

'COMMENTARAO IN "THE TELEGRAPH"

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INTRODUCING CHANGE

- To redirect India's growth, Narendra Modi will face opposition

COMMENTARAO: S.L. Rao

Narendra Modi's government will face challenges from many as he introduces dramatic changes rapidly in Indian governance. The changes will impinge on all aspects of institutions, policies and implementation. After 13 years as an effective chief minister he will recognize the tricks played by vested interests among bureaucrats, political opponents and colleagues, businessmen and other groups. Misleading information, implementation bottlenecks, tittle-tattle are their weapons. On the canvas of India, can he deal with all of them?

Change is disruptive in any organization. A corporate organization would have developed a vision of where it wants to be in a given time, discussed the challenges to be overcome, required changes and hence set the objectives, structure, systems, procedures and staffing, to achieve the vision. The organization evaluates obstacles that could arise and resolves how they can be overcome. In our world of uncertainties, alert leaders revise plans primarily to get everyone to

accept the vision and the methods to get there. The doubters and naysayers have to be identified and neutralized by persuasion, strong-arm methods, or just watched to prevent sabotage.

Changes imposed by external advice generate difficulties. All local factors may not have been considered, or the local actors do not accept the proposals. For example, in 1963, Lever in India had three separate sales forces for their businesses in soaps, toiletries and food products. It was advised by an organization expert from the principal shareholder company in England to reduce the sales forces to two. Products that demanded different marketing and selling approaches were put together. The change hurt the company badly until it was reversed some years later. This external advice was implemented in spite of an earlier recommendation by an internal group that the company move to organize itself into profit centres for each product group.

Change in non-governmental organizations is more difficult to introduce. These organizations consist mostly of volunteers who have come together for a common cause. Their discipline is not as in commercial organizations. When the NGO is well structured and the staff consists of paid employees, it is a little easier. Especially when so many NGOs are actually money-collecting agencies to help

personal lifestyles, the resistance to change is greater from employees and colleagues unhappy not to get a share of the spoils.

Greece is in turmoil because of economic decline owing to the European Commission's directive to cut expenditures. Street protests and strikes are the least of the reactions. Opposition parties had a field day cashing in on public dissatisfaction. Economic changes have taken too long to be implemented to turn the Greek economy around.

Spendthrift France with easygoing working hours and massive social spending is becoming the sick man of Europe. A somewhat more reformist government was voted out and ineffective socialists took power. France is heading for an economic collapse from which it will emerge only after drastic surgery. Again, hurdles to reform have also come up because changes were suggested by an external (EC) directive to balance budgets. If the French had themselves realized and implemented belt-tightening measures, the opposition might have been muted.

Introducing change in democracies is particularly difficult. Change is easier to introduce when the society is in crisis and looking for saviours.

F.D. Roosevelt in the United States of America tackled the effects of the Great Depression. Millions had lost jobs, the economy was in a

shambles and people wanted a leader who would take them out of grim misery. Roosevelt's "New Deal" greatly increased government regulation of the economy and introduced a programme of major infrastructure construction. FDR brought radical change in the US, from a laissez-faire economy to one with a greater governmental role. He was re-elected three times and took the country into World War II which further stimulated the American economy.

Margaret Thatcher took over as prime minister of the United Kingdom when trade unions had wrecked the competitiveness of the economy. Her party did not quite understand what she was doing but it saw that the Labour Party opposed her strenuously, and so gave her full support. She transformed the British economy by moving away from government ownership and control to regulated enterprise.

P.V. Narasimha Rao changed India in 1991 by removing many obstacles to enterprise and reducing the active role of government as participant in the

production

economy. He tried with limited success to open India to foreign direct investment. Many politicians (for example, Murli Manohar Joshi's "yes to computer chips, no to potato chips"), bureaucrats and businessmen

profiting from little competition (the Bombay club's opposition), prevented it. Restrictions and bottlenecks to growth remained, with inefficient State-owned enterprises, restrictions on FDI, poor regulatory environment, massive corruption because of large government expenditures and poorly implemented, massive social expenditures. Rao and Manmohan Singh, his finance minister, only plucked low-hanging fruit. The really difficult tasks are now up to Modi if India is to reach its undoubted potential.

Modi's spectacular electoral victory was based on a stagnating economy, with little employment growth, persistent inflation, declining savings and investment, rising deficits in government budgets and the external balance of payments. Government delays and corruption held back project implementation.

Modi's chief ministerial experience, sharp intellect, enormous energy, devious political mind, clarity of vision and a clear plan on what he must do has led to action on many fronts -- leaner ministry, strict rules for ministerial behaviour, and protection and penalties for the bureaucracy to ensure performance.

Changing systems and administrative rules require thorough implementation through a vast bureaucracy of "perpetrators and

collaborators". Although pliable, many have vested interests. They will dither and delay. Politicians of all hues, businessmen and bureaucrats at all levels, denied wealth opportunities, will find reasons to not implement or to delay. Crony capitalists denied profitable favours will use every trick to prevent the essential reforms. Some state governments will resist. Curbing the incompetence and corruption in many State-owned enterprises and corrupt defence purchases demands bureaucrats willing to act.

There is rampant theft from oil and gas; there are large leakages in social welfare expenditures, subsidies for oil, gas, fertilizers, the public distribution system and so on. Legitimate dues to government are denied in joint venture airports, gas fields and others in apparent collaboration with bureaucrats and politicians. Defence commission agents will fund Opposition to bring cuts in imports of defence equipment. So might the expensive and inefficient Defence Research and Development Organization. These people, who stand to lose, will not easily give up huge earnings without a fight.

There are other reforms that are overdue, for example, in labour laws. Trade unions, NGOs, and the ultra-sympathetic do-gooders will prevent forward movement. Many media houses will give these opponents much space. Modi has to counter all this.

Modi must have a few honest people who will help change an exploitative 'socialist' and State-run economy into one that encourages enterprise under strict regulation. He must have a trusted core of overseers who will, on his behalf, push ministers, bureaucrats and others to go in the right direction.

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