



*Transp.e.r.a*


*A communiqué on corporate governance*

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## **Academy of Corporate Governance**

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**GOVERNANCE –  
POINTERS FOR  
DEBATING CRITICAL  
CHALLENGES**

**SYNOPSIS OF KEYNOTE ADDRESS**

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CII Conference on Governance – Critical  
Challenges, Towards an Action Agenda,  
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## 1. Need for a workable proposition

- Trying to deal with Governance can indeed be as elusive, fruitless and frustrating as “K” trying to reach “The Castle” in Franz Kafka’s novel.
- Governance has been and can be dealt with from many perspectives – political, sociological, economic, public administration, human rights etc.; and for many reasons – academic / normative or self / group-interest.
- Industry groups, need not be apologetically long winded. For a workable proposition, they must have an idea of Governance at large but perhaps focus on the market-economy perspectives for furthering the prospect of ease of doing business, access to resources and an environment that supports entrepreneurship and competitiveness.

## 2. General Expectations

At a broad level, good Governance is associated with:

- Political Accountability – democratic elections, acquisition and exercise of legitimate power.
- Freedom of association in all respects.
- Good legal framework, rule of law, independent judiciary – to be able to protect human rights, secure social justice, and prevent abuse of power.
- Bureaucracy’s accountability – openness, transparency, monitoring public service provision, checking use of discretion, right to information etc.
- Efficient and effective administration that is value-for-money.
- Cooperation and collaboration between government and civil society organizations.



### 3. Administrative Reform Perspective.

- Governance is mostly determined by the past structures, legal origins and ideological preferences. Democracies like India are characterized by path-dependence and incrementalism than revolutionary reform.
- In the case of India, it is important to keep in view:
  - “Institutions” and law from the British era that are difficult to change in a hurry.
  - Economic nationalism on attaining Independence.
  - Socialist preferences till mid-80’s that meant State can do no harm while distrusting markets.
- Reforms, as they took place in the last 3 decades, also had been influenced by the British perspective on New Public Management ( primarily treating citizens as customers and dealing with incentives to cure ills of public service motivation), privatization, downsizing government, outsourcing etc.
- Most commissions, study groups, task forces, committees, including the Committee of Chief Secretaries followed these in a predictable manner. Little improvement by themselves.

In the last two decades there have been 4 notable external influences :

- Influence of Global Reports that compared nations ( Corruption perception, Human development, ease of doing business, competitiveness etc.).
- MDGs ( to be now followed by the Post 2015 Development Agenda)
- Rapid integration of ICT in governance and public service delivery ( e-governance initiatives, project monitoring, performance tracking etc.).
- Rights based approach and the active role of CSO + media + social media.

( Two questions as an aside:

How far are the political vision / drive and administrators zeal / motivation responsible for the successful reforms, where they happened? How far are the compulsive conditions Vs., normative standards responsible for the reforms? How have these two influenced each other?

How some micro-reforms at political / administrative levels have dramatically impacted outcome even as macro-reforms languish?.)

## 4. Entrepreneurship & Governance

- Our society and economy can be perceived as a matrix of institutions – some strong and some weak, some aligned and some misaligned.
- These present incentives and opportunities for “entrepreneurs” ( in all segments ) to exploit and benefit from (materially or for other pay-off like power, prestige, recognition).
- The crop of “entrepreneurs” are not merely from business but also from among the civil service, executive, parliament who may take initiatives for innovation and reform within their realm. Thus, we see politicians spearheading innovative schemes for public good and civil servants taking ICT initiatives within their departments.
- However, the fault lines in institutional mechanisms also provide scope for rent-seeking, misdirected entrepreneurship that will actively contribute to resource misallocations and inefficiencies worsening governance.
- The challenge is to create an atmosphere where the “productive” entrepreneurs in all walks is far greater than the “unproductive” and the “destructive.”

## 5. Governance & Development Strategy

From Development Strategy perspective governance is considered to rest on two pillars:

**Investment Climate** ( both domestic / internal investors and foreign).

A climate that makes people sow they can reap. Key elements:

- Macro-economic stability, predictability & openness.
- Infrastructure.
- Good governance and Strong institutions ( especially rule of law ).

**Empowerment**

- Inclusive growth.
- Participation in decision-making.
- Equitable allocation of resources.



## 6. Industry Perspective on Governance

- Evidently, industry has a large vision for the country and its governance at a normative level. Yet, at the practical level, it may be ( and ought to be ) driven by enlightened self-interest, without oppression of the “out-group”.
- Thus, industry would perhaps want the criteria of “ease of doing business” improve dramatically as its priority. ( some may believe that the country could be stuck in the lower-middle-income developing country syndrome with low social / human development indicators for a long period. Many sticky issues that only a movement than reform can address and which may be outside the zone of influence of industry).
- Industry is expected to prefer “investment climate” to take precedence over empowerment; prefer Intergenerational sustainability concerns over horizontal equity now or smoothening of intergenerational opportunity gaps.

- Industry has a major challenge of mobilizing equity for their future growth. There is a prediction of USD 10.2 trillion equity gap worldwide in the coming years. The profound changes in capital markets have a message for the industry – that their growth and survival is dependent on the investment climate in the country.
- How can the environment make people bring money from their mattresses to markets? How can the SMEs be made to bring their toolshed companies out into the open?
- Poor governance quality is the biggest tax they bear! The challenge is how to reduce this overburden. (Whose feet should they put fire to and how – to be able to reduce this levy?)

### Snapshot - Recent Activity



*Participation by Y.R.K. Reddy as Panelist, along with Manish Tiwari, Reema Gupta, Devinder Sharma, Amitabh Behara, P V Rajagopal, Paul Divakar, with particular commentary on Corporate Governance and Institutional aspects of initiatives.*



*Panel Discussion on Governance – Critical Challenges*

## **REVIEW - 2013.**

1. ACG–SCOPE's *X Programme on Corporate Governance for CEOs and Directors*, with Founder Trustee and Ms. Angela Gillibrand as lead facilitators, at SCOPE Convention Centre, New Delhi, 21-22<sup>nd</sup> February, 2013.
2. Design and facilitation by Founder & President of the First CEO Colloquium: *Policy Environment, Stakeholder Expectations and DFI Mandate, The Central Role of the CEO*, for SADC-DFRC, 13<sup>th</sup>-15<sup>th</sup> March, 2013, Johannesburg.
3. Facilitation by Founder & President in the African Development Bank Institute funded programme of *SADC-DFRC on Corporate Governance for Directors*, Windhoek, 23<sup>rd</sup>-26<sup>th</sup> 2013.
4. *Corporate Excellence Award (CSR)* offered by Institute of Public Enterprises to ACG, 29, June, 2013.
5. ACG–SCOPE's *XI Programme on Corporate Governance for CEOs and Directors*, with Founder & President and Mr Baris Dincer as lead facilitators, at SCOPE Convention Centre, New Delhi, 9-10<sup>th</sup> October, 2013.
6. Participation by Founder & President, as an invited expert, in the *High-level meeting of the BIAC with OECD's Corporate Governance Task Force* in the consultative process for review of the Corporate Governance Principles, Paris, 12<sup>th</sup> November, 2013.
7. Lead article: *Leadership for Corporate Governance – An Analytical Perspective*, for Special Issue, Kaleidoscope, Vol.33, No.4 & 5 Sept- Oct. 2013.
8. Address by Founder & President to Senior Management and Directors of Mishra Dhatu Nigam Ltd, on *Ethics, Professionalism and Corporate Governance*, in the Context of Vigilance Awareness Week, 29<sup>th</sup> October, 2013.
9. Valedictory address on *Role of the Vigilance Function in Corporate Governance*, to Senior Management and Directors of NMDC Ltd, in the context of Vigilance Awareness Week, 1<sup>st</sup> Nov. 2013.
10. *Financial Crises and Trust – Emerging Markets Perspective* by Founder & President, Seven Pillars Institute, Moral Cents, Vol, 2, No.2, Summer / Fall 2013.
11. Assistance to SCOPE in conceptualisation and design of a *Strategic Repositioning Programme for State-Level Public Enterprises* proposed in collaboration with DPE, Government of India.
12. A *Summary Note on Suggested Strategic Initiatives* at the request of SCOPE arising from the deliberations with the stakeholders and participants of the programmes on Corporate Governance.