every shareholder is getting dividend(s) every year more than the previous year. See his principles. When we Indians have businesses, the family people want to keep control for more than 50% of the shareholding so that everything comes to them. This company is managed by professionals. No sons or daughters are allowed to be taken as management people. They are recruiting people from all over India based on the job requirements. The interviews are being done even by Mr. Larsen and Mr. Toubro. The best of talent is collected irrespective of caste, creed, language, religion, etc. They even send people abroad.

I also got recruited through such a process, but I got [a] government scholarship and went to Germany. L&T encouraged me and told me to go on study leave and again come back and work for them. So they not only recruited the right way, but even trained the right way and they enlarged their vision by sending the people for international exposure so that the individuals can have a broader outlook and see what business opportunities are available in India and apply the knowledge learned from outside to tap these opportunities so that business will develop, the country will benefit, and the company will also benefit.

Q. In your opinion, what is the purpose of business?

The purpose of business is to serve the country and its people, and at the same time see that all the stakeholders are happy.
Q. Can you describe the growth of Larsen & Toubro – ECC during your years at the Company?

What we do in the beginning of any business is the vision of the company. Mr. Larsen and Mr. Toubro had one vision. Whenever more businesses were added and whenever newer leaders took over from them – Mr. Desai, Mr. Rao—they all sat together with the senior members in the management, discussed what should be done for the country based on the state of the economy. They would analyse the company’s SWOT (Strength, Weakness, Opportunity, and Threat) and for the next five years would decide the perspective plan and a strategy plan. Then with that strategy plan, they would make business plans and a road map so that the right decisions are taken for conveying to the management that this is the type of business we should do.

One of the concepts is that if you are doing too many types of businesses, then you will lose focus. So you must have a focus. Our focus is engineering and construction. Then we realised that India needs infrastructure, housing, defense, and nuclear power. We constantly revised our strategic plans to suit the national five-year plans and what the country’s leadership is telling. Then we expanded our vision not just to include India only, but also the neighbourhood. So we went on expanding international business and went to [the] Middle East, Sri Lanka, Bangladesh, Nepal; all countries except Pakistan in this subcontinent. We also went overseas to Russia, Uzbekistan, Kazakhstan, and Central Asia. Then we went to Southeast Asia – Malaysia, Singapore, Thailand, Indonesia, etc.

What we really concentrated on are the Indian Ocean rim countries. We kept in mind to help satisfy the respective country’s national plans and needs and at the same time ensure profits for our own company. We even contribute to international relationship-building and that has helped us when we go to Ghana and some other African countries. These countries wanted us to come and contribute to their development. They were of the opinion that we were better suited to their requirements than some of the western countries. We did some work in Kenya, Tanzania, and other middle-eastern countries. L&T Oman is a very successful company. Through God’s blessings, I have been involved in starting companies in all these countries. All of them have been successful.

Q. The stakeholders’ approach to business is gaining increasing popularity in recent times, in different parts of the globe. What are your views on this?

One way of looking at a business is that you are doing your business and getting returns in terms of ROCE (Return on Capital Employed) and for your own staff welfare. But you are in a society and unless you look at the outside world, and see that you are also a part of the whole, you will not get the best results. You will get a moderate performance in such cases. What is excellence? There are similar organisations in the corporate world and if you are just like others, you will not get a superior performance. So a stakeholder focus helps in this because it helps people get a certain amount of satisfaction that your organisation is so helpful to the people around you. The response to this could be in the form of continuous support for you and for your success from your stakeholders. So, this is an absolutely essential orientation for success. Success doesn’t only mean results in
financial terms. It also means all-round happiness, satisfaction of country's requirements, and happiness of the people around you. Your company cannot be called successful if the people around you are cursing you and your organisation. Unless this all-round approach is there, you will not be successful and even if you become successful, that success will not be durable. If you want the organisation to succeed generation after generation, the stakeholder focus helps because the stakeholder requirements are also changing and you have to change your strategies for that. In a construction company, you have to take care of and deal with so many outsiders who are your stakeholders. Your success is not complete unless all of them are satisfied. So though customer satisfaction is primary, the satisfaction of the other stakeholders is equally important.

Q. What would be the organisation culture of an organisation with a stakeholder-focused approach?

Communication and interpersonal relationships and other qualities of openness, trust, cooperation, and collaboration are all very important in a company. You are dealing with people. This is also called in-Management Science [more commonly referred to] as OCTAPACE Culture. “OCTA” is for the individual: O – Openness, C – Confrontation, T – Trust, A – Authenticity. These are all personal qualities. Confrontation is on the issue; you are not confronting the person. When you have such an approach, where you say something and you believe in it, then that way of behaviour will help you in business.

“PACE” relates to Group: P – Proactivity, A – Association, C – Collaboration, E – Experimentation. So “PACE” means you must work together in a group. You must be extending your support. You must work together. You must have good communication, interpersonal skills, etc. These would be the values and characteristics of a stakeholder-focused company. OCTAPACE Culture will bring in a collaborative and trustful environment which will get the proper response from the other people you are interacting with. These are basic attributes for whomever you deal with.

Q. What are the organisation development-related initiatives at ECC?

At ECC, we have emphasised on organisation development and had such a programme continuing for more than 20 years. Once in four months, the teams are subject to discussion on beyond-the-business-type issues such as personal development, organisation development, behaviour pattern, improvement in behavioural aspects, inter-personal communication skills, motivation, collaboration and cooperation, understanding personality traits of other people and use of those skills in transaction management. We used to have lectures by specialist Psychology professors on how to motivate people with different behavioural patterns – authoritative, meek, extrovert, introvert, etc. One of the principles of all this is that if you are working towards a super ordinate goal, all the other things will fall into place and you will not have non-functional and destructive traits like selfishness. Such tendencies would go if you are always looking towards a super ordinate goal. A super ordinate, goal-based behaviour in an OCTAPACE culture will always lead to success.
Q. Given the stakeholder-focused culture in an organisation, certain processes are necessary to facilitate the actual implementation of this culture. What is ECC doing in this regard? Can you share your employee-related initiatives?

Employees can be satisfied if they have a proper salary, they are able to lead a good life, they continuously learn and they equip themselves in such a way that they are beneficial to the growth of the company and can serve the needs of the nation. Employees are happy to do what they are good at. We give them a role that is satisfying for their intellect. So, in my opinion, job satisfaction is more important than salary and money. Family life is also very important. In our construction business, the employees need to travel a lot. So we ensure that the family is kept at the regional headquarters and the employees can go to the site and come back during the weekends and spend time with the family. Thus we have thought about their conditions.

A lot of people are working for us. We don’t employ all the people ourselves. We have about 30,000 employees directly at ECC. But the construction workers are not directly employed by us. They are employed through piece-rate sub-contractors. So we look after them indirectly because the labour laws of the country are such that if you take workmen, then you can’t retrench them. In such a scenario, it can become a liability for the company as one does not know in the construction business when a contract comes and when it goes. So we found a via media solution. We encourage sub-contractors. Their business is to provide labour. They work for us, for some other contractor or even directly. The idea is that they have continuous employment and we also try to give them continuous employment. So we have to take care of the workers through the sub-contractors. We also ensure that they get proper pay. There is the Minimum Wage Regulation. Most of the contractors don’t pay the minimum wage because the workers are willing to work at much cheaper wages. But we don’t exploit them. We abide by the law. We ensure that the sub-contractor should be able to make some money, the worker should be happy, and they should have safety. We have safety rules in such a way that we train them. We tell them how to produce more without exerting too much. So employee satisfaction is equally important. In fact, our Chairman, Mr. Larsen used to say, “In any business you can have land, money, equipment, and make buildings; but all this is nothing compared to your people. Unless your people are happy you cannot do anything.” In other words, employee satisfaction is primary. Only when they are motivated and willing to work, the company can run. Otherwise it doesn’t run even if you have all the money in the world. So we have given top importance to people development, training and HRD policies. We recruit Graduate Engineer Trainees (GET) and Graduate Management Trainees (GMT). We give them a couple of years’ training. We also send them to post-graduate programmes. We pay their fees. The idea is that we continuously train them and develop them for the better, give them better salaries, and keep changing policies according to the market requirements.

Q. What are the customer-related processes at ECC?
In the construction business, we are building roads, dams, water supply schemes, etc. In all this, we have other stakeholders. We are serving the power companies through power projects; we are serving the government through roads, etc. The customers want their projects to be done economically, very fast, and to good quality [work] so that they are durable and ensure safety for people while working, and [to provide a] good environment for their staff and workers. So we create all this and try to keep the customer happy. The customer has to pay us a little more than the other contractor; but they think that if the work is completed six months ahead of schedule, then I am going to benefit because the Interest During Construction (IDC) is lower for them and profitability is earlier and faster. So the satisfaction comes out of timely completion, quality, and economy. We also have to think from the point of view of the customers’ income. Sometimes we give ideas of better ways to construct. For example, we suggest not to do a project in structural steel and rather do it in concrete. We are able to satisfy the customers with good ideas, fast construction, and fast completion of projects so that they are able to earn returns on their investment. So it is not as though only ECC is making profit. You make your customer make profit, and if they are happy, they will give further business to you. I think this is good stakeholder management.

Q. The construction industry organisations have to deal with a number of other stakeholders such as the vendors, sub-contractors, and suppliers. How does ECC deal with them?

In the construction business, 70% of all that goes into the building is materials. So if material cost is controlled, the total cost can be controlled. A project is said to have been economically done if you can get materials at a lower cost. But at the same time, lower cost should be commensurate with good quality. We cannot buy the cheapest materials which are not of the right quality. Materials management of the company should be such that you are fair to your vendors, suppliers, and sub-contractors. This benefits the company in the long run because these are not people who are dependent on you as you think. You are also dependent on them. Whatever policy you have, if you have a genuine and good relationship with them, with trust and faith in them, they will reciprocate that. It’s not only your capacity to negotiate and get the best deals out of them. You must do that with a balance so that you pay them a reasonable price because they are also a company like yours; they must have a reasonable return on their capital; and they must also be happy for what they are doing for you. So the whole approach should be that of a partnership. If your vendors are like Tata Steel, they can also become your customers for the construction of their steel plants.

We get the steel of the right quality at the right time. If there is a problem, we can reject it. We have rate contracts wherein every year we settle a rate. Then that type of material is available to the company at a rate cheaper than what other contractors can buy. That’s how you are able to compete in the market. Similarly, the quality checks should be part of the system. We have a Supply Chain Management Materials Department which functions with a set of rules in such a way that you are fair to them and you pay them on time. Sometimes, the payment is pending for 3-4 months. The consequence would be that the vendor would feel that this customer is not giving money on time and he would increase his price in the future. So you should also have an understanding on the
payment terms and such other good practices, so that you get the materials just in time. Just in time (JIT) is a concept in manufacturing where you need not unnecessarily store materials, which is a waste of money. Similar JIT can be followed with the vendors and suppliers. So this is another set of stakeholders we have to keep them happy.

**Q.** Society is an important stakeholder for reputed organisations like ECC. In your opinion what truly constitutes Corporate Social Responsibility?

Society is an important stakeholder to which business normally gives least importance. In today’s practice which good companies follow, it is called Corporate Social Responsibility (CSR). That means, we must undertake initiatives in places where we are working so as to benefit the society and the local community. For example, we run clinics, hospitals, give scholarships, etc. This is for the genuine interests of the society and local community — not just because you have set up a factory at some place. That land is given by the local community and you need their cooperation for the business to flourish. If you have a short-term interest, they will also have a short-term response. So it is very important that the society, state, and country in which you are working, you should also take cognizance of their needs and help them to the extent possible within your own capability.

For example, if there is some natural calamity, we immediately go to the Chief Minister of the state and give [a] donation. However, this is not enough. We also have to take care of society. For example, if we are building a nuclear power station, there are hazards of radiation. This could affect the local community and the society. So we have to take care that the society and local community’s interests are taken care of and that they realise that the company is helping them and taking care of their interests. The Tatas are known for such an approach to business. They take care of the societal needs. Such an approach is very important. CSR does not stop with giving donations. You can help through training of the local community in diverse fields and in many other ways without the government’s involvement. The company must provide in its budget for such projects that have social objectives and benefit the society.

**Q.** ECC has done a lot of projects with various central and state governments. How is your experience working with them?

Government is very important because you are running under the overall administration of the government. The governments have their policies and for various reasons they are getting elected. They run their administration through well-selected officials. So the organisations must be in tune with their priorities. But at the same time, it is good to keep a balanced relationship with them. One should not become a conduit for making extra money for them. Without doing such things, one can be a support for the political leadership.

Sometimes, the political leadership wants some immediate project to be taken up. For example, the Govt. of Andhra Pradesh wanted a project to be taken up for the Tirumala
The then Chief Minister of Andhra Pradesh, Mr. Chandra Babu Naidu, telephoned me one morning and said that temple premises don’t have more than two months water there, and all pilgrims would get affected due to shortage of water, and that ECC must immediately help. Normally it takes a year to do such a project. But we went to his help and found a solution. We said that 60 days is impossible. However, we could probably try to complete it in 90 days. We combined the efforts of the other contractors and also invited other politicians including the opposition because it is the state requirement that the public be taken care of. The opposition also provided support and we finished the project in a record time of 77 days. Mr. Atal Bihari Vajpayee, the then Prime Minister of India, came to Tirumala and appreciated the extraordinary execution of the project. We feel that if this could be achieved, it is God’s grace and not just our efforts. It was such an impossible task, but it happened.

Similar is the experience with the Sri Sathya Sai Super Specialty Hospitals at Andhra Pradesh and Karnataka which were finished in a record time of 6 months and 15, respectively. The Sri Sathya Sai Drinking Water Supply Projects at Anantapur, Medak, Mahbubnagar, East and West Godavari Districts in Andhra Pradesh and for the metropolitan city of Chennai in Tamil Nadu were all undertaken under the auspices of the Sri Sathya Sai Central Trust located at Prasanthi Nilayam. These projects are perhaps the largest of their kind undertaken anywhere in the world by a private charitable organisation outside of the government. Each of these were undertaken purely to benefit the local community and society, and were completed in record times, almost miraculously! Many times it appears that things are happening on their own, but God’s grace is always needed for accomplishment of any task.

Q. The natural environment is usually damaged to a significant extent in the process of various construction activities. How important is this stakeholder for the organisation?

We don’t call it a stakeholder because it is not a separate person, but it is an essential part of life itself. If you destroy the environment around, you cannot be stable or successful. So, sustained environmental protection and growth is very important. Nowadays, everyone is talking about climate change, rising temperatures, rising in sea levels, pollution, etc. All this has happened even in the “advanced” countries. This is

1 For more details, see www.tirumala.org.
2 For more details, see www.srisathyasai.org.in.
because of the improper and massive use of natural resources for some limited purposes. In the process, they have disturbed the balance of the environment around and also of the five elements of the world. Now the realisation has come much more in the developed world leadership about the importance of the natural environment and they are struggling to find a way. But at the same time, there is an element of competition and selfishness to protect their respective national goals and on occasions stating that other countries are polluting and not they. But one has to realise that one is a part of the whole world. In providing the environment-related targets, there are discussions and confrontations. But one day when they realise the overall objectives, some solutions in that direction can be found. In the current circumstances, the developed countries want to keep some caps on their pollution levels and want the developing countries to put some caps. On the other hand, the developing countries are saying that they are not the ones who are polluting as much. The developing countries also want the developed countries to provide them with technologies which would help them in this direction. In my opinion, international deliberations on various fora would slowly provide solutions.

Q. What are the natural environment-related processes that have been undertaken at ECC?

At ECC, we consciously do a lot of things like the use of fly ash and industrial waste. So in most of the building materials, we have to keep in mind the waste of earth’s resources. For example, if you want to make all the structures in the country with brick [to] house people, then we have to remove one meter of soil from across India and only then can we house everyone. That means such a methodology is not sustainable. One cannot take earth and make bricks only. One has to use a combination of products and reduce the use of soil and not waste that material beyond a certain limit. There are industrial products and wastes like slag and fly ash. Even from buildings that have been demolished, there is so much of waste material that can be reused.

Also, energy consumption should be brought down. All these concepts are used when we engineer projects. When a project is given to us like the construction of an airport, we look at natural light, natural ventilation, so that we reduce the consumption of power. For example, the Bengaluru International Airport. In the design concept itself, we gave the design in such a way that in the roofing we have the north light roofing such that natural light comes in and we don’t have the artificial lighting. We also have reduced the use of AC
ducts by using the space within the columns itself so that there are ducts and lesser wastage of materials. The general level of air conditioning is less and power consumption is also less. We have used materials like granite in such a way that there is not too much of dust generation and maintenance is easy. So many concepts have gone in to ensure that overall power consumption is less. L&T-ECC is one of the promoters of the green building concepts and we have won awards for using sustainable practices for design and construction of structures.

Q. Would you share any initiative at ECC which you consider as an example of the stakeholder focus of your company?

There are so many success stories. I would share a few of them with which I was personally associated:

**Annual Suppliers’ Conference.** I started the Annual Suppliers’ Conference at ECC. This initiative is unique and nobody does this in the construction world. Once a year, we call a conference of all the suppliers and sub-contractors of ECC. We tell them that they can express all the problems that they are facing with our people and they can also suggest solutions as are our partners. My intention was also to see that there is no corruption in the organisation. I wanted to get a common platform to work together and to say openly to all of them that they should pay nothing beyond what is official. I also wanted to say that the Company wants quality, and that we understand their problems when there are delays. I think that this approach is one of the important aspects leading to our satisfying relationships with our suppliers and sub-contractors.

**The National Academy of Construction for Training Workmen.** Workmen are not directly employed by us. They are employed through piece rate sub-contractors. So, in each region, the company started a Skills Training Institute. This is helpful not only for them to raise their skill levels and productivity and earn more money, but also for the company. This is because their higher productivity would lead to faster work of a high quality. This has been appreciated so much that we had other contracting companies join in our efforts and we formed the National Academy of Construction (NAC) in Hyderabad.3 This

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3 The NAC has emerged as an apex body for the development of all types of construction resources, technologies, and methodologies for the fast-track completion of projects. Registered as a “Society” and incorporated as a Public Charitable
leadership was formed by the leadership of L&T. The Government of Andhra Pradesh gave us some land. The NAC has nine different institutes. One of them is to train the workers, which is the primary focus. In India, 3.5 crore people are employed in the construction industry. They are paid very [much] less and their living standards are very poor. So when we train them, we are recognizing them as important parts of our society and business. They are learning skills, they are getting educated, and they are getting better relationships with our supervisors. This helps in improving our productivity and quality standards.

At NAC, we also have an institute for training contractors. In India, there are 600,000 contractors. Of these, 28,000 are registered as companies. But all of them are poor in terms of business management ideas. They are just single-family-run businesses, sometimes with wrong practices. We felt that it is good to train contractors and quite a few of them come from Andhra Pradesh. So we have this institute called the Contractor Development Institute (CDI)\(^4\) as a part of NAC.

We also have the Transportation Infrastructure Training Institute (TITI).\(^5\) What are the right ways to transportation infrastructure – roads, ports, airports, etc., in terms of design technology, construction efforts, mechanization, improved productivity, etc? China has done very well in infrastructure. We felt that infrastructure projects were not being done properly as they were earlier under the government and were having one-sided focus. However, that is changing substantially.

At NAC, there is an Institute for Architecture and Design (IAD).\(^6\) There is also an Institute for training engineers called the Construction Industry Staff College. Engineers are trained as managers. Engineers are trained in latest construction methods. In this way there are nine institutes in the National Academy of Construction. The money is provided by the contractors by paying 2.5% of the bill deducted at source by the Government in Andhra Pradesh. So if every state encourages this sort of activity, it would make a lot of impact. Some of the workers trained in these institutes go to the Middle Eastern countries, earn more money and are very happy. This is one more satisfying initiative which I think we have done.

**Alternative Designs.** What satisfies me is that we have done a lot of work with alternative designs. When the customer wants to build a cement factory, and gives the

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4 CDI is a constituent unit of NAC and is parented by Builders Association of India, Andhra Pradesh Centre. Established in 1999, CDI is a unique training institute in Asia to train contractors, builders, engineers, architects, technical, non-technical staff, and new aspirants of construction business in disciplines of managerial, financial, contractual, techno-logical and commercial, etc. The CDI is striving hard to professionalise the construction industry by providing perennial capacity building processes such as diversified training programmes, workshops, seminars, conferences, etc, to all the stakeholders of the construction industry. CDI has trained more than 5,000 candidates in the above areas from the day of its inception.

5 TITI is one of the constituent units of NAC, parented by Central Road Research Institute (CRRI) imparting training in Highway Technology, Transport Infrastructure, and Transport System Management. Training is imparted to engineers in the Pradhan Mantri Gram Sadak Yojana (PMGSY) Programme which is meant for the development of rural roads. Full-fledged training is imparted to the engineers of Panchayat Raj Department of Andhra Pradesh. The programme is sponsored by National Rural Road Development Agency (NRRDA). The Training Programme on planning, design, maintenance, evaluation, and rehabilitation of roads, bridges, and culverts, etc is geared toward the engineers of the Roads & Buildings (R&B) Department of Andhra Pradesh.

6 IAD has been primarily created, designed, and established on 23.01.1999 to train and act as a feeder institute for various categories of tradesmen at par with International Standards who can be usefully employed by various construction companies, architects, and contractors in India.

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requirements and design, we suggest to them that they can opt for an alternate design. They are advised that this option would be cheaper, faster, and better. Consequently, the customer is happy. This Alternative Design and the Engineer Procure and Construct (EPC) idea[s] promoted by L&T-ECC in India. This approach gives better results in the form of good quality and economy in construction. In industry, EPC is very well accepted, and in infrastructure projects, it is slowly coming up.

Q. What kind of difficulties have you faced while following an approach to benefit the maximum number of stakeholders?

Any business is a challenge, especially construction projects. You are there to face those challenges. But when you understand the human relationships and try to solve the problems of others, then you get better results. You should never be afraid of difficulties and challenges. You should think from the other person’s point of view as to what is his difficulty. How can you help solve his problem while solving your problem? Most of the problems can be solved if that balanced approach is followed. In fact, once I asked my Guru, Sri Sathya Sai Baba, as to when the Kashmir problem will get solved. He said that it can be solved in a few minutes. But for that, the right mindset that “We are all one” has to come. Then such problems would go away. In the similar way, if companies approach the problems they face with the understanding of the problems from the other side, then one can easily find solutions. You can even change the government approach inspite of their rigid stand if you tell them that it is beneficial for everybody. Even the opposition parties who sometimes criticize the ruling party’s policies get convinced if you talk to them and bring them together and tell them about the cause for which you are working. I have experience in so many projects where both the ruling party and opposition parties have supported us because they perceive us as doing some good work which is beneficial to the society. If you work for serving the people, you are automatically serving God and it will give good results.

Q. India has had a spiritual culture and tradition for centuries. An analogy can be drawn between the kings of yore and the corporate heads of today. It is an established fact that the righteous kings of yore had “Praja Palan” – welfare of all his subjects as his primary goal/objective and not only of those who used to be regular taxpayers, providing funds for the effective functioning of the kingdom. If we extrapolate the same to today’s times, one might rephrase this by saying that the duty of the successful corporate organisations is to ensure the welfare of all its stakeholders and not only of those who provide funds to the organisation for its effective functioning, i.e., the shareholders/providers of capital. If you agree with this, how do you feel can corporate executives at their individual level implement this “Praja Palan”?

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7 Sri Sathya Sai Baba (1926-2011) was Founder Trustee and Revered Founder Chancellor of the Sri Sathya Sai Institute of Higher Learning (deemed to be university), Prasanthi Nilayam, Andhra Pradesh, India. He was a highly revered spiritual leader and world teacher whose life and messages are still inspiring millions of people from all the religions throughout the world to lead more purposeful and moral lives. His contribution to humanity has been, among many others, in three major areas – Educare, Healthcare and Sociocare.
In management philosophy, there is no belief in good luck and such things. Everything is organizable; everything should be planned, executed, and monitored. Then the results will come. But as per my belief, the whole universe works according to some laws. If one understands those laws and works according to that, one will get good results. I feel that if one follows the path of righteousness (Dharma), the path of truth (Satya), and non-violence (Ahimsa), and if one wishes well for others — including one’s competitors — then one will succeed. It’s my personal experience that if you wish well for your competitors, if you wish well for your opponents, it will function in such a beautiful way that they will support you when you are in need. So you are a part of the system. Even though you are a part of the competition in the business, you are working for the same government and the same community. So you are partners in construction and not a competitor. If that is realised and you act according to that understanding that all is done for the benefit of the society and the good of the people, then I think that such an environment would be very beneficial to the success of the business including the realisation of all business objectives. If you go back to the objectives of the business and think about them in critical moments, you would get the right solution. You must go back to the basic principles of business and go back to Dharma, then you will succeed.

We have undertaken a lot of projects for the Sri Sathya Sai Central Trust and learned many valuable lessons from the Sai Baba Projects in the field of project management. As per this philosophy, we can do projects very fast as compared to others because of the application of the concept of unity, purity, and Divinity. When we make all the stakeholders and people working for the project work together, with a good cause and in a united fashion, we achieve that project very fast. And we have experienced through the Sai Baba Projects that our projects are exceptionally fast and some of them [have set] world records. That has come because of our realisation of Sathya Sai Baba’s teachings that purity is very important; that what we are doing for the society in a sustainable way should be beneficial to the society. If done so, everybody would be cooperative. If everyone is united and pure in one’s intentions, then such unity, coupled with purity, leads to Divinity. Ultimately, we were achieving the results much faster than even what the government could do. For example, similar to the Sri Sathya Sai Drinking Water Supply Project at Anantapur (1995) undertaken by Sri Sathya Sai Central Trust, the Government, at the same time, wanted to do a project in the Kurnool District. Even today, 15 years later, the Kurnool Water Project has not been realised because it is stuck in conflict. While in case of Sathya Sai Baba’s projects, even the farmers through whose lands we cut across had no objections because they knew that the water provided through the project would benefit them. In any case, it was a temporary dislocation and the Sri Sathya Sai Central Trust also gave them adequate compensation. When you help people who have been affected, then everybody comes together to help you through a united approach and this leads to success.

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8 The Ninth Five Year plan document of Government of India added a citation to the Sri Sathya Sai Central Trust, Prasanthi Nilayam, Andhra Pradesh, in appreciation of the project, which read: “...Sri Sathya Sai Trust has set an unparalleled example of private initiative in implementing a project on their own, without any state’s budgetary support, a massive water supply project, with an expenditure of Rs. 3,000 million to benefit 731 scarcity and fluoride / salinity-affected villages and a few towns in Anantapur district of Andhra Pradesh in a time frame of about 18 months.”
The Father of the Nation – Mahatma Gandhi — advocated the concept of Trusteeship wherein every individual is a trustee or a custodian of the wealth he/she owns and the wealth has to be used to the extent possible for the welfare of all. This philosophy finds its roots in all major religions of the world – Hinduism, Jainism, Islam, Christianity, Sikhism, etc. What is your opinion on this?

Gandhiji had said that the people who manage companies should be trustees because the funds belong to shareholders besides some capital funds that belong to the promoter families. The promoter families and the shareholders should have a national perspective; it should not be narrow-minded. The whole objective of a company is to serve a national purpose, of serving the people. But at the same time, people who have invested in the company should have a return on the capital employed because if the capital is put in a bank or given to somebody, they earn a little money. The idea is not just to make money, but to invest the funds further so that the company can grow and serve more people. The overall objective of business should be not just to make money, but to serve people, serve the needs of the society, and the country.

Dedication

The author humbly dedicates this endeavour to the Revered Founder Chancellor, Sri Sathya Sai Institute of Higher Learning – Sri Sathya Sai Baba. The author is also very grateful to his parents – Smt. Shefali Shah and Shri Jagesh Shah for their loving support in his academic endeavours.

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About the Author/Interviewer

Dr. Shashank Shah completed his PhD in the area of Corporate Stakeholders Management from the School of Business Management, Sri Sathya Sai Institute of Higher Learning, India in 2010 and was awarded the Association of Indian Management Scholars International Outstanding Doctoral Management Student Award 2010 at the Indian Institute of Management Ahmedabad in 2011. Shah has published over 70 research-based papers and case studies in the areas of Corporate Governance, Social Responsibility, Stakeholders and Values-Based Management, and Education; has co-authored four books and three monographs in these areas; and as the University’s Publications Division Editor, has compiled and edited over a dozen books on Indian
Soulful Corporations: A Values-Based Perspective to Corporate Social Responsibility, Shah’s highly acclaimed work in the field of Corporate Social Responsibility, was published as part of the “India Studies on Business and Economics” series.

In 2011, Shah was invited to present his work at the 10th Annual Colloquium of the European Academy of Business in Society (EABIS) at INSEAD, France, and as a Visiting Scholar at the Center for Corporate Social Responsibility, Copenhagen Business School, Denmark. He presented his research work at the 4th Multidisciplinary International Conference of the Journal of Arts and Sciences at Harvard University in May, 2013. He currently serves on the International Advisory Editorial Board of the Journal of Values-Based Leadership, Valparaiso University, USA, and is a reviewer for Emerald Publisher’s Series on Emerging Market Case Studies and the Journal of Human Values, Indian Institute of Management, Kolkata (Sage Publications). Currently, Shah’s interviews of leading business leaders are incorporated in his pending works: Leadership Perceptions towards Business Management and Stakeholder Welfare: A Qualitative Study in Corporate India and Stakeholders Management in the Indian Banking and Finance Industry and Stakeholders Management at the Tata Group of companies. Dr. Shashank Shah can be contacted at the Department of Management Studies, Sri Sathya Sai Institute of Higher Learning, Vidyagiri, Prasanthi Nilayam – 515134, Anantapur District, Andhra Pradesh, India. Email: shashankjshah@gmail.com; Telephone Number: +919441034682.