

INDIAN SCHOOL OF BUSINESS
SEVENTH GRADUATION DAY 2008
ADDRESS BY DR. K.P.SINGH, CHAIRMAN, DLF
AT ISB HYDERABAD ON SATURDAY, APRIL 5, 2008.

Chairman of the Governing Board Rajat Gupta, Dean Robertson, Dean Rammohan Rao, Members of the ISB Board, Eminent Faculty of ISB, Distinguished Guests, Ladies and Gentlemen, And, most important of all, The Graduating Class of 2008.

I consider it a great honour to be invited to address this Graduating Class of 2008 of a truly unique institution like ISB, which has not only earned international recognition in an incredibly short span of time and but also now ranks among the Top Twenty B-schools in the whole world.

This is indeed an outstanding achievement and, perhaps, could have happened only because both the teachers and the taught of ISB are fired by an unquenchable thirst for knowledge and are committed to the pursuit of excellence.

Let me, therefore, begin by congratulating Rajat Gupta and all the founding fathers of the ISB for their visionary initiative and the eminent Faculty led by Dean Rao who have translated that vision into reality.

Let me also extend my heartiest congratulations to the students of the Graduating Class of 2008 and their parents, friends and mentors.

This is a very special day in your lives. I am sure all of you have gained immensely from the world class education that has been imparted here at ISB, which, in addition to your five years working experience, has now made you ready to return to your careers fully-equipped to take up the challenges and opportunities that you will face in the years ahead.

When Rajat invited me to attend your Convocation I felt honoured, but at the same time wondered what I should speak to you about, because, frankly, unlike my own children and grandchildren who have graduated from MIT and Wharton, I myself have not had the benefit of any formal management education.

After ten years as an officer of the Indian Army, I learnt the corporate ropes the hard way, inspired as I was by the legendary Henry Ford's philosophy that "Failures are only opportunities to begin again more intelligently", and so I thought that perhaps it may be useful to share with you today some of my experiences along the way, and also to share with you my perceptions of an area I have been associated with all my working life, Housing and Urban Development.

I believe circumstances and chance meetings have a great influence in charting the course of events in one's life. But it is up to each one of us to translate these chances into opportunities to achieve personal success.

At two important junctures of my life, I was very fortunate to come into close contact with two towering global corporate leaders - first, in the early Sixties, George Hoddy of Universal Electric Company, and then, two decades later, Jack Welch of GE. Today, I can say quite honestly that almost everything I initially learnt about managing a business enterprise was due to my association with them.

Let me tell you first about George Hoddy, the visionary who built a business empire that stretched across the United States, Europe and Asia. His interest in India was kindled in the early Sixties after reading a newspaper article about millions of young people in India looking for jobs, which weren't there.

His company entered into a joint venture with DLF to manufacture precision electrical motors, which we named

American Universal Electric. Even though he was only a 50 per cent partner, he took extraordinary interest in making the venture a success and in training people involved, especially me, a young person, at the beginning of my business career and the starting point of a learning curve.

George had this uncanny knack of balancing macro objectives with micro reality. The speed with which he could achieve this balance and, thereafter, take a decision to go ahead with the project, was backed up by his unique brand of determining those risk factors which could come into the way of achieving the laid down goals and profit objectives.

He termed this form of risk analysis as Accountability Programmes and he used to give almost equal priority to Project Reviews and his Accountability Programmes. His philosophy was that if you can take care of those factors where you can go wrong and ensure they do not come in your way, success will invariably follow.

The speed with which he used to balance project reviews with accountability reviews, blending micro issues into the macro picture, was something unique.

I adopted this methodology into my way of working and I have always found it to be immensely useful in the past forty years of my own business career.

Another very basic tenet George believed in, during those days when it had almost become a way of life to circumvent laws, was not to do anything which would break any law. You can stretch it, but never break it.

This is something I have seen in my life. In my type of business, real estate, which was hemmed in by archaic laws, to operate within the laws required a very unique method of working and I find that even now in India today, although laws have become much simpler, this approach has not caught on the way it should have.

So my advice to you, as young people starting your corporate careers, is this: Do not do wrong things. Always try to find solutions, to achieve the objectives, by doing the right things and not by breaking laws. Follow George Hoddy's dictum: "Two wrongs don't make one right".

Incidentally, George Hoddy celebrated his 100th birthday just three years ago, in March 2005, and when I called on him to offer my felicitations, it was fascinating to see that even at the ripe old age of 103, he is doing exactly the same thing on the philanthropic side in the Michigan area, as he used to do in his corporate career, going out of his way to take personal interest in the people around him and actively work for their welfare.

George Hoddy undoubtedly had a great influence on my way of thinking and working. After my long association with him, I was indeed fortunate that the next great transition in my life brought me into close contact, a few years later, with another living legend, Jack Welch.

My interaction with him, when he came to India the first time in the mid-Eighties, was for me, personally, a turning point, in the sense that it was the ultimate crash course in global management practices and perspectives, especially after he inducted me as a Member of GE's International Advisory Board.

But of far greater relevance, for India's future development, was the impact that Jack Welch had on the then Prime Minister, Rajiv Gandhi. I would go so far as to say that I believe it was a significant turning point in India's economic history.

In keeping with his stature, Jack was given a rousing red-carpet welcome.

But he kept asking everyone he met: "Why is India moving so slowly?"

The answer he would invariably get, from senior bureaucrats and political leaders alike, was that a slow pace of

development was inevitable for a "Developing Democracy".

Even Rajiv Gandhi responded to Jack's question in a similar manner. "India is just a Developing Democracy", he said, "Things do take time".

That was when Jack came out with an observation, which had a big impact on the mindsets of the policy-makers of India, including the young Prime Minister.

He said: (QUOTE) "Mr. Prime Minister, may I suggest that you should start thinking of India as a 'Developing Democracy with a Highly Developed Intellectual Infrastructure'. Some of the smartest managers of my company are Indians. The day you begin to harness your intellectual resources, India will become an economic superpower". (UNQUOTE)

This simple truth had been eluding the Indian leadership till then - the truth that India's strength and India's destiny lies in its own intellectual potential. That the key to transforming the country into an economic powerhouse is to recognise, harness and exploit the intellectual resources of our own people.

I am convinced that Jack Welch's advice inspired the young Prime Minister to push ahead with greater confidence towards reform and modernization.

If India is now being projected as one of the fastest growing economies and most attractive investment destinations of the world, it only reflects the reality on the ground today, whereas visionaries like Jack Welch saw it coming 20 years ago.

His meeting with Rajiv Gandhi in 1986 wasn't just a symbolic event. It led directly to a major foray by GE into the Indian economy - from an involvement of less than two million dollars at that time to over one billion dollars today. The entry of GE, in turn, became a forerunner to the inflow of massive investments by hundreds of other global corporations.

In fact it is perhaps not very well known that it was Jack Welch who pioneered the Business Process Outsourcing phenomenon in India. It was after his meeting with the then Prime Minister that General Electric gave an initial order of US\$ 10 million for getting its outsourcing done in India. This single step subsequently became a pace setter for orders worth billions of dollars from other global corporations. The rest is History and today India is the number one BPO destination in the world.

Indeed, although conventional wisdom is that the era of India's economic reforms began only in 1991 during the Narasimha Rao-Manmohan Singh regime, I personally believe that the seeds of liberalization were first sown during Rajiv Gandhi's time in the mid-Eighties, leading him to begin the process of correcting the mistakes of the past and launching India on a course correction trajectory.

In many ways, the history of India's economic development since gaining Freedom in 1947 has been a story of mistakes made and lessons learnt.

Perhaps adopting the model of a controlled economy was relevant at that time. Nobody can deny that the socialist pattern of development followed for the first four decades brought about certain very significant gains on many, many fronts - most notably the Green Revolution which brought about self-sufficiency in food, the creation of institutions of higher education like the IITs and also the fillip given to small scale industries which enabled the emergence of a vast and vibrant entrepreneurial base.

But if we make a frank appraisal of our economic and social performance over the past 60 years we will be forced to admit that in stark contrast to these major gains, there is a long list of failures and unfinished tasks.

Look around you, my young friends, and you will see that in spite of the dramatic progress we have made, we are still a nation in transition, caught on the razor's edge between two conflicting mindsets - one, still pushing an old, outmoded pattern of development and which is not quite dead yet; and another young and vibrant mindset, which is still struggling to be born, advocating a new model of growth.

While we can justifiably take pride in the rising curve of our GDP growth rate, let us not forget that we have still not succeeded in providing even a basic minimum level of livelihood for the millions of our fellow citizens, especially in the rural areas.

Even in our cities and towns, the human condition is far from satisfactory. Fifty per cent of urban populations are slum-dwellers, lacking even basic hygiene facilities. With living standards falling to the lowest levels, slum children, the citizens of tomorrow, are growing up in an environment where character building has no place.

We must realize that cities are drivers of economic growth, providing employment opportunities that attract human resources. But clearly, our big cities are unable to cope with the burgeoning population and the growth that is taking place. Our urban infrastructure is crumbling. Everything is in short supply, whether you talk of housing, power supply, roads or transportation.

I analyzed this anomaly deeply and came to the conclusion that it was due primarily to one fundamental mistake made by policy-makers after Independence, which was to completely eliminate the private sector from the housing development scenario and for the State to take it over totally as a monopoly

This led to the elimination of professional developers of the day and the vacuum created by the exit of professional developers was filled in by the mushrooming growth of thousands of fly-by-night builders who made rampant unauthorized constructions all over the country.

The results of which you see all around you today. There is no city, which we can be proud of. Everywhere you see shanty towns and slums, invariably unauthorized, and substandard urban infrastructure. This is all the outcome of one fundamental mistake of that time.

It became evident to me in the early Eighties itself, that while the urban population was increasing 8.5 times, urban housing was growing by only 2.5 times and cities were getting choked and over-crowded. That was when I decided to take it upon myself to pioneer a change. And that was how the idea of Gurgaon was born.

I was fortunate at that time to come into close contact with the late Rajiv Gandhi who became very supportive of my efforts to get the housing sector opened up. But it proved to be a long and arduous exercise since not only had cob-web of archaic laws to be done away but old, out-dated mindsets needed to be changed. What should have taken three to five years, took twenty years to bring about.

Unfortunately, even today, old mindsets still come in the way and there are many outdated laws still on the statute books. But the good thing is that at least today it is being recognized that the private sector has a role to play in the development of Housing in the country.

My young friends, as I see it, there are two basic issues before the country - one is the colossal task of making growth inclusive by bringing about a transformation in the rural economy, which the government is now rightly attending to; the other is revamping the entire housing and urban infrastructure, not only to meet future challenges, which are gigantic, but also to clear the backlog.

The question is: how can this be done? As I said, first and foremost, there has to be change in mindsets. This is where strategic education comes into play.

I believe that institutions like the ISB, and indeed all colleges and universities in the country, should include a new subject in their curriculum, an important subject, on Real Estate, Housing and Urban Development, which has not got the kind of recognition that is vitally necessary in a country like India.

In fact, there is a reason behind why this subject is missing from our educational courses. The reason is that in the Fifties and Sixties, after urban development had been taken over by the Government, there was a complete absence of industrialists representing the Real Estate and Urban Infrastructure sectors of the economy.

All our apex Chambers of Commerce and Industry lobbied solely for reforms in only Industrial Development, wholly ignoring the plight of Urban Development and Housing.

That is precisely why today, whereas India can be proud of its Industrial Development - whether you look at Telecommunications or Manufacturing - we certainly cannot be proud of our Urban Development and Housing scenario.

To rectify this situation, we have to make a new beginning. We have to begin again more intelligently.

And we can begin by changing the curriculum in our educational institutions. I would even suggest that the curriculum at institutes for training our bureaucrats, like the IAS Academy, should be enlarged to include Urban Development and Housing as an integral part of the syllabus.

This will bring about a new awakening and new realization so that over time, mindsets start changing. Because today policy formulations are governed by old mindsets and that is why such big mistakes have been made and continue to be made.

We must realize that when major conceptual mistakes are made in urban development and housing, future generations are affected. Unlike in Industry, where errors can be rectified relatively easily, in urban infrastructure and real estate development, mistakes cannot be undone without colossal loss of time, money and effort, and in some cases, involving demolition of existing structures, it becomes almost impossible.

That is why, I believe, there has to be a national movement to bring about changes in education, in training and in attitudes. This is where talented young men and women like you, equipped with the best of education from the very best of institutions like the ISB, have a role to play by bringing about a change in mental attitudes. As future captains of industry, all of you have the collective responsibility to guide the destiny of this great country along the right path.

The challenge is not just achieving growth. Growth will take place. The challenge is to manage growth in a manner which makes it truly inclusive. The challenge is to change mindsets so that policy makers, bureaucrats and corporate leaders alike stop Thinking Small and Managing Shortages and, instead, start Thinking Big and Creating Surpluses, so that all sections of society can share the benefits of prosperity.

As each one of you steps out into the world to pursue your individual careers, your collective mission is to play a role in helping to bring about this new vision of an India where living and working standards are the best in the world.

Men and Women of Destiny, I know not the contours of the future. I know not if we are witnessing the dawn of an Indian century. I know not how many Indian billionaires there will be in the years ahead.

But what I do know is that India is fast emerging as a land of opportunities, not only for foreign investors but equally also for corporate managers and innovative thinkers from all corners of the world.

In that sense, each one of you will be living and working in a truly global century, in which India will contribute significantly towards making this planet a better place to live in. And each one of you will be called upon to assume

leadership roles to make that happen.

I wish you all a glorious and successful career. Congratulations, once again, to the Graduating Class of 2008.

Thank you.