



The Indian Institute for Corporate Affairs (IICA), The Confederation of Indian Industry (CII) & IMD – The Evian Group

Globalisation, Corporate Leadership and Inclusive Growth
An Indian Agenda for Global Knowledge & Local Implementation

The Agenda will be presented at a special meeting to be convened in
New Delhi, 20-22 October 2008

Purpose of the Meeting and Project

The meeting is being convened and the project launched on the basis of a proposition that can be put quite simply, indeed quite starkly:

If globalisation is to be sustained, with all the benefits it can bring to humanity, growth must be inclusive, it has to be seen to benefit the greatest numbers, and corporates have a key strategic role to play.

There has been in the recent past a rich literature and policy prescriptions that have informed the public policy and public opinion debate on globalisation and its impacts on humanity. This project draws principally on three recent documents: The Growth Report – Strategies for Sustained Growth and Inclusive Development compiled by the Commission for Growth and Development; the Government of India's Eleventh Five Year Plan; and the vision encapsulated in C.K. Prahalad's India@75.

The Meaning and Imperative of Inclusive Growth

The global market economy, propelled following the radical economic reforms undertaken in many developing economies in the late eighties and nineties, has generated unprecedented levels of growth and poverty reduction. The planet has, on the whole, benefited immensely.

The benefits themselves and especially potential future benefits are greatly at risk due primarily to two convergent storms: 1) The world economy is entering a much more turbulent inflationary period, coupled with increasing pressures of fragmentation, as clearly the days of high growth coupled with low inflation are over, at least for the near future; 2) There is – everywhere – a rising backlash against the market economy: the malcontents include those who have not benefited at all, and indeed see themselves as worse off, and those who perceive themselves as being left behind, the excluded. The growth of the last two decades has not been the expected tide that lifted all boats: some

have remained marooned, others may have been lifted, but only marginally, as they see the new global speedboats racing by. This multiple geometry globalisation is not sustainable, especially as the distances between the groups appear to widen, rather than narrow.

Inclusive growth is an absolute imperative in order for the global market economy to be sustained and indeed one could say for peace to reign. The current forces of fragmentation risk propelling the world into a conflict scenario.

But what is “inclusive growth”?

Inclusive growth in its simplest form means growth that is reasonably, indeed fairly shared, and that corresponds to both equality and equity. It includes measurable criteria and more intangible elements. The former (the measurable) includes such metrics as the Gini coefficient (measuring income distribution), the literacy rate, the general provision and distribution of public goods, including education, health, electricity, water, transport infrastructure, personal security, etc. Indeed in quite a number of countries, not only has inequality increased, but the provision and distribution of public goods have deteriorated, making it more likely that the inequality will become embedded in society and hence worsen. The inequality is exacerbated by inequity, or, in plainer terms, gross unfairness. As the Growth Report points out, children born from women who suffer from malnourishment have cognitive development defects from which they can never recover. Thus, even if there were equality of opportunity in principle, millions of children would not be able to seize the opportunities simply because they had the misfortune of having had a malnourished mother when in the womb.

Inclusive growth also refers to intangibles, to perceptions and “feelings”. The key terms are hope and participation. CK Prahalad stresses the importance of creating a social climate conducive to “shared aspirations”. The Growth Report points out how individuals will be prepared to put up with hardships today if they believe tomorrow will be better and especially if they can realistically hope that their children will join the ranks of the “winners”. While inequality is exacerbated by inequity, similarly the effects of inequality can be mitigated, at least temporarily, by a greater sense of equity.

Knowing what is “inclusive growth” is one thing, how to generate inclusive growth is a totally different matter. As the Growth Report admits, there is no magical formula, no “consensus” (from wherever it might emerge) that can be applied by just following the instructions. Inclusive growth is as elusive as it is vital. Whether we succeed in generating inclusive growth or not will, arguably, more than anything else determine the kind of planet we will inhabit in the 21st century. Hence all stakeholders need to be fully engaged.

The Global Significance of India and Inclusive Growth

CK Prahalad has expressed the belief that “India can and should actively shape the emerging world order and this demands that we acquire enough economic strength, technological vitality, and moral leadership”.

India has enormous significance for the world, for many reasons, including the very important one of its sheer weight of population. In the next forty years, the world’s population is expected to increase from the current 6 ½ billion to 9

billion. Not quite 8 of these 9 billion will be living in developing regions. The population of Central and South Asia (India and its “neighbourhood”) will increase by almost a billion, in fact 900 million, from 1.6 to 2.5 billion and India itself from 1.1 to 1.66 billion. (India’s two immediate neighbours, Pakistan and Bangladesh will increase in population respectively from 158 to 292 million and from 153 to 254 million.)

Currently, India remains a highly divided society, with some 30% of the population below the poverty line and 40% illiterate. Inclusive growth is a challenge today, as it will in good part determine the distribution of India’s population of an extra 500 million in the course of the next decades.

India matters enormously not only to Indians but to the rest of humanity as well. India’s success or failure will in considerable part write the narrative of the 21st century.

In recognition of this challenge, the Government of India has highlighted inclusive growth as its greatest priority. All those of us who can, should participate in this endeavour. This is all the more critical in that, as pointed out above, the overall global economic environment is likely to be far more difficult than in the past couple of decades, with many new challenges emerging.

Towards New Approaches to Global Problem Solving

We stand at a threshold that may determine whether we will embark upon a road of confrontation emerging from increasing centrifugal forces or whether we will embark upon a road of cooperation. The diverging paths of confrontation or cooperation apply both within and between nations. The differences are not necessarily entirely stark, but they indicate “tendencies”. At the moment the tendencies both between and within nations appear to be taking a more confrontational direction. The failure (so far) of the WTO Doha trade negotiations is one of the many illustrations of this fact. Within societies, growing political opposition and social unrest, including outbreaks of violence and the espousal of extremist ideologies tend to confirm the same tendency.

There is an imperative to put the world and individual nations back in the direction of cooperation. Cooperation does not, of course, exclude constructive conflict. On the contrary: as the Growth Report indicates, ultimately freer societies should be better placed to find solutions as they will be more prone to open debate. What is debilitating and will be all the more so, however, is the kind of ideological, social and political conflicts that are becoming in many instances more acute.

But successfully addressing the challenge of inclusive growth will require a mobilisation of all possible stakeholders.

The players to be included in this project – and who need to be included in all national programmes – are national governments, local governments, international organisations, domestic corporates, multinational corporates, entrepreneurs, NGOs, academe and the media.

It appears also especially timely that this project should be undertaken in India now as a new generation of leaders (in government and in industry) is rising. It is imperative to think of the next generation. As things stand we risk having to

echo the phrase of Brazilian President Luiz Inácio Lula da Silva: “how will we explain to future generations that we had so much, but did so little”.

The Role of Corporates

For a variety of reasons, including the many rapid developments that have occurred in ICT, the socio-political landscape for corporates has undergone great change and no doubt will continue to do so. There are higher social expectations from corporates than has been the case in the past. And there are many other issues, including those of security and the transaction costs they imply. Furthermore, it appears that in the new generations entering business, while a proportion may be primarily mesmerised by the prospects of enormous material success, many are seeking to combine material success with greater spiritual fulfilment. To put in prosaic terms: they want both to do well and to do good. The enterprise will need to reflect these aspirations.

Beyond the social and spiritual dimension, however, there is a big issue of economic enlightened self interest. If one thinks of those extra 500 billion Indians due to come to the planet over the course of the next few decades, if they are integrated through a process of inclusive growth, they will provide huge opportunity for corporate development and profits.

Corporates at all levels – Indian subsidiaries of multinational companies, large domestic companies, small-and-medium-sized enterprises, entrepreneurs – will need to be involved. And their involvement, as noted above, should be in the form of active collaboration with other stakeholders.

The Scope of the IICA-CII-IMD/Evian Project

In a very simple nutshell, the scope of the project is aimed at determining what works in generating inclusive growth and why (conversely, what does not work and why) and how can the lessons drawn from successful cases be applied.

This is a very empirical and pragmatic project, in the spirit of the IMD motto of “real world-real learning”, and hence has no pretence of devising any new theories on development. Rather, as the Growth Report stresses throughout: “The growth of GDP may be measured up in the macroeconomic treetops, but all the action is in the microeconomic undergrowth, where new limbs sprout, and dead wood is cleared away”.

Thus the project is focused primarily on the “microeconomic undergrowth”.

Programmes for development and growth are most often described by budget allocations and inputs. Thus, for example, X million dollars have been allocated to improving water distribution in province Y. Much more important than the input, however, is the output. What happened to the money, did it reach those it was intended for, what have been the results? This is the focus of this project. It is aimed at identifying what actually happened, why and what can be learned.

The key areas are: health, education, provision of infrastructure and utilities (water, electricity, etc), rural development, specifically technology transfers for productivity enhancement to farmers, and employment generation.

The project is also informed by the sense that in this global age characterised as that of a knowledge society, ideas and models should be sought from wherever in the world they may have been generated: hence, global knowledge for local application.

The meeting in New Delhi in October will have been preceded by several months of intensive research identifying cases from throughout the world that can be said to have been aimed at generating inclusive growth. This research exercise is complemented by the establishment and interaction of a Council of Global Thought Leaders.

At the meeting in Delhi in October the case studies will be presented as well as the individual contributions of the Council of Global Thought Leaders and the collective wisdom of their output.

In addition the meeting will bring together policy makers and business leaders, along with actors drawn from the cases that will have been selected for presentation, and representatives from the communities that are targeted for inclusive growth. Senior international and national government officials and international and Indian business and thought leaders will address the meeting. The meeting on inclusive growth will be inclusive!

The objective of the project and of the meeting will be that all should better understand what constitutes inclusive growth, what are the means that can help to generate inclusive growth, what, specifically, is the role of corporates, and how can the participants convened to the meeting **act upon** the lessons learned in making their own contributions to inclusive growth, and by example and communication inform others.

Corporate participants will be drawn from designated members of the CII, from the IMD Indian and global learning networks, and Evian Group members.

Project Output and Implementation Follow-Up

The output of the meeting will include various components. There will be a full report, including the case studies, reference material, the contributions of the Council of Thought Leaders, and the proceedings of the meeting itself.

In addition, will be produced a “handbook” on inclusive growth that will serve as a template for action specifically in the Indian economy.

The output will include an important outreach programme that will consist primarily of an audio-visual (DVD) that can serve at grass-roots levels for learning about and seeking to implement projects for inclusive growth.

Furthermore, an organism will be put in place that will act as a monitoring agent to assess and promote inclusive growth projects in India.

The participants of the meeting will be formed into a virtual community with the aim that they will continue cross-fertilising. Inclusive growth has to be a sustained effort and cannot be achieved simply by reports and meetings.

Thus the project envisages several forms of follow-up, including at the grass roots levels in India and among the meeting participants as a means of mobilising active forces for inclusive growth.

The project is designed both to learn and to act!

It is intended that the project will be undertaken in 2009 in Pakistan, Bangladesh and Sri Lanka, and possibly elsewhere.

Jean-Pierre Lehmann
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