

ADMINISTRATORS, MANAGERS AND LEADERSHIP

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"Free Enterprise was born with man and shall survive as long as man survives".

— **A. D. Shroff**

1899-1965

Founder-President

Forum of Free Enterprise

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DEEPAK PAREKH*

The role of administrators, managers and the evolving requirements of leadership are focus areas that we need to look at as we move into the next millennium. I would like to use the opportunity provided today to explore with you a definition of what we require in these three areas, and to draw the possible contours of the evolving framework in this regard.

Base Definitions

If I were to define the topic simplistically, I would say that an administrator is one who can ensure that a decision or an order is executed, and that rules are followed. Typically, the administrator also provides oversight within a defined boundary of jurisdiction. Thus, the normal perception of a good administrator is usually one who can ensure that the oversight functions are properly defined and complied with. Historically, the word "administrator" has typically come to symbolize the role of the bureaucracy. We have

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had the good fortune to have inherited a highly disciplined civil service from the British, and I may add that Lalit Doshi was widely regarded as one of the best administrators we have had in the service.

On the other hand, a manager is typically seen as someone involved in the corporate sector, be it privately owned or a public sector undertaking. As society evolved, it became necessary for groups of individuals to be organised, with their energies harnessed for a common purpose. Thus was management developed as a discipline. At a base level, the manager is an individual, who can oversight a process, assimilate and manage information and data, and use the same in his decision process. More importantly, a manager is also seen as someone who has the ability to react to external stimuli, information and change whilst executing his function. Lalit Doshi was a good manager, and successfully steered the course of the organisations and departments he was involved with.

Leadership however is that intangible quality that eludes any single description. To my mind, leadership involves an art form, rather than pure science, since it includes the subjective element of the individual himself. Leadership therefore has different facets, and leaders tend to have a distinct and separate personality and ideology, and a plethora of styles. I would hence like to postulate leadership to be a function of administrative and managerial talent, with an overlay of a risk taking ability, the ability to anticipate and react to an emerging environment, and

most of all, to have the charisma to inspire willing followers. In a conventional sense, my friend Lalit was not a leader. At a more fundamental level, he had a following that was easily discernible in every facet of his life, and in death, his followers thronged the roads in grief in a display of emotion that is usually associated with the demise of a political leader.

Administrators - The Genesis

Coming to the subject of administrators, as I remarked briefly earlier, the evolution of the administrative function in India over the past few decades stemmed from a legacy of the British raj. Prior to 1947, we had the ICS, and after independence, this cadre was rechristened as the IAS where 'administrative' became the operative word, although by and large, I must say that the typical bureaucrat has remained civil.

If we look back, the ICS was trained to execute policies and rules within their areas of jurisdiction; the ICS officer was used as the arm of the British rulers in ensuring the execution of the administrative process, as well as for oversight of the employees of government within his jurisdiction. His chief role was to collect and disseminate information, both upward and downward, and to ensure compliance. The ICS attracted individuals who were among the most talented in the land. Perhaps as a consequence, the legacy of the ICS also created a bureaucracy which to an extent, had a latent elitist approach that sometimes clouded the fulfilment of the basic mandate.

This legacy continued with and through independence, and given the rule bound framework that existed, the role of the administrator evolved around the implementation of rules and procedures. Predictably, at times, an attitude also developed that the rules framed were god-given and inscribed in stone. All of us, including the bureaucrats assembled here, have been at the receiving end of rules that are often impractical, sometimes irrational, and on occasions, ludicrous. With the advent of liberalization, I believe that there is a need for a shift in such an approach, and a need for a segmentation of roles: finally, there is a need for our cadre to transcend from being administrators to leaders as they take up senior postings.

Evolution of a Bureaucrat

Such segmentation can be undertaken either as a function of time, or based on the evolving environment. When I talk segmentation as a function of time, I am referring to the evolution of a bureaucrat, in relation to the experience he gathers in the course of his multiple postings. Thus, if an administrator has to evolve to become a leader, the metamorphosis must necessarily be from an administrative outlook to a management perspective, and eventually, the acquisition of leadership skills. This is the way in which we grow and develop manpower within our corporations.

I believe that there is a positive role here for on-going education. One of the best teachers is

something that we call experience, or that hard grid, including hands-on training through all aspects of a business or a function. Therefore, while we initially learn administrative skills, we would also need to grow and evolve into managers and leaders in the future.

I would say that a probationer entering the IAS should hone his administrative skills as he grows up to the level of a director. From then on, it is important that the job focus as well as training programmes stress the development of managerial skills in such individuals. From the level of say, the joint secretary, conscious efforts need to be made in enhancing leadership skills in the individuals.

This is very much the methodology used in the private sector to groom individuals for higher levels of responsibility. In certain corporations, as promising managers rise to the level of an Asst. Vice-President or Vice-President, they are groomed for leadership roles, in order to focus them for their emerging CEO role or for their functioning as a head of a business unit. Where organisations can so afford, these include sending them for specialised courses, developed for such a purpose, at Stanford or Oxford. In other cases, select training models and programmes as well as re-defining of the job responsibilities help groom the individual to meet such challenges.

In my experience, skill sets have been readily available within the cadre. I have met and dealt with a number of PSU managers who would have made good leaders in any environment. The growth of the navratnas is

an outstanding testimony to such skills. At the level of the states, there are a number of well run corporates, headed by erstwhile bureaucrats who perform the role of a CEO with the panache and flair equivalent to that of any other manager that I have dealt with. Similarly, in the central and state governments, I have had the opportunity to interact with senior bureaucrats, whose range of vision and knowledge of events and processes are among the best anywhere in the world.

The limited point that I am making is that such evolution is possible and is achieved by a number of individuals with whom I have had the fortune of interacting. Regrettably, they do not constitute too significant a percentage of the numbers in the service. It is for this reason that I believe that there is today a need to enhance training programmes as well as bring a greater emphasis on enhancing leadership skills, if we are to continue to attract and retain some of the best talent in the country into the government.

The Emerging Environment

I believe that as economies undergo a transformation, the role of government and the role of the erstwhile administrator must necessarily be re-defined. At a fundamental level, governments have re-defined their focus, discarding much that was their role 50 years ago.

There is broad consensus today that it is no longer important, or even desirable, for government to

promote and support forays into either breadmaking or the manufacture of bicycles.

Similarly, the role of the civil services must evolve from the erstwhile framework of patron, licenser and enforcer of rules to one that is more attuned to the emerging society of the next millennium. In essence, this is as much a shift of an era from an industrial age, when licenses were key and information sacred, to an information age that is far more open, and where there is an ascribed value for thought and intellectual power. By value, I do not mean a mundane price, but as information becomes available freely, bureaucracy must shift its focus from dissemination and intermediation, to one where government is a partner and a facilitator.

A Global Outlook

At one level, we need to balance the impact of global changes, and at a second level, there is a need to look at local issues and concerns, which are more real to the immediate citizen. In effect, therefore, a leader would need to think global while acting local.

To my mind the best description would be the way Singapore has evolved into Singapore Inc. The head of that nation state makes an annual address to the nation, which is more in the nature of a chairman's statement and a directors' report. In effect, it provides to the nation, a balance sheet of the year gone by, and the direction to be pursued in the future, both in the near and medium term. The civil services, is then

empowered to work in tandem with the private sector to provide a unified face of Singapore Inc. This partnership approach is best emphasized in the fostering of bi-lateral country to country frameworks by the ministry, where the private sector collaborates under an umbrella framework for the creation of real projects on the ground.

To my mind, it is this fundamental shift that is the litmus test on which we must assess the growth of private-public partnership. It is here that we must recognize the need for the managerial and leadership role for the bureaucracy. Thus, just in the way that CEOs evolve from managers to leaders, so also bureaucracy must shift its focus from administration first to pro-active management, and then to leadership. Working with private sector, they are best positioned to evolve the contours of a policy that can then be a subject of legislative debate and enactment.

Lalit understood this process well. His last trip focused on enhancing the investment flows to Maharashtra through the creation of greater interest and awareness amongst collaborators abroad. He was also amongst the pioneers in involving the Indian private sector through road shows in countries abroad, conforming closely to the manner in which we market our goods and services, or even our financial offerings.

As we complete 50 years of our independence, and move into the next millennium, it is this approach that we must bring to bear under a collaborative framework.

The Emerging Role of the Administrator

Coming to the emerging role of the administrator, it is important to understand the differing expectations of the concerned counter-parties. At one level, there is the inter-action with the common citizen for whom the emphasis remains the effective delivery of personal infrastructure services in his local area. The common man is not concerned with, nor enamored, by buoyant statistics on forex reserves or the last quarter's GDP growth. Their focus necessarily relates to local concerns, and hence the aspirations and requirements relate to regulations that result in the effective delivery of services, be it in the local school networks or in the drainage system or in the provision of potable drinking water. At a second level, their concern relates to the transparency of the process through which they can access the required services from local government.

Thus to be local, the bureaucracy must necessarily provide an inter-face that has an accent on local concerns. I have always found that it is this point of inter-face, be it the local district collector or the local administrator, who makes the most lasting impression in the local community. As we move forward with local reform, the efficacy of the local interface would become increasingly critical.

Similarly, the corporate sector has different concerns in so far as the expectations for the future are concerned. As global economies become integrated, there is a need to remain competitive and flexible if we are to play any meaningful role in world trade and

commerce. The corporate sector therefore needs to be pro-active rather than re-active, and it is here that there are changing expectations from the administrative services. The emphasis is on a bureaucracy that is transparent, and a facilitator. The role of ministries at the central level has been increasingly becoming one of a partnership, combined with the role of a regulator. For e.g., In the infrastructure sector where I have a special interest, such an evolution can easily be undertaken in the ministry of surface transport (most). With the creation of the NHAI, (National Highways Authority of India), and with substantive allocations made to them through the budget, the NHAI will increasingly take on the role of project development and execution. It would then be incumbent for most to redefine its role to that of a regulator to ensure uniformity of process between NHAI and the private sector. Such an evolution is also taking place in other infrastructure sectors. We recently saw the impact of the TRAI (Telephone Regulatory Authority of India) in quickly resolving the dispute between the DOT (Department of Telecommunications) and cellular operators.

Corporate Governance

Just as we expect transparency in the regulatory process, corporates will need to increasingly demonstrate a similar approach in their internal functioning. Increasingly, it will be imperative for senior management to spend more time on issues in relation to best practices, compliance, reporting and accountability.

Earlier, when information flows were slow or limited, such issues were seldom at the forefront of debate. However, we have today a situation where events unfold in real time across the globe. Corporates are increasingly coming under the microscope given their increasing dominance, economic power and impact on a society. Good leadership therefore will be predicated on the premise that corporate leaders of tomorrow spend more time on self regulation, as this is in their own long term interest.

The Governance of Government

As I have mentioned, it is fashionable today to talk of issues relating to corporate governance. Over the past few months, there have been any number of seminars on this subject, and the government itself has been pro-active in leading a discussion on all aspects of corporate governance.

Our current pre-occupation on this subject is timely, and highly desirable. We simply cannot afford to continue a corporate culture where family management shows scant regard for both institutional investors as well as shareholdings from the general public. In addition, succession of management in family dominated enterprises is seldom an optional solution over multiple generations.

Ironically, most of the ingredients of good corporate governance in the private sector are already in place. They need to be strengthened. Shareholders are no longer a silent inactive lot but take great interest in corporate affairs as most Annual General Meetings

(AGMs) would indicate. With a rising class of professional investment analysts constantly analyzing corporate balance sheets and meeting with senior corporate leaders, very little that might affect corporate performance escapes attention. With the rise of financial journalism, the press has been a major player in ensuring corporate compliance with regulatory and legal frameworks. The real problem seems to lie in public sector corporate governance where shareholders being the public at large through the taxes they pay have almost no say in the management or the activities of Public Sector Undertakings (PSUs). PSU boards are subservient to their respective ministries and are generally constituted with government nominees with little independent representation.

The managements of PSUs, as a consequence, have little autonomy and in many cases are encouraged to maintain the status quo in business strategy rather than to risk change. Major decisions are delayed or not taken at all which includes the appointment of Chief Executive Officers. In other words, almost all the basic ingredients for good governance are missing – clarity or responsibility, transparency, checks and balances and thus accountability. Corporate governance does not seem to exist at all.

Corporate conduct is a function of the environment it finds itself under; it follows, more or less the standards society imposes on itself. In India we have chosen to surround ourselves with peculiarly complex legal, fiscal and regulatory environments which constrains rather

than facilitates; regulates rather than supervises; complicates rather than clarifies; produces opacity rather than transparency; and encourages rule bound behaviour rather than policy directed behaviour.

Good governance at any level - corporate or governmental - will crucially depend on greater simplicity in the process of governance combined with much stronger checks and balances, clarity of roles, the assignment of responsibilities and obligations which will enhance accountability where it is due. Complexity generates its own price, which is none other than a corruption tax which accrue to others rather than the exchequer.

To my mind, it is equally important at this juncture to look at the other side of the coin. And by this I mean, the process of governance within the government itself. There are two primary issues that need to be addressed :

(1) As I remarked earlier, the environment has changed radically over the past few years, as a result of the new economic policies enunciated and implemented by successive governments. Today, the allocation of responsibility between the state and the centre is vastly different from the allocation that existed when the present systems of governance were first formulated and put in place.

In the private sector, we continually re-engineer our corporation, effect changes to the organisation structure, and frequently overhaul entire methods

of production and delivery. It is high time that the government work up to its responsibility of similarly re-engineering its own processes. To my mind, this is the single causal factor for the visible lack of success we have had in moving projects forward expeditiously, and in a cost effective manner.

Let me explain with an example. We are all familiar with the famous and useful filing system of government, whereby the remarks of all the officials from the section officer to the secretary are laboriously noted and preserved for posterity. The creation of durable archives was perhaps an end in itself when the system was first invented. The system has worked well for perhaps a century and served the purpose for which it was created - i.e., the framework of governance for implementing defined rules, procedures and for oversight of public expenditure.

Somewhat ludicrously, we are attempting to use the same system of governance for delivering projects under a private public partnership. By definition, each project or initiative has its own peculiarities, and the requirement of specific solutions mocks at the efforts of governance predicated on a uniformity of rules and regulations. It is the nature of the beast that all projects would have areas where a judgement call would need to be made. These judgement calls are made without much ado everyday or even several times a day in the private sector. And it is here that our famous filing system breaks down completely,

producing a seemingly unending bureaucratic impasse.

- (2) The situation is significantly aggravated by the second issue I refer to, which is another peculiar feature of governance in the government sector. And here, I am referring to the somewhat unfortunate practice of filling the highest slots in the bureaucracy with individuals who have a residual tenure of service of a few months. No CEO can successfully lead the fortunes of a corporation if he has to work within a time horizon of a few months. It is scarcely surprising then that management will and vision at the top of the bureaucracy ladder is sometimes found wanting.

I do not criticize the bureaucracy for the foregoing. If I was a bureaucrat with a few months left, and if I had led a reasonably honest life until that date, I am sure I would also not retain either the vision, initiative or even inclination to make judgement calls on projects, and to overrule obscure and frequently inaccurate comments recorded by the middle management of government. More so, as I am painfully aware that my pension could be revoked and allegations made five years after my retirement, when the file notings of a junior officer could be taken out of context.

The Re-engineering of Government Procedures

Over the past seven years, it is a fact that we have

made notable progress in carrying through our program of economic reform. By definition, commercially sponsored projects appear to be more expensive, given incremental costs on account of insurance, interest in the construction period, and at times, improved designs. As you know, government does not take recourse to insurance and until relatively recently, I have found individuals who are otherwise quite savvy, to not fully appreciate costs where the payment of interest is concerned. This of course, is not too surprising, as the governance of government usually proceeds at a leisurely pace, without ascribing value to the passage of time.

Today, we have come to a stage when it is no longer a question of cheap money versus expensive money. With the progressive dis-mantling of subsidies, the choice today is clearly between dear money and no money. In addition, the policy framework is largely in place in almost all sectors, with perhaps the singular exception of the civil aviation sector. The gyrations of public policy in this sector are well known and to a dis-interested spectator, it has all the ingredients of a soap opera. But, by and large, policies have been formulated and statutes have been changed where necessary, given our somewhat archaic system of legal jurisprudence that was first enacted in the mid-19th century. In addition to the enactment of statutes, frameworks have been laid with attendant operating guidelines.

To my mind, what has been achieved to date is very valuable, but it must be seen as only a prelude to a

concerted re-engineering exercise of governance within the government. There is no other way in which our administrators can become encouraged to be managers. We are today an economy that is in transition. As part of a global economy, it is also buffeted on an on-going basis by changes taking place in external markets. Progressively, there would be less for government to administer, and we already have a back-log of issues that government needs to manage. If we are to progress further and address ambitious goals, including aspirations to be part of APEC, our governance systems must also have the capacity to throw up leaders who not only have the ability to manage and re-act, but who have the vision to look ahead and the charisma to attract their own following.

The need for specialization

If we look at the corporate sector, we can readily discern certain areas that have evolved as specialized functions. Thus, while most corporates groom general management skills, there has been the realisation of the need for the specialist to co-exist side by side in the corporate sector. I believe it is also appropriate to develop such specialists within the civil services. If we look at some of the state governments, there are some isolated precedents in this regard. For eg., the secretary, PWD, is not ordinarily from the IAS cadre. He is a specialist in civil engineering and road construction technology. I believe that if we are to be effective, there is a need for such specialists in other

spheres as well. For eg., trade, commerce and investments have become increasingly inter-related. These are complex fields and the use of specialist minds could be invaluable.

In IL & FS, we have had the fortune and the ability to attract talented IAS officers who have been assigned responsibilities attuned to their special skills. We have gained immeasurably from the output of these individuals. I suspect that government would not be a loser if its doors were opened consciously and systematically to talent from the private sector.

What Constitutes A Good Leader

Before I conclude, I would like to touch upon the skill sets required by the leaders of tomorrow. In this regard, I would name two of their important constituents to be their customers and employees. In this aspect, things are no different from the years gone by, as good leaders have always paid specific attention to the needs of their constituents. However, there are certain changes that need to be recognised and the implication addressed :

- (1) We have historically operated in an era where demand outstripped supply and have seldom needed to be nice to customers. Thus, the mere availability of a license ensured adequacy of profits. In an increasingly competitive economy, we need to shift our mind-sets away from traditional approaches and to treat the customer with a degree of reverence. As I look around, I

notice the absence of brand names that dominated the market place in the past. The Bata chain is one such example. At HDFC, my colleagues have demonstrated the value of this approach in every aspect of our business. They have shown that an adherence to quality standards and a concern for the individual customer, be it a customer for loans or a retail depositor, serve to be in the best interest of the institution. Our successful dis-intermediation in the retail markets is a testimony not only of the systems that my colleagues have built, but also due to the special care that we bring in our dealings with such customers.

- (2) At a second level, all good leaders in history have had strong management teams, in the initial years of an institution's growth, a strong individual can always shape the institutions' destiny in an effective manner. But as markets, products and institutions mature, the ability to attract and retain management talent becomes paramount. A good example is Hindustan Lever where the training programmes and the HRD under-pin a conscious round-the-year effort to continuously throw up new talent.

I have touched upon two qualities that are no different from the leadership skills of yesteryears although they tend to be more critical today. Leaders of tomorrow will also need newer skill sets. At one level, I believe they will need to be far more aware of international trends and global information. They will also need to be aware that as tariff barriers around the world are

increasingly rationalized, their corporations must be capable of sustaining such changes to effectively compete even in domestic markets. The building of world class capacities and a constant focus reduction and value addition are effective tools. Good leaders will need to benchmark their corporations against international players, and the recent successful examples of Reliance and Arvind are pointers to the value of such an exercise.

Finally, the leaders of tomorrow have one more important constituent, namely, the retail shareholding community. As Indian corporations increasingly access the capital markets, shareholder management and reporting will become increasingly critical focus areas for top management.

Conclusion

In conclusion, let me add that good leadership results in sustainable brand equity. I believe that it is best practices in all that we do, that is the best brand equity of all. In the long term, integrity, transparency, quality and higher levels of services do more for your brand than any advertising or communication programme.

The views expressed in this booklet are not necessarily those of the Forum of Free Enterprise.

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

— Eugene Black

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