

Visible and Invisible Hands at 'Colors of India' Fest

On November 21st 2014, the Bangalore School of Management (BSM) – one of the premier Indian B-schools – wore a festive look as the staff and the students excitedly waited for 'Colors of India' – BSM's 3-day annual cultural fest – to get started. The festival was inaugurated with the lighting of the lamp by the Chief Guest, Sebastian Kurien (Sebastian), a celebrated social entrepreneur and the Dean, Dr. Lalitha Subramony (Dr. Lalitha). The audience at the 3-day cultural fest included students not just from BSM but also from other multi-disciplinary colleges from across the country. The highlight of the cultural fest was BSM's initiative to support women entrepreneurs from small scale and cottage industries by inviting them to showcase their products and sell their merchandise at BSM's stalls. Ironically, the initiative did not kick-off well and the entrepreneurs made very poor sales on the first day. What would be the impact of a day of poor business for the entrepreneurs?

This Caselet was written by Vandana Jayakumar and Dr. Nagendra V. Chowdary, ET CASES. It is intended to be used as the basis for classroom discussion rather than to illustrate either effective or ineffective handling of a management situation. The case study is based on generalized experiences.

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Colors of India

'Colors of India' – BSM's 3-day annual cultural fest – was a much awaited event among the student fraternity. It attracted nearly 500-600 students from across the country each year. The programs during the three-day festival included inter-institute dance and music competitions, art and craft workshops, debates, management games, dramas, fashion shows, music concerts, films' screening, etc. Food stalls at the event served popular Indian recipes and students and faculty alike thronged to the stalls in large numbers. The food stalls did brisk business during the three-day cultural fest. Interestingly, 'Colors of India' focused on a unique theme each year. Businesses from related industries could put up their stalls during the event at BSM and sell their products. Each year the participating organizations earned good revenues during the three days of the college fest. For instance, the theme for 'Colors of India-2013' was 'mompreneurs' wherein 12 startups showcased their products and services at BSM stalls. They had cumulatively done business worth ₹8 lakh in three days. The theme for 'Colors of India-2014' was 'Women Social Entrepreneurs'. This was BSM's maiden social initiative.

BSM's Social Initiative

On June 23rd 2014, within a week of the commencement of the academic session, Dr. Lalitha called for a meeting with all the students and faculty members to identify the coordinators for BSM's annual cultural fest. Three faculty members, assisted by four students (two from Ist year and two from IInd year), formed the core committee for the event.

During the meeting, Dr. Lalitha announced that 2014's cultural fest would be marked by BSM's initiative to support women entrepreneurs from small scale and cottage industries by inviting them to put up their stalls at BSM at concessional rates. Dr. Lalitha also conveyed that the idea was not to earn money for BSM but to support the cause and hence stalls were being made available to the women entrepreneurs at highly subsidized rates. The decision was applauded by the students and faculty alike. Further, Dr. Lalitha announced that Dr. Rajesh Agarwal (Rajesh) – who headed the department of Entrepreneurial Studies – and his team of student coordinators (Shreya, Raksha, Sudhir and Reema) would oversee all the activities related to participation of women entrepreneurs.

Next day onwards, the event coordinators started spending few hours each day on activities related to the fest. By July 21st 2014, Rajesh's team finalized the list of 28 women entrepreneurs (based in and around Bangalore) to be approached. Most of these women entrepreneurs were directly or indirectly supporting the work of destitute artisans from the rural areas. Mailers were sent to all the entrepreneurs, apprising them of the upcoming event and soliciting their participation. Details pertaining to participation and guidelines for the stalls were also shared with the women entrepreneurs (Exhibit I).

Exhibit I: Guidelines for Putting up a Stall at BSM's Annual Cultural Fest	
Dates: November 21 st 2014–November 23 rd 2014 Venue: Lawns, Bangalore School of Management Timings: 10:00 am to 6:00 pm	
Facilities to be Provided by BSM <ul style="list-style-type: none"> Stall structure of size 12m² (4m x 3m) Racks to display the merchandise Three additional electricity points Food coupons Two tables, four chairs and a canopy The stalls would be equipped with two tube lights and two fans Nameplates 	
Participation Fee: ₹9,000 per stall for three days Rates of Subsidy for Participation: <ul style="list-style-type: none"> Micro Enterprises: 80% Small Enterprises: 60% 	
Prepared by the authors	

By September 20th 2014, 15 women entrepreneurs confirmed their participation. Thanks to technology, participation of women entrepreneurs could be organized remotely, without BSM representatives and social entrepreneurs having to meet in person even once. Rajesh shared his excitement with Dr. Lalitha who also expressed her happiness as it was the first time that BSM was using the platform of annual fest for social good.

At the College Fest

As November approached, all the students and staff at BSM were increasingly engaged with the activities of the upcoming fest. Rajesh and his team were very excited about the prospect of women entrepreneurs showcasing their merchandise at BSM. Shreya Gupta (Shreya), one of the student coordinators from Rajesh's team, closely interacted with the entrepreneurs and provided them all the information and help they needed.

On November 20th 2014, just one day before the festival began, BSM was abuzz with activity. Late in the afternoon, the 15 women entrepreneurs arrived at the BSM campus with their wares. Rajesh's team of student coordinators helped them in arranging their stalls and by evening, all the 15 stalls were ready for the show that started next day.

On the breezy morning of November 21st 2014, the three-day festival began with Sebastian and Dr. Lalitha inaugurating the event. In her welcome address, among other things, Dr. Lalitha spoke about BSM's initiative to promote women entrepreneurs from small-scale and cottage industries and especially welcomed the participating women entrepreneurs. She said, "Dear students, faculty members and esteemed guests, please do take time out amidst all the celebrations and visit the handicrafts stalls. Let us support these amazing women entrepreneurs in their efforts to provide sustainable livelihoods to scores of rural artisans."

As the day progressed, events rolled out one after the other. While some students watched short films developed by BSM students, some participated in management games and some others were engaged with art and craft activities. Likewise, several events at the festival kept all the students and visitors busy. The food stalls and games stalls were flooded with customers. The entire campus was bustling with activity as students from various other colleges had also gathered at BSM to participate in the much awaited event.

However, there was minimal activity in the lawns where the stalls of the women entrepreneurs were arranged. The stall-keepers, mostly the entrepreneurs themselves, were seen chatting amongst themselves, taking a break only when a stray customer walked into the stalls (Exhibit II). At the end of day-1, none of the stalls had been able to do any good business. As the events of the day came to a close, there was collective disappointment among the women entrepreneurs.

Exhibit II: Stalls of Women Entrepreneurs at BSM's Annual College Fest



Source: Stalls of Women Social Entrepreneurs (reprinted with permission from Karghaa and Color D Earth)

In the evening, when Rajesh approached the women entrepreneurs to plan for the next day, they expressed their disappointment about poor sales. Karuna Srinivas (Karuna), one of the women entrepreneurs, spoke on behalf of all the other women entrepreneurs.

Karuna: Rajesh, 'day-1' has been disappointing for all of us. The students don't seem to be interested in handicrafts.

Rajesh: I understand your disappointment Karuna. I noticed that there were very few visitors to these handicraft stalls. But, I am sure things will brighten up tomorrow and day-after. We are expecting more students from other colleges in the next two-days as it is the weekend and moreover, several cultural events are lined up.

Karuna: Let us be hopeful. But the few visitors who came to our stalls also found our products very expensive. It's true, handicrafts are expensive. The raw material may be cheap, but it is an art and high level of skill is needed to produce handicrafts. Hence, the high prices! Perhaps, youngsters are ignorant.

Shreya: Karuna, I don't think all the students would be the same. But I am sure our faculty members must have picked up something or the other.

Karuna: Yes. Definitely! Mainly, today our customers were the faculty members only. For instance, Dr. Lalitha bought four handloom *sarees* from my stall. One of the faculty members bought lamp-shades. Rajesh bought wall décor from one of the stalls. But as I said, students do not understand the value of handicrafts. I overheard a couple of students commenting that all these products seemed to be of low quality. Perhaps, they don't know that we produce export quality products that have admirers across the globe. E-commerce has enabled us to reach a much wider customer base and our products are being demanded in several countries.

Rajesh: Yes Karuna! Thanks to globalization, we are able to show our ethnic art to the world. And these handicrafts are so beautiful that no wonder they are admired the world over. Please don't get offended by the comments of few students. I am sorry about your bad experience today. But I am hopeful that sales would pick up tomorrow and day-after.

The discussion with Karuna set Rajesh's mind thinking. He thought it was his responsibility to do something about the situation. He spoke his mind out during the debriefing session in the college canteen.

Debriefing Session

After the close of events on the first day, members of the core committee met at the college canteen to take stock of the developments of day-1 of the fest. Conversation with Karuna was ringing in Rajesh's mind. He discussed the same with the student coordinators of 'Colors of India'.

Rajesh: Good evening everyone. We had a splendid day today. I am sure you all must have enjoyed. However, amidst all the festivities, it was disturbing to know that the women entrepreneurs could not make good enough sales for the day.

Reema: Obviously Sir. They are selling their products at such exorbitant prices, who would want to buy?

Shreya: Handicrafts are expensive because it is an art and artisans manually produce them. We all know that. You buy expensive products from the malls but not products made by artisans. I think you are biased.

Reema: It's not like that. Yes, I agree that I buy expensive goods from the malls. But when I can get a good Jute bag for ₹150 from vendors on the roadside, why will I buy it for ₹800. My jute bag looks as good as the one that what was being sold at one of the stalls today.

Shreya: But there is definitely a difference in quality. However, my concern at the moment is those women entrepreneurs. I am really concerned. They should be able to do some business and make decent enough money in these three days for all their efforts. Let us spread the word and contribute towards sales.

At this point, Raksha and Sudhir also joined the conversation.

Raksha: Shreya, I think you are unnecessarily taking pity on these entrepreneurs. Assume for a moment, none of them are able to sell a single product in these three days. Then, all they lose is the participation fee which is also quite subsidized for them.

Rajesh: Raksha, you are mistaken. What about the opportunity costs? Let me explain. You know that most of them are very small businesses. So, when they put up a stall here at BSM for 3 days, almost all of their resources are directed here which affects their in-store sales for those 3 days. For instance, they have average sales worth ₹8,000 in the store each day, then they should earn much more than ₹8,000 at BSM each day to cover the lost in-store sales and other incidental expenses of hosting a stall at BSM.

Sudhir: Moreover, it's not just about pity or losses. It's about the circular flow of economy.

Rajesh: Rightly said Sudhir! If they don't make any sale then the money invested in producing/procuring the goods gets locked up.

Sudhir: As Dr. Lalitha pointed out, behind these women entrepreneurs are several artisans who will earn an income only when their products get sold. With goods not getting sold, the artisans don't earn any income.

Rajesh: The income is needed not just to run the household but also to pay-off for the raw materials and also the loans on the capital equipment such as looms, kiln or any other equipment that they must have bought. So, only when there is trade, there can be a circular flow of economy.

It is not about these women entrepreneurs or artisans alone. We are all a part of this economic system. Let me ask you a question: What is your responsibility as a student?

Reema: As students, our responsibility is to study well.

Rajesh: Right! In all likelihood, after completing your studies, you will provide your services and earn money. As a teacher, even I provide service. We specialize in services and therefore provide services and earn money. The artisans specialize in producing handicrafts. They produce handicrafts and earn money. This is division of labor. One earns money by doing what one specializes in and then uses money to buy goods and services. Therefore, money is the common commodity of exchange in trade and is extensively used in a modern economy.

Raksha: Sir, I have a doubt. We are discussing about trade, the circular flow of economy, the use of money, etc., but, some of the women entrepreneurs I saw today seemed like affluent ladies for whom putting up a stall at BSM was just another way of socializing and gaining media attention. Moreover, the money they would earn from the sale of handicrafts in these three days would be peanuts for them.

Rajesh: Rightly pointed out Raksha. Some of these women indeed are wealthy socialites. Even if we assume that their intention is not social welfare but socializing, they are actually helping the rural artisans. In trying to benefit themselves, they are benefitting the handicraft producers indirectly. For such a situation, we use a metaphor in Economics – 'the invisible hand' (harmony between private profit and public interest). And that is social entrepreneurship, in a way.

Sudhir: There is also the visible hand of the Government, which encourages small scale industries by giving them subsidies and other benefits so that they can compete with the machine made products in the market.

Rajesh: Rightly pointed out Sudhir. There are several governmental provisions to support small and cottage industries – tax holidays, subsidized loans, support from the export promotion council, facilities within the SEZs, marketing development assistance, etc. Governmental support to small and cottage industries increases efficiency in the market economy by encouraging competition. Further, by redistributing the income earned from taxes towards particular groups such as the small scale and cottage industries, the government promotes equity in the market economy. These economic functions of the government that are aimed at increasing efficiency, promoting equity and fostering macroeconomic stability and growth collectively form the visible hand of the government.

Reema: All this is very interesting. But still, I am not keen to buy any of those products as they are expensive.

Rajesh: We are not asking you as an individual to buy the products. We are trying to emphasize on the need for money to keep flowing for a modern economy to flourish. 'Colors of India' is a miniature economy for three days. Take for example the food stalls in our campus. When we

buy food items from those stalls, we facilitate the food vendors' business. The food vendor might use the money to buy some rugs from one of the handicraft stalls. This way money keeps flowing in the economy from a consumer to a producer who in-turn is a consumer of some other product, so on and so forth.

Raksha: After all this discussion, I am sure I am going to buy something from those stalls tomorrow.

At this point, Shreya intervened and reminded the group that it was time to disperse as they had another busy day next morning.

Assignment Questions

- I. Given the predicament of women entrepreneurs at the end of 'day-1' of the cultural fest at BSM, discuss the significance and operation of circular flow of a modern mixed economy.
- II. Explain the working of Adam Smith's doctrine of 'the invisible hand' in the case of women entrepreneurs at the culture fest at BSM.
- III. On the basis of case facts, analyze the concepts of 'trade', 'specialization' and 'division of labor' in an economy.
- IV. "Money acts as a matchmaker between buyers and sellers, effortlessly effecting little marriages of mutual self-interest billions of times every year."¹ Discuss the role of money in an economy in the light of this statement.

Mandatory Reading

- Paul A. Samuelson, et al., "The Modern Mixed Economy", *Economics*, 19th Edition, McGraw Hill Education (India) Private Limited, 2010 – To have an understanding on the functioning of a modern mixed economy

Suggested Reading

- Adam Smith, *The Wealth of Nations*, Thrifty Books, October 27th 2009 – It was suggested that students should refer to the book by Adam Smith, who is considered as the 'Father of Modern Economics'. The students can refer to pages xvi, xxiii and 572, where the concept of invisible hand was propounded.

Mandatory Viewing

- Axis Bank, "Axis Bank – Badhti ka naam zindagi... 2013", <https://www.youtube.com/watch?v=c25Qv7Ez8nU>, (accessed date: August 6th 2015) – To visually understand the circular flow of economy

¹ Paul A. Samuelson, et al., "The Modern Mixed Economy", *Economics*, 19th Edition, McGraw Hill Education (India) Private Limited, 2010