

## Re-inventing Leadership for Transforming India



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I am most humbled that in our Winter of Discontent, such a distinguished group of knowledgeable citizens have braved real winter to join our dialogue today.

I propose to divide my lecture in 4 parts.

Part 1: An Overview of Current Scenario

Part 2: A possible path from “*What is*” to “*What can be*”

Part 3: Leadership Traits required for future success &

Part 4: A ten-point Actionable Agenda

### Part 1: An Overview of Current Scenario

- Most of the dialogue tends to be focused on “getting it right,” while it is equally important to explain *why we “got it wrong,” in the first place.*
- Though we shook off British Empire 65 years ago, the quality of governance changed only marginally. The freedom struggle *brought to power another elite* - as disinterested in securing prosperity for the Indian masses, as the British.
- We continue to be a poor country because those who have power make choices that create poverty. *They got it wrong not by mistake or ignorance, but on purpose.*
- *We are perceived as a morally bankrupt nation* - not because the citizens of India are so - but because we are led by people who have deliberately made it so.
- We are beginning to realize that it may be tougher to gain freedom from our own misrule than from British rule.

In this context, I cite **5 key aspects to portray the times we live in.**

1. **FIRST:** Despite a pervasive sense of injustice and widespread frustration against the Government, each agitation or revelation is followed by a discontinuity in populist upsurge. Neither the elite of India nor TV nor print media relentlessly take forward the people’s struggle. They focus on what happened last evening or this morning, *thereby limiting the debate to issues of the day – rather than portraying the palpable agony of the vast majority of India,* on a host of fundamental issues.

Unlike in Mahatma Gandhi’s movement, the Elite of India today is blissfully oblivious in its sheltered world, because the status-quo is tilted in its favour. They are safely insulated from the bleak realities tormenting the less fortunate. Such injustice is not sustainable; it cannot be a part of the country we want. Barring a few exceptions, *the Elite of India has let India down.*

2. **SECOND:** Our constitution created *inclusive political institutions* so that they lead to *inclusive economic institutions*, which are a pre-requisite for a nation’s growth.
  - But business-politics nexus succeeded in out-manoeuvring inclusive political process to create **extractive political institutions, which enabled them to ruthlessly create extractive economic institutions** – *to extract incomes and wealth from large sections of society to benefit a select few.* Net result: those in power don’t represent the people of India.
  - In that framework, long-term engines of growth such as technology and education lag behind, because they threaten status-quo.
  - As Acemoglu & Robinson have explained in their book: *Why Nations Fail:* Inequality in a country cannot be explained by climate or disease, or any version of geography hypothesis. It is explained by political institutions. *They alone determine whether politicians are agents of the citizens, or whether they brazenly abuse the power entrusted to them.*

The most significant fault-line in our democratic system is that **none of the political parties have an internal democracy**. Most are either family-led or their leadership is hijacked by a strong coterie. Over 65 per cent of MPs under 40 have a prior family connection in politics. *A party that does not have transparent internal democracy can NEVER promote strong democratic institutions in the country.*

**The silver lining is that in today's environment, extractive economic institutions cannot survive for long.** More so because *our Constitution is explicitly against those.*

3. **THIRD:** India is an ideal place for **Confluence of Civilizations**, not **clash of civilizations**. In the West, one can understand the ignorance or arrogance, in mistakenly believing that there is more that separates than what unites civilizations. But in India – there is no such problem. India is the only country where believers of all twelve living faiths have lived together for centuries. It is politicians alone who have caused and sustained this clash and continue to do so.
4. **FOURTH:** Ideology is dying. Young people are not interested in debating capitalist or socialist ideas or the nuances of geopolitical equations. Their politics is **not about left versus right**; it is about:
  - (a) *authoritative versus collaborative*
  - (b) *centralized versus shared,*
  - (c) *top-down versus lateral, and*
  - (d) *closed thinking versus transparent thinking.*
 This is a world-wide phenomenon – including India. Sadly, our entire political class is stuck in a stationary time-capsule.
5. **FIFTH:** Collectively, the business communities' actions and governments' proven complicity have given firm credence to a widely held perception that business objectives and society's needs tend to be like the two tracks of a railway line. They appear to converge in the distance; in reality, they never do. It is a mirage.

In every period in history, there is one dominant institution that needs to take responsibility for the whole of society. In the early days, the religious institutions fulfilled that role. In the Middle Ages, the kings and rulers of kingdoms and States discharged that responsibility. Since the second half of 20<sup>th</sup> century, business has become the most powerful institution on the planet.

*So business has to adopt a tradition it has never had throughout the history of capitalism: to share the responsibility for the whole. This is a new role, not yet understood or accepted.* This possibly explains the deafening silence of business leaders in India – whether it be an issue of endemic corruption or systemic collapse of civility in public life.

Such factors tend to create the impression that we are moving towards “**Dystopia – the opposite of utopia**”. The good news is that *An age is called Dark, not because the light fails to shine, but because people refuse to see it.*

We can see it, if we realize that *we will not go back to the world we knew.* The era of statistical economic growth, at the cost of civil liberties and civic rights is over.

*The seven hundred million people of India, who are not a part of the growth story, will no longer accept poverty and exclusion as destiny.* Business and political leaders cannot brush it away as mere philanthropic talk. The only choice is: *accept the new reality grudgingly or willingly.*

## **Part 2: A possible path from “What is” to “What can be”**

I believe we are living in truly exceptional times. I say so because never before **have we had such a confluence of favourable factors and so much potential to transform “What is” to “What can be”**.

### **Five Phases of Human Enterprise**

I discern the emergence of a new dawn, the evolution of a new phase of human enterprise that is redefining the criteria of success. Even the skills required to succeed will undergo re-configuration. There have been four phases till now:

- **Phase One** was *Strong Fish eating Weak Fish*. This was the law of preservation for most of recorded history till the early days of industrialization. Alexander the Great, the Romans, the Turks, the French, the British, and the Spanish continued to tread the path of ruthless domination. *The majority of the human race helplessly accepted the rule of the mighty, as the privilege of living.*
- **Phase Two: Big Fish eating Small Fish** - started with the concept of "joint stock company". The British East India Company was set up in 1600, and Virginia Company in 1606, creating ingenious financing model while lowering risk. The State acquired revenues through these 'big fish'; in return gave them protection, giving birth to business-politics nexus and 'crony capitalism'.

It got so bad that US President Rutherford Hayes said in 1876 that "*This is a government of the people, by the people and for the people no longer. It is a government of corporations, by corporations, and for corporations.*"

President Theodore Roosevelt put it across even more bluntly in 1912, "*Behind the ostensible government sits enthroned an invisible government owing no allegiance and acknowledging no responsibility to the people. To destroy this invisible government, to dissolve the unholy alliance between corrupt business and corrupt politics, is the first task of the statesmanship of the day.*"

Since then – things are much worse all over the world *and corporations continue to be the source of corruption for politicians.*

- Death of Distance and Birth of Internet led to **Phase Three: Fast Fish eating Slow Fish**. Apple was incorporated in 1977, Microsoft in 1981, Amazon in 1995, and Google in 1998. They created more wealth for shareholders every year, than the old enterprises created in decades.
- Early 21<sup>st</sup> century, we witnessed the dominance of a new kind of corporation. **Phase Four: Intelligent Fish eating Dumb Fish** - Indian trio of TCS, Infosys and Wipro, Embraer in Brazil, Haier in China, Samsung in S.Korea and many others discovered a new era.

For institutions that failed, the change of a phase was often the trigger. But those that prevail have an eclectic mix of all these traits. They are strong, they are big (in substance), they are fast (in responses), and invariably intelligent. *The defining moment in the commencement of each new phase is the inevitable need to imbibe the new trait.* Quite in line with what Charles Darwin said: It is not the strongest of the species that survive, nor the most intelligent, but those most adaptable to change.

As we analyze this process, we discern the early signs of the emergence of a new **Phase Five: Realistic Fish eating Unrealistic Fish**

Driven by:

- Increased demand for Social Consciousness &
- Need to function in sync with society & environment

Leaders that are "realistic" enough to acknowledge the new 'realism' will emerge as winners in the 21st century.

### **Five Allies to Catalyse Change**

I must hasten to add that while we continuously encounter firmly entrenched interests that are resisting the emergence of Phase Five, fortunately, there are five potent forces that are simultaneously speeding up the onset of Phase Five, based on the premise that *another world is possible*. These are:

1. **Knowledge-based Civil Society** driven by enlightened citizens (not calling them activists), former bureaucrats and independent Legislators.

To separate them from usual NGOs, I call them IPCs' - Institutions to promote consciousness – the outstanding, select NGOs that can function as *progress accelerators* to inspire the other four key players.

2. **Predominance of Youth** in demographics, supported by internet and social networking tools. This has created an ASYMMETRY that **enables small players and seemingly insignificant events to produce disproportionate impact or hold disproportionate power.**

3. **Enlightened stakeholders:** customers, investors, employees, supported by alternative media - are forcing Institutions to change.

*Traditional media* primarily serves private investors and corporate clients, not nation's citizens. If they do not align themselves with the interests of social majorities, they may lose even their remnant credibility.

4. **Educators:** I sense sporadic, but discernible stirrings of what could be a revolution in the making, as educators gear up to face two key tasks
- (a) *How to de-corrupt the minds of today's leaders and*
  - (b) *How to make the minds of coming generations in-corruptible*

I look forward to the day when leading Business Schools will change the nomenclature of their coveted Master's Program from MBA to MBC (*Masters in Business with Conscience*), and when the leading Corporations insist that they recruit only from MBC stream.

5. **Women** - taking on a larger pro-active role in this transformation
- We have just had a flavor of what determined women power can achieve. *Gender prejudice is a fault line beneath the foundation of our aspirations for a humane society.*
- In most countries where status and condition of women is abysmally low, rates of violent crime are high and levels of poverty are deplorable.

**Abdul Bahai** says it so crisply: "The world of humanity is possessed of two wings: the male and the female. As long as these two wings are not equivalent in strength, the bird will not fly. When the two wings enjoy the same prerogatives, the flight of humanity will be exceedingly lofty and extraordinary."

Women can exercise immense positive influence in a society. It is their innate nature to care and share; they instinctively know that love and understanding triumphs, when everything else fails. They network better and they nurture creativity. We need to see more of them as community leaders, politicians, entrepreneurs and educators.

*For reasons I have explained, I believe the forces of transformation will prevail over forces of status-quo.*

### **Part 3: Leadership Traits required for future success**

Leaders are called upon to make scores of significant choices every day. They typically display five postures in their behaviour. I call these "*Five Circles of Leadership Attitudes*". Without any explanation, you would be able to relate these with leaders you know.

#### ➤ **Circle One - Passive Attitude**

- Conscious decision not to make any choice.
- Result of complete callousness or sheer inability to take a decision

Samuel Beckett's play, "Waiting for Godot". In the last scene, the two actors look at each other. One says, "Well. Shall we go?" The other says, "Yes. Let us go." But neither moves and the curtain falls.

#### ➤ **Circle Two - Inactive Attitude**

- Consciously ignoring the need to take decisions
- Result of utter lethargy and dismissive approach

Satyajit Ray's film: *Shatranj Ke Khiladi*: two noblemen in Awadh in 1856, busy playing chess, while British army is about to annex their kingdom. After nightfall, one of them says, "Let us go home now because we can hide our faces in darkness."

#### ➤ **Circle Three - Reactive Attitude**

- Responding only when forced
- Result of no vision about the future or inability to distinguish between the routine and the important

We have all witnessed how the Indian State has responded to genuine citizen concerns with a blatantly lackadaisical, knee-jerk approach.

I know of no other country where the Government applies the same modus-operandi to treat every problem – appoint a Commission of Enquiry. Is it because people have no trust in government to conduct a fair enquiry? Or is it that the Government does not have the requisite knowledge and talent within. Or is it both?

➤ **Circle Four - Proactive Attitude**

- Foreseeing emerging issues and responding meaningfully before problems arise
- Result of ability to sense emerging trends with genuine concern

This calls for a navigational change in the way leaders function. Sadly in India, the leadership neither looks at the compass to establish the direction of development, nor the clock to realize that time is running out.

➤ **Circle Five - Interactive Attitude**

- Anticipating tomorrow's issues and showing sensitivity to expectations
- Result of ability to trust and be trusted and eagerness to work in partnerships

Our leaders talk of India as the world's largest democracy, but treat it as the largest opportunity to create personal wealth. We need to make Indian democracy as the world's largest co-operative movement, with 1.25 bn members, led by principles, and owned by all citizens. Those in power are merely temporary custodians.

**Outside the realm of government**, a new type of values-driven leadership is already emerging in society. They are ahead of the pack because they are visionary in how they look at society and have relied on their values and principles to define their leadership agenda.

In their transformation from passive, inactive or reactive attitude to pro-active or interactive style, they take a holistic view, show compassion and work with transparency. More than anything else, they listen to their conscience.

## **This leads us to Part 4: An Actionable Agenda**

The role of a Government is to provide good governance, anchored on a Tripod of three strong, unyielding pillars of **Equality, Justice and Ecology**, under an umbrella of **Transparency**.

**Equality**, the first Trait, captures the essence of Good Governance.

To me, this means that the system must ensure five non-negotiable equalities, irrespective of *one's caste, gender, religion, wealth or parentage*.

The five equalities relate to:

- Equality of Fundamental human rights
- Equality of Access to Food, housing and healthcare
- Equality of Access to Education and skills development
- Equality of Opportunity to work, to earn, to save and be an entrepreneur &
- Equality in Becoming a candidate for election and holding political office

It is sadly clear that we have stark **inequality** on all five counts.

There are three **drivers of change** in today's context that could transform India.

- (A) Judicial Intervention either through PILs or pro-bono
- (B) Positive Response to people's Demands &
- (C) New Initiatives by those in power

My **ten-point agenda** lists three actions within each category and one that encompasses all.

### **(A) Judicial Intervention**

is the most open path; we need to sharpen our focus on this.

### 1) **Electoral Reform through Judicial Intervention**

I request all former Chief Election Commissioners to file a petition in Supreme Court - for a Review of all Past Judgements that have limited CEC's role and unwittingly helped Government to subvert or compromise the constitutional provisions.

A PIL by civil society is already before the Supreme Court: seeking

- (a) Direction to debar those charged with serious offences from contesting any elections
- (b) for those elected with such crimes, ensure their cases are fast-tracked within 6 months, and
- (c) Declare provisions of section 8(4) of the Representation of People Act as ultra-vires.

### 2) **PIL to highlight Supreme Court orders** that have been either surreptitiously ignored or deliberately not enforced. The list is endless (Police Reforms, Food distribution, rampant CBI delays in Formulation of charge sheets against political leaders, etc)

The lacuna is that Supreme Court tends to be hesitant to prevail over Government, even in instances where the interests of vast majority are clearly at stake.

I believe Supreme Court needs peoples' nudge to exercise its constitutional role.

### 3) **Fast tracking of Justice**, initially with three key initiatives

#### (a) **Filling of judges vacancies**

Of approved strength of 895 judges in 21 high courts and the Supreme Court, 262 remain unfilled. In lower courts, 3000 of the 18,000 posts lie vacant.

#### (b) **Continuous day-to-day trial of every case** – no adjournment once the case commences.

66,700 cases are pending in Supreme Court, 43 Lakhs in High courts and 2.8 crore cases in lower courts. Of these, 72 L relate to murder, rape and riots.

As of now, it could take 350 years just to clear the backlog.

#### (c) **Central and State Governments to be a little more discerning about appealing** to the higher court every time they lose a case.

## **Positive Response to people's Demands**

### 4) Anna Hazare's movement for **Lokpal** brought out people's disgust with rampant corruption. 9 out of 10 people believe that Government will not pass any laws that would make legislators accountable or reduce their propensity to commit fraud. Herein lies an opportunity for the Government to surprise the electorate and see the resounding response it creates. They should actually do more, such as:

- Initiate scrutiny and award of all Government tenders on live TV so that citizens can see the transparency of the entire process.

### 5) **Women's Rights, along with fundamental police reforms**

One earnestly hopes that the urgency in taking up the Delhi Rape case would be extended to all pending one lakh rape cases in the country.

Equally important, we have to ensure that petty criminals are convicted speedily; citizens must know that the legal process is spruced up and that the risk of getting caught and getting punished is exceedingly high.

If legislators are serious about the women's rights, they should also pass Women's Reservation Bill. With 180 women MPs in the Lok Sabha, the accompanying political mobilization of women will slowly catalyze a greater respect for women.

### 6) We devote endless energy to debating and encouraging FDI – foreign direct investment in India. Without getting in to merits or demerits of FDI in specific sectors, I suggest we change the focus and start **encouraging IDI – Indian Direct Investment in India**. When citizens of a large country like India start investing in their own country and make money, FDI will come running, on our terms.

**This means:** Respect Small and Medium entrepreneurial start-ups

- A key ingredient of sustained growth in any economy

80% of the new jobs in the European Union in recent years and 65% in USA have been generated in small and medium-sized firms.

Sadly, an entrepreneur in India faces entry barriers that are patently unfair. The difference between success and failure is not how good you are or how brilliant your idea is – it is simply whom you know and whom you can bribe. **Let us treat entrepreneurs as harbingers of growth** – and give them proactive support. Not treat them as suspicious law-breakers.

## **New Initiatives by those in power**

7) **Our economic policy framework** is based on 'trickle down capitalism' i.e. wealth may travel down in a trickle, but the flood stays at the top.

I suggest we create a **trickle-up economy** to make the masses relatively prosperous and let their prosperity percolate up. We can do that in three ways:

(a) **Re-structure tax system.** Under existing laws, the rich pay far less percentage of tax on their gross income than the middle class. Let us reverse that.

I propose that income up to Rs 10 L be taxed at 10%, and those above 50 L at 25% - with no exemptions for long-term capital gains or dividends.

Likewise, Corporate Tax Rates for profits up to Rs 1 Crore can be half of normal corporate tax.

Present system is to give incentives to rich to become richer.

My proposal is to enable the less well-off to be better off.

(b) **Re-structure interest regime** Micro-finance rates are 30 to 36%, while industry gets loans at less than half those rates. In the name of market forces, we throttle small entrepreneurship – the force that can tangibly reduce unemployment and increase rural prosperity.

**We need a banking system** that ensures that interest rates for small loans do not exceed the interest rate for large loans by more than one and half times.

(c) **Our Investment Policy** encourages Capital intensive investment through accelerated depreciation benefits. Let us also promote **Employment intensive investments**. *For each new permanent job created*, allow additional 100% tax exemption, up to an amount equivalent to double the minimum wage.

And let us stop hidden tax benefits to FDI under the garb of certain bilateral taxation treaties, which were created to benefit re-directed Indian money from overseas.

## **8) Bring back Scientists and technologists**

Relevant science can play a significant role in alleviating poverty. We can access and implement scores of **low-cost, ecological technologies** that can help over 500 million citizens, e.g

- Each village can become a self-sufficient island of adequate *off-grid green power and pure drinking water* – providing sustainable livelihoods.
- The democratization of energy, clean water and communication will have profound implications on our development, leading to what Jeremy Rifkin calls *distributed capitalism*.

But it is possible only if the Government includes scientists and technologists in policy-making and nurtures and rewards them – at least as much as bureaucrats.

## **9) Trim the size of Government and interventionist role of Govt.**

In three path-breaking initiatives:

(a) Central Government to have maximum 20 cabinet ministers and State Governments a maximum of 15 for large States and 10 for small States.

- (b) Independent Regulators in every domain in which Government is a player or where strong relevant expertise is required.
- (c) PSUs to be independent autonomous bodies, each managed by a strong independent Board, outside the ambit of cabinet ministers.

**10) And finally, to achieve equitable, sustainable growth**, we need a holism that must include two common threads in each Government policy framework and action.

- Use IT to make the entire governance process efficient and transparent.
- Restore respect for public service and a sense of community

All students pursuing master or professional bachelor degrees should be compulsorily required to work for 3 months in a rural school, rural healthcare centre, or rural agri-centre, before they are awarded the degree. The programme should initially be planned by Universities in two States. This would bring about a grass-roots understanding of rural India among our youth – while alleviating trained manpower shortage in rural services

In conclusion, I would say that what I have outlined is not an absolute agenda; it is more a directional agenda. We all know: all wrongs cannot be undone overnight. But if the direction is right and there is sincerity and transparency, we will realize our aspirations.

**Typically, transformations tend to bubble up from the bottom of society.** When that happens – the erstwhile elite suffers the most, like the Glorious Revolution in U.K. and later the French Revolution.

The thrust of my submission is that today, **there is a small window of opportunity for our political and business elite to align themselves with societal aspirations and become partners in pushing radical change.** If they do that – they would lose the least.

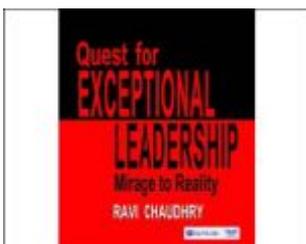
Of course, this calls for a change in mind-set and heart-set. But there is no alternative. it is in Leaders' self interest to accept the new realities and embrace change willingly. Be Selfish - I say. But be Wise Selfish, not Foolish Selfish.

In nutshell, the decisive issue is: if you want only wealth and that also only for you, then what I have said may appear to be impertinent. But if you are seeking wealth and sustained happiness, not only for you but for all around you - then you need to adapt and accept the change, and start listening to your conscience. Remembering that *“The voice of conscience is so delicate that it is easy to stifle it; but it is also so clear that it is impossible to mistake it.”*

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This address is based on his recent book: **Quest for Exceptional Leadership: Mirage to Reality** (SAGE) and his forthcoming book on Governance.

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