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Corporate Governance: Three Views

J J Irani, Subir Raha, and Suresh Prabhu

Executive Summary

The fundamental concern of corporate governance is to ensure that the firm's directors and managers act ethically in the interests of the firm and its shareholders and that the managers are held accountable to capital providers for the use of assets. Corporate governance issues are in general receiving greater attention as a result of the increasing recognition that a firm's corporate governance affects both its economic performance and its ability to access long-term, low investment capital. However, business schools are sometimes blamed for having neglected corporate governance. We present here a conceptualization of governance from three different perspectives.

- J J Irani strongly feels that values are coming back into demand once again. Responding to the apprehensions of critics about playing the game of business according to rules, he comments that being ethical does not mean losing on profits. According to him, it is, in fact, most important to make profits and to generate wealth because only then can one have the resources to do good for the community. What is important is to note that ethics cannot be imposed by law. It has to come through a change of mindset.
- In Subir Raha's opinion, while business has always been conducted for profit, the perception about profit has changed. It is now interpreted as creating value, creating wealth. Managers are required to create wealth ethically with concern not only for the company but also for the community. Corporate social responsibility is the way corporates interact, the way they get involved with people outside. The crucial issue in management is confronting the decisions — good or bad. Corporate governance is about making the right judgment in a given situation even if it involves risks.
- Suresh Prabhu attributes all the problems in the country to the deteriorating standards of governance. Governance, in fact, is what we have created — the new functionalities with different responsibilities. If they deliver, governance would be of high order. Unfortunately, however, they do not deliver as the responsibilities and functions have not been codified. Reforming governance would mean overhauling the entire system. And, once public governance gets reformed, corporate governance would automatically improve. Following are the highlights emerging from the discussion:
 - We need a change in our mindset which will allow us to use the superiority of our intellect to the advantage of corporate India. Training could help in mindset change.
 - When confronted with the options of doing right or doing wrong, the managers need to test their judgment on their learning or value system in terms of corporate governance by doing the right thing that their training, knowledge, skill, judgment, and conscience tell them to do. The issue is the ability to make a judgment in a given situation and a given time and to confront the question: "Am I doing the right thing for my stakeholders?"
 - If governance has to ultimately be reformed, the whole country has to change. We must go to the basics of the issue and start solving the problems. ❖

KEY WORDS

Values

Business Ethics

Corporate Social
Responsibility

Bureaucracy

Corporate Management

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I take this opportunity to discuss what I think is important as far as corporate governance is concerned. The point I wish to make is that, business schools in India have in a way neglected corporate governance. In fact, they may have to start working a little harder in areas of values, trust, and corporate governance. I know some have already started. For instance, XLRI, Jamshedpur has instituted some lectures, but these initiatives are really not enough.

I would like to start with values. Does the end justify the means? In some quarters, particularly among the young executives, values are looked upon as old-fashioned and may be even out of sync with the demands of the current competitive scenario. But, the fact remains that the end never justifies the means. The cycle of opinion is now turning. In my long years of experience, this has always been the case as far as I am concerned and particularly so where the house of Tatas is concerned. Values are coming into demand once again. Success achieved through any means, fair or foul, is being frowned upon in the business world. Scams in the US and the other parts of the western world are changing the business culture. Society is demanding that business be cleaned up and this moment is bound to come sooner than later. I think it is already coming.

With regard to ethics in business, it evolves into playing a game of business according to rules even if your competitor does not. Some critics might argue that, in the present environment, this philosophy would not be acceptable as it would mean that ethics might result in a disadvantage in the business arena. Being ethical does not mean one cannot also be profitable. It is most important to make profits and to generate wealth because only then can one have the resources to do good for the community. The differentiator between good and bad business practices is what happens to the wealth after it has been generated. To quote JRD Tata: "Every

company has a special continuing responsibility towards the people of the area in which it is located and in which its employees and their families live. In every city, town or village, large or small, there is always the need for improvement, relief, leadership, and guidance. I would like to suggest that the most significant contribution we can make is by identifying ourselves with the life and problems of the people of the community to which we belong and by applying our resources, skills, and talents to the extent that we can reasonably spare them to serve and help them." It has always been my regret that business

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schools, particularly in this country which deals so adequately with the various functions, give the go-by to business ethics in their curricula. How many business cases have been written for discussion on this important subject? Fortunately, one can now see a turning point. This neglected subject is now being taken up as Chairs are being established (such as the JRD Tata Chair in Business Ethics in Jamshedpur) and special lectures are being organized to debate this issue. I feel encouraged that at last this subject is being given the impetus so that it can be ranked as one of the more important subjects in business schools. It is also

encouraging that the investing public is now demanding good business ethics from corporates. It is particularly so now in the US where the biggest scams have been exposed and executives of dubious repute have been thrown out. Nowadays, good corporate governance is very much in the news and is being demanded from various quarters.

There is a drive towards triple bottom-line—financial, environmental, and social. One of the most compelling factors which will drive business towards good ethical practices is the demand from the shareholders, who, in the ultimate analysis, are the owners of the corporation. The practice of the triple bottom-line is being taken up by more enlightened business houses in India and abroad. I would like to add that the Global

Reporting Initiative (GRI), a UN initiative, has laid down guidelines for reporting business performance on these three bottom-lines. And, many Indian corporates, e.g., 15 Tata companies, ITC, some Birla companies, Gujarat Ambuja and so on have taken up the challenge of making their reports on the lines of this triple bottom-line. But, there could be a danger in this new-found enthusiasm towards good corporate governance. Everyone is joining the bandwagon and propagating this new mantra as if it can solve all problems. It will not. We cannot allow the pendulum to swing to the other extreme because there is a danger that with so much activity, form will become more important than the substance. There has to be a realization that good corporate governance cannot be bandaged. I was recently involved in a committee set up by the government to revamp the Indian company law and one point which we made repeatedly to our law-makers was that they cannot have a law which says that you have to be a good corporate citizen—they can only give a guideline and leave it to the culture of the organization to imbibe it. It has to come from a change of mindsets in the corporate world. The opposite of good corporate governance is apathy and, unfortunately, too many of us take the easy alternative under the pretext that on my own I cannot make a difference. The truth is exactly the opposite. Even a drop in the ocean can make a difference. Very often, this attitude of apathy is an excuse for not taking a correct stand or for avoiding an initiative to fight corruption.

Very often, another reason which is put forth for not taking appropriate action is that we are restricted by the prevailing laws of the land. Once again, nothing can be further from the truth—it can be demonstrated that, even under the prevailing laws, which, in some cases, are definitely restrictive and archaic, it is possible with vision and initiatives to take actions which can have far-reaching impact. A classic case would be the laws concerning the labour situation in industrial India. It is true that whereas in the last 14 years there have been marked changes in the laws concerning the financial sector, trade liberalization, and industrial policy, there has been no accompanying changes in the labour regulations. For one reason or another, successive gov-

ernments at the centre have shied away from taking decisions which would lead to changes in labour legislations. These laws are now archaic and definitely restrictive compared to the liberalization processes that have been set into motion by our new industrial policies. Thus, those who prefer not to take any action to improve productivity take shelter under the guise that the current laws pertaining to labour do not allow widespread changes. However, I would like to present some very practical cases where substantial improvements in the labour productivity have been made under the existing legal regime. I will give the example of Tata Steel which, 12 years back, had 78,000 people producing 2.5 million tonnes of steel. Today, that figure is reduced to 39,000 and is coming down further while production has doubled to 5 million tonnes which means

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that the productivity has gone up four-fold. And, this has happened with the existing laws; it has been brought about by an enlightened and generous management giving compensation and other benefits and a responsible union taking the appropriate steps. Some might even call them anti-labour but, ultimately, they have helped to generate wealth. In such a scenario, the right leader can make a difference. We do not have to go back to the very obvious

example in our political history of great men such as Mahatma Gandhi and Nelson Mandela. Even in our own small worlds of industry and civic life, we come across such examples where one person taking appropriate action has changed the environment in which he has worked.

I would like to conclude by pointing out one distinctive feature of India — the Indian mind, the genes—which is superior in many ways compared to those of our brethren around the world. Whether it be the Indian mathematicians of earlier centuries or currently what we possess in the field of software, the genes in our Indian race have clearly proved superior when it comes to thinking power, research and development, and conceptualization of the situation around us. I will give just one small example which drove this point home to me. Six months ago, I was visiting the Bell Laboratories in the US which boasts of eight noble laureates and some of the biggest inventions of the world. As

I walked along those endless corridors noticing the names and making a mental count, I found at least two-thirds or maybe three-fourths of them of Indian origin. Although most of them are US citizens, their genes are Indian. They may be the first, second or third generation Indians settled in the US. And, they are the ones who are running these laboratories and turning out results in the field of electronics and telecommunications. But, while we might claim that the Indian mind is superior, the Indian mindset is not. We appear to

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The concept of limited liability came into existence essentially to protect the investors against unscrupulous or unreasonable decisions by the management of the companies. The investors are liable for losses only to the extent of their investments. It is indeed interesting to think that but for this fairly simple statement, we would not have seen trade, industry, business, government—all the aspects of the modern world—at all. It is over the last nearly two centuries that one guiding principle, evolved primarily for business, has informed management in all activities. When the principle was first formulated, business was done for profit. Business continues to be done for profit today and shall continue to be so but what was meant by profit may be 50 or 80 years back is now known differently. We now call it creating value, creating wealth. At the bottom-line, the companies create surplus. What the investors are looking for in the first instance is the surplus cash which can be returned to the investors as dividend—a profit on the investment. But, the concept of value or wealth goes much beyond surplus cash. And, that is where we come to today's corporates where a company is as much a part of the community as an individual. Again, corporate social responsibility, a jargon which we keep using very often, is not really a matter of giving away some money as charity or sponsoring or supporting some cause; it is

have succumbed to the rivalries between us and have excelled in denigrating ourselves and pulling each other down to a very low base level. What we need is a change in our mindset which will allow us to use the superiority of our intellect to the advantage of corporate India. We need a paradigm shift in our mindsets. Fortunately, mindsets are not permanent and these can be changed. We need to learn from our success stories rather than be bogged down by the tales of difficulty around us. ♡

actually the way corporates interact, the way they get involved with people outside, and, in the truest sense, their stakeholders some of whom happen to be their shareholders.

For those of us involved in professional management, there is a need to remember the basics as we go

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forward. There will be challenges, exhilarations, achievements, frustrations, and successes and it is very easy to get distracted by the luxuries of office. That is why it becomes increasingly important to remember the basics. Those who study medicine take the Hippocratic Oath to serve people. Those who study law acknowledge and recognize responsibilities that devolve on them once they are admitted to the bar. Those who get commissioned in the Armed Forces take an oath which binds their conduct and practice. Fortunately, there is no pledge or oath for joining professional management. It is fortunate because issues are left to the professionals' judgment; they are

paid to be professionals in management and the stakeholders expect and, more than expect, require them to create wealth with transparency, consistency, ethics, and with concern not only for the company but also for the community. This is the task which the professionals have to consider as most important in their professional management. Because, shareowners, by definition, would be happier if the companies declare higher dividends.

This is so because they would have invested at Rs.10 per share and they would get back that money in the quickest possible time and any earning beyond that becomes profit. This is precisely why investments are done in the first place. The suppliers and contractors are happy if there is a clean contracting process where bids are invited, evaluated, jobs ordered objectively and projects supervised without any bias, and payments released promptly. The employees would expect good working conditions, satisfaction in their tasks, a certain measure of security, and an intangible healthy work culture which covers everything that happens within the organization. The government would expect that everyone pays taxes on time and correctly. It would also expect the companies to play a role in fulfilling national economic objectives. The community would expect that the corporates do not pollute the environment and would leave the land, water, and air as good as when they came in. The customers expect the managers to deliver value and satisfaction. So, everyone has a list of expectations. When the professionals reach the top, they have to meet all these expectations from all the constituencies because, when they become CEOs, by definition, the responsibility stops with them. And, this is where, to my mind, lies the essence of corporate governance.

What is the essence of corporate governance? Is it simply the number of independent directors on the company's board, the number of board meetings held or the way the records and the accounts are maintained? To my mind, these are the given basics of corporate governance. This is something companies are expected to do. Nobody gets any medals for maintaining accurate records because it is required to be done in any case. When we talk about corporate governance in India, we always mention one particular clause — Clause 49 — because that defines, among other things, the number of independent directors. It is surprising that there is no mention of any of the other 48 clauses. This is because, to my mind, there is a serious degree of mistrust on corporate management which has come up in the recent years. There have been well-publicized cases in the US—the very fact of pre-dominance of information has ensured that these cases

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have been well documented and well publicized. Equally bad or worse situations in many other countries have not been documented or publicized—just like India. We have documented situations in the last 15 years. Perhaps, as much as US \$20 billion if not more worth of investments in various companies have just disappeared. There have been instances of companies which had registered, incorporated, raised equity, and then ceased to exist. No one knows where they have gone or at least no one is really investigating, in any case, where the promoters have gone. These are all listed companies which asked for listing. There would perhaps be much more such cases if we go into the entities which are not listed. For instance, in 1993, the government decided to open up cooking gas marketing to the private sector. Promptly, dozens of companies came up all over and

hardly any one of them was listed. But, they collected funds as deposits from intending customers and franchises and vanished. All of us are aware of the so-called scams in the stock markets, but beyond that, if we consider the loans passed by the banking system to private corporate sector, again, more than US \$20 billion worth of loans are non-performing assets (NPA). This indicates that the money has been advanced without properly scrutinizing the collaterals which were submitted to take the money and the repayment.

If we take the public sector in India—the central public sector—the accumulated losses over the years exceed the same magic number of US \$20 billion. This is a more interesting issue because this is where the charge is that this money has vanished into thin air—not because of corruption *per se* but essentially because of mismanagement. So, in the country whose annual budget is Rs. 4,000 billion, Rs. 3,000 billion have just gone out of the system. Therefore, if there is mistrust among investors and stakeholders about corporate management, whether the company is owned by the state or by private families, who is at fault? One easy option for us would be to blame it on the system—the banking system, the government system, the regulatory system, the company system and so on. But, the issue here is: Who makes those systems? Who operates those systems? Who is responsible for managing those sys-

tems? Some of the responsibilities lie with the politicians because, in practising democracies, that is the first test. Some of it is with the officials in the government because the state plays an overwhelming role in our lives. Some of it is with the other centres of power. But, most of it is what professionals create, what they manage, and what they are paid for. That is why for the practising managers like us, corporate governance becomes an issue of life and death. At the end of the day, when the managers becomes senior enough, the responsibility stops with them. They will then have pressures leading to basically two options—doing the right thing or doing the wrong thing. Doing the right thing is what their training, knowledge, skill, judgment, and conscience would tell them; however, doing the wrong thing is usually more palatable; we make more friends by taking the easy way out.

The crucial issue here is confronting those decisions—good or bad. This is something the managers will be able to do once they are in the company—from day one onwards—because they would know what their projects, investments, and strategies are. What is insider trading? It is exploiting the information that has come to managers as part of their official job. Eventually, if the books of accounts have been doctored, investments are deliberately made with unacceptable risks, and expenses are fudged, this would mean that, at some point, an individual or a group of individuals have consciously decided to act in concert to declare a lie as a statement of the company or to make a decision which they know or they should have known to be against the interest of the company. Whether this was an individual or a group initiative, whether it was because the boss wanted it or the colleagues were already doing it—the fact is that, as a professional, this should not have been done. This implies that, as a professional manager, he has violated the trust, without signing any pledge, though there was the obligation of implicit trust from the stakeholders. It is quite possible that managers will come to a point in their career where they know that if they stand up and disagree vocally, publicly if need be, they will miss their

It is quite possible that managers will come to a point in their career where they know that if they stand up and disagree vocally, they will miss their next promotion or even lose their jobs. That would be the moment when they test their judgment on their learning or value system in terms of corporate governance.

next promotion. There is a risk of even losing their jobs which would be detrimental to the interest of the family. That would be the moment when they test their judgment on their learning or value system in terms of corporate governance. They would have to ask this question to themselves: “Am I doing the right thing for my stakeholders?” The stakeholder does not expect them to cheat or to damage the environment or to evade taxes. The investor expects good returns but does not tell them to cheat or steal or rob people for the dividend. It is for the managers to generate a surplus to pay the dividend. Similarly, the suppliers are merely asking for payment for the goods delivered—they are not asking them to rob people to pay them. At times, managers will find these difficulties because of their own failures and mistakes in judgments. But, in corporate situations, most of the

times, these are group decisions, group judgments, and external pressures. Again, media is a very important influence in today’s world; sound bytes on television can make or break careers; they really do. In the final analysis, the issue is whether what the managers believe in or are doing is the right thing. There is a lot of risk involved in this because, in business, all of us decide on the basis of information available at a given point of time, information that we believe is correct, information that we feel is relevant. Are we going to stay back and keep quiet because we do not want to take the risk? If we

are not willing to take risks, we should not get into management, because that is exactly what we are paid for.

Finally, ownership is not really the issue. One may sell soap as a state company, as a private sector company or as a multinational company. Does it make a difference to the process of selling soap? Market share is not determined on the basis of ownership but on the basis of product quality. The issue, therefore, is the ability to make a judgment in a given position, given situation, and a given time. And even if it turns out to be wrong, at least we should be able to look at ourselves in the mirror and have the satisfaction that we did the right thing. That, to my mind, is corporate governance. ♡

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Nowadays, it is fashionable to talk of corporate governance. However, what is more important is corporate social responsibility because much of the public money which is invested in the stocks of public enterprises—whether they are quoted in the stock exchange or not—has to be publicly protected. Now, it is not just the shareholders who have got a stake in the company; the stakeholders' concept has also gained momentum and, therefore, we need to talk about governance in a proper way. The term 'governance' is borrowed from a much larger issue of public governance. Therefore, corporate governance is actually trying to find out how governance can really be introduced. But, we do not want to talk about it anymore as we feel nothing can be done as it has gone to such a low level. However, if we examine this issue closely, all the problems in the country today are due to governance. We have governments but not governance—that is the problem. And governments, by definition, do not provide governance.

A case in point is the dismal condition of our primary education, primary health centres, railway system — in fact, any service that is rendered anywhere in the country. Therefore, we really need to improve governance. What is the ray of hope?

There is still a possibility that governance can be improved with one man taking the plunge and deciding to change the system. As Dr. Irani said, "people always get dismayed by saying what can I do, how can I change the world." In fact, J Krishnamurthy, the renowned philosopher, used to always say that one man can change the world and I used to think that this one man's opinion needs to be changed because how can one man change the world. Later, I realized that there is only one Mahatma Gandhi, one Karl Marx, and one Mao Tse Tung in the world. So, governance is something which can be changed by one single man. Systems are there but we need people to operate the systems. For operating the system, we have manuals but the one who operates it may not dispense justice in a way it should be done. So, there is nothing wrong with the system—it is the person who actually dispenses it who is creating problems.

What is important is if we improve the governance, many of our problems will be solved. In 1984, Rajiv Gandhi said that when the central government sends Rs.100 to the states, only Rs. 22 reaches the final destination—it is probably Rs. 2 now. To solve the problem, we need to overhaul the system and put proper people in place. In order to do that, we have to first identify the problem. I will give one example of how the system and the governance have contributed to the problem.

Mumbai city's population is almost 16 million. It is one of the largest cities of the world now. Sixty-three per cent of the people in Mumbai live in slums. Obviously they are engaged in some gainful employment and that is how they are actually able to live in that area. If the governance was in place, probably, the land which they occupied could have been ear-marked in a proper way. It could have been used for building housing colonies by providing proper facilities and charging

rents so that Mumbai will not be known as the biggest slum of the world. When people were coming in, we could not make sure that they were coming in a regulated way. That is a real failure of governance.

Let us take the example of China. In China, the revolution took place in 1949 and people give a lot of credit

to Deng for what has happened since 1978. But, from 1949 to 1978, when Mao was ruling, people were thinking differently. In China, one cannot migrate from one city to another unless there is a license. When people migrate to the city of Shanghai which is almost as populated as Mumbai, they are properly housed. So, what is missing in Mumbai and what is there in Shanghai is governance. If governance was in place, probably, we would not have faced the kind of problem we are facing in Mumbai now.

How do we improve this situation? We can talk of problems and accuse somebody else to be responsible for them but, ultimately, we should be able to solve our problems. Typically, when we have a problem, whether healthcare or education, it all depends on what solutions we are seeking and to whom we are addressing the issues. If we are addressing the politician, he would say

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that the bureaucrat is responsible and if we talk to a bureaucrat, he would respond by saying that the problem could have been solved but the politicians do not allow them to do so. Therefore, if we want to bring about a solution, it has to be done at all levels—bureaucratic, political, and constitutional.

First, let us take the bureaucratic level. Among the IAS, people get promotions batch-wise. It is not that A will get promotion and B will not. Supposing A and B have performed well, even if C has not performed, he will get promotion if he belongs to the same batch. This never happens anywhere else in the world. This is one real problem with the IAS — all the people in one batch irrespective of their performance, merit or ability to deliver get promotion. So, if we want to bring about an improvement in governance, the first bureaucratic change would be to make sure that those who perform well will be rewarded in terms of promotion or whatever, and those who do not will probably be asked to quit.

Secondly, each of these officers will have to be given a tenure. If we go to a particular ministry in the government and try to find out who is the most senior bureaucrat, we may have to go by the colour of his hair—the person who has the most grey hair is the senior-most bureaucrat in the ministry. We may argue that there is nothing wrong in that. But, a person becoming a secretary at a time when he is about to retire is so tired that he cannot deliver anymore. If we reverse the process, we may appoint somebody around 40 years as a joint secretary and tell him that he will be made a secretary and given a tenure of five years. And, a contract may be signed with him regarding the deliverables. If he delivers, he will be a secretary for the rest of his career; else he will be told to go back to his previous assignment. Nobody would like to go back as a junior officer after having served as a secretary. So, if we bring in that one change, it will bring a world of changes in the system; because, in those first five years, he will have the deliverables to be quantified. He has to actually deliver to the people and that will bring about a change.

Thirdly, if this is really to be brought about, if one has to deliver in a five-year term, he should have the right to bring some of the people from outside. He cannot

be expected to get it done by the existing team. We can give him freedom by allowing him to choose some of his team, not the entire team, but may be five to ten persons. This will also introduce an element of fresh ideas that are lacking in the government. And, in the government today, in the bureaucracy, governance is failing because nobody is responsible for delivering; nobody gets punishment for not delivering; and nobody has any incentive for delivering. All this will change once this small change is brought about.

Unlike the US, in India, whenever the change takes place, it is only the nameplate that changes. Vajpayee lost the elections and Manmohan Singh became the Prime Minister. In the PM's office in South Block, it is the nameplate that is promptly changed. But, if we go there regularly, we would realize that nothing else has changed because it has the same people who have always been there. And, they would always believe that it is due to

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how much Vajpayee has done or not done in those five years that he has lost the elections. All these people who were with him during his tenure would have some responsibility for doing or not doing something but they are still there. But, people have voted for a change. So, the only change that takes place is cosmetic. In the US, when the President wins the elections, a new Vice-president

comes with him bringing in a host of new teams. And, that brings about a real change because the entire team up to four layers of government actually comes in as a new team. When that happens, there is a whole new set of people responsible for delivering. And, they know why somebody else has lost and they know why their boss should not lose the next elections and, therefore, they contribute. In India, on the contrary, nothing really changes. We have to bring about this new system of change in the political system because we have adopted this bureaucratic system as a steel frame. In every election, people want change and the bureaucrat interprets it not as a change for him but as a change for the minister who has lost the elections. He will always remain there. Therefore, if we can bring about this small change, it will bring a tremendous change in the system.

There has to be a systems change. It is very interesting to deal with the elected representatives. As I am a Member of Parliament (MP) and elected by the people

directly, I have to interact a lot with them. When an MP lands at the airport of his constituency, people come up to him with complaints such as stinking toilets, uncleared garbage, and water shortage wanting to know what he is doing about them. He tries to attend to all such problems considering them as his responsibility and, in the process, forgets his primary responsibility, that is, to make laws. This happens in India because the same voters elect the members of Parliament, the members of Legislative Assembly, and also the members of a corporation or a *Gram Panchayat*, if it is a rural area. The expectations of the people are so high that the elected representatives are not able to deliver as per their expectations. This affects governance.

What is governance? Governance is what we have created—these new functionaries with different responsibilities. If each one of them delivers, the governance will be of high order. But, because there is an overlap of responsibilities, it is not delivered. What is expected from that office is not happening. Finally, what is happening is that people's expectations of a person are totally different from what he is supposed to deliver. So, how do we fix this problem? The problem is that there is no codification of responsibilities and functions between all the functionaries of the democratic system which we have created. And, this affects governance. If we are able to fix responsibilities properly, we are sure about the deliverables. At the time of the next election, an MP's performance will not be judged by how clean the toilets are but probably by how many new laws he has passed. In India, that is never an issue. So, governance is getting affected because, from the highest to the lowest level, we are confusing the roles and responsibilities. The Indian constitution had divided the state's responsibilities into three parts—legislative, executive, and judicial. And, that is what provides the checks and balances. In each of these responsibilities, the functions have been divided. But, codification of the functionaries' roles has not been done. It was never thought as important but, in its absence, today, we are seeing what is really getting affected. And, the casualty of all this is governance. We have to actually fix the responsibility with each one of

the functionaries an absence of which is one of the serious problems that we are facing.

I would conclude by saying that if we want to fix India's problem, we have to first fix the governance problem. In India, we talk about many types of reforms—labour reforms, banking sector reforms, financial sector reforms, industrial policy reforms, external sector reforms and so on. Reform is like a product which has to be changed. And what is that vehicle which is going to bring about that change? All this can change only if the system which can bring about the change is overhauled. We are not overhauling the system but we are still trying to change the product that we want to deliver. So, it is like creating a big missile of a very high potent which can destroy virtually any territory where it drops but, as the missile carrier is not created, this missile will explode in its own territory killing more of our own people than the enemies. The same is the case with reforms. Since the bureaucracy which is the carrier of these ideas is not getting reformed and because we are changing the reforms without changing the bureaucracy, it is exploding in our own territory destroying our own people. And, therefore, if governance has to ultimately be reformed, the whole country has to change. We must go to the basics and start solving the problems. We do not do it because it is the most difficult and unglamorous part of our job.

The problem is that there is no codification of responsibilities and functions between all the functionaries of the democratic system which we have created. And, this affects governance. If we are able to fix responsibilities properly, we are sure about the deliverables.

Once I called the ministry of power and made some enquiries about power sector reforms. As the officials of the ministry interface between organizations and the ministry on the one hand and the outside world on the other, I assumed that they would know everything about reforms. They said reforms are very good. But, on being asked what reforms are, they said that they are absolutely essential and that we should have reforms. But, none of them could tell me what reforms actually are. That is when I realized that we must quantify and make sure what actually reforms stand for before they are conveyed to the people. If the people who are supposed to carry the reforms further do not know what reforms mean, how can they deliver? Therefore, I looked at issues like training which is not there in the government. We are more than a million people in the

government for whom training is important. But, if we do not change the training which will lead to mindset change, mindset will not change just over a period of time. And, only if we bring about a change in the mindset, there is a possibility that governance will change. If public governance improves, automatically, corporate governance will also improve because public govern-

ance will make sure that those who are in power are actually the ones who ensure that all the activities in the country—commercial activity whether in corporate or non-corporate sector—would be carried out in a manner as stipulated in the law. And that is what will make the difference. And, that is why, I think, governance is the most important issue. ♡

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We cannot live only for ourselves. A thousand fibers connect us with our fellow men; and among those fibers, as sympathetic threads, our actions run as causes, and they come back to us as effects.

Herman Melville