

## INSIGHTS

### AN INTERVIEW WITH PRADIP KHANDWALLA

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Professor Pradip N. Khandwalla (PK) has been the Director of IIM Ahmedabad. His qualifications read: B.Com. (Hons) from Bombay University (1960), CA (1964), MBA (Wharton School, University of Pennsylvania, 1966), MSIA (1968) and Ph.D. in industrial administration (Carnegie-Mellon University, 1970). Now a management consultant and trainer, he brings a fresh change in the way corporate governance is perceived. He talks about creativity, goodness and ethics in the field of management in an interview with Professor Abha Chatterjee (AC), Faculty, IIM Indore.

AC: What do you think one needs to do to attain the kind of stature you have as an academician?

PK: Every individual has to develop oneself, given the context of goal, aspiration and also interest. Some people can be outstanding trainers but not good teachers or researchers, while some may be exceptional at research but not at training. It is a question of choice and interest. In my case, it was the yearning for research. The intense curiosity to find out things was an important factor. It is not just restricted to Management, I am interested in finding out all manner of things; be it Astronomy or Astrology and a fair amount of intelligence which I won't be modest about it, although of course many people have more intelligence than I. Added to this was the concern that whatever I do, should in some way be helpful to the country as a whole. My upbringing has been in a very nationalist family. This played a role in my returning from North America after 10 long years. In my early years, the concern for the society had guided my work implicitly while later it was in a more explicit way.

AC: You have written some books. Would you tell us about them?

PK: My latest book is on how corporations can be outstanding performers and also have a very real sense of CSR and Ethics. Another work of mine is on how to revitalize the governance of a country; it came out in 1999. Both of the works are influenced somewhat by the concern for society in the larger context. In the last two years, I have been asked by a couple of the Prime Minister's Task Forces, to write monographs on various commissions and projects. One of them was for the Mohali Commission and the other was for Bihar, which was based on one of my earlier works. This project had a larger concern attached to it. You are supposed to design a state to increase its performance level. The criteria relevant here are not restricted to profitability; they also extend to accountability to people, use of resources, and quality of public service.

AC: Would you tell us about your book on social development...

PK: I was not the author and had only helped to edit it. Today, we have practical knowledge about Organisational Behaviour & Sciences. A lot of research has also been carried out on it. Nevertheless, so far it has been used primarily at the corporate level. 'How do you improve relationships?' 'How do you have a better design of organisation?' These are the types of questions often answered. The same information base can be applied in a much more extensive way. There was an international conference at IMA; the concept I tried to propagate was of strategic organisation, strategic group and strategic individuals. Strategic organisations are those that either have a national mission, for example; the planning commission, or those, that like public enterprises, promote economic and social development. Trained local catalytic groups like NGOs are also examples of strategic organisations. The idea was that if we could engage strategic organisations in the development mechanism, the impact on society would be larger. As educators if we could do more research on strategic groups the impact would be substantial, even in the context of a developing nation. Right now much of the work we are doing is going to companies where it is least needed. The companies are already well managed. Research is primarily being used to increase business performances. Such were the issues discussed in the international conference.

AC: Did something concrete come out of the discussion?

PK: We launched a book series on strategic organisations, three to four volumes were published and some courses were developed with plans to carry out further research. The impact was somehow not as effective as was expected. It was an idea that was presented, to turn it into a major movement. One needs to devote a lot of time to the whole concept; perhaps a period of 10 years or more. I, being primarily an academician, was interested in carrying out research and teaching. For those who were interested, the platform was open.

AC: What do you believe could help in doing better and more meaningful research in context of the economy?

PK: Creativity can make your research go further than it would otherwise. In context of satellite powers the resources are scarce. Creativity is a less tapped resource. If you take a look at the planning commission, all they talk about is producing a certain amount of food grains. Say for example, if they had produced 200 million tonnes in the last five years, they would set a target of 250 million tonnes for the next five years. The fundamental question of whether you really need more is not asked; it is assumed that there is a need for it. There can be options like producing vitamins or nutrients in pill form that can supplement the food grain to a certain extent. What is the nutritional content of a pound of food grains? It may be one-tenth, or one-twentieth with the rest holding no value, and the way we cook it, the nutritional part is often destroyed. But we are fixated with the notion of producing more. Take steel for example. We are increasing our production capacity without really figuring out the current and future requirements. What if steel becomes obsolete tomorrow?

Polymer is much stronger than steel and it is also usable. Then why do you need steel? "Could polymer be used in place of steel?" is the vital question. The automobile industry is another case - Obama is stressing on environmentally friendly cars; Toyota resisted it all these years. Tomorrow if we go in for battery operated cars then what will happen to all the huge plants and machinery. The notion of zero based thinking, would then throw up innovative ideas. Somebody said that you have to think smart. This is quite missing in our society.

AC: Can it be taught?

PK: It is a habit of the mind, like how one learns to brush one's teeth. It starts from childhood, so if you can make a child come up with multiple ways of looking at things, then the child becomes creative. Creativity is not only a gift of God, one has to turn it into a habit.

AC: What do you think as educators we could do, since imagination is not taught or practised? How do you go about building it into a habit?

PK: I am a little pessimistic about the education system that we have. In our country, most of the rural schools are poorly funded and the students there are poorly taught. Often the students have little to no interest, in academics. This is a serious concern and the system needs to be improved drastically. There are Alternatives, which could be considered, for example; we could have distance education through electronic media. We do not have even one good children's TV channel today that is completely focused on children. Today, India already has 300 million phones, mobile service bases and in the next five years the numbers will quite possibly go up. So it is in the case of computers. We are moving into the age of extensive information linkages. This is a great opportunity for us to mount an educational effort through audio-visual means. In the future, we could have a centralised studio college where India's best teachers could make a contribution.

AC: Going back to your past, what was it that made you change your profession from a Chartered Accountant to a Professor of Organisational Behaviour and Sciences?

PK: When I was a Chartered Accountancy student, I used to wonder what were the reasons behind the figures; some companies would have higher profit margins, while some would have lower ones. It was partly because; some companies were not playing for profit. Another reason was because of the management. My curiosity made me ask 'why' and not 'how'. 'How' is a technical question, whereas 'why' is a philosophical question - an exploration. I think, if we can inculcate this in children, then there would be more thinkers. What we are doing today is producing technology. What if it becomes obsolete in a few years? Instead, when we train thinkers in management education, the results are more encouraging in the long run. If the students' only interest is in the getting of good grades, writing a thesis and getting a job, then they will be programmed in such a way, as not to be able to think for themselves.

AC: I have been teaching for more than twenty-five years. When I joined teaching six years ago, the participants used to read, were more well read-read too. Nowadays, it is not like that. Is it the way we teach or is it a general trend?

PK: All the IIMs in the race for the toppers end up having good students. This is always a limited number. But that's not how we should judge a human talent. If you add to it the other attributes that are important like leadership quality, goodness, ethics.

AC: How do you measure goodness and ethics?

PK: It is mainly about being aware of the fact that there are many dimensions to being outstanding, only one of which is performance. In our system, performance is what we define as the capacity to answer questions, which have definite answers. But much of life is not like that. Often, the people selected, are those who are good at making choices between two variables. In real life, most problems do not have one perfect solution. The higher you go the more difficult it becomes to differentiate the best from the rest of the lot. You need people who have the capacity to come up with really good solutions. If you look at leadership as the main criteria, then you have to devise tests, which capture the essence of a good decision. There are some interesting results of research on this. IQ is highly correlated with tests like CAT. The correlation is 0.5-0.6. What I am trying to say is that if you choose the top 5%, then you are eliminating somewhere around 70 % of the most creative minds. It is a huge price to pay. So, why is it that we are so hung up on CAT? CAT has a high cut off point. It does not make sense at all. At IIM we have SC/ST who came with 50 percent cut off versus the usual 90 percent. Most of them are able to complete the programme. CAT is not a good instrument if you use it at that cut off; you are probably cutting off people who are very good in other ways. If you use it to make a broad cut-off - like 50 percent - then it is acceptable. Many business schools are coming up and schools from abroad are also setting up their educational operations here. At this point, one has to decide who the good students are: Students who are good at academics and score high in CAT? If the answer is yes, then one will get plenty of such type of students. But they are not necessarily the best talent available.

AC: IIM Ahmedabad did have a policy of including people from different streams...

PK: That is true, because, basically it had the same criteria. For example, we were going to have some B.Com students, so, what happened was that in the group of B.Com students, one looked for students with the best academic qualification, CAT scores, and so on, so forth. But we should probe more; look a lot deeper than all those tests, to determine who the best students are.

AC: Will this be the theme of your next book? What would be the subject of your writing?

PK: The book I am writing now is on Indian Governance. It has drawn on global innovation in governance all over the world and its suitability in the Indian context, as well as, the innovations that have been done in India. I will try to make some proposal, based

on the findings. It is called New Public Management: A New Approach to Governance. It started 34 to 40 years back in the UK and the US, in response to very heavy budgetary deficits and public perception on effective government. The then Prime Minister, Margaret Thatcher came onto the scene and stripped a number of things to identify false professionalism, so that changes were made within the system. The success she attained was carved out with the help of around 130 Executive Agencies, as they are called. They are a part of the government, but are not headed by bureaucrats. Selected professionals within the public sector or from outside were appointed to carry out the task. They were selected on a contractual basis and were mandated to receive at least one-third of their pay in terms of performance indicators, which meant that if you were a public sector agency and you had some operation to execute, then you were encouraged to advertise. In which case, your own team, as well as an outside team either from the public sector or from the private would apply for the contract. The best team would get the contract and the winning team would have to absorb the current team. This competitive system ensured that the public got the best value for money. They also had and still have something called the Citizens Charter. It is a public pronouncement by each executive agency on what the public can expect from the agencies and if those are not fulfilled, then their grievances are addressed. Apart from this they have developed 1800 different indicators of performance for all these agencies. For example: The Employment agency - when there is a single indicator of finding jobs for people who are unemployed then the agency will take the easiest route. They will look for qualified people and help them get placed somewhere. To guard against this, they are given specific targets. Such as, not only must a certain number of people be given jobs at a specific cost but they are also expected to place physically challenged people, at the same time. Further more, they are also instructed to place certain people who have been out of a job for the last six months. This policy is to help the disadvantaged people in the economy. This way they are able to come up with the performance indicators, which capture the essence of public policy and which will be accessed every year.

AC: So, has that been successful?

PK: To a great extent, yes, it has, and that is what I have proposed in my writing. The interesting point is that there is a lot of similarity between the Central Corporate Public Sector in our country, (like BHEL, HMT) and the Executive Agencies abroad. One of the similarities is the way of selecting the managing group. Selected professionals head the public enterprises of the Central Government. There is a public enterprise selection board, which does the selection. At least three or four other professional full-time Directors are selected - Directors of Marketing, Operations, Finance, and Personnel, plus the Chairman Managing Director. Then there are three to four independent directors. Out of them one or two are political appointments but the remaining are professionals. I have served on the boards of NTPC, Bharat Petroleum and Bank of Baroda. In all of them, there was a system of professional management. In public sector banks there is a system of having one Director who acts as the representative of workers and one who acts as the representative of the officers. On the whole, the management is fairly professional. There are times when

there is interference, but I would say that in the three public sectors that I have seen, interference was minimal at the operational level. We have another public sector in India, which is owned by the state government. Each state has 40-50 such enterprises. These are managed in a very different way. The Managing Director is an IAS Officer, with the Chairman being a politician from the ruling party. Both have no domain expertise. The independent directors are very few and are also quite easily influenced by the politician. There was a study of the performance in the central and state owned enterprises. It was found, that after liberalisation the aggregate net profits of central owned units were growing at a rate of 15% per annum compounded annually, whereas, the state owned units were incurring losses at the same rate. The difference is clearly due to the professional management of the centre owned enterprise. That is why the Executive Agency concept is worth pushing. It would give us the same result it gave countries like Britain, Canada, Japan, New Zealand, Singapore and Thailand.

AC: Did it work in Japan and Thailand?

PK: Reasonably well. We don't have many assessment studies, but whatever I have seen suggests that they are all bringing the desired results. In Britain, of course there is a regular assessment. So, there are a lot of things we can do without changing the Constitution. We can learn from other countries and adapt some of their ideas to help change our circumstances for the better.

AC: Do you think the Right to Information (RTI) is addressing these issues?

PK: RTI is a very powerful tool for transparency. But it is not an effective management tool. You may come to know that so much money is wasted because of the use of RTI, but then what? We criticise and at the most, go to court and file a case. But the system continues as it is. Two to three years down the line there will probably be similar reports. We are not talking of systemic changes but of the isolated cases. Systemic changes, like performance management systems, or stakeholder management of government bodies, if implemented, will fetch a better result. One has to have competent professionals too. It must also be ensured that the professionals get their due remuneration. Even if the base salary is of that of the public sector then ensure that the rest has variable components, so the person can earn more if he performs well. IT is another very powerful tool to reduce corruption. It has been seen in Karnataka and elsewhere. Land records for example had a corruption rate of 90 % before the records were computerised. But after the whole system was IT enabled it was cut down drastically. I believe, such interesting and effective innovations, which have been tried around the world, if applied, can result in much better governance.

### Author's Profile

#### Abha Chatterjee

**Abha Chatterjee** is a faculty in the area of **General Mangement** at **IIM Indore**. She teaches **Business Communication and Ethics**.